

A Work Project, presented as part of the requirements for the Award of a Masters Degree in Management from the NOVA – School of Business and Economics.

**HOW CAN THE LUXURY SECTOR IN PORTUGAL CAPTURE THE FULL POTENTIAL FROM EMERGING COUNTRIES TOURISTS' MARKET?**

**Ana Bárbara Amaral Martins Lopes #1079**

A Project carried out on Marketing, under the supervision of:

Professor Catherine da Silveira

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## **ABSTRACT**

### **How can the Luxury Sector in Portugal capture the full potential from Emerging Countries Tourists' Market?**

Contradicting the other sectors, the Luxury Industry continues to show positive growth worldwide. One of the drivers of this evolution is the booming luxury consumption in Emerging Markets. In Portugal the situation does not differ. The top luxury shoppers are tourists from Angola, Brazil, China and Russia. The research conducted, interviewing this segment and Managers/Retailers from leading luxury brands/boutiques, showed that there is room for improvement. This Project gives to the Luxury Sector in Portugal important insights on emerging countries tourists' behavior as Luxury Consumers, on how this Sector is seen by them, and finally, on what can be improved to capture their full potential.

## **KEYWORDS**

- Luxury Sector
- Emerging Countries
- Portugal
- Growth Potential

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## **1. CONTEXTUAL BACKGROUND**

### **a. MOTIVATION & CATEGORY SCOPE**

This Work Project arises from a personal motivation to investigate the (unexplored) Luxury Goods Market in Portugal and the huge purchase potential of consumers from emerging countries.

The Luxury Sector is traditionally divided into two main sub sectors: Luxury Goods and Luxury Experiences. BCG (2012) has shown that consumers pass through a Luxury Lifecycle. In the first phase, when they enter in the “Luxury World”, consumers are focused on Luxury Goods. After some years of owning these goods, they start feeling a gap, and so they move on to the second phase of this Lifecycle: Experiential Luxury. Here, consumers look for unique and exclusive Luxury Experiences that they can remember. Today, according to BCG (2012), this last phase, Experiential Luxury, is growing 50% faster than the consumption of Luxury Goods, corresponding to 55% of Total Luxury Consumption.

This Work Project will focus on Luxury Goods (vs. Luxury Experiences) for the following reasons. First, according to Kapferer and Bastien (2012) emerging countries consumers seek for social elevation in luxury products and they clearly do that with brands that have a social status higher than theirs. The majority of these consumers from emerging markets are in the first phase of the Luxury Lifecycle, focused on luxury goods. Their disposable income is increasing and they are willing and able to spend it on what was beyond their reach, just until a few years ago. Therefore, today, luxury goods consumption is the way these emerging countries consumers use to show their wealth and status. Second, the interviews conducted to both these consumers and the leading Luxury Managers/Retailers were mainly focused on Luxury Goods. Finally,

from the beginning of this research, a collaboration was made with Global Blue, the leading company in Tax Free Management in Portugal (85% Market Share), and all the information provided by the company is focused on Luxury Goods. Global Blue is the world's largest network of refund points, which makes transactions between merchants, banks and international shoppers more rewarding. The company started its business by introducing the concept of Tax Free Shopping, enabling merchants to provide tax refunds, but has been introducing a wide range of additional services that help its partners to do business more profitably and effectively: Currency Choice, Academy, Market Intelligence, Direct Promotions and a Print and Online Magazine (SHOP).

#### **b. PORTUGAL & WORLDWIDE LUXURY MARKET GROWTH**

Even with a struggling financial crisis worldwide, it is the high-end brands that continue to grow and to increase their value. As Bernard Arnault, founder and CEO of Moët Hennessey Louis Vuitton (LVMH) said, "Luxury is the only Sector that can provide luxurious margins" (Kapferer and Tabatoni, 2011, p.1). According to Bain & Company (2013), leading advisor to the Global Luxury Goods Industry, this market grew overall by 10% in 2012 (current exchange rates) and will grow 50% faster than global GDP. In addition, the company predicts a growth of 4%-5% in 2013 and 5%-6% of annual average through 2015 (€250 Billion sales threshold by mid-decade).

The market is growing fast, but several trends are substantially changing the structure of this growth. First, there is the **rise of emerging markets as main consumers of luxury**, not only in their domestic market but also as tourists. These consumers from emerging countries see luxury differently from consumers from developed countries. This leads us to the second trend – the **generalization of luxury**. As Jean-Noel Kapferer (2012) claims, "The Abundant Rarity" creates a completely new context for luxury, as

nowadays luxury status is reinforced by the high penetration rate, rather than being diluted as it was before. As an example, according to Radha Chadha & Paul Husband (2007) and Ipsos (2012), Asian consumers feel safer purchasing luxury products with which their relatives are familiar with (e.g. half of the women in Tokyo offices own a Louis Vuitton bag, but still recognize the brand as the most luxurious). The third trend that is changing the structure of this Market's growth is the **change in tastes and behaviors**. Young consumers look for significantly different experiences from luxury, seeking for memories over products, as they value unique, accessible and exclusive experiences that entertain them. Finally, there is the **rise of new media**, with luxury brands using social media to maintain the dream relation with its aspirational clients.

