


# AFRICA MONEY-Luxury industry takes its time to embrace Africa

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By Tosin Sulaiman

JOHANNESBURG | Thu Nov 22, 2012 12:17pm EST


Nov 22 (Reuters) - Africa has more millionaires than Russia, but for many wealthy Africans shopping for designer handbags or luxury watches still means travelling to New York or Europe.


Even as luxury goods companies have ventured into unconventional markets such as Mongolia, Africa has been seen as a source of inspiration for their designs rather than of big-spending customers.

"Luxury goods companies have been extremely slow to invest in Africa compared to the mighty rush into China and the rest of the Far East," said Suzy Menkes, renowned fashion editor of the International Herald Tribune. "The investments are mostly in the north and south of the continent. The rest is mostly one large, blank consumer space."

Africa's rapid growth, booming cities and an aspirational middle class, however, are prompting luxury brands to look at entering untapped markets across the continent, although the complexity of doing business and the difficulty of finding suitable sites for luxury stores means progress could be slow.

Louis Vuitton, the world's biggest luxury group, has stores in Johannesburg and Cape Town, but Francesco Trapani, chief executive of the jewellery and watches division at LVMH, said Africa was "still a very, very small market for us."

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Development of the luxury market there is unlikely to take off with the speed seen in the Middle East even though the total investable wealth of high net worth individuals in Africa totaled \$1.1 trillion by 2011, according to Cap Gemini's 2012 World Wealth Report. That compares with \$1.7 trillion for high-net worth consumers in the Middle East.

"In general, the luxury industry (is) quite ignorant about the real dynamics of doing **business** in Africa," said Uche Okonkwo, executive director of the consultancy Luxe Corp, which works with brands such as Chanel, which is privately owned, and Dior, part of the LVMH group.

"People just don't understand Africa. It's just too complex. They think it's a country."

One company that is making inroads is Italian menswear brand Ermenegildo Zegna. It plans to open a store in Lagos, Nigeria's commercial capital, adding to its outlets in Egypt and Morocco, although a spokeswoman said it has yet to set a date for the Lagos opening.

"Somebody has to start," said Franca Sozzani, editor of Vogue Italia, which dedicated its May 2012 men's issue to Africa. "Zegna started in **China** 20 years ago and everybody thought they were crazy."

The 102-year-old **fashion** house, whose made-to-measure suits have been worn by actors such as Tom Cruise and Robert de Niro, opened its first store in China in 1991 and has been an early entrant to other emerging markets.

After Nigeria, Zegna plans to open a boutique in Luanda, Angola in 2013 and is looking at Kenya and other markets.

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Italian fashion house Gucci, owned by French group PPR , is also looking at entering Nigeria as well as Angola, a spokesman told Reuters, markets that are cash rich from oil.

German fashion house Hugo Boss and jewellers Cartier, owned by Swiss group Richemont, are already active on the continent.

## OIL WEALTH

Africa has more than 120,000 dollar millionaires, compared to around 95,000 in [Russia](#), according to the consultancy Bain & Company, and the number of African millionaires rose 3.9 percent last year, faster growth than any region except Latin America.

The pool of wealthy consumers should continue to increase as oil and gas discoveries in countries like Ghana, Tanzania and Mozambique fuel economic growth.

Claudia D'Arpizio, head of Bain's luxury goods and fashion practice, said the [construction](#) of more malls could spur the entry of multiple brands.

"There is big potential already in Africa," she said. "For sure, this will be a big engine for growth for luxury goods players in the future."

A conference organised by Menkes in Rome last week highlighting Africa's potential as a luxury goods market drew some of the biggest names in the industry, including LVMH, PPR and Hermes and designers Vivienne Westwood, Jean-Paul Gaultier and Manolo Blahnik.

Sozzani of Vogue Italia said Zegna's foray into the continent could encourage its peers to follow, although many brands are doubtful about the maturity of the market, particularly those at the very high end.

Guillaume de Seynes, managing director of French luxury group Hermes International and a sixth generation member of the Hermes family, told the Rome conference that Africa might be "a new frontier" for the seventh generation, suggesting the brand is in no hurry to establish a presence there. He said the group had also had difficulties finding suitable local partners.

"We have not yet found any opportunities to make business in Africa or to open a store in Africa. We've looked at Egypt, Morocco, South Africa," he said. "These markets are maybe not yet mature enough to welcome a Hermes store."