Japanese Luxury Consumer

quality commitment innovation synergy

Emergence of Luxury Consumer

1970s → 1980s

- Economic boom 'Prosperous years'
- Expansion of middle class
- New found wealth

1970s – 1980s Luxury Consumers

- Travel abroad (Europe)
- Splash out on luxury
- French, Italian, Swiss luxury brands open in Japan

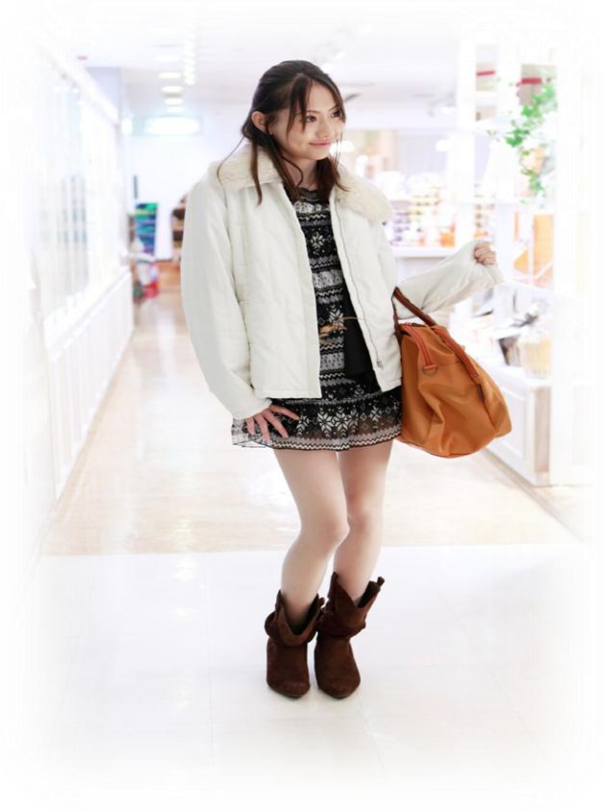
Change to Environment

1990s → **2000s**

- Bubble bursts
- Decline of middle class income
- **Social Changes** – marriage delay
- **Demographic**– aging population

***End 2007** – Global Economic Crisis*

1990 to 2007: Consumer Behaviour is Stable



- Japanese Consumers continue to:
  - Travel globally
  - Spend on luxury brands
- Luxury house expand in Japan and in Japanese destinations

Recent events

2008 → **Today**

- Continuing Global economic crisis
- Middle class income declines further
- 5% decline in 20s & 30s age group*

* Source: The Wall Street Journal Nov. 26th 2009, Simm J.

The Changing Consumer

- 2008: 5% decline of Luxury market*
- Consumer behaviour & attitude maturing
- Emergence of *Fast Fashion*
- Travel rate declining

* Source: McKinsey quarterly Aug 2009, Brian S

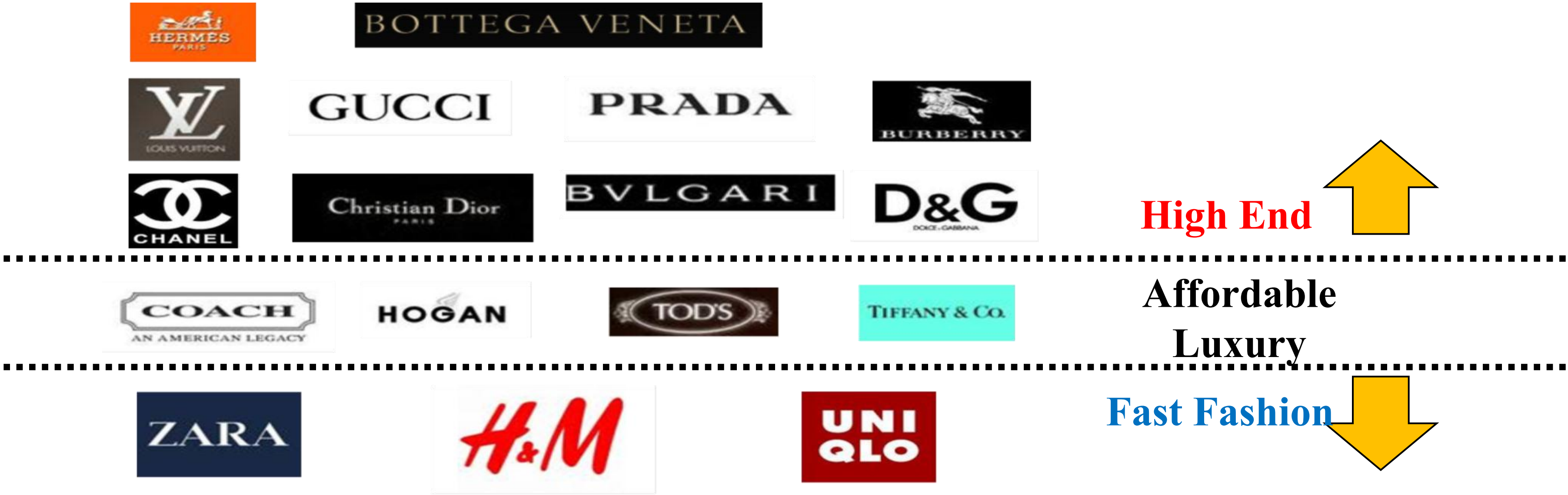
The New Consumer

Pre-2007	Today
Conformist	Independent
Reliance on badges	Confident without badges
Branding head to toe	Mixing high to low
Product Focus	Brand Experience
Brick and Mortar	Internet usage

Meet the mature Japanese consumer

- Focused on *exclusive products, discrete brands, fast fashion*
- Retail leverage of lifestyle aspect
- Internet used for shopping and information

Proliferation of brands … High & Low



- Consumers are mixing up high end and fast fashion

Impact on Travel Retail

- Shopping still high on the list
- Women in 30s & 40s more likely to spend
- Exclusive products / Limited Editions
- Focus on destination unique local specialities

Japanese are still one of the largest consumers groups of luxury goods.
Uniqueness and price savings are key consumer considerations.

Categories in other 60%*

P & C	***Tobacco***
Liquor	***Confectionary***

* Source: Generation 2009

Summary

- Consumer behaviour is changing
- Retailers need to adapt
- Choices must be unique to help drive purchases

Thank You