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Global Luxury Goods: Where Now, Where Next

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Euromonitor International's latest research on the global luxury goods market indicates that luxury companies began 2014 with similar expectations to those in 2013 with regard to the challenges of sourcing and maintaining growth.

Led by Luxe Corp's team of business experts, Euromonitor International will be joined by leading industry experts, luxury companies and retailers at The Club e-Luxe International Summit on 5 June 2014 to discuss the latest trends in luxury goods and the challenges facing today's luxury bands and retailers, competing in a world where the line between the virtual and the physical world is becoming increasingly blurred and the one size fits all approach no longer exists.

During this one-day event, presentations, live demonstrations, debates, roundtables and conversations will be made by digital luxury experts, analysts, inventors, developers, designers and executors.

Emerging Economies Still Drive Growth and Luxury Fashion is Manning Up

The majority of the impressive growth in 2013 came from the emerging markets of China, India, Indonesia and Malaysia, where continued urbanisation, economic development and the overall love of luxury have continued to bring a large proportion of consumers into the mainstream luxury market. However, diversity amongst spending patterns still exists within emerging markets, as these economies are at very different stages of development.

From Mexico City to Shanghai to London, men are paying more attention to their appearance. This is especially visible in the emerging markets of Asia Pacific and Latin America. Whilst the world's wealthiest consumers may be more discerning in their brand preferences, the emerging middle class tends to view premium brands as badges of social standing. Surprisingly, this is especially visible among male consumers, with categories like men's luxury accessories and jewellery growing faster than women's.

However, it is not just the emerging markets that have been attracting male attention; fashion brands have also been focusing on developing their menswear offer to include menswear-only stores in the US, with New York City being the obvious location of choice. Men in the US have been relatively underserved in designer clothing. To date, they are not being targeted by the likes of Michael Kors or Tory Burch, both affordable luxury-positioned labels. Whilst J Crew has performed well in this area, it is a premium and not a luxury brand, and Coach, despite its best efforts, has not been particularly successful with its own affordable luxury range and has no major presence in clothing and footwear.

Is Africa and the Middle East the Next Luxury Frontier?

In 2013, investment interest grew further in the Sub-Saharan Africa region, which is set to become a key battleground for the luxury goods industry. Sub-Saharan Africa is experiencing the second-fastest global economic growth – behind Asia-Pacific – and is home to five of the 10 fastest growing economies in the world. This is set to translate into higher incomes and subsequent consumer spending growth. To this end, many African consumers will move into the categories of discretionary spending for the first time, offering significant potential investment returns.

In April 2013, Italy's luxury menswear label Ermeneglildo Zegna opened a franchise store in Nigeria's capital city Lagos, on the same strip as German luxury car manufacturer Porsche. Two months earlier, Hugo Boss opened a franchise store in the Capitals Palms shopping centre. Following the success of Zegna's Nigerian store the brand has confirmed three further openings for the Sub-Saharan Africa region; Angola and Mozambique, which are both to take place in 2014, followed by a South African outlet in 2015.

Despite the numerous challenges to overcome in the region other luxury brands are certain to follow the likes of Zegna, Hugo Boss and Porsche in opening new outlets in the Sub-Saharan Africa region. Prada, for example, has already confirmed plans to open in Angola. In order to succeed, brands will need to overcome these challenges through the careful research of suppliers, local partners, end consumers and the business environment.

Luxury Accessories: Affordable Luxury Steers Global Growth Strategy

One of the changes taking shape in the global luxury goods market at present is the resurgent appetite for affordable luxury, especially in North America, Western Europe and Japan. Rising demand for affordable luxury in developed markets is linked in part to the industry's strategic obsession with China. Retail prices of many European luxury brands have risen sharply over the past year as part of a deliberate plan to align more closely with China, where heavy import duties push prices up. The rationale is that higher prices in Europe will encourage Chinese consumers to do more of their luxury shopping at home rather than on foreign trips.

Super Premium Beauty Care: Luxury Fashion Houses Fuel the Sweet Spot of Opportunity

Whilst there is nothing new about fashion houses developing their own branded fragrances, what is new is luxury fashion houses ramping up exposure across the full beauty care remit to include products such as nail polish, lipstick, eye and facial make-up, body lotions, self-tanners, and even bath and shower products.

We have recently seen the likes of Marc Jacobs, Michael Kors, Tom Ford, Tory Burch and Giorgio Armani team up with big-name beauty care players to set up their new portfolios, whilst others like Burberry have adopted more independent strategies.

The Internet: Key to Luxury Retailing in Every Aspect

The internet has been transformative, not just in the way luxury consumers interact, but also in the way the luxury industry operates. On a global level, luxury goods sold online account for 5% of total sales; this falls heavily short of the 10% mass retail average, meaning there is much room for growth in this area, especially in emerging markets.

The impact of internet retailing is still being mostly felt in developed markets. For example, the internet accounted for 14% of all luxury retail value sales in the UK in 2013, 10% in Germany and 9% in Japan. In contrast, only 2% of retail sales in emerging and developing markets were generated through the internet on average in 2013, although the level and speed at which internet retailing has evolved in developed markets is an indication that a similar transformation is about to happen elsewhere.

What is really telling is that while internet retailing continues to generate the strongest growth rates across all luxury goods countries researched by Euromonitor International, it is also the channel where luxury brands are engaging more proactively. At the same time, luxury brands risk losing sway with the next generation of high net worth shoppers if they have a poor social media strategy. Innovative strategies on the likes of Facebook, Twitter, YouTube and China's Weibo will become one of the pivotal battlegrounds.