

LUXURY RETAIL CHALLENGES IN THE CURRENT MARKET CONDITIONS

ALESSANDRO AMATO – OWNER, SODO MIGLIORI ROMANIA

INTERNATIONAL LUXURY MARKET: AN OVERVIEW

- 2007-2008:
 - The luxury industry was booming
 - Eastern Europe was one of the most promising markets in the world
 - 2 to 3-digit annual growth
 - In Romania, rents went above 200€/sqm for prime locations

INTERNATIONAL LUXURY MARKET: AN OVERVIEW

- 2009-present:
 - All major brands shifted focus from Eastern Europe to China
 - For some brands, Greater China (local clients & tourists) accounts for more than 50% of worldwide sales
 - Luxury market growing in Russia, stable in Germany, Scandinavia and Eastern Europe, and declining in France, Spain and Italy
 - USA and Japanese luxury markets in recovery
 - Global luxury market value: approx. 300 billion USD
 - Constant growth of 10% per year

INTERNATIONAL LUXURY MARKET: AN OVERVIEW

THE WATCH & JEWELRY MARKET

- Dominated by 2 major players:

SWATCH GROUP

RICHEMONT

INTERNATIONAL LUXURY MARKET: AN OVERVIEW

SWATCH GROUP: 7 billion Euro turnover in 2012



INTERNATIONAL LUXURY MARKET: AN OVERVIEW

RICHEMONT: 8,8 billion Euro turnover in 2012

Cartier

Van Cleef & Arpels

A. LANGE & SÖHNE
GLASHÜTTE 1/SA

VACHERON CONSTANTIN

JAEGER-LECOULTRE

IWC
SCHAFFHAUSEN
SINCE 1868

OFFICINE PANERAI
FIRENZE 1860

PIAGET

ROGER DUBUIS
HORLOGER GENEVOIS

BAUME & MERCIER
GENEVE · 1830

MONT
BLANC

dunhill
LONDON

Chloé

LANCEL
PARIS



SODO MIGLIORI
Romanian branch
1884
CELLINI | watches & jewelry network*

INTERNATIONAL LUXURY MARKET: AN OVERVIEW

Followed by:


ROLEX - 4,5 billion Euro turnover in 2012


PATEK PHILIPPE
GENEVE


BREITLING
1884


ULYSSE NARDIN
SINCE 1846 LE LOCLE - SUISSE

AP
AUDEMARS PIGUET
Le maître de l'horlogerie depuis 1875


HUBLOT

★
ZENITH
SWISS WATCH MANUFACTURE
SINCE 1865


TAGHeuer
SWISS AVANT-GARDE SINCE 1860


SODO MIGLIORI
Romanian branch
1884
CELLINI | watches & jewelry network*

INTERNATIONAL LUXURY MARKET: AN OVERVIEW

THE FASHION MARKET

- Ruled by 2 French companies:

LVMH
MOËT HENNESSY • LOUIS VUITTON


K E R I N G

INTERNATIONAL LUXURY MARKET: AN OVERVIEW

LVMH: 23,5 billion Euro turnover in 2012



INTERNATIONAL LUXURY MARKET: AN OVERVIEW

KERING: 9,7 billion Euro turnover in 2012

GUCCI

SAINT LAURENT
PARIS

ALEXANDER
MCQUEEN

STELLA
MCCARTNEY

Prioni
ROMA

sergio rossi

BOTTEGA VENETA



Powellato

GP
GIRARD-PERREGAUX

INTERNATIONAL LUXURY MARKET: AN OVERVIEW

Followed by:

CHANEL - 7 billion Euro turnover in 2012

HERMÈS

BURBERRY

PRADA

ARMANI

VALENTINO

DOLCE & GABBANA

Salvatore Ferragamo

roberto cavalli

Ermenegildo Zegna

HUGO BOSS

ROMANIAN LUXURY MARKET: BRIEF ANALYSIS

THE ROMANIAN LUXURY MARKET VALUE

- Estimated turnover: 25-30 million Euro per year (watches, jewelry, fashion and accessories)
- 50% decrease compared to 2008
- Bucharest accounts for 80% of sales

ROMANIAN LUXURY MARKET: BRIEF ANALYSIS

DEFINING LUXURY IN ROMANIA BY PRICE FACTOR ONLY

- Average ticket price for luxury items in Romania:
 - jewelry > 1.000€
 - watches > 1.500€
 - fashion > 300€
 - accessories > 250€

ROMANIAN LUXURY MARKET: BRIEF ANALYSIS

LUXURY BRANDS PRESENT IN ROMANIA

- Jewelry:

Chopard BVLGARI FABERGÉ
BOUCHERON DAMIANI
PARIS

- Missing: *Cartier* TIFFANY & CO.

ROMANIAN LUXURY MARKET: BRIEF ANALYSIS

LUXURY BRANDS PRESENT IN ROMANIA

- Watches:
 - All the main brands are represented in Romania

■ Missing:


PATEK PHILIPPE
GENEVE


AUDEMARS PIGUET
Le maître de l'horlogerie depuis 1875

ROMANIAN LUXURY MARKET: BRIEF ANALYSIS

LUXURY BRANDS PRESENT IN ROMANIA

- Fashion: mono-brand stores



GUCCI

BURBERRY

EMPORIO ARMANI

roberto cavalli

VALENTINO

MOSCHINO

LA PERLA

ERMANNO SCERVINO

Ermenegildo Zegna

HUGO BOSS

BRUNELLO CUCINELLI



MaxMara



ROMANIAN LUXURY MARKET: BRIEF ANALYSIS

LUXURY BRANDS PRESENT IN ROMANIA

- Fashion: multi-brand stores

PRADA

DOLCE & GABBANA

Dior

**SAINT LAURENT
PARIS**

Salvatore Ferragamo

ALEXANDER
MCQUEEN

 *Loro Piana*

ROMANIAN LUXURY MARKET: MAJOR CHALLENGES

- **High costs to set up shop** (1.500-3.000€/sqm for fashion stores and 3.000-8.000€/sqm for jewelry stores) and high cost of goods
- **Franchising contracts:** tough and mostly favoring the franchisor
- **On-line sales competition:** sometimes from the brand itself
- **The “luxury tax”:** introduced in August, reinstates the excise for jewelry and furs, which has a psychological impact on the local customer
- **Location:** no actual high-end shopping street or area; too polarized (Calea Victoriei, JW Marriott, Dorobanti area)
- **Lack of tourist flow:** luxury brands still have to rely on the local client pool

ROMANIAN LUXURY MARKET: MAJOR CHALLENGES

- Conclusions:
 - No new luxury boutique openings in the next year
 - The market will stagnate, with signs of recovery in 2014
 - Opportunity: a luxury fashion multi-brand store in a shopping mall

THANK YOU!