

Asia's temples of luxury

How consumer spending will change in the dawning age of responsibility

Interbrand

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How consumer behavior will change in the dawning age of responsibility

Shoppers in Asia have long been avid consumers of luxury brands. In earlier years, it was images of Tokyo's famed Ginza district, Singapore's Orchard Road or Hong Kong's Causeway Bay that whetted the appetite of the well-heeled Asian shopper bent on luxury. But the landscape has changed and so have the shoppers. Retailers have recently been raising the ante precipitously in an effort to create the ultimate shopping experience. With a concentration of premier brands, lavish environments, and sheer revenue generated, the Asian luxury retail scene is second to none.

Of course, Asia is not one market, but many markets. A country-by-country analysis shows that consumer dynamics differ depending on stage of development. Inexpensive land, low labor costs, and young, upwardly mobile demographics in China and Southeast Asia have contributed to a mega-mall building boom that shows no signs of ending. On the other end of the spectrum, Japanese and Korean consumers care less about scale than sophistication, quality, and service standards. Moreover, wealthy Japanese are discerning shoppers who search out unique products and are less swayed by the prestige that a famous label confers upon the bearer.

Today's turbulent global economy makes it difficult to predict whether high-end retailing in Asia can continue to evolve upward to satisfy demand for the highest degrees of fashion, luxury and culinary experience. However, understanding the forces at play can help marketers take advantage of new opportunities that emerge. Why do Asians love luxury? Are the upper segments of the retail market becoming saturated? How will consumer behavior change in this dawning age of responsibility?

A Passion for Luxury

Affluent consumers in Japan, Korea, Hong Kong, and Singapore are already avid brand loyalists, with little difference from their counterparts in North America and Western Europe. They are connected to media and entertainment virtually 24 hours a day, travel overseas frequently, and are eager to sample what's new and different. They see Western brands as higher quality, even though they are largely manufactured in Asia. They will cheerfully pay a premium to demonstrate (through beautiful – and well-branded – packaging) that a purchase was made at a leading department store in the Ginza and not at a store where they could have bought exactly the same item at considerable savings. If they have the opportunity and the means, they prefer to buy the best.

What distinguishes Asian luxury consumers from their Western counterparts is a different hierarchy of needs. In the West, consumers seek brands that help them feel better about themselves. Hence the more recent popularity for Range Rover SUVs and Timberland boots: "I may never get to the outdoors, but at least I feel like I could."

In Asia, the highest need is status seeking. Hermes, Haagen Dazs and Johnnie Walker are extraordinarily popular in Asia – even if consumers make the purchase for others as often as they do for themselves.

One might argue that as luxury goods become more democratized and consumers become more accustomed to a higher standard of living, status seeking will diminish in importance for Asians. In wealthier countries such as Japan and Korea, which have been modernized for decades, the luxury market exhibits a greater degree of sophistication. For the time being, however, Asia remains the playground for those seeking to express status through luxury brands.

The Emergence of Shopping Tourism

A few decades ago it seemed preposterous that people would travel halfway around the world for the purpose of retail shopping. Overseas vacations were supposed to be about sunshine and relaxation, exotic cities, historical musings amid the ruins of antiquity, with a dose of culture and entertainment in the evening.

The Japanese changed all that. Once they acquired the disposable income, they set off in droves to acquire the finer things in life, returning a few days later, laden with designer bags, duty-free whiskey and perfume. The rest of the world soon came to see this not only as normal, social behavior, but a significant business opportunity. A new retail industry was soon born to cater to the special requirements of the shopping tourist.

Japanese shopping tourists can still be spotted on the Champs Elysees or Fifth Avenue enjoying the renewed strength of the Yen. But now shopping tourism is a two-way street as shoppers from neighboring countries like China and Russia are heading for Tokyo in ever increasing numbers. They know that they can find the very special luxury items in Japan that are not distributed in their own countries. Many want to avoid fake products that lure the unsuspecting buyer at home. Joining the ranks of well informed and vigilant Japanese consumers is one of the best ways to ensure that they will not be duped. Transactions have been internationalized, as well. More than 10,000 retailers in Japan now accept debit cards issued by Chinese banks.

