



A New Leap Forward with International Project Expansion and Independent Operation of LBG Korea

Daniel Mayran
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Dear Valued Clients and Partners,

As we celebrate the 15th anniversary of the Luxury Business Group (LBG), I would like to express my deepest gratitude for the incredible journey we have shared together, based in Seoul. Over the past 15 years, we have provided unparalleled business opportunities in the luxury, premium, and VIP sectors, evolving into a global leader, especially in Asia.

Our journey has been filled with numerous achievements and challenges. From developing tailored business strategies to training programs, talent acquisition, and service quality evaluation, we have successfully supported the growth of many brands through a variety of solutions. Our commitment to delivering exceptional service in the luxury industry remains unwavering.

One of our proudest achievements is the establishment of a robust business ecosystem through our three core units: Luxury Business Partner (LBP), Luxury Business Talent (LBT), and Luxury Business Institute (LBI). This ecosystem has enabled us to provide end-to-end solutions, driving customer success and creating synergy that elevates brands in the global market.

Today, I am pleased to share an important announcement with you. To further expand our global business and strengthen our expertise in local markets, LBG will establish "LBG Korea" as an independent entity, effective August 9, 2024. This decision comes in response to the growing interest and collaboration proposals from our global clients regarding the Korean market.

With LBG's business rapidly expanding in Europe and Southeast Asia, this organizational restructuring is a crucial step to solidify our competitiveness in the global market and lead businesses more effectively in each market.

LBG Korea will focus on the Korean market under the vision of "Leading the Future of the Luxury Industry in Europe and Asia" through its three business units: Business Consulting (LBP), Talent Acquisition (LBT), and Training (LBI). Leveraging 15 years of expertise and experience, the launch of LBG Korea aims to maximize our impact, offering more specialized and tailored services to both domestic and international clients.

I am pleased to introduce Younes Er Rajfi as the new president of LBG Korea. Younes started his career in Korea in 2016 at Bluebell Korea as a Business Consulting Manager and joined LBG at the end of 2017, serving as the General Manager of Business Development and Strategy. With his extensive experience and networking in both the Korean and global luxury markets, I believe he will maximize synergies for LBG Korea, establishing it as a specialized comprehensive consulting firm in the Korean luxury market.

I want to extend my heartfelt thanks to our esteemed clients and partners for your trust and collaboration over the years. Your unwavering support has been instrumental to our success, and I look forward to continuing this journey together. May we achieve even greater success and accomplishments in the future. ■

Is the Luxury Industry Really Over? Post-Pandemic Rebound and New Opportunities

Is the Luxury Industry Really Over?

Recent economic news is filled with reports of a looming crisis in the luxury industry. Headlines such as "Slowdown in Luxury Market Growth," "Luxury Brands Facing Declining Performance," and "Decreased Demand for High-End Products" appear day after day. Given such news, it's easy to get the impression that the luxury industry has passed its golden age and is now entering a period of decline.



So... Is luxury really doomed?

Some experts have a pessimistic outlook on the future of the luxury industry, citing factors such as increasing global economic uncertainty, changing consumption patterns among Millennials and Gen Z, and the growing focus on sustainability. Phrases like "Luxury is over" and "Further growth is unlikely" are becoming more common. But are these assessments truly accurate? A closer look at the reality of the luxury industry reveals that the situation is not so straightforward. Let's dig into the truth.

First of all, let's be clear—luxury has never failed!

In fact, the luxury industry has never 'failed.' This is not an exaggeration. While individual companies or brands may have faced crises, it's important to note that these were isolated incidents. For instance, some luxury brands have struggled temporarily due to failing to keep up with changing trends, or in some cases, poor management has led to the disappearance of certain brands from the market. However, these instances cannot be seen as a crisis for the entire luxury industry. On the contrary, the luxury sector has demonstrated remarkable resilience, even in the face of economic fluctuations. Whether during the 2008 global financial crisis or the global economic shock of 2020, the luxury industry has shown an impressive ability to bounce back.

