

TFWA ANNOUNCEMENT

FOR IMMEDIATE PUBLICATION
21 October 2010

CHINA – NO END TO GROWTH OPTIMISTIC MESSAGE FROM ASIA PACIFIC WORKSHOP

“We cannot see an end to growth in China for brands.” This was one of many optimistic messages that came from the TFWA Asia Pacific Workshop, held in Cannes on Wednesday October 20th, where some 165 delegates were given a concise regional update which focussed specifically on ‘The Asian Consumer’.

Introduced by TFWA Conferences & Research Manager Michael Barrett, the Workshop commenced with an APTRA update by President Sunil Tuli (KingPower Group HK). Sunil gave a review on APTRA’s work over the past five years to safeguard the interests of the industry within the Asia Pacific. The successful quashing of the WHO threat to ban alcohol sales in duty free shops was one example, along with APTRA’s liaison with ETRC over the LAGS issue.

He called for more support for the Association, which still only has 66 members. ‘This isn’t a sales pitch to you. It’s a call to action. We need your eyes, ears and brains – not just your money.... It is only too easy to stand by and watch, thinking that the current issue is not your problem. But when one category comes under attack, the entire business is weakened.’ Tuli said that APTRA could be contacted via its new website: www.aptra.asia.

There is certainly good reason to protect duty free & travel retail sales in Asia Pacific. TFWA International Sales Manager Mathieu Vanhalst followed with regional statistics that spelled optimism all the way through. International passenger figures on Asian airlines are up 15% this year compared to ‘09 with South Asia the fastest growing area within the region in the first six months (Sri Lanka up 48% for example), compared to just 2.9% growth in Europe. China, South Korea and Japan collectively are expecting 17m tourists this year, up 26% on 2009 and a striving to increase that figure to 26m by 2025.

Vanhalst pointed to the growth in LCC’s as a significant factor in making travel more affordable within the region, now representing 16% of intra-Asia seat capacity. “Double digit growth is back,” he said, pointing to retail sales in airports up 26% during the first half of 2010, 28.9% in downtown duty free shops and 20.8% on airlines. As a category, luxury good sales were up 32.3%.

South Korea remains the region’s biggest market with travel retail sales at US\$3bn (up 3% between 2006 and 2009) but China is the buzzword with its duty free retail business increasing by 25.5% over the same period, turning over US\$1.3bn. Beijing has become the third busiest international passenger airport with travel retail sales revenue of \$403m this year. India also continues to show growth with international passenger traffic up 16% in the five years to 2009 with increasing private sector participation. These figures all spell a positive outlook for the TFWA Asia Pacific & Gate ONE2ONE event next May 15-19, where 2000 visitors can meet and network with 200 exhibitors representing 1500 brands.

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From an outside perspective, Paul Husband, Managing Director, Husband Retail Consulting, author of 'The Cult of the Luxury Brand' confirmed the Asian consumer's passion for luxury brands and the potential for travel retail sales. Asia is the world's biggest market for luxury brands, accounting for 37% of a sector worth US\$140bn describing their attraction as "a modern set of symbols that Asians are wearing to redefine their identity and social position". There has been a "huge expansion of logo collections" he said "...a monogram says so much".

Nowhere is this more true than in China where, he said, "we cannot see an end to growth". Brands are now moving into third tier cities - "names most of us have never heard of" - and there are still many, many more to go. China is set to become the world's largest luxury market by 2014 with Chinese travellers spending at significantly higher levels than other Asian travellers. Gifting is a major part of the buying purpose with the Chinese buying for business associates, friends and families.

Within China the appetite for Western brands knows no bounds. Husband pointed to the Apple Stores in Shanghai and Beijing, attracting up to 55,000 visitors daily. Western brands are attractive because they have heritage and history which represents success; to be successful in China, added Husband, they needed to "tell a story around the brand", perhaps offer loyalty programs targeted at Chinese tourists. While there are few home-grown success stories, Husband thought there may be an opportunity for multi-brand stores in airports which could offer destination merchandise and a local flavour.

Husband said expansion had been helped by the conglomeration of luxury into three main groups: LVMH, Richemont and Gucci which enabled niche brands such as Stella McCartney and Balenciaga to come into the region. He described how luxury fits into the five stages of a country's evolution with basic Subjugation the first step – India, he said was at this stage. Stage two is the 'Start of Money' followed by 'Show Off', when people want to demonstrate their wealth with cars, watches, accessories etc. China is at this stage. Next comes 'Fit In' where luxury becomes more normal – indeed it essential for fitting in with peers. Taiwan, Korea, Singapore and Hong Kong are all at this stage. Finally comes 'Way of Life' where luxury is worn 'day in and day out'. Japan has reached this stage; in fact, he said, there were signs that the Japanese were becoming bored with luxury and more interested in value.

Husband concluded by summarising the positions of each major market within Asia, pointing to Vietnam as one to watch for the future. There is a scarcity of quality retail space now, he said, but it is the second fastest growing nation with increasing consumer affluence and confidence. There are, however, legal barriers for international brands.

He also pointed to a growing opportunity for sub \$100 brands in the region, particularly in South East Asia. The rapidly growing casino (retail integrated resorts) culture in Singapore and Macau were attracting not only very wealthy Chinese 'high rollers' but also travellers who had less spending power but big aspirations. For them, the sub \$100 brand was a major development trend.

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