Shopping tourism appears primarily as an Asian phenomenon. It may be the natural response to years of privation, its movement accelerated by affordable international airfares. Cultural emphasis on group values and shared pleasure make traveling en masse a comfort factor rather than an inhibitor.

The current global recession has taken a bite out of personal shopping budgets and travel tourism. But having had a taste of this formerly forbidden fruit Chinese, Koreans, and other nationalities can be expected to renew their pilgrimages to temples of luxury at home and abroad once the economy stabilizes.

Temples of Luxury

In recent years, new shopping paradises have sprouted up across Asia while existing retail centers have dramatically transformed their environments to compete.

Some are like theme parks, reproducing the look and feel of the world's great cities and tourist destinations. Others are mixed-use centers that combine retail, dining, entertainment and in some cases, residential living units. Gourmet foods are a common component of these centers from La Zona in Kawasaki to Siam Paragon in Bangkok. Dedicated brand retail stores are also growing, particularly in central Tokyo, long a hothouse for retail brand innovation.

But no matter where the wealthy travel in Asia, Coco Chanel's words are more true than ever: "Luxury must be comfortable, otherwise it is not luxury."

Japan

According to an article in the December 2008 issue of *Nikkei Business*, Japan accounts for 18 percent of the world's luxury brand revenues making it the second-largest market in the world. It's also one of the most mature with slower growth rates and consumers that are savvy and discerning.

It wasn't always this way. During the 1980s, consumers were more label-conscious and renowned for the splurges on designer brand accessories and clothing. Shopping was the major objective for travelers headed to Paris, Hong Kong, and Honolulu. A specialized retail industry grew up catering to the needs of these highly organized foreign shopping expeditions.

Following the collapse of Japan's "bubble economy" in the early 1990s, almost everything went on "hold" as spending cooled and people tried to stretch their household income as far as possible. Property prices tumbled. Banks merged. Major development projects around Tokyo Bay stopped dead in their tracks, and the construction lots grew weeds.

What followed was a decade of stagnant economic growth. As Japan worked its way through the hard times, a new consumer attitude began to emerge. It embraced the traditional love of shopping but was more sophisticated, diversified, and accommodated a broader variety of retail shopping experiences.

People felt more confident about expressing their own values, as well. New retail brands like MUJI and UNIQLO appeared, offering a standard of quality that was consistent and affordable.

Today, the Japanese consumer is arguably more sophisticated and better informed than the previous generation. When shopping for luxury brands, they frequently look beyond the label. Instead, they use strong personal criteria to evaluate merchandise and are among the most demanding connoisseurs of quality.

Global brands continue to invest lavishly in Tokyo as the ultimate lifestyle branding laboratory. In Ginza, Armani has upstaged Dior and Bulgari with the 12-story Armani Tower catering to the most exclusive clientele. In addition to the fashion and furniture collections, there is a bar and the world's first Armani spa. Close by is the Apple Store where knowledgeable, black-shirted staff promote the brand's stylish technology products. Trendy Aoyama boasts Cinch Tokyo, a new Levis concept store featuring collaborative projects with artists, musicians, and designers.

Following the deregulation of zoning laws in 2000, new big box stores, "super malls" and large-scale developments have proliferated. The Odaiba shopping and entertainment district in Tokyo Bay was completed in 2001. Roppongi Hills, a mega-complex, incorporating office space, shops, restaurants, cafés, movie theaters, a museum, a hotel, a major TV studio, apartments and an outdoor amphitheater, rose in 2003. In Kawasaki, the La Zona shopping center transformed the lackluster neighborhood around the old train station. More recently, Mitsui Fudosan has developed Tokyo Midtown, a major, mixed-use development in central Tokyo including retail shopping, offices, residences, and the city's first Ritz-Carlton hotel.

Yet despite these transformations, Tokyo remains a vibrant and diversified shoppers' paradise where retailers large and small, traditional and modern, exist side by side. Therein lies the city's charm – each district has its own unique atmosphere and personality. The Japanese, who prize balance and harmony above all else, seem to instinctively resist a headlong rush into epic-scale infrastructure as long as there is something original and worthwhile to be discovered in the small lanes, converted houses, and eclectic retail premises.

