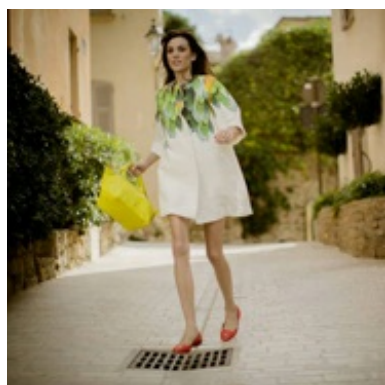


ADVERTISING

## Longchamp exec labels South East Asia a “half China” with explosive middle class

May 13, 2014



*Alexa Chung for Longchamp, spring 2014*

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By JEN KING

MEXICO CITY, Mexico – With a regional population of more than 600 million people, South East Asia is gaining steam in the luxury market space in both product purchase and hotel stays, according to a panel May 12 about South East Asia at the FT Business of Luxury Summit.

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The panel focused on South East Asia and how investors, consumer brands and hoteliers can get a handle on the large and complicated area. South East Asia’s marine- and land-based economies throw a significant challenge to brands who must rethink current models to adapt to the region’s nuances.

“South East Asia is a half China,” said Jean Cassegrain, CEO of **Longchamp**, Paris.

“This is true in term of its potential,” he said. “But it is not there yet and I’m very confident that [the region] will catch up.

“One of the most significant signal we’re getting is the increasing number of South East

Asian tourists that shop in Paris and Europe.

### Move over China

As China continues to slow down at a rate of 2 to 3 percent in the years ahead, South East Asia is expected to rise 11 percent per year, but marketers must bare in mind that China is still the big market of the continent in absolute numbers.

South East Asia has a growing middle class and its amount of high-income households will grow dramatically over the next 20 years, **GIC Pte Ltd**'s president of the Americas, Anthony Lim suggested.

Luxury retail in South East Asia, especially Malaysia, Thailand and Indonesia, accounts for only 1 percent of the luxury market on a global scale, therefore investors should approach the region holistically across sectors.

"The investment thesis has to be from an investor perspective," Mr. Lim said. "The growth and income from rising middle classes in all of these [South East Asian] emerging markets will bring about opportunity."

To better conceptualize these investments, French leather goods maker Longchamps and hotelier Hilton Worldwide, which owns the Waldorf Astoria properties, explained how they have approached South East Asia.

Longchamp's Mr. Cassegrain explained that South East Asian consumers have embraced the brand's "optimistic luxury" point of view.

Mr. Cassegrain told summit attendees that "optimistic" for Longchamp means being fresh, colorful and happy, while "luxury" refers back to the brand's every day heritage of French leather goods.

Young, active, happy and financially-independent South East Asian women have become the poster girls of the brand because they easily recognize the themselves in Longchamp. For example, Longchamp's bright campaign with model and TV personality Alexa Chung was well received in the region (**see story**).



*Alexa Chung for Longchamp, spring 2014 campaign video still*

In South East Asia, Longchamp operates 21 stores which account for only 10 percent of its

global sales, but that number is rising with Singapore driving the increase.

The Indonesian capital of Jakarta, according to Mr. Cassegrain, has the most potential, while Malaysia is smaller but has not prevented the brand from opening its 22nd location in Kuala Lumpur.

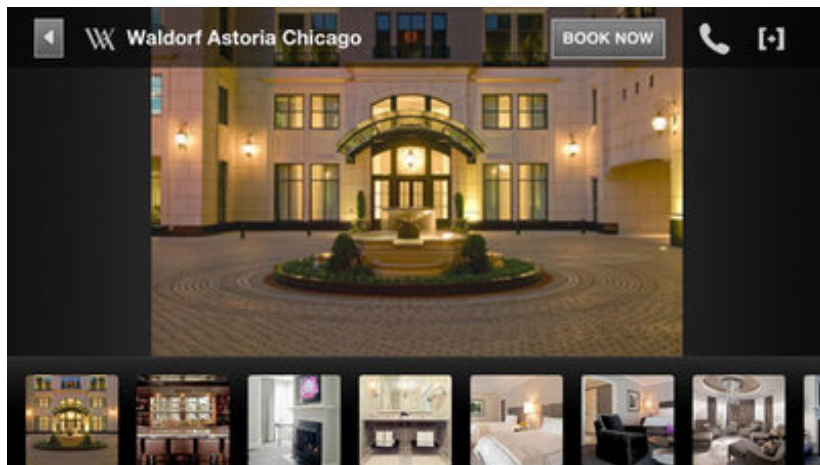
For Longchamp, South East Asian consumers purchase just as much in their country of origin as abroad, which may come as a surprise since the consumers from the region love to travel. Longchamp views this as a sign that luxury will do good in the region.

#### Mobile postcards

Travel and hospitality plays an important role in South East Asia with Hilton Worldwide's hotel footprint in the area, growing at a rate of 7 percent, while the region's consumer base is growing at 9 percent.

In South East Asia, it is vital to target consumers digitally through mobile devices as the desktop has become impractical.

Hilton Worldwide's Stuart Foster built off what he said at the Luxury Interactive 2013 conference about tailoring an effective mobile strategy for a hotel chain requires understanding the varying preferences and expectations of guests at certain properties ([see story](#)).



*Screenshot of Waldorf Astoria's mobile app for iPhone*

This is especially true for South East Asia where not only are the region's inhabitants traveling out, but Chinese consumers are traveling in. The 100 million outbound Chinese travelers have spurred the top six growing South East Asian economies due to tourism.

"We're looking not just in the market for the market spend," said Mr. Foster, who is vice president of marketing of [Hilton Worldwide](#), McLean, VA.

"[Hilton] is looking at who is coming into South East Asia and where they're coming from," he said.

With this data at hand, the Waldorf Astoria is set to open properties in Bangkok, Bali and Jakarta to target the growing middle class of South East Asia. The group is expected to grow 400 percent over 20 years, resulting in 60 percent of the world's population.

“[Hilton is] bullish on South East Asia,” Mr. Foster said.

“What’s probably most powerful is the growing middle class,” he said. “The growing middle class of South East Asia has the potential to be a major driver for the luxury market.”

Final Take

*Jen King, editorial assistant on Luxury Daily, New York*

Embedded Video: [//www.youtube.com/embed/CKTd8F-3064](https://www.youtube.com/embed/CKTd8F-3064)

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