The rise of emerging markets, notably the **BRIC** (Brazil, Russia, India, China) **and CIVETS Countries** (Colombia, Indonesia, Vietnam, Egypt, Turkey, South Africa), as main luxury consumers and as an enormous potential for the Luxury Sector was already obvious before the economic crisis. In the past few years, the importance of these countries has gained more weight. BRIC and CIVETS consumers' income is increasing, and due to their love affair with luxury and their confidence about the future, the rising middle class see luxury as an essential way of spending money. Most of them seek for status, recognition and different prestigious experiences, so travelling to shop in the most exclusive luxury stores in the world is an aspiration. Bain & Company (2012) stated that today tourists account for 40% of Global Luxury Spending Worldwide.

This **scenario is relevant in Portugal**, with Lisbon being considered the 7<sup>th</sup> European City best positioned to purchase when traveling internationally (Global Blue, 2013) and Avenida da Liberdade the 10<sup>th</sup> most luxurious avenue of the world (Visit Lisbon, 2012). Global Blue (2013) estimates that the Portuguese Luxury Goods Market represents

approximately €800 Million. In addition, the company predicts that the consumption of tourists from emerging countries is 50% of the total consumption of luxury goods. In addition, the World Travel and Tourism Council (2013) predicts that the number of tourists and their spending in Portugal continue to grow (see Figure 1).

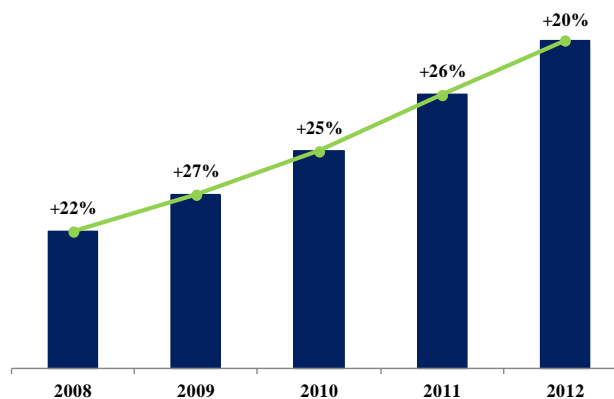


**Figure 1: Evolution of Tourism in Portugal**

**Legend: (World Travel and Tourism Council, 2013, p. 15)**

- **Foreign visitor exports:** “spending within the country by international tourists for both business and leisure trips, including spending on transport, but excluding international spending on education.”
- **Foreign tourist arrivals:** “the number of arrivals of foreign visitors, including same-day and overnight visitors (tourists) to the country.”

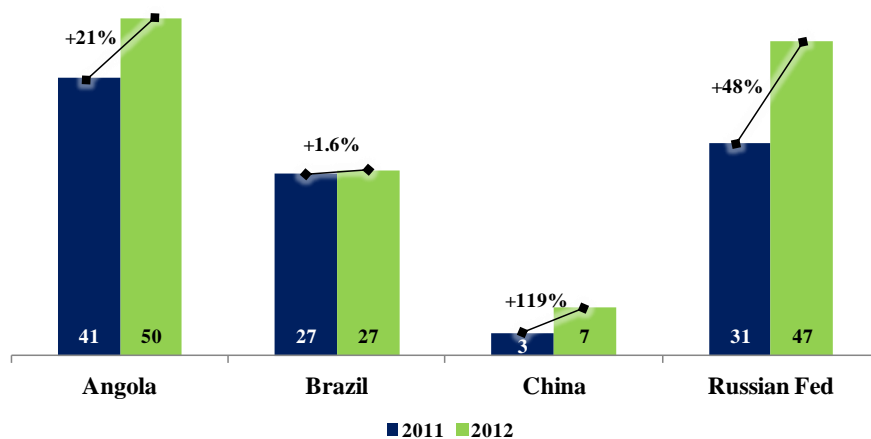
Additionally, according to Global Blue (2013), the evolution of Tax Free Shopping in Portugal for the past 5 years has shown positive growth (See Figure 2). In 2012, the spending on Tax Free Shopping grew 20%.