Korea

Korea's pronounced demand for luxury brands first emerged in the early 1990s with the opening of the domestic market following the Seoul Olympic Games of 1988. Continuous economic growth and increased business opportunities exposure to global markets offered Koreans both affordability and a taste of the world's best luxury brands. Demand for luxury brands reflects Koreans' strong desire to express their identity and status in the context of the "world's best."

The two retail venues that best reflect Korea's passion towards luxury brands are Avenuel and Maison Hermes Dosan Park. Avenuel is the largest luxury brand department store in Korea.

Operated by Lotte Shopping Company, the biggest retailer in Korea, Avenuel is a one-stop luxury shopping venue that incorporates exhibitions by famous international artists every month. Avenuel has earned a strong reputation for superior service from its VIP customers.

Expanding beyond Paris, New York, and Tokyo, Hermes added a fourth flagship store, Maison Hermes Dosan Park in Seoul in 2008. With near-cubic proportions, the building is clad in glass with golden, silk-screened patterns reflecting mystical light at different times of the day as if it were a massive diamond. In addition to the retail space, the store boasts a museum, a gallery, a book café, a courtyard and a rectangular complex of offices. Maison Hermes Dosan Park incorporates emotional imagery and design elements to differentiate itself from other luxury brands and firmly establish itself as a new Seoul. With its stunning retail design and powerful brand image, Maison Hermes Dosan Park has transformed the capital's luxury shopping scene, expressing Korean's unbridled passion for luxury brands.

China

Mainland Chinese are rapidly becoming the most active luxury consumers in the world. A Merrill Lynch report indicates that the Chinese mainland has at least 236,000 millionaires, about one-tenth as many as in the United States, and growing nearly 12 percent per year. With this newfound wealth, and heavy investment in pursuit of the nouveau riche, China is the new Shangri-la for global luxury brands.

Chinese luxury consumers are young, open-minded and eager to display their newfound success. Nothing says "I've arrived" like a boldly branded handbag, diamond-studded watch or afternoon by the window at Haagen Dazs. Women are leading the long march towards luxury consumerism, and they are unafraid to take risks. Fashion trend watchers note the ease with which Chinese women mix and match European, American, Japanese, and Korean fashions into a style that is uniquely their own.

Beijing and Shanghai, the political and economic centers of China, are leading the country's new passion for the best the world has to offer. Shanghai has always had an international flair, and Plaza 66 is the epicenter of the city's luxury market. Virtually every top-end global brand holds court in this palace of the premium. More museum than bustling retail center, Plaza 66 gives Shanghainese a view on what's new in the world of luxury.

Shinkong Place opened its doors to Beijing crowds in early 2007 with spacious interiors (always a luxury in China) and a range of global brands including Gucci, Chanel, Prada, Ferragamo and Ball. Known for keeping pace with international fashion, Shinkong Place is the ideal to spot Chinese celebrities shopping for the latest luxury products.

Counterfeiting has long been a problem in China, but true luxury shoppers will not risk the embarrassment of owning a fake. Perhaps the greatest challenge for luxury brands, and the retailers who sell them, is the very low loyalty Chinese consumers

demonstrate. They cannot be motivated to explore beyond the established centers, and retailers off the beaten path quickly find themselves without sufficient foot traffic. What's worse, because of unusually high taxes, Hong Kong is the preferred shopping destination for those with the means to buy luxury.

Hong Kong

Advanced, business-minded, and cosmopolitan, Hong Kong continues to show strong demand for luxury retail. A true duty-free port with no sales tax, the island boasts prices that can be as much as 20 percent lower than Mainland China. The current economic crisis has hit the financial center of Hong Kong hard, but the embers of passion for luxury still glow strong, patiently waiting for a shifting wind to breath new life.

In the Central shopping district of Hong Kong, a trio of venues - The Landmark, Prince's Building and Charter House - can satisfy any luxury seeker with their array of brands like Armani, Dior, Louis Vuitton, Versace and the like. Some of these retail outlets have been dramatically refurbished with lavish décor to complement the city's urban backdrop, making luxury shopping in Hong Kong a complete sensory experience.

