



Luxury brand market opportunity and strategy

Case study

BA assisted a Mid-East based private equity firm create a luxury market investment strategy

Client background

- The client, a GCC based private equity fund, manages long-term, capital-intensive investments that deliver strong financial returns and tangible social benefits
- It is seeking further investments in the luxury market by either developing a luxury brand that could span over a range of products and luxuries, or by strategic partnerships and acquisitions

Key highlights

- BA identified key countries and defined the main segments to be studied for each country for luxury products & services
- BA captured the market size, growth rates, market dynamics, drivers, trends and presence of major brands in each segment for each country
- Secondary research and primary interviews were used to get detailed insights into the luxury market
- Analysis of key findings in the focus segments and recommendations for the way ahead were provided to the client

Key business questions



BA analyzed the global trends and growth in the luxury market in developed and emerging economies

1

What is the market opportunity globally for each of the luxury segments with respect to market size, growth and trends?

2

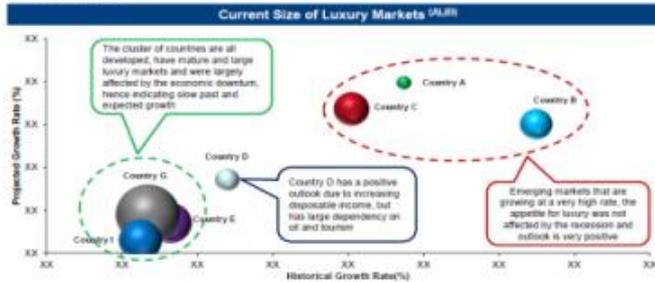
What are the main drivers of these luxury segments in each of the geographies and what are the expected future trends?

3

What are some of the profitable segments for the client and how can it leverage it's existing investments in luxury?

Illustrative

Among the 7 countries, Country G is the largest market. The largest growth potential is seen emerging economies like Country I and Country E



- In terms of the size of luxury market, Country G is the clear leader with a market size of \$XX B, followed by Country I & Country E at \$XX B and \$XX B respectively. These markets can be classified as mature markets.
- Among the emerging markets, Country C is the largest market at \$XX B, and is as big as the rest of the three markets namely Country B, Country D and Country A put together.

Notes:
(A) Figures do not include forecasted numbers
(B) Historical and Projected rates are the different years based on data availability

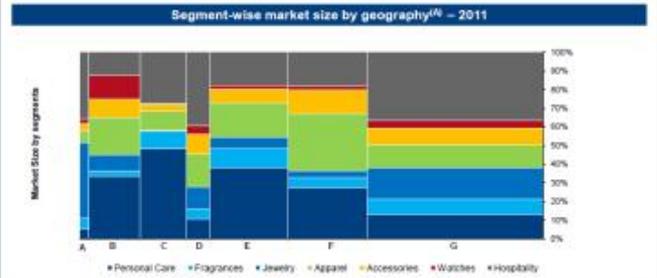
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BA mapped the future and current growth of each of the countries and developed an understanding of possible future global trends and their drivers.

Market sizing & estimation, past and present growth for each country and segment was carried out.

Illustrative

Globally, hospitality accounts for the greatest share of the luxury market followed by the luxury personal care segment



- Country G is currently the largest market globally and is driven by tourism and the personal care industry.
- Country F and Country E are markets quite similar to each other, with respect to segment scores. Both these markets are large exporters of luxury brands and are frontrunners for the rest of the globe. Country F's market is dominated by large conglomerates with diversified luxury products and services. Recently country F's brands have started raising funds by public listing to compete with larger conglomerates.
- In the emerging markets, Country B and Country C are large luxury markets. Both the Country B and the Country C contribute to inbound tourism and luxury purchases in the region H and Country G.

Notes:
(A) Country H figures for 2010

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Main trends for each market segment were identified at a country level with analysis of purchase behavior driving growth

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Country analysis by growth, key drivers and trends was conducted. Key purchase behavior, demographic influencers and regulatory environment information was captured.

Attractive market segments were identified for investment using a prioritization criteria

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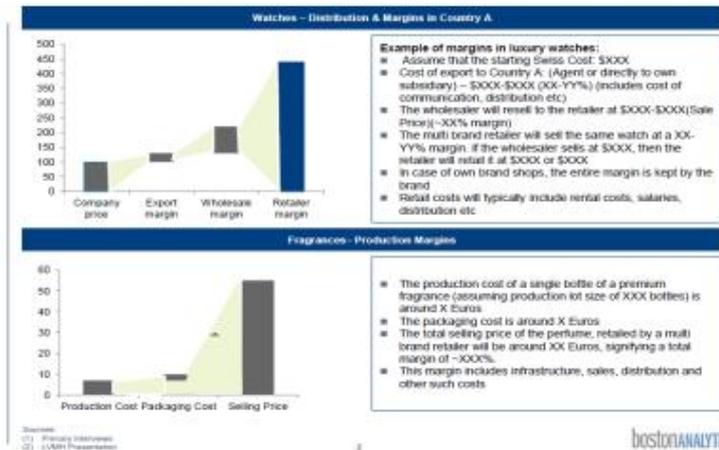
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What are some of the profitable segments for the client and how can it leverage it's existing investments in luxury?

BA provided detailed analysis of distribution and margin analysis for key luxury products in countries of brand origin.

Value chains - examples

Illustrative



Emerging countries - Key luxury segments analysis

Illustrative

	Key segments
Country A	<ul style="list-style-type: none"> A flagship store in Country A is an imperative for all global luxury brands as this is needed to increase both local and outbound tourist spend The luxury footwear market for women is unsaturated and is expected to grow at a rate of X% and is very lucrative for market entry Luxury personal care, especially hair care and fragrances are growing at a very high rate. Fragrances is a small market, but as more and more Country A's people get used to wearing fragrances, the market is expected to grow exponentially The luxury watches segment is currently very large and will keep growing till the mid term. However as the market matures, focus on watches and accessories is bound to make way for exponential luxury and luxury hospitality
Country B	<ul style="list-style-type: none"> The personal care market in Country B is growing at a high rate, and will keep increasing in spite of increasing outbound tourism as the cost differential on low ticket items is lower compared to other luxury products and makes it more easier to buy locally. The market for skin care and color cosmetics is fragmented and growing at a higher rate, making it easier to enter through acquisitions or mergers. The distribution is fairly regulated and comprises mainly of multi-brand retailers like XXXXXX. Fine Dining (hospitality) in cities like XXXXXX is growing as the base of luxury slowly shifts beyond YYYYYY. The entry barriers are very low and make it an ideal new growth market.
Country C	<ul style="list-style-type: none"> Products segments like personal care and women's apparel are likely to grow at a higher rate. Luxury hospitality is expected to continue expanding as the connectivity of Country C with the rest of the world increases.
Country D	<ul style="list-style-type: none"> Country D has a very small luxury products market and has large entry barriers. However the hospitality sector is still very lucrative, though highly competitive. Luxury tourism and spas are under-developed and are forecasted to grow at really high rates (X% and Y% resp.)

Lucrative segments were identified on the basis of expected growth, trends, distribution channels and market fragmentation. Recommendations, on the basis of these findings and the client's capabilities, were made.

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