



## The Great Luxury Goods Market Spenders

A study of which nationalities are the biggest spenders, and which categories of luxury goods market are the champions and why?

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### ABSTRACT

*During the recent and the 1st of its Kind Sculpture Symposium 2013, Dubai, a group of 13 Arab sculptors united together and presented their work. The symposium was organized by the Cultural & Scientific Association, supported by Dubai Culture & Art Authority. It is taking place from February 18th, till the 10th of March, 2013. This direction that the sculpture is taking in the Arab World is new of its kind. The goals of the Symposium included upgrading the culture and Arts sectors in the Arab world, as well as emphasizing the importance and value of Art and Emirati Culture. This study will put the spotlight on the type of Sculptures these artists are representing, the Islamic views on this new phenomenon and how and why these Artists are trying to change people views on sculpture, and reinstates this form of Art today?*

**Keywords :** 1 Luxury goods, 2 Chinese market, 3 Leather goods, 4 Accessories, 5 Methodologies & its influence on clothing, 6 Spenders, 7 On-Line Retailing

### Introduction:

Luxury; usually means a price tag which has consumers digging deep into their wallets, especially when it comes to quality craftsmanship and one-of-a-kind design, luxury goods reign supreme. While some people will pay big bucks for the high-end name alone, designers and manufacturers say they have reasons for their hefty prices. The item may be hand-made, a limited edition, or the design could include an expensive fabric or a piece of jewelry. Whatever the reason, some consumers don't seem to mind. There is a new breed of big spenders that is out in full force, where men shop like ladies and women spend like men. There's a new group of shoppers with a spending habit that's setting the luxury world on fire

### The luxury gender twist: Men Shopping Like Women & Ladies Spending Like Men:

According to Bain & Company, high-end spending is on the rise. However, it's not just the demand that's surprising the experts. Luxury retailers are also seeing an unexpected new shopping trend — men are shopping like ladies and the women are spending like guys. For example: For many years, women in the North American market made up just 1 percent of the Italian luxury car Ferrari's customers, according to Marco Mattiacci, president of Ferrari North America. However, there has been a dramatic gender shift. Now, 10 percent of Ferrari owners in North America are women. In China however, the "feminization" of the Ferrari market is even greater. Ferrari has seen the number of female buyers rise to 30 percent. Another proof that luxury market is booming is the limited edition \$295,000 Ferrari FF, listed in the 2011 Neiman Marcus Christmas catalogue, sell out in 50 minutes. Ferrari North America says more women are now buying Ferraris. The luxury gender twist doesn't stop with cars; men are making some surprising purchases as well. For example: Men are interested in shoes," shoe designer Christian Louboutin says: The thrill of owning something beautiful knows no gender boundaries. "The demand for men's shoes has been growing incredibly fast," he said. That growing demand is being met by increased supply, with famous designers including Louboutin and Jimmy Choo, now designing high-end shoe lines for well-heeled men. The division of International Business Machines that provides retail analytic services projects men's apparel sales to increase more than 8 percent in the first quarter of 2012 over last year. This is especially noteworthy since IBM's

metrics mark 2011 as the best sales year on record for men's apparel. I.B.M.'s net income rose 6 percent, to \$5.8 billion, in the fourth quarter. Its operating earnings per share rose 14 percent, to \$5.39, well ahead of analysts' average estimate of \$5.25 a share, as compiled by Thomson Reuters.

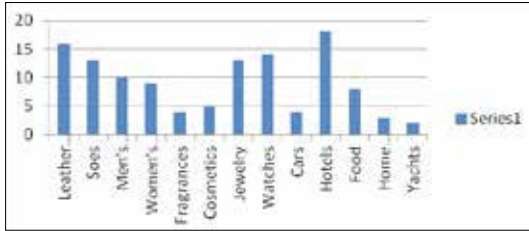
During the worst of the recession, there was a lot of discussion about how women's clothing sales suffered because mothers would skimp on themselves and divert their more limited funds to the rest of the family. New research from the division of International Business Machines that studies retail analytics suggests that menswear may be tracking the ups and downs of the economy more closely than women's apparel. IBM projects that men's apparel sales will rise nearly 8.3 percent in the first quarter, far outpacing other retail categories. Women's apparel to rise 2.4 percent, children's apparel to climb nearly 5.1 percent, while home furnishings is expected to rise 6.9 percent, and health and beauty and footwear each to increase about 3.5 percent. High-end American accessory retailer Coach began as a men's business more than 70 years ago. The company is now coming full circle, with men's accessories the brand's biggest growth driver. Coach Vice President of Men's Merchandising, Greg Unis, told CNBC he believes Coach's men's division will grow from \$200 million in 2011 to a billion-dollar business within the next three to five years. While the majority of the square footage in Coach's flagship New York City store remains devoted to women's bags, shoes and accessories, one of the most trafficked sections is the men's boutique, aesthetically and deliberately set apart.

### Which of the Luxury goods is the champion category?

Globally, luxury goods sales are expected to reach an estimated € 212 billion, with 10 percent growth versus 2011 (5 percent at constant exchange rates). Accessories are the champion category for 2012. Sales of leather goods and shoes combined are up by 14 percent. Overall luxury, in categories including: luxury cars, wine and spirits, hotels, in home and out of home food, home furnishings, and yachts are up nine percent over 2011, to an estimated €750 billion.

Luxury is shifting away from apparel. For the first time this year, leather goods and shoes are considered to be the largest pieces in the market. Tourism and luxury spending have become tightly intertwined.