In the vicinity of The Landmark, The Pedder Building is another chic destination for those seeking luxurious global labels. It is also home to Chinese high-fashion brands such as Blanc de Chine, offering shoppers a more refined translation of traditional Asian style.

The Elements and Harbour Centre are perhaps the destinations most visited by tourists from other Asian countries, especially mainland Chinese. Elements stands out for its unique use of the five traditional Chinese elements (water, wood, gold, fire and earth) to integrate the floor plan of the mall, which is divided into five zones.

All of these venues share some common attributes. They are multi-use complexes including fashion, restaurants, furniture, electronic appliances, bookstores, hair salons, department stores, and even supermarkets. All are large, but with well-designed pedestrian flow, directional signage, and natural lighting that enhances the ease and comfort of shopping. And they are conveniently located on top of metro stations - offering smooth access to nearby luxury hotels and the other charms of downtown Hong Kong.

Singapore

Singapore's relatively affluent population supports numerous luxury brand emporiums along the country's main shopping district of Orchard Road.

Housing a wide collection of global luxury retail brands, Paragon Shopping Centre carries numerous international labels like Prada, Gucci, Burberry, Jean Paul Gaultier, Tod's, Versace, ETRO, Salvatore Ferragamo, Valentino, Ralph Lauren, and Alfred Dunhill, just to name a few. Despite its relatively modest size, Paragon makes up in quality what it lacks in quantity with its truly luxe ambience that is

true to the establishment's promise of brand and style, making it a choice luxury retail destination for locals and foreigners.

Across the street from Paragon, Ngee Ann City has its fair share of luxury retail and specialty brands such as Louis Vuitton, Chanel, Christian Dior, Cartier, Ermenegildo Zegna, Fendi, and Tiffany & Co. What makes Ngee Ann City stand out from local retail venues are its outdoor and indoor event spaces which have been used for product launches, concerts, road shows and even fashion shows during Singapore Fashion Week where designers and retailers from major fashion capitals like New York, Milan, and Paris get a chance to display their creations.

As with most shopping destinations in Singapore, these luxury retail venues are part of the annual Great Singapore Sale that runs for about two months from the end of May each year. The event is co-organized with retailers by the Singapore Tourism Board to promote tourism in Singapore. During the course of the Sale, major malls and stores extend their shopping hours till midnight and beyond on weekends. A range of promotions is offered to visitors, including entertainment and dining.

Two new resorts will soon transform Singapore's retail landscape. The Marina Bay and Sentosa integrated resorts incorporate hotels, casino, gourmet restaurants, and a whole enclave of retail stores. Initial sketches and pre-promotions show these two venues will epitomize a new standard of luxury with scenic environments and an unrivalled collection of high-end retail brands.

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Malaysia

Malaysian society is in some ways class-less and it is only wealth and ethnicity that defines people in social hierarchies. This interesting feature creates a strange contradiction in the approach to luxury brands. Luxury is not the preserve of a discerning elite. It is often a nouveau riche sensibility. Wealth by and large is first or at most second generation in the making.

Thus, a man in a Mercedes stops and eats at the most tacky food stall with no qualms. He may be dressed with appalling taste and yet have a Rolex and a Luis Vuitton bag that his trophy wife has insisted he carries. However, a far more interesting opportunity is now surfacing in the Islamic couture brands. Designers like

Melinda Looi, Sonny San are going for the fast growing Middle East, petro-dollar-flush, Islamic tourists that converge in Malaysia.

In fact, in many ways it is possibly in designer couture that Malaysia will find a luxury brand with the authenticity and differentiation that will makes its niche mark on the world. Until then, Malaysians can satisfy their taste for the best at Starhill, a luxury house of brands in Kuala Lumpur's Bukit Bintang district. It is a cylindrical tiered emporium with fashionable restaurants and bars at top and bottom. A new challenger has appeared across the street in the form of the Pavilion Kuala Lumpur, while the ultimate people-magnet is the Suria Shopping Center underneath the iconic KL Twin Towers.

Perhaps the most interesting phenomenon is Kuala Lumpur's annual watch exhibition that is positioned as the Baselworld of the East. The country hosts the world's largest and in some instances only, standalone luxury watch boutiques for brands such as Bedat and Co.

