

Luxury goods: attracting a 21st century clientele

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LONDON, UK: Business in the global branded luxury goods market is booming with year-on-year retail expenditure for 2011 forecast to expand by 17.3%, according to a new report, *Global Luxury Retailing*, from Verdict Research, .



"This compares to a growth rate of 9.8% observed in 2010, and is being driven by strong spending on luxury goods across all global markets," explains Ruta Perveneckaite, retail analyst at Verdict, one of the Datamonitor group of companies.

Europe has remained the largest region for luxury goods consumption and is set to retain this position until 2015, despite its relative share continuously declining due to rapid growth in the emerging markets of Asia Pacific.

During 2010, Asia Pacific excluding Japan overtook the Americas for the first time as the second largest luxury goods market after Europe, and the region is now on course to account for 26.8% of the market in 2011. While Asia Pacific growth is particularly driven by China, which threatens to become the largest single global luxury market, new demand from other countries in the region, including South Korea, Taiwan, and to a lesser extent India, is also responsible for the strong performance.

While luxury goods players are investing heavily in these growth markets, there are other opportunities emerging for which they appear less well prepared, such as luxury e-commerce and digital marketing.

Buy a luxury home... online

"Initially, luxury houses were sceptical about launching transactional websites, but now the great majority of luxury players have at least a limited online offer," says Perveneckaite. "However, there remains much confusion in the luxury goods sector surrounding how to guarantee a premium service online and there is a distinct reluctance to engage customers through digital marketing and mobile platforms.

"Too often luxury houses adopt practices which are common to the high street, missing the opportunity to use the new channel to further differentiate themselves as luxury retailers and, most importantly, strengthen their brand image and justify premium pricing," continues Perveneckaite. "The launch of an attractive website and secure payment processes does not equate to a luxury experience; it requires excellent customer support, top-quality presentation of goods, and more delivery options to satisfy its time-pressured clientele."

"When purchasing something for a premium price, online customers expect a much higher quality service, and many luxury goods e-commerce sites fail to reflect this. Site design, product range, dedicated service teams, speed and security and delivery of products are all crucial areas to get right," adds Perveneckaite.

Highlights of Verdict Research's *Global Luxury Retailing* include:

- In 2010 the luxury goods market recovered from downturn and robust growth continued in 2011.
- Spending on branded luxury goods is forecast to increase by nearly 65% between 2010 and 2015.
- In 2010 Asia Pacific excluding Japan overtook the Americas as the second largest luxury market.
- The Middle East and Others is the second fastest growing region for luxury spending.
- Accessories are the key product category in the luxury sector and will be the fastest growing category to 2013.
- Luxury goods houses continue to expand aggressively in Asia Pacific, especially in China, and are putting extra effort into standing out from the competition.
- E-commerce is now an important channel in the luxury goods sector; however, there is much confusion about how to deliver a luxury service online.

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