Tourists now account for 40 percent of global luxury spending. Men are steadily gaining share globally. They now make 41 percent of luxury purchases, up from 35 percent in 1995

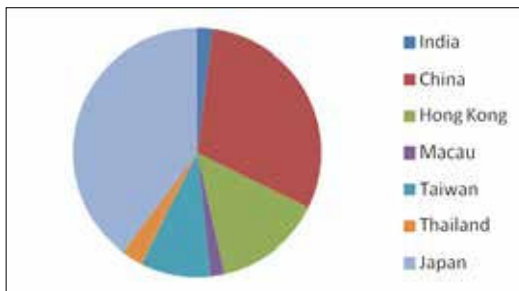


Luxury Goods Market Growth Forecast in percentage for 2012

In each luxury category, the top 5 brands are accounting for more than 50% of sales. The top three luxury brands in China continue to be Louis Vuitton, Chanel and Gucci. Brands with improving brand preferences include: Omega, Cartier, Dior, Tiffany, Hermes, Boss, Bvlgari, and Bally gifting representing more than 20% of sales.

**What Nationalities spend more on luxury goods?**

Chinese consumers now make half of the luxury purchases in all of Asia, and nearly one third of those in Europe. Globally one in four purchases of personal goods comes from Chinese customers. Chinese at € 27 billion, Greater China (Mainland, Hong Kong, and Macau) has bypassed Japan as the luxury sector's second market, behind the United States.



**Asia Luxury Goods Market by Country 2012  
Reasons why Chinese are the most spenders on Luxury Goods:**

Alongside with China's growing economy, an expanding high-income population has emerged, booming the luxury market of the country. In 2010, China's total consumption of luxuries increased by 37% year-on-year to over RMB210 billion, of which, about 70% occurred in Hong Kong, Macau and overseas. Another reason is that China is committed to mapping out policy on lowering tariff on luxury goods. If released, the policy is expected to boost the luxury consumption market in Mainland China. Therefore, the luxury brands involved are extending their layout towards the second-and third-tier cities. Mainland China becoming more challenging as consumers becomes more sophisticated, where +20% Mainland China +30% +20% Chinese Personal Luxury Goods Market trend (2010-2012E), €B Chinese Luxury by quarter (2011-2012E, €B). 2011 confirmed strong growth in China, both organically and by perimeter expansion. In 2012, first signs of deceleration increasing overseas luxury shopping by Chinese (easier visa policies, even lower prices thanks to weak Euro)-Sudden reduction in gift-giving 8 Government transition across the country 8 recently introduced ban on civil servants spending government funds on luxury. Increasingly sophisticated consumers are shifting, from over-exposed logo brands, to absolute quality products, in addition to the growing numbers of women in business. Brands increasingly proactive in improving local in - store experience and tailored product offers.

**Which Country remains the most promising market for Luxury goods?**

Whether economic growth slows down or not, the Middle East remains the most promising market for luxury goods with con-

sumers spending millions on high end products, therefore ranking the Middle East as the tenth largest market in the world. Middle Eastern spent 30 billion AED on personal luxury goods. The Middle East luxury goods market achieved a growth of 10-15 per cent from 2011-2012. Worldwide luxury market revenues in the last quarter of 2012 grew by 7 per cent over the same period in 2011, reaching 10 percent in the full-year growth in 2012, pushing total luxury goods revenues to an estimated 212 billion Euros (\$279 billions). A market study released by Bain & Company, a leading advisor to the global luxury goods, states that the 10 percent increase estimated for the market in 2012 represents the third straight year following the "great recession" that luxury goods revenues will grow annually by double-digits.

Asian-Pacific sales, driven by China, are expected to grow by 18 per cent, while the American region is also projected to gain revenues rising by 13 percent by year's end. However, in Europe the expected growth is 5 per cent. By year 2015, the expected percentage growth is going to be 4-6 per cent constant change per year.

**On-Line Retailing:**

'On-line Retailing', 'department stores', and 'hypermarkets, supermarkets and hard-discounters' are the top three retail channels for shopping, as identified by business executives. 34% of business executives spend between \$21- \$50 per visit for shopping online, while 31% spend: Between \$51-\$100 per-visit. In total, 53% of business executives acknowledged that they 'always' prefer 'search engines' as the initial start point for online product research and purchases. Food and grocery, apparel, accessories and luxury goods, books, stationery', electrical, and electronics, are the principal product categories in which business executives research online at least once a week or more. Most business executives plan to change their online retailer for purchasing health and beauty, home and garden products, apparel & accessories, and luxury goods.

**Conclusion:**

Greater China has bypassed Japan as the sector's second market, behind the United States. Chinese consumers now make half of the luxury purchases in all of Asia, and nearly one third of those in Europe. Globally, one in four purchases of personal luxury goods comes from Chinese consumers. Even though, E-commerce is continuing to grow at 25 percent growth a year, while sales at off-price (i.e., discount) outlets will see 30 percent growth. Together, these emerging channels amount to €20 billion, effectively the equivalent of sales in Japan. This study finds a generational shift under way as young consumers seek significantly different experiences from luxury consumption, seeking uniqueness over heritage, 24/7 access over exclusivity, and entertainment over mere shopping. Also we notice a new breed of big spenders is out in full force, where men shop like ladies and women spend like men. There's a new group of shoppers with a spending habit that's setting the luxury world on fire. Accessories have become the core category in personal luxury goods. For the first time, leather goods and shoes have become the largest piece of the market, now at 27 percent of sales. The category is seeing increasing levels of male spending, and increasing interest in higher quality, higher price items. Tourists now account for 40 percent of global luxury spending. As tourism and luxury spending become more tightly intertwined, the experiential dimension of luxury consumption becomes as critical for brands to deliver as their products. Business executives spend 34 % on products purchases on-line. They are switching to purchasing products in the categories: Health & beauty, home & garden, apparel & accessories, as well as luxury goods.

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