**Figure 2: Growth Evolution of Tax Free Shopping in Portugal**  
(vs. Previous Year)

These tourists spend on average four times more than the domestic market and around 70% of their purchases are made in 10 luxury stores (Global Blue, 2013). The top nationalities of these Tax Free Globeshoppers (tourists from emerging countries) in Portugal are: Angola (44% of total tax free purchases in 2012), Brazil (20% of total tax free purchases in 2012), China (6% of total tax free purchases in 2012) and Russia (6% of total tax free purchases in 2012).

As can be seen in Figure 3, in 2012, all of these nationalities showed a positive growth on purchases in Portugal. However, Chinese tourists are the ones with more opportunities for growth in the future, being expected to match or even surpass Angolan purchases of luxury goods (Global Blue, 2013).



**Figure 3: Tax Free Purchases (Millions) of Top Nationalities in Portugal (2011 vs. 2012)**

## **2. LUXURY TARGET CONSIDERED IN THE WORK PROJECT**

This Work Project focuses on the **top 4 nationalities of emerging countries luxury consumers in Portugal: Angola, Brazil, China and Russia**. We take both the perspective of these consumers and of the current Portuguese Luxury Managers/Retailers to address, for the first time, a very relevant question: **How can the**

## **Luxury Sector in Portugal take the full potential from Emerging Countries Tourists' Market?**

This project is particularly complex due to the Sector being studied. It is difficult to find luxury consumers willing to talk about their experiences and purchases of Luxury Goods, and even more to interview tourists. In addition, luxury brands have very restricted confidentiality policies, so even the Managers/Retailers that are allowed to talk cannot give as much information as is requested.

### **3. LITERATURE REVIEW**

In order to understand the meaning of luxury in this report, it is important to clarify its definition. As Kapferer and Bastien mentioned (2012) **“there are as many definitions as there are authors”** (Kapferer and Bastien, 2012, p.45). After analyzing several definitions (Bain & Company, T.B. Jackson, Kapferer and Bastien), it was decided to use the one by Kapferer and Bastien (2012): **Luxury is a long lasting exceptional “qualitative hedonistic experience or product”, offered at a price that exceeds by far “what their mere functional value would command”, tied to a “heritage, unique know-how and culture attached to the brand”, sold in “purposefully restricted and controlled distribution, offered with personalized accompanying services”**. Luxury represents a **“social marker, making the owner or beneficiary feel special, with a sense of privilege”** (Kapferer and Bastien, 2012, p.47) This definition seems to be the most complete one, because it does not only embrace products but also experiences and clearly differentiates a luxury from a fashion or premium good.

In order to understand emerging countries Luxury Consumers and the segments they fit in, several segmentations were analyzed [Global Luxury Market: Kapferer and Bastien

(2012), Sorell and Salter (2005), BCG (2010); Asian Luxury Market: International Luxury Travel Market Report (2012)]. After analyzing them, it was concluded that the best approach for this Work Project would be the combination of the two segmentations presented in Table 1.

Kapferer and Bastien, 2012, p.121	International Luxury Travel Market Report (2012)
<p><b>1. "Discreet Audacity":</b> luxury consumers with wealth and status (typically 'old money') who "have nothing to prove to non-peers". These consumers "just need subtly to sustain their rank" among their group with discreet luxury brands (do not like blatant signs of richness – big logos)</p> <p><b>2. "Stories Displayed on Oneself":</b> luxury consumers without wealth and status who dream to have 'Old Money' consumers' values. This group of consumers likes big and well known logos to show that they can belong to a world they would like to live in.</p> <p><b>3. "Excess and Audacity":</b> luxury consumers with high wealth but no status that aspire to gain prestige and respect from their economic success. This group of consumers purchases hyper luxury brands in limitless consumptions in order to show an unabashed display of wealth. "They buy famous hyper-luxury brands in disruptive quantities".</p> <p><b>4. "The Niche Creators":</b> luxury consumers with high status, based on their high education, but less wealth. This group of consumers is much more focused on "strong personal experiences or high intangibles "(creative designers, or craftspeople), or "creative high-tech devices".</p>	<p><b>1. "New Sophisticates":</b> luxury consumers who like to go to trusted destinations in order to demonstrate their newly found knowledge sensibilities. For them experience means status, so they have high service expectations, demanding elevated levels of service.</p> <p><b>2. "Status Hunters":</b> luxury consumers that seek to gain status through exclusive experiences from well known brands. This group of consumers usually travels just to shop in the main luxury capitals.</p> <p><b>3. "Young Guns":</b> young luxury consumers (between 20s-30s) that are mainly focused in breathtaking experiences and adventures in unexplored parts of the world. This group is exposed to premium Western lifestyle via internet and they aspire to live in the same way. Price sensitive consumers, always search for value for money experiences, which can be shown to their community afterwards.</p> <p><b>4. "Frugal Millionaires":</b> highly price sensitive luxury consumers that travel with the intention of spending high values of money in designer brands, while staying at affordable hotels, because the latter is not the purpose of their stay.</p> <p><b>5. "Luxe Pack":</b> luxury consumers that look for five-star destinations that will cater multi-generational activities (as they usually travel with their group of family and friends).</p>

