



Left: photograph by Chris Saunders, Johannesburg, 2009. Right: Singita Lebombo Lodge

OPINIONS - 19 Nov 2009 - by Piers Schmidt - by Piers Schmidt

South Africa: a New Frontier for Luxury Brands?

Piers Schmidt, Founder and Chairman of Luxury Branding, an international strategic marketing firm, and Co-founder and Chairman of The Southern Africa Luxury Association ("SALA") shares an executive summary of its premiere study of the South African luxury market. Compiled from a survey of opinion makers familiar with the region, Schmidt's analysis reviews the inbound market for international brands as well as the potential for nurturing an indigenous industry.

Global context

Recent times have been characterised by contradiction, uncertainty and a number of harsh realities intruding on the previously tranquil ivory tower of luxury brands. An unprecedented degree of soul-searching is now evident in the market, both on the consumer and the brand side, suggesting that a fundamental change is on the cards. Exactly what form this will take, however, and when it will manifest itself, remains only partially clear. Have the dynamics of consumption now changed permanently or will it be back to luxury business as normal when the good times roll again?

Local reaction

South Africa is by no means immune to the vagaries of global trends but it is also subject to its own set of unique issues. The country's dual role as regional hub and continental entry point, the blurring of boundaries between 'old' and 'new' money, combined with a global shift back to the basics of craft and authenticity (two touchstones of South African culture), is garnering Africa's single largest economy increased attention and interest from luxury onlookers overseas.

I don't believe you!

Luxury brands are, on the whole, narcissistic and selfish, which seemingly positions them at odds with the world's newly ethical agenda. Recognising, however, the integrity that's evidenced by many luxury brands' obsessive pursuit of perfection, could not that same scrupulousness also inspire more responsible beliefs and practices? Going forward, brand owners must seriously consider how they will incorporate universal consumer values into their business as this is one trend that does look set to stay.

Experience matters

In this 'experience economy', even the simplest product brands are looking for ways to deepen their relationships with their customers. Respondent opinion in our survey was divided, however. Some believe that the experiential phenomenon is merely a new method of delivering sales. Others believe that building platforms on which brands and consumers can meet and interact meaningfully is essential new vocabulary in the brand-customer dialogue. The answer, as ever, lies more in the 'how' than the 'if', but when it comes to experience provision, South Africa has some significant strengths upon which to draw: its high-end lodges and hotels are regarded by international audiences as equal to the best in the world. There is also a growing belief that an informal brand of 'African' service could yet emerge to host great experiences across many luxury categories.

The luxury condition

It is tempting to draw a familiar axis between 'old (white) wealth' and 'new (black) money', the one predominantly located in Cape Town, the other arising from Johannesburg. It would also be easy to categorise the former as being driven by 'discernment' with the latter more motivated by 'status', as exemplified by the ascent of new money in Russia. This study demonstrates that such simple generalisations are less prevalent than might be expected.

The apartheid effect

The South African consumer's relationship with luxury brands is complex, not least because the profile of the luxury

consumer is itself so very diverse; but more than complex, it is intense and loaded. This acuteness has its roots in the country's troubled political and social history, but a more recent contributing factor is the policy of Black Economic Empowerment. This has catapulted a new elite from poverty to affluence in less than a decade, creating a relatively small but highly visible echelon of new luxury consumers in the process.

Uncharted territory

South Africa is still a new and almost completely uncharted frontier for luxury brands. Although instinct and anecdotal evidence suggest that it has significant potential, the actual size and nature of the opportunity remains almost entirely a matter of conjecture. At the heart of this uncertainty is a lack of sufficiently granular customer data available to luxury and premium brands to inform their decision-making.

We know roughly how big the new black middle class is and how quickly it's growing; what's much less certain is how its attitude to spending and consumption is evolving with its increasing affluence. How different or similar are the behaviours of widely varying cultural and geographic groupