The Luxury Goods Industry

According to research published earlier this year **the global luxury market grew by 10% in 2011** and is currently worth around US$250 billion. This is the second consecutive year the industry has achieved double digit growth since it experienced a significant decline in 2009. >>

Overall global sales fell by 11% during that period, with the USA and Europe experiencing the biggest fall in luxury spending. The latest figures highlight, however, that both the USA and European markets largely recovered last year although their growth has and is likely to slow in 2012-13 to around 5-6%. A key factor in the resurgence in luxury in Europe is the increased level of tourists visiting from Asia and purchasing luxury items during their stay. In January 2012, Chinese tourists spent $7.2 billion abroad on luxury goods during the Spring Festival. Domestic consumers are generally spending less on luxury goods.

Emerging markets

Emerging markets such as China, Brazil and the Middle East continue to dominate the luxury sector and these countries and regions are a key focus for major luxury brands. Chinese spending on luxury items, for example, increased by 35% in 2010/2011 and luxury consumption in China now constitutes around 20% of the global market. China is expected to overtake the USA as the biggest global luxury market within the next five years.

Mexico and Brazil are the key countries in Latin America fuelling the growth in the luxury industry in the region. There are an estimated 400 million luxury consumers live in Latin America and the luxury industry is expected to grow by around 20% in 2012. In the Middle East, high consumer confidence together with rising disposable incomes mean that Dubai and Saudi Arabia remain very attractive to luxury brands.

> "A major trend in the industry, like other consumer product categories, is the increasing importance of ecommerce."

Category growth

All major categories in the luxury industry are experiencing growth. Hard luxury in particular has experienced high demand in recent years due to consumers moving away from purchasing unbranded to branded goods and also buying items from direct-owned branded luxury shops, rather than department stores. Direct-owned luxury stores increased by 14% in 2011 and sales have gone up by around 50%. Another trend is the gradual convergence in female and male luxury spending. On the one hand men are beginning to match women in terms of their expenditure on luxury items across all categories, while women are beginning to purchase more 'luxury toys'. Sales of high-end cars and luxury branded spirits to women have gone up in recent years.

Ecommerce

A major trend in the industry, like other consumer product categories, is the increasing importance of ecommerce. The flagging growth of luxury in Europe and North America can, in some respect, be attributed to the failure of some of the big luxury brands to embrace ecommerce. Many consumers are willing to engage with luxury products online and all major luxury labels have now started to integrate ecommerce channels with their websites and feature them prominently in their advertising campaigns. Luxury brands across all categories are also investing in innovative retail strategies to reach customers both on and offline. This has been described as the 'retailisation' of luxury and it includes strategies such as new branded store openings as well as buy-back of distribution and franchise agreements. Almost all well known luxury brands have invested in their retail outlets in recent years, with the intention of reducing their dependence on wholesale business.

Strategic partnerships

From an M&A perspective Chinese and European luxury businesses continue to form alliances with the view to capitalise on the increasing fascination the East has with Western luxury brands. At the same time, Chinese brands are themselves looking to form an identity in the global luxury market, and are leveraging the help of European giants such a Hermes and LVMH to get established in major European 'luxury' centres. The Chinese luxury market alone is worth around £40 billion and consumer appetite in China is driven by a desire for authenticity. Chinese tourists have essentially rescued the European luxury market by spending unprecedented quantities on luxury items in France and Italy – in the places where the products are made. Chinese luxury brands have followed suit and begun setting up factories in Italy, for example, to stay true to the 'made in Italy' 'made in France' ethos behind Chinese consumption habits. It is important to remember however that Chinese luxury brands, in the main, are still not established on the world stage. Chinese investors therefore are seeking to gain knowledge and 'collateral' in the market by buying struggling European luxury houses.

> "Luxury brands across all categories are also investing in innovative retail strategies to reach customers both on and offline."

Sources include the World Luxury Association, McKinsey, Bain, PWC and various international news websites.

ANDREW OPENSHAW, MARKETING RESEARCH ANALYST
NIGEL WRIGHT RECRUITMENT

Nigel Wright sign
Diversity Charter

In 2012, Nigel Wright's French office signed the 'Diversity Charter' highlighting its commitment to condemn discrimination and promote diversity in the workplace. Structured around six key principles, the Charter provides guidance to companies in France on how they can recognise and value the diversity of their workforce and their customers and clients. Nigel Wright is one of over three thousand French companies that have signed the Charter, making a commitment to fight against discrimination while promoting cultural, ethnic and social diversity. Nigel Wright was encouraged to implement the policies outlined in the Charter as they focus on recognising and valuing individual skills. It has helped the business to promote cohesion and social equity at work, while increasing performance.

War for Talent

Valerie Sayove - Talent Manager, Mars Chocolat France

Mars is now a major player in its various sectors: chocolate (through its legendary brands; Mars, M & M's, Twix ...) prepared food for pets (Sheba, Whiskas, Frolic ...), chewing gum (Freedent ...), sugar confectionery and rice (Uncle Bens), which altogether generate a global turnover of more than $30 billion. Valerie Sayove talks to Pauline Ravel about the steps Mars are taking to win the war for talent. >>

Why join Mars?

Our teams are the first line of resource at Mars and they inspire confidence across the business by making a difference every day. In March 2011 we were very proud to announce that Mars Pet Care and Food France had been given a special award by the 'Great Place to Work Institute' for 'fairness'. Earlier this year the institute once again recognised Mars Pet Care and Food France as a great place to work, naming it the third best place to work in France overall for companies with over 500 employees. This recognition wouldn't have materialised if it wasn't for the fact that our employees make Mars a great place to work.

Why implement a new recruitment strategy?

Although Mars is well known for its brands it is less well known for its corporate culture, HR policies and career development initiatives. Because of this, it has actually been very difficult to attract FMCG talent, especially as we are located near Orleans and Strasbourg and the candidates that we are targeting are mainly employed by other international groups, in the Paris region.

Furthermore, and paradoxically, new technologies and social networks allow us to have greater exposure to candidates and also better communicate our recruitment needs internally, across the organisation. For this type of communication to work effectively however it requires all stakeholders – recruitment managers, HR managers and relevant department heads – to be committed to the development of our employer brand.

Indeed, the new generation entering the labour market requires more 'touch-points' and this observation has led us to aspire to build better employee-employer relationships while at the same time better highlight our company values and strengths to the market, in order to be able to attract and 'seduce' the best candidates.

Explain the advantages Mars France seeks to gain from the 'Talent Pool' partnership it has with Nigel Wright Recruitment?

The objective of this partnership is to identify future talent for Mars through establishing a "pool of potential candidates" that can be considered for different areas within the group. It also allows Mars to stay in touch with the market, measure its popularity, promote its brands and initiate 'win-win' relationships with potential future employees. It also enables us to anticipate our recruitment needs, be proactive and allows us time to identify and select the best candidates. At the same time it means we can also respond quickly to immediate talent shortages.

PAULINE RAVEL, CONSULTANT
NIGEL WRIGHT RECRUITMENT