Thailand poised as the next luxury shopping destination
Hong Kong and Singapore are known as shopping paradises in Asia. In particular, the luxury retail sector is one of the main attraction points, for both tourist and local residents, as it offers a comprehensive range of international luxury brands centralized in selected districts for convenient access. Though luxury goods may be offered in their home country, tourists are driven to buy in Singapore and Hong Kong as these countries have a reputation for providing top quality [genuine] products and superb customer service.

Recently, Thailand has indicated interest in capturing the opportunities for growing the luxury retail sector via the volume of tourist shoppers and growing local middle class. In a global survey by MasterCard, it was found that Bangkok visitor spending contributed to annual USD 14.4 billion dollars, ranking 4th globally in visitor spending.

Amongst the Thai consumers, it was noticed that there is growing wealth in the country. The number of Thai millionaires is expected to swell by 35 percent between 2010 - 2015, says the Swiss-based Julius Baer private-banking group.

As the first step to capturing the opportunity for the luxury market, Thailand is actively expanding the retail space to house luxury brands in the Bangkok area. New commercial buildings are sprouting up in the CBD / downtown area to house incoming brands. For example, a flagship department store of Central Retail Corp., the largest retailer in Thailand, is expected to open in 2013 with an 8-story shopping centre and a 30-floor, six-star Park Hyatt Hotel. A 500,000-square-foot shopping centre, slated to be a luxury shopping centre, is under construction and scheduled to open by 2015. In addition, existing retail centers have transformed the architecture and decor to create a high-end shopping experience. For example, Gaysorn Plaza in Bangkok has transformed the store layouts to accommodate the stores of many global labels. Siam Paragon, one of the biggest malls in Asia that is already home to a collection of luxury brands, is undergoing renovations to house even more incoming brands.
Luxury shopping centre for tourists and Thai consumers

There is a huge potential for Thailand to become a shopping district given the large volume of visitors and consumption intentions. In 2012, there were 15 million tourists in the Asia-Pacific region visiting Thailand and this number is expected to grow to 18 million in 2013. In particular, 73% of Asian tourists indicate that they undertake a foreign travel trip with shopping as the main purpose.

In the leisure & tourism sector, nearly 30% of the revenue is from shopping spends, which is the largest contribution to the total tourism revenue in 2011. Accommodations ranks second in the dollar value spend.

The greatest opportunity is with tourists within the Asia-Pacific region. In 2011, Asian tourists consisted of up to 90% of the total visitors in Thailand, which showed a 40% increase from 2010.

Five out of the 10 top spending countries came from within the Asia-Pacific region. India, Hong Kong, Singapore, Australia and Russia are the 5 countries that show the greatest spend in Thailand.

Foreign luxury brands are a natural choice for international tourists, especially amongst the more wealthy consumers who are looking to ‘complete’ their leisure trip. These visitors tend to congregate at large malls

In general, aspiration for luxury labels is growing as brands continue to establish a connection with Thai consumers. There have been recent media communications that contain information about the latest ‘must haves’ and associated image of success and prestige, which are important drivers of luxury consumption amongst Thai consumers. For example, Vogue launched a full-fledged section on advertising by luxury brands that showcase the premium experience and offer. In addition, some luxury labels have also used celebrity endorsements as part of the marketing strategy.

In Asia, tourists from India, Hong Kong, Singapore, Australia and Russia are the top 5 countries that spend the most when visiting Thailand.

For example, Gaysorn has tracked the consumer spending in 2011 and found that 70-80% of shoppers are foreign tourists.

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Counterfeit A Threat To Healthy Brand Development

The counterfeit issue in Thailand needs to be addressed as it can be an impediment in growing the luxury sector.

Counterfeit is an issue because it has an impact on the profitability of the brand. It is estimated that the counterfeit market in Thailand generated over USD 20 million in revenue, dollar spend that would have gone to purchasing authentic goods.

It also has an impact on brand equity. For Thai consumers who are relatively inexperienced with the luxury brand offers, the counterfeit experience would create impressions that are not in line with the brand promise, thus eroding brand equity. In the long run, this would affect consumer perceptions and degrade the premiumness or luxuriousness of the brand.

Thailand has one of the most rampant and nimble counterfeit market in the world. In 2011, the Intellectual Property Department reported seizing 6.2 million counterfeit products in over 8,000 cases. In the counterfeit market, consumers simply show a catalogue of their favorite luxury brand to the shop, and the shop is able to replicate the item and even provide minor tweaks to customize the item to the consumer’s preference [e.g., changing the fabric or color].
Implications

Thailand has clearly devoted efforts into realizing the luxury retail sector. But beyond the basic capabilities of providing store space and staff to manage the front end, there needs to be a compelling proposition for driving traffic to the stores. For tourists, the task is to motivate tourists to fit a shopping component into the visit. In addition, there must be reasons to encourage visitors to buy luxury in Thailand as opposed to purchasing in the home country.

There is need to address the counterfeit issue, as it can become an impediment in growing the luxury sector. For example, despite the high-end shopping malls and glamorous flagship stores that are available in China, Mainland Chinese consumers still prefer to go to foreign countries to obtain luxury items due to the high rate of counterfeit goods in the domestic market. Even branded retail stores in China do not earn sufficient confidence to overcome this issue.

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With this two-prong approach, Thailand has an opportunity to become the next luxury shopping hub in the Asia-Pacific region.
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