

COLUMNS

## UK's luxury bonanza: Falling pound, Chinese travelers and duty-free

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With Article 50 set for invocation March 29, everyone in the United Kingdom is understandably uncertain about what the commercial future holds. But one thing that seems to be certain is that the luxury sector is experiencing quite a bonanza year so far as a consequence of the falling pound sterling.

Just before Christmas, London's Oxford Street was crowded with overseas visitors who appeared to be buying up the town as inbound tourism, principally from United States, China and Japan continued to surge. Tourist spending in U.K. stores increased considerably over the festive season, clocking in at more than \$30 billion in visitor spending.

### Falling pound

Let us face the facts luxury handbags, fashion apparel, eyewear and watches are all now cheaper here in the U.K. with their relative affordability, making this market the top destination in the world for luxury shopping.

Our research further shows that roughly 65 percent of luxury products are currently selling for less in the U.K. than in the U.S., China, Japan and France, making it easier for inbound shoppers to offset the cost of their airfare against these bumper savings.

### Seducing the Chinese traveler

Despite growing talk of China moving to a more national consumption economy, Chinese male millionaires still prefer Burberry and Chanel over top Chinese brands and love the shopping experience at Harrods, which has been acclaimed as the Best London Luxury Shopping Destination for the fourth consecutive year.

The fact that Harrods has hired more than 100 Chinese interpreters to offer excellent and often personalized customer service to visitors is obviously a strategy that seems to be paying off.

As high-paying customers who are used to the browsing and purchasing standards of WeChat & AliPay, the Chinese luxury shopper expects the very best service, including a choice of payment options, online chat assistance pre- and post-purchase, and delivery within one to two days, if not immediately.

As a result, 123 million Chinese travelers are expected to visit the U.K. in 2017, up from 100 million in 2016. The UK's luxury sector is expected to benefit from this influx of high-spending visitors.

An estimated 133 million Chinese outbound travelers will spend a forecasted \$322 billion in 2017 and the U.K. wants to ensure it gets its fair share.

The secret of success here appears to be getting in earlier on the shopping consideration journey and fully leveraging the research phase via social media and messaging applications to ensure you create the right list of must-have brands to buy before you set off traveling.

Duty-free becomes luxury shopper destination

The global duty-free market is expected to grow to \$64 billion by 2020, driven by a combination of low-cost tourism and increased demand for high-end brands, particularly from Asia-Pacific.

With increasing numbers of high-net-worth individuals passing through airport terminals, luxury houses have realized the importance of producing items specifically for the duty-free market that cannot be found on the High Street.

Spending 50 percent of my life dashing through airports myself, I can understand first-hand the importance of squeezing in that luxury purchase as a critical moment of self-gifting to reward a few days of hard slog. Why not? We are worth it.

Simon Chatfield, London Heathrow Airport's head of e-business and CRM, recently said that when travellers describe what is important to them at airports, retail is one of the highest priorities after punctuality and safety.

Heathrow is also increasingly leveraging its own data sources from car park bookings to terminal Wi-Fi connections to help the airport hone its strategy around the profile and specific needs of the millions of different people who pass through its doors every day.

In 2014 Heathrow started its personal shopping service, with more than 1 million passengers actually using the service to date. It also has approximately 25 personal stylists who speak more than 14 languages to try and boost that special pre-flight luxury purchase.

The recently installed social networking mirror at Terminal 5, inspiring friends to be part of the purchase decision, will undoubtedly also help protect Heathrow's reputation for being the World's Best Airport for Shopping.

Fresh approach

Global economic shifts and technological disruption are clearly redefining the rules of luxury marketing.

It has never been more challenging to design a path to success and link the power of brand storytelling to the commercial importance of getting that sale.

The power of video is now undeniable and some of our recent work has highlighted the fact that there is a growing consumer desire to get behind the scenes of the once-rarefied world of luxury increasing its overall accessibility but without destroying the allure of scarcity.

WE ARE PLAYING a huge part in challenging our global luxury clients to change the marketing model to better align with a new breed of influencers and brand evangelists.

The Instagram generation are clearly luxury owners-in-waiting and are dictating exactly how they want to search, browse and buy. Satisfying their needs will undoubtedly secure a bumper sales year for luxury in the U.K. and beyond.

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