**Table 1: Luxury Consumers Segmentation**

The final consumers' segmentation embraces not only the habits in travelling of consumers, but also their luxury consumption behavior. We suggest the following segmentation for the Project: **1. Old Money Consumers (“Discreet Audacity”+”Luxe Pack”)**: people who have wealth and status who are not trying to show off. Every time they travel, these consumers look for five-star destinations. **2. New Luxury Consumers (“Stories Displayed on Oneself”+” Frugal Millionaires”)**: people without wealth and status that are willing to be associated to the former segment, emulating their values. Price sensitive consumers, which means that every time they travel planning to spend high values of money in luxury goods, these consumers stay at affordable hotels. **3. Status Hunters Consumers (“Excess Audacity”+ “Status Hunters”)**: people with wealth and no status, that aspire to gain prestige and respect for their own economic success through limitless luxury consumptions. **4. Young Status Consumers (“The Niche Creators”+“Young Guns”)**: young consumers with high status, based on their higher education, and less wealth. These consumers are mainly focused in breathtaking luxury experiences.

#### **4. MARKETING RESEARCH**

We developed a Marketing Research aiming to discover Angolan, Brazilian, Chinese and Russian consumers' behavior, to find the current drawbacks of the Portuguese Luxury Goods Market in their perspective, and to uncover how established luxury brands/boutiques manage these consumers.

##### **a. METHODOLOGY**

The research is divided into 2 main phases. The first phase is an exploratory study of Luxury Consumers from Angola, Brazil, China and Russia, through **qualitative in-**

**depth interviews to 6 consumers from each country** (total sample of 24 Luxury Consumers) (*See Appendices I, II, III and IV*). The sample was selected according to the following criteria: 1. being a tourist in Portugal for less than 6 months; 2. being from one of the 4 countries in study; 3. had bought any luxury good in Portugal. The topics studied are the Pre-purchase Behavior, the Purchase Behavior, the Experience, the Post-purchase Behavior and their opinion regarding the Portuguese Luxury Sector (*See Appendix V*). The in-depth interviews were conducted in Portuguese for Angolan and Brazilian consumers and in English for Russian and Chinese consumers. All interviews conducted were recorded and transcribed.

The second step is to **inquire 6 Luxury Managers/Retailers in the Portuguese Luxury Goods Sector** - Rosa & Teixeira, Stivali, Mont Blanc, Torres Joalheiros (responsible for Rolex Boutique), Fashion Clinic (responsible for Gucci) and Boutique dos Relógios Plus - **through qualitative in-depth interviews** (*See Appendix VI*).

## **b. MAIN RESULTS**

### **i. GLOBAL OVERVIEW OF EMERGING COUNTRIES LUXURY**

#### **CONSUMERS' BEHAVIOR IN PORTUGAL**

As Global Blue usually states, all these emerging countries tourists are called Globeshoppers: tourists that consider shopping an essential and fundamental part of the travelling experience and that take time to go to the stores in their leisure and business travels. According to Global Blue (2013) these consumers dedicate 30% of their budget to purchase luxury goods while travelling.

Emerging countries luxury consumers share the love affair with luxury and the fascination to the Western “lifestyle”. As Kapferer & Bastien (2012) claim, they see luxury as the “ultimate symbol of social ascension, of conformism and of success”

(Kapferer and Bastien, 2012, p.275). These consumers aspire to have the same lifestyle as Westerners and look for exclusive overseas experiences that make them feel prestigious and that enhance their ego and status. They always prefer to go directly to the brand's boutique to belong to the club, to have a unique experience, to feel the heritage and culture of the brand and to share it after with their friends and family. In addition, Angolan consumers go directly to the brand's boutique in Portugal, due to the already established relation with the Luxury Staff (know what they like and want), which provides them with a more personalized and refined service. The final decision of these consumers from emerging countries is highly influenced by the in-store experience. Their increasing overseas experiences are making them more exigent and sophisticated. They have high expectations, anticipating brands to recognize them and to deliver the same experience everywhere they go.

These Globeshoppers, have as main influences in their purchasing decision, the group of friends and family (they do not mind having exactly the same products) and the fashion trends in Europe. Furthermore, due to the regularity of Angolan consumers' visits to Portugal, these tourists are also influenced by the e-mails that the luxury boutiques usually send with the new arrivals.

Based on the interviews conducted, our assumption is that Angolan, Chinese and Russian consumers belong to the Status Hunters Segment, while Brazilian are in the New Luxury Consumers Segment. This distinction arises from the fact that the majority of Brazilian tourists in Portugal come from the emerging middle class and not middle upper or upper classes as the other nationalities.