We Must Consider the Base Effect

Concerns about the recent poor performance of the luxury industry may stem from overlooking the "base effect." The base effect refers to the phenomenon where the current growth rate appears distorted due to abnormally high or low figures in the previous period. During the pandemic, the luxury industry experienced unexpectedly high growth, driven by factors such as increased domestic spending due to travel restrictions, a surge in online shopping, and concentrated spending by the wealthy. After such rapid growth, it is natural for the industry's current growth rate to appear slowed. Therefore, what might seem like a downturn is more likely a normalization process rather than a genuine crisis.

The resilience of the luxury industry can be attributed to several factors:

1. Stable Consumption by the Wealthy: The primary customers of luxury products, the wealthy, are relatively less sensitive to economic fluctuations. Even during downturns, their purchasing power remains largely unaffected.

2. Enduring Brand Value: Most luxury brands boast decades, if not centuries, of history. This long-standing tradition elevates their brand value and helps maintain consumer trust even in times of economic hardship.

3. Rarity and Quality: Luxury products are highly valued for their rarity and exceptional quality, which prevents their value from depreciating easily. In fact, during times of economic uncertainty, they are often viewed as "safe investments."

Building on these factors, luxury companies are securing continuous growth drivers. The unique appeal of luxury products lies in their ability to increase in scarcity and profitability even as prices rise, making them an attractive business model. As prices go up, attracting and maintaining loyal customers can actually create new growth opportunities.

To attract these loyal customers, it is crucial to maintain the luxurious quality of products, continuously enhance branding, and improve VIP services. Developing a premiumization strategy is key. The most important aspect is converting customers' high expectations for quality and experience into brand loyalty.



Exploring Diverse Strategic Responses and Global Expansion Approaches

If luxury brands develop strategies for entering new global markets, they can unlock new growth drivers. In the book [Forecasting the Times](#) by Song Gil-young, a renowned Korean entrepreneur and big data analyst, the author discusses the challenges of determining the right production levels and market scope in an era of rising labor costs and increasingly sophisticated consumer tastes. He suggests that the path forward lies in the narrow gate of "high-end" or "luxury" products. This underscores the importance of luxury companies continuing to explore and enter new global markets.

The global luxury industry has undergone rapid changes in recent years. As the Chinese market slows, regions such as India, the Middle East, and Southeast Asia are emerging as new growth engines. These regional shifts offer new opportunities for luxury brands and represent crucial checkpoints for Korean luxury brands as well.

In this special article, commemorating the 15th anniversary of the Luxury Business Group, we will examine the current state and trends of the global luxury industry, focusing particularly on the rise of markets in India, the Middle East, and Southeast Asia. Additionally, we will discuss the global expansion strategies of Korean luxury brands in the context of these changes.

The Decline of China's Luxury Market

In recent years, China's luxury market has experienced a significant downturn. Once a major consumer of global luxury goods, China is now facing a decline in demand for these products due to economic instability and a decrease in consumer confidence.



As a result, many luxury brands are struggling with sluggish sales within China, with some even resorting to offering discounts of up to 50% to mitigate the impact. This situation is further compounded by the trend of wealthy Chinese citizens emigrating abroad. In 2023 alone, approximately 13,500 high-income individuals left China, leading to a further reduction in luxury consumption.



The slump in the Chinese market is significantly affecting the revenues of global luxury brands. Major luxury groups such as LVMH and Kering have reported declines in sales within the Asian market. Richemont, in particular, has been heavily impacted, experiencing a 27% drop in sales in China, leading to substantial losses.



The Rising Status of South Korea's Luxury Industry

In contrast to the challenges faced by other markets, South Korea's luxury market has shown remarkable growth. According to a recent report, the size of Korea's luxury market surged by 29.6% last year, reaching \$5.8 billion (approximately 7.3 trillion KRW), and is projected to grow to \$7 billion (approximately 8.8 trillion KRW) by 2024. This positions South Korea as one of the top luxury markets globally, alongside the United States, China, and Japan.



A particularly noteworthy trend is the growth in sales of international luxury brands at major domestic department stores. In 2022, the sales growth rate for these brands was 37.9%, significantly outpacing the overall sales growth rate of 24.1% across all product categories. This reflects the strong preference of Korean consumers for international luxury brands. Experts attribute this growth to a combination of factors, including the restriction on international travel due to COVID-19, which concentrated spending domestically, and the increasing luxury consumption by the MZ generation (Millennials and Generation Z).

