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LVMH is upbeat about thriving in Asia's markets amid volatility



From left : SMU Lee Kong Chian School of Business, visiting associate professor, Mark Ritson; LVMH Asia Pacific, senior vice-president, human resource, Roula Rozakeas; SMU Lee Kong Chian School of Business dean, Gerry George; LVMH Asia Pacific president & CEO, Jean-Marc Lacave; LVMH-SMU Asia Luxury Brand Research Initiative, Dr Reddy

Asia represents almost one-third of LVMH's sales; it continues to promise and drive growth opportunities

TOP luxury brand, Moët Hennessy Louis Vuitton (LVMH), is thriving on the growth opportunities in Asia, especially in Japan, amid global economic volatility. These were part of the opening remarks at the inaugural LVMH-SMU (Singapore Management University) Luxury Research Conference on Monday.

The French group secured 37 per cent of its total revenue of 8.6 billion euros (\$13.1 billion) from the Asia continent during the first quarter of 2016, according to its financial report. This is also the largest share of its revenue.

While the luxury markets in Asia appear varied, Japan continues to progress, accounting for 8 per cent of the group's total revenue in Q1 2016. The United States recorded the second largest revenue after Asia, with 25 per cent, followed by Europe with 17 per cent.

Said Chantal Gaemperle, LVMH's group executive vice-president for human resources and synergies: "Asia represents close to one-third of global sales today. Even with the volatility that we experience in the global economic climate, it continues to promise and drive growth opportunities."

While the economic uncertainty has slowed several markets across the globe, including the luxury goods sector, a research initiative between LVMH and SMU expects this to be temporary and to pick up soon.

"(The luxury market) was going gangbusters over the last 10 years (but) due to the slowdown in the global economy and also in the Chinese and Asian economies, there is a slight hiccup here. But the potential is still there," said Dr Srinivas K Reddy, professor of marketing at SMU's Lee Kong Chian School of Business. He is also the academic director for the LVMH-SMU Asia Luxury Brand Research Initiative.

He adds: "Luxury is really long term. So you try to build on something that lasts for a long time - build the brand, sustain them and be consistent to their brand identity and brand DNA. This is the strategy that many of the luxury manufacturers will essentially adopt despite the ups and downs to tide over whatever slowdown that might happen periodically."

However, growth in Asia is not without challenges. Apart from the economic slow down, the luxury sector in Asia faces cultural and business complexities, anti-corruption regulations and counterfeit issues.

While "sophisticated clients in Japan and emerging wealth in the Indochina region" are helping to drive Asian markets, Ms Gaemperle mentioned that Asia's "highly diverse cultures and business economies pose a myriad of complexities, from roots to markets to talents". She added, "Asia has a diverse understanding (of the) concept of luxury".

The tightening of anti-corruption regulations in China has also taken a toll on the Asian luxury goods sector.

Concerning counterfeit issues, Dr Reddy said: "In China, India, South-east Asia and even in the US, you see counterfeits coming in. There is always going to be a market that essentially wants fake goods. But it should not ruin the markets for others and so that's where very vigilant brands have to work with the local regulatory agencies to curtail it as much as possible."

To overcome such challenges, he said: "You have to be consistent of what your brands are, what your luxury issues are and continue to push it forward."

Looking ahead, Ms Gaemperle mentioned that the partnership with SMU in research plays a critical role in bringing innovative and creative ideas to customers and businesses. It signifies "an important step towards building understanding and passion for luxury retail, especially in Asia".

The inaugural LVMH-SMU Luxury Research Conference is part of a five-year collaboration to further develop the luxury brand sectors and the Asian market.

Announced in 2014, the research initiative between LVMH and SMU will focus on developing talent, industry and consumer outreach, and research on customers, markets and strategies.

*Article by J Lossini
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