

LUXURY GOODS IN SOUTHEAST ASIA AS A DRIVER OF DEVELOPING ASIAN MARKETS

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Abstract: the article provides an overview of the luxury goods market in Southeast Asia, with Singapore, Thailand and Malaysia being the most prominent. Such famous brands as Versace, Louis Vuitton, Gucci, and Ralph Lauren are rapidly gaining popularity in ASEAN countries every year. The main drivers of luxury goods promotion in the developing markets of Southeast Asia today are marketing and digitalization of the sector. In addition, an increase in the flow of tourists, in particular from China, contributes to the growth of profitability from exclusive brands.

Keywords: Southeast Asia, ASEAN, luxury goods, developing markets, tourism, marketing, digitalization, Singapore, Thailand, Malaysia.

ПРЕДМЕТЫ РОСКОШИ В ЮГО-ВОСТОЧНОЙ АЗИИ КАК ДРАЙВЕР РАЗВИТИЯ АЗИАТСКИХ РЫНКОВ Нерадовских А.Д. (Российская Федерация)

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Аннотация: в данной статье дается представление о рынке предметов роскоши стран Юго-Восточной Азии, среди которых наиболее выделяются Сингапур, Тайланд и Малайзия. Такие известные марки, как Версаче, Луи Виттон, Гуччи, Ральф Лорен с каждым годом стремительно набирают популярность в странах АСЕАН. Главными драйверами продвижения предметов роскоши на развивающихся рынках Юго-Восточной Азии на сегодняшний день выступают маркетинг и дигитализация сектора. Кроме того, росту доходности от эксклюзивных брендов способствует увеличение потока туристов, в частности - из Китая.

Ключевые слова: Юго-Восточная Азия, АСЕАН, предметы роскоши, развивающиеся рынки, туризм, маркетинг, дигитализация, Сингапур, Тайланд, Малайзия.

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Introduction

Luxury goods are products that are not usually necessary, but which make customer's life more pleasant and are often more expensive than common goods [7]. These products are mostly bought by people with high income and great wealth as these consumers have more assets to buy costly items. Luxury goods in Southeast Asia are greatly represented in 10 ASEAN member countries with a high proportion of the presence in such countries as Singapore, Thailand, Malaysia, Indonesia and the Philippines. As Singapore remains the leading country in the region with its largest GDP per capita among all Southeast Asian countries and the richest ASEAN member, it is expected for Singapore to provide for its customers the widest range of luxury products.

Luxury market is developing in Southeast Asia due to the fast urbanization and the increase of income of many Southeast Asian customers as long as there are more tourists each year who tend to buy upmarket goods while visiting ASEAN countries. In addition, the introduction of innovative products and a wider variety of luxury goods in Southeast Asia may be able to change the purchasing power and consumer habits of the population.

Widely represented luxury brands which are common in Southeast Asia include Gianni Versace, Louis Vuitton, Prada, Ralph Lauren, Gucci, Rolex, Hermes and others [4]. As Southeast Asian countries are rapidly developing their markets and facing fast economic growth, they are believed to be new engines of luxury growth, according to consulting companies [6]. Nowadays in ASEAN countries there is a tendency in which more and more people can afford to buy luxury goods at the expense of developing markets, with the majority of buyers who are still trying to save money on the purchases.

Key factors of luxury goods market growth in Southeast Asia

Developing markets in Southeast Asia are currently facing income growth of middle-class employees, giving these customers more opportunities to buy high-end products. Economic development of ASEAN countries plays a crucial role in boosting the demand for luxury goods. Besides an increasing purchasing power, Southeast Asian consumers, especially in Thailand and Singapore, are becoming more delicate in their tastes for upmarket goods [8].

One of the key growth factors of luxury goods consumption in Southeast Asia is the high presence of tourists in ASEAN countries, in particular – Chinese. Nowadays Southeast Asian countries welcome more than 10 million Chinese each year with their highest presence in Thailand, Malaysia, and Singapore [2, p. 5]. One of the studies on Southeast Asia's tourism demonstrates that Chinese spend 73% on their shopping during the trip in this region [6]. This definitely contributes to the luxury market in Southeast Asia and increases sales in this industry as tourists from China tend to spend huge amount of money on expensive brand name things while travelling.

Another key driver for growth in sales of luxury goods in ASEAN countries is that more people prefer to confirm their status as rich consumers. Therefore, they want to give others the opinion that they can afford buying such expensive items. For instance, spending on upmarket products in Philippines has grown by 40% in the period from 2013 to 2018, although this country is not seen as a major market for luxury shopping within the region unlike Singapore and Malaysia [1].

Since Asian people traditionally prefer face-to-face communication, many of them like buying products which are recommended by highly qualified professionals in modern boutiques where consumers can touch and feel exactly the product before buying it rather than in traditional markets [6]. This means high-end shops are becoming increasingly popular among Southeast Asians as they offer individual approach to each client and top quality of goods.

Marketing strategies for selling luxury goods in Southeast Asian countries

Nowadays luxury brands raise their presence on the Internet in order to capture more potential Southeast Asian clients. Marketing has been one of the most effective ways of attracting consumers and boosting the demand for goods in Southeast Asia since XXI century and now is widely represented in all ASEAN countries. Due to digitalization of the market, it is expected for Internet sales to increase by 261% by 2021 compared to 2018 and this certainly includes sector of luxury products [3].

The study performed by Louis Vuitton and Gucci – the brands which are well-known among rich Southeast Asian customers – shows that the key marketing driver for drawing consumer's attention on luxury products is to make them feel they may undergo unique experience while using upmarket goods [5]. As traditional marketing strategies stay behind, new methods of customer engagement are introduced into the luxury sphere.

One of the most attractive and effective examples of advertising luxury goods is Louis Vuitton Island Maison in Singapore which has been built to give an opportunity to potential consumers to get 'visual' experience of upmarket items. This huge building made with glass stands on an artificial island, and Southeast Asian buyers can enter it using the underwater tunnel with remarkable works of art on its walls [5]. Although this marketing strategy requires significant resources from the company, the assets pay off with the increase in purchases of luxury goods.

Conclusion

These days Southeast Asia is facing a high boost in demand for luxury goods. Such countries as Singapore, Thailand and Malaysia are thought to be the countries with the highest presence of upmarket products among ASEAN members. There are several factors which increase the Southeast Asians' demand for luxury goods including income growth of the population due to the development of the economic market, high presence of tourists in ASEAN countries, the growing desire of Southeast Asians to confirm their status as consumers who can afford to buy expensive goods as long as an effective advertising campaign in the region. All these key drivers contribute to rapid growth in sales of high-end goods.

Marketing plays a crucial role in Southeast Asia's market and represents a wide range of marketing strategies to engage new customers. Traditional ways of capturing Southeast Asian are moving away while, at the same time, innovative methods of drawing customer's attention to luxury goods are being introduced. One of the reason why ASEAN population shows a higher demand for upmarket products is that Southeast Asian buyers want to acquire a unique experience with luxury products in comparison with conventional goods.

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