The main opinion of these luxury consumers regarding the Portuguese Luxury Goods Market is linear and several common conclusions can be drawn. Most emerging

countries' consumers mentioned that the **main strength** felt in Portugal is the **personalized service that gives them full attention:**

*" Eu quando entrei na loja da Longcham em Paris fiquei por mim mesma, eu peguei a bolsa e fui pagar. Em Portugal não, as pessoas foram mais atenciosas, foi um atendimento mais personalizado "* (Brazilian Woman, 25-34 y.o., Master, Unemployed)

However, all consumers pointed that the Portuguese Luxury Sector offers **fewer brands and available products with less actualized collections:**

*"Portugal doesn't have that much luxury, because comparing to Paris or Dubai, you don't have that much brands available here"* (Russian Woman, 18-24 y.o., Master, Student)

*"They have few items here. Actually I didn't have much choice here, they don't have new arrivals"* (Chinese Woman, 25-34 y.o., Master, Middle Management)

Furthermore, excluding Russians, all other consumers felt a **less prestigious and unique experience inside the store:**

*"A experiência que tenho em Portugal é sempre muito boa. Como já disse as pessoas já me conhecem, são simpáticas e acolhedoras, mas por vezes falta um pouco de prestígio que se sente em outras lojas na Europa, como a oferta de um copo de champagne, de uma água, ou de um café"* (Angolan Woman, 45-54 y.o., High School Completed, Household)

In addition, probably due to the cultural and linguistic proximity, both Angolan and Brazilian consumers encountered **arrogant staff** that, as soon as the consumer started spending higher values, would change their behavior:

*"A discriminação que sinto dentro das lojas, mas depois a atitude muda quando gasto dinheiro, isso ainda me irrita mais."* (Angolan Man, 18-24 y.o., High School, Student)

At last, for Russian and Chinese consumers, Portugal is a **good place to visit, but not to shop in Luxury Stores**, because they do not feel as exclusive and refined as they do in the main luxury capitals of the world (Milan, Paris, New York, etc):

*"I think Russians don't really see Portugal as a luxury destination, they prefer Paris, London, Milan, etc."* (Russian Woman, 25-34y.o., Master, Middle Management)

## ii. PARTICULARITIES OF ANGOLAN LUXURY CONSUMERS IN PORTUGAL

According to Global Blue (2013), Angolan Luxury Consumers are the **1<sup>st</sup> nationality of emerging countries' consumers in Portugal**, spending on average 290€ per purchase and totalizing 50€ Million in Tax Free Shopping in 2012 (21% growth in 2012).

Angolan consumers come to Portugal due to the cultural, linguistic and geographical proximity. They not only use their trips to shop in the main luxury stores, but also to purchase all types of products that they cannot find in their own country (opportunity shopping).

These consumers have a routine while shopping: they arrive at Avenida da Liberdade with one of the most recent luxury car models (most of the times with driver), stop in front of the store, enter the boutique and usually pay in cash. Then they enter in the car, waiting in front of the store, and leave. The paradox is that these consumers say that they do not like to be seen, but at the same time they always make sure they show off; from an interview:

*“Os Angolanos querem ser vistos sim, eles querem mostrar que têm dinheiro e que podem comprar artigos de luxo.”* (Angolan Woman, 25-34 y.o., 1st Degree, Middle Management)

Most Angolan consumers do not prepare their purchases. They are not concerned with prices or promotions and purchase the products they like. As they come to Portugal on a regular basis (the majority already own a house in the country), they know what to expect: good and exclusive service that will give them full attention.

Angolan consumers continue to fulfill their expectations in the Portuguese Luxury Sector and return home with a **satisfactory feeling**. In Angola, they like to show to their family and friends all the purchases made:

*“Em Angola ainda mostram mais. É impossível sair de casa sem estar vestido dos pés à cabeça com marcas de luxo. Se não o fizer as pessoas olham logo de lado”* (Angolan Woman, 25-34 y.o., 1st Degree, Middle Management)

### iii. PARTICULARITIES OF BRAZILIAN LUXURY CONSUMERS

According to Global Blue (2013), Brazilian Luxury Consumers are the **second nationality in Portugal** in Tax Free Shopping and they spend on average 238€ per purchase. These consumers totalized 27€ Million in Tax Free Shopping in 2012 (1.6% growth in 2012).

Brazilians travel to Europe to shop luxury goods mainly due to their cheaper prices (i.e. tax system) and the status achieved (they like to come back to Brazil and say that they bought luxury in Europe). Portugal is one of the most frequent destinations for these consumers due to cultural and linguistic proximities.