The Rise of India, the Middle East, and Southeast Asia

The landscape of the global luxury industry is shifting. Beyond the traditional luxury markets of Europe and North America, India, the Middle East, and Southeast Asia are emerging as new engines of growth. Economic expansion, the rise of the middle class, and the development of the tourism industry in these regions are driving rapid growth in the luxury market.

India, in particular, is gaining attention as the fastest-growing luxury market in Asia. In 2022, it recorded an impressive growth rate of 33%, and this high growth is expected to continue through 2030. Mumbai's 'Jio World Plaza' is a symbolic representation of this growth. This massive luxury shopping center hosts 66 global luxury brands, including Louis Vuitton, Gucci, and Dior, with some brands entering the Indian market for the first time through this venue.

The interest of global luxury brands in the Indian market is also evident in their marketing strategies. The selection of Indian celebrities as global ambassadors by major brands such as Gucci, Louis Vuitton, and Cartier highlights the importance of the Indian market in their global strategies.



Southeast Asia is experiencing particularly strong growth in the luxury beauty sector. Over the next decade, the region, along with India, is expected to see an annual growth rate of 11%, nearly tripling the market size. Thailand has already established itself as a hub for luxury shopping in Southeast Asia, and countries like Vietnam and Cambodia are also rapidly growing. This regional growth is closely tied to economic development, the expansion of the middle class, and the flourishing tourism industry. Additionally, the increasing purchase of luxury products through digital platforms is prompting global brands to strengthen their online strategies.

Middle Eastern countries are also emerging as significant hubs for the luxury market, driven by high purchasing power and the growth of the tourism industry. From 2024 to 2029, the region is expected to grow at an annual rate of 6.23%, with Saudi Arabia and the United Arab Emirates being key markets to watch. Large-scale events like the Dubai Shopping Festival play a significant role in attracting tourists and boosting luxury product sales.

The growth of luxury markets in India, Southeast Asia, and the Middle East is offering new opportunities for global luxury brands. Understanding the unique cultures and consumption patterns of these regions and developing localized strategies will be key to success. The future of the luxury industry is now being shaped in these emerging markets.

The downturn in the Chinese market, coupled with the rise of markets in India, the Middle East, and Southeast Asia, offers important lessons for South Korean luxury brands. Brands like Gentle Monster have already gained significant popularity in the global market, and Samsung C&T's fashion brand JUUN.J is aiming to expand into global markets, including Japan. Such global expansion is essential for the growth and survival of these brands, particularly in emerging markets like India, the Middle East, and Southeast Asia.

Therefore, South Korean luxury brands must strengthen their presence in new markets through localized strategies and global networks. This is vital for their long-term growth and to enhance their global competitiveness. India's luxury market is expected to record a compound annual growth rate (CAGR) of 10.51% by 2024, while the Middle Eastern luxury market is projected to grow at an annual rate of 5.60% between 2024 and 2032.

Notably, the Southeast Asian luxury market is also on a strong growth trajectory. The market is expected to grow at a CAGR of 4.04% from 2024 to 2028, with Thailand leading the way, projecting an impressive CAGR of 5.62% during the same period. These statistics clearly indicate that South Korean luxury brands have abundant opportunities to succeed in the global market, particularly in emerging markets. Delaying global expansion could result in missing out on these critical opportunities, making proactive and strategic entry into overseas markets essential.



Taking Your Brand to the World

In conclusion, the luxury industry has ample potential to rejuvenate through new opportunities and growth drivers. To achieve success, it is essential to maintain a continuous premiumization strategy, enhance VIP services and customer experiences, and expand into new markets. While the Chinese market faces a downturn, the rise of markets in India, the Middle East, and Southeast Asia presents new opportunities for luxury brands. South Korean brands must actively develop entry strategies aligned with these global trends and strengthen their presence in new markets through the establishment of global networks and localized strategies.

As we celebrate our 15th anniversary, this special article has shed light on the changes and opportunities within the global luxury industry. Moving forward, Luxury Business Group (LBG) will continue to dedicate itself to advancing the luxury sector, helping companies and brands shine on the global stage. Leverage LBG's expertise and global network to showcase your unique value internationally. The first step towards entering the global luxury market starts with Luxury Business Group (LBG) by your side. ■

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