Philippines

Compared to other Asian nations, the Philippine luxury market is small, but influential. Dominant mall operators SM Prime Holdings and Ayala Malls are important players in high-end retail, as is Stores Specialists, which may not have its own complexes, but has partnered with over 50 international luxury brands, most of which have boutiques in Greenbelt and other prominent malls.

The posh Greenbelt in Manila's Makati business district is a picture of luxury, housing a rich portfolio of prestige luxury labels in its five complexes. Ayala Mall features sprawling gardens and water elements that connect the center's five buildings. Constructed most recently, Greenbelt 5 features limestone flooring, modern furniture and velvet drapes, which have undoubtedly set a high benchmark in what luxury retail means in the market.

Thailand

Bangkok's Siam Paragon is renowned throughout the region as one of the trendiest shopping environments ever created. One of the biggest malls in Asia, Siam Paragon's collection of luxury brands has made it a retail destination attractive to Thailand's upper class and tourists alike. In addition to internationally renowned boutiques like Hermès, Jimmy Choo, Dolce & Gabbana, and Bulgari, the mall also has built a reputation for showcasing luxury cars like Aston Martins, Bentleys, Lamborghinis, Lotuses, and Maseratis, among others.

Edging Siam Paragon out as the most popular retail destination for wealthy tourists, Gaysorn Plaza in Bangkok is home to the flagship stores of many global labels in its five levels of exclusive luxury retail. Going beyond international brands, Gaysorn is known for its collection of stores devoted to Thai designers and luxury

home décor. Well-known local jewelers and lavish restaurants and eateries further make Gaysorn a choice destination for the rich.

Clouds on the Horizon

Today, Asia has great potential for growth retailing. The consumers have the predisposition to shop as well as the means and the access to satisfy their appetite for the finer things in life.

Yet despite this rosy outlook, there are clouds on the horizon as the damage from the global economic crisis spreads, and one industry after another announces restructuring plans with domino-like precision. It appears that no economy is immune from the crisis. It is, therefore, important to consider the possible impact on luxury brands, retail environments, and shopping tourism.

Many luxury brands are already de-committing from capital investments in new stores and promotional campaigns. Bulgari has revealed that it no longer polishes the backside of its watches as a cost-cutting measure. Even high-wealth individuals, the traditional customers of these brands, are adopting social profiles characterized by less conspicuous consumption.

Investment in new retail properties may cool, while owners monitor their existing brand emporiums and retail outlets to see how they perform in the more austere months ahead. Architectural flights of fancy may be sharply curtailed until monthly sales take off.

An extended recession could cause a real shakeout in the retail industry. Only the strong brands with proven sales records and established clientele would survive this period of economic Darwinism. While large malls and shopping centers may continue to operate profitably, tenants would likely change as consumers look for greater value for their money.

Yet contrary to the growing air of apprehension, there's still opportunities for strong brands. The winners will be those that symbolize stylish restraint, authenticity, and value. Those that cut corners or expand beyond their core for the sake of short-term gain will find their brands frosted beyond repair when shoppers are ready to spring into action.

For the time being, Asian retail shopping will become less status-driven and more personal as consumers exercise caution and stay closer to home. But brands that are able to penetrate the layers of privacy and speak directly to the needs, values, and aspirations of Asian consumers may define the retail paradigm for the next big wave of Asian retailing. ■

Read more about the future of Asian retail in [The Best Retail Brands 2009](#) magazine.



Burton Blume

Burton Blume is Interbrand's Executive Strategy Director for Asia-Pacific. Burton manages branding projects across the Asia-Pacific region. Following a career in advertising and marketing communications, he joined Interbrand in 2001 to lead the verbal identity and global branding teams. An accomplished writer, he has lived and worked in Japan for 30 years and is fluent in Japanese.



Jonathan Chajet

Jonathan Chajet is Managing Director of Interbrand China. His team delivers strategic solutions to clients' global and local branding issues. Jonathan has helped create, enhance, and manage some of the world's most recognized brands. His expertise and world view are invaluable to building brands in the complex Chinese market.