Before travelling, these consumers plan their purchases, searching for products in their favorite's brands' website. Thus, Brazilian consumers go to the stores knowing exactly what they want to purchase (sometimes they even bring a paper with the image) and because they come mainly from the middle class, price and promotions are fundamental for their purchase decision.

After the experience in Portugal, most Brazilian luxury consumers return home with a **good feeling and exceeded expectations.**

### iv. PARTICULARITIES OF CHINESE LUXURY CONSUMERS

According to Global Blue (2013), Chinese Luxury Consumers represent the highest future opportunity for the Portuguese Luxury Sector as they already are the **first nationality in Tax Free Shopping worldwide** and the **third in Portugal**. They spend on average 922€ per purchase in Portugal, totalizing 7.2€ Million in Tax Free Shopping in 2012 (growth of 119% in 2012).

Kapferer & Bastian (2012) claim that it is estimated that in 2020, or before, there will be 100 Million Chinese Tourists travelling around the world. Bain & Company (2012) states that Chinese tourists already bypassed Japan as the sector's second market, behind the United States. These consumers are already characterized in several European cities by their fascination and love affair with western luxury brands. For them, luxury shopping while travelling is fundamental (usually take 1 or 2 days just to shop), due to the prestigious feeling, exclusive experience, larger product portfolio and cheaper prices (price and promotion sensitive consumers). These tourists typically travel in groups and purchase luxury goods for themselves and for their family and friends (gift-giving culture).

They do not usually plan their purchases, unless they already have something in mind, and in that case, they go to the brand's website to see the catalogue or look for reviews of the product on the internet.

After the experience in Portugal, the majority of Chinese tourists return home **unsatisfied**, because they did not spend as much money as they planned: either they did not find as many products to buy, or there were incompatibilities in the payment cards:

*"Expectations were kind of unmet due to the less products available, because I saw products in Paris that I didn't find here.( ...) I could have bought more" (Chinese Woman, 45-54 y.o., Master, Top Management)*

#### **v. PARTICULARITIES OF RUSSIAN LUXURY CONSUMERS**

According to Global Blue (2013), Russian Consumers are in the **4<sup>th</sup> place of the Globeshoppers in Portugal**, spending on average 256€ per purchase. In 2012, these consumers totalized 46.6€ Million in Tax Free Shopping in Portugal (growth of 48% in 2012).

Russian consumers are travelling more and more, always stay at five-star hotels, and shopping is an essential part of their journey (always take 1 or 2 days to shop in luxury stores). Global Blue (2013) claims that these consumers spend 52% of their budget on shopping.

Russian consumers are really self-image conscious and even more focused on brands than the Chinese tourist. These consumers plan their purchases on the brands' website or blogs and some of them even just travel to shop during promotional periods. Even being price and promotions sensitive, Russian consumers are willing to spend more when they find products that they do not have in their own country or even when they go to a country with lower prices when compared to Russia.

After the experience in Portugal, the majority of Russian luxury consumers return home **unsatisfied**, mentioning that Portugal is a good place to visit, but not to shop luxury goods.

#### **vi. LUXURY MANAGERS/RETAILERS RESULTS**

With the purpose of understanding the environment of the Portuguese Luxury Goods Market and how it deals with emerging countries tourists, **6 qualitative in-depth interviews were conducted to Luxury Managers/Retailers in this Sector**. As it was already mentioned before, this Sector has very restricted policies and managers are not allowed to share information regarding the strategy used to manage their client base.

Overall, all the managers/retailers interviewed feel the increasing importance of international tourists' consumption in Portugal (e.g. approximately 30% of Mont Blanc's clients in Portugal are foreigners).

The managers of international brands in Portugal have autonomy to adapt the Marketing Campaigns to the national market, while the national boutiques are responsible for creating all the communication and managing the website and social media pages:

*“Até à relativamente pouco tempo nós recebíamos as campanhas internacionais e tínhamos que adaptá-las ao mercado nacional, juntamente com uma empresa criativa. Neste momento, temos a nossa própria gestora de conta para o fazer, mas respeitando sempre as regras da marca mãe. O website e a página do Facebook são ambos internacionais.”*(Manager of an International Brand)

All brands interviewed have full responsibility for the collections and products’ selection, but only some of them have the chance to order products not available in their portfolio. These boutiques always try to adapt their products to the demand and targeted consumers, including tourists:

*“Nós escolhemos os produtos que queremos ter nas nossas lojas. Estes produtos são sempre adaptados tanto aos nossos clientes nacionais como a turistas. Queremos que os nossos clientes encontrem peças alinhadas ao que encontram lá fora e para isso criamos uma seleção alinhada. Se um cliente procurar um produto específico que não temos disponível, podemos tentar encomendar, mas depende muito da situação e do produto em si.”* (Marketing & Communication Manager of an International Brand)

