

# Europe will remain home of luxury retail

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LONDON, UK: Despite huge growth in China, the market for luxury retail in Europe will remain the most lucrative in the world and will grow by nearly US\$60 billion (about R431 billion) to be worth US\$175 billion (about R1257 billion) by 2015 finds Verdict, one of the Datamonitor group of companies.



Research\* by the independent market analyst has revealed that although experiencing a decline of US\$17.7 billion (about R127 billion) during 2009, sales of luxury retail bounced back during 2010.

Ruta Perveneckaite, retail analyst at Verdict said: "Although the market for luxury retail is mature in Europe, there are a great number of opportunities for growth. This will be helped by an increasing market for luxury as the number of wealthy individuals is set to rise - by as much as 10% in the UK alone and by 7% in France, Italy and Germany over the next four years. Added to this is tourism, as the decline of the euro has meant that it's now cheaper to buy luxury items in Europe."

## Investment online will fuel growth

Verdict believes that growth will be fuelled by investment in online. Luxury retailers are only now throwing their weight behind developing their presence online. Traditionally luxury retailers have used the internet to provide information rather than sell. There is now a shift underway with retailers realising the potential of selling online.

In 2010 Gucci launched its first e-store which delivers to 12 countries - most of which are in Western Europe. Ralph Lauren also launched a transactional site in 2010 - in the UK. Essentially this increases accessibility to luxury, as consumers don't have to wait until they visit the major cities where luxury retailers normally locate their stores.

Perveneckaite continued: "Selling online also allows luxury retailers to reach the mass market. These consumers, who may feel intimidated by prestige stores or may struggle to get to these stores, can easily view products and this may encourage them to save up. Therefore increasing sales and opening up the market."

Verdict believes that In addition to e-commerce, luxury retailers will be keen to capitalise on the increasing number of wealthy consumers in Europe by ensuring they have flagship stores in high profile locations. For example both Chanel and Louis Vuitton have opened or are about to open new stores on New Bond Street in London.

Another driver of growth for the European market will be the number of high profile events which are set take place over the next five years including the 2012 Olympics in the UK, the 2014 Winter Olympics in Russia, and the 2015 Expo in Milan.

However, there are continued pressures for the European market. Essentially, while there will be significant opportunities for growth in the APAC region, particularly in China, luxury retailers must not get distracted and should remain focussed on their most lucrative market, Europe.

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