With ‘Service’ being the secret behind the business for all these brands (customer centric), the staff needs to be prepared, trained and developed to deliver a personalized, individual and exclusive attention to clients:

*“Há alguns requisitos para se ser um trabalhador nesta loja. Não só têm que ter o 12º ano e serem fluentes pelo menos em inglês, como também têm que ter experiência no mercado de luxo. Temos formações tanto locais como internacionais. Os nossos trabalhadores têm que conhecer bem os produtos, como são confeccionados e as principais funcionalidades e benefícios dos mesmos.”* (Manager of an International Brand)

According to the managers/retailers interviewed, this service should not be based on clients’ nationality, but rather on their own individuality as luxury clients (i.e. all clients should be treated the same way). However, the experience of staff serving more tourists

from emerging countries increases their knowledge about each nationality and an adapted service starts appearing in these stores:

*“Todos os clientes que entram nesta loja devem ser tratados da mesma maneira. Não interessa como estão vestidos ou o que aparentam ter. Mesmo que saiam da loja sem terem comprado nada, o mais importante é que tenham sido bem atendidos e que quando precisarem de uma peça pensem imediatamente na nossa loja para a comprar.”* (Multi-brand Boutique’s Manager)

*“Os clientes devem ser todos atendidos da mesma forma, com um atendimento personalizado e individual. No entanto, o nosso staff já começa a conhecer a cultura de cada nacionalidade e sabe adaptar um bocadinho o atendimento a estes turistas. Por exemplo, já sabe que o cliente Brasileiro procura tendências, o Angolano procura um atendimento de prestígio e produtos que mostrem a marca e que os Chineses gostam de ser atendidos em grupo.”* (Marketing&Communication Manager of an International Brand)

It seems that brands/boutiques in the Portuguese Luxury Goods Sector have not implemented any loyalty program (i.e. loyalty cards). Some can track their clients’ purchases, but not at a Worldwide level. To “reward” their loyal clients, some of these brands/boutiques offer special events or gifts.

From the interviews conducted, it seems that most brands established in the Portuguese Luxury Goods Sector have a well defined strategy aligned with the behavior of the Luxury Market in general. However, this strategy is not adapted to the changes in the market and to these new consumers. In addition, there is a gap between what the Luxury Managers/Retailers say they do and what consumers from emerging countries perceive.

## **5. LIMITATIONS & CONCLUSION**

The limitations of this Work Project are mainly related to the Sector in study. First, these consumers are difficult to interview, as they value their individuality and discretion when shopping. In addition, the linguistic barrier with Chinese consumers also detracted the interviews, because most of them did not feel comfortable speaking in

English. Second, the fact that this Sector has very restricted policies harmed the Luxury Managers/Retailers' interviews. The managers/retailers interviewed were not allowed to share more information and all international brands, excluding Mont Blanc, were not permitted to be interviewed. However, it is possible to draw some conclusions from the study conducted.

The increasing tendency for overseas travel and the purchasing and consuming experience in luxury brands are contributing to a substantial rise in sophistication among luxury consumers in emerging markets. These consumers are getting more exigent than may be perceived, resulting sometimes in under-expectations in performance from some brands.

As aforementioned, tourists from emerging countries feel that in Portugal there are **fewer established brands, smaller products' portfolios with less actualized collections, and a less prestigious experience in-store.** In addition, consumers with a strong linguistic and cultural proximity to the country (Angolan and Brazilian) mentioned **arrogant Luxury Staff.** Lastly, Chinese and Russian consumers did not **feel as exclusive shopping in Portugal as in other parts of the world.**

In the Luxury Sector, it is quintessential to keep track of every client' dissatisfaction and solve it in the best way. This is even more important for emerging countries' consumers, because word of mouth plays a fundamental role. The Portuguese Luxury Goods Sector seems to not fully satisfy Angolan, Brazilian, Chinese and Russian luxury consumers and consequently not take their full potential.

## 6. RECOMMENDATIONS TO THE PORTUGUESE LUXURY SECTOR

Most consumers interviewed mentioned that they found **fewer brands and products' portfolios with less actualized collections** in the Portuguese Luxury Sector. First, as these tourists look for worldwide recognized brands' boutiques, it is possible that many searched brands are present in multi-brands stores that they do not acknowledge. For that, and because "Luxury Consumers must feel that they are part of a club" (Kapferer & Bastien, 2012, p.260), it is recommended that these multi-brands stores create exclusive and incomparable events for their main clients, in order to reinforce their sense of belonging. Parallel to this, these multi brands stores should invest in their public relations and make sure that they constantly create content in the press (e.g. press releases, leaks, etc). By doing this, and based on the fact that these stores have clients from these emerging markets, tourists will acknowledge these multi-brands stores through word of mouth: "One of the key consequences of such an event is the fact that the media will relay it. It must be talked about. Rumour, as we know, is fed on marvels" (Kapferer and Bastien, 2012, p.264). In addition, all the brands/boutiques that manage their own website should have it available not only in Portuguese and English, but also in Chinese and Russian. The website should also have a store locator and all the collections available in-store. By doing this, these brands/boutiques will eliminate possible linguistic barriers and will assure that these consumers have all the information needed. Second, from the interviews conducted to Luxury Managers/Retailers, it seems that these brands/boutiques adapt their products' portfolio also to tourists. However, these consumers continue to mention fewer products available as a drawback of this Sector in Portugal. The established luxury brands/boutiques should understand what these consumers look for and adapt the products' portfolios to their preferences, trying

to have all the products these consumers usually search for. Furthermore, international brands should always have the possibility to order products from the collection that are not available in Portugal, and should develop different convenient delivery services. Thus, these tourists will have the possibility to leave the country satisfied with their planned purchases made. Third, due to emerging countries consumers' love affair with luxury, these tourists are always updated with the new collections of luxury brands. In order to extinguish the image that this Sector in Portugal does not have as actualized collections as other countries of the world, brands should make an effort to have the new collections available in store as soon as possible. Therefore, the reputation and image of this Sector will be improved and consumers will leave the country more satisfied.

These consumers not only want to feel the universe of brands, but also the exclusivity, sophistication and superiority. The service provided in-store is what regenerates the fundamental dream relation between clients to the luxury brand, and this makes the role of sales personnel key, as they are responsible for reassuring clients and making them feel that they belong to a prestigious club. Therefore, highly investing on salesperson training and development is a key success factor, and even more when taking into consideration emerging markets consumers, because their decision relies a lot on the in-store experience.

As aforementioned, interviewed consumers highlighted the individual and personalized service that the luxury staff gave to them in Portugal, but also mentioned that they **did not find a service as prestigious as in other parts of the world**. Luxury Managers/Retailers should assure a unique and exquisite experience provided to all consumers, that will make them feel special and distinctive (i.e. offer of something to

drink). To take the full potential of these tourists, the established Luxury Sector should not only continue with the current training used, but should develop new and more efficient service training (e.g. emerging countries' culture training, emerging countries consumers' behavior training, emerging countries consumers' luxury taste, emerging countries consumers' lifestyles, luxury service training, etc). The established brands/boutiques need to train their staff in order to create multicultural people who not only have the Portuguese culture and the universe of the brand as part of themselves, but who also understand and integrate the culture of these tourists while serving them. In addition, it will be important to decrease the linguistic barriers with Russian and Chinese consumers, which means that it is essential either recruiting or training sales persons to be fluent in these languages.

The established international brands in Portugal should create a good and efficient management of their customers' files and have the possibility to track clients' files and purchases in a worldwide level. The main luxury clients, and even more consumers from emerging countries, expect brands to recognize them everywhere they go. By creating this very discerning CRM, shop managers will have the possibility to know so well the main clients of the brand, that even being tourists in the specific country, the shop manager will have the possibility to offer a more customized service (i.e. alert the client to new products that he/she, in particular, will like). This recommendation will be important to maintain the unique relationship that all luxury brands should have. In addition, it will make these clients feel special and unique, while "rewarding them": "Advertising and promotion is for all, but public relations and ultra-carefully target, like the CRM for the privileged" (Kapferer and Bastien, 2012, p.71).

As Kapferer & Bastien (2012) claim, “The true ‘class’ of a salesperson is that of charm, elegance and finesse, not arrogance or pretension” (Kapferer and Bastien, 2012, p.237). Some Angolan and Brazilian consumers found **arrogant luxury staff** in the Portuguese Luxury Sector. Luxury Managers/Retailers should make sure that the guidelines provided to the staff are being respected and that an equal individual service to each person who enters the store is given (regardless the age, or the staff’s perceptions of the persons’ ability to shop). As Kapferer and Bastien (2012) claim: “the salesperson in luxury should certainly not be distant, but on the contrary warm and friendly. This salesperson does not know who tomorrow’s good clients are: these future clients will walk in like anyone else into one of the brand’s boutiques, and will also judge the brand on how it welcomes an anonymous shopper.” (Kapferer and Bastien, 2012, p.235).

Lastly, the fact that Luxury Consumers from China and Russia **do not feel as exclusive shopping in Portugal as in other parts of the world** is the least direct topic to the Portuguese Luxury Sector. All the recommendations mentioned above will affect this Sector’s image as a luxury destination through the word of mouth created. However, these consumers value a lot the status of shopping in the main luxury trademarks of the World, and this can only be changed, if possible, by the Portuguese Tourism Council, with a higher investment on advertisement of Portugal as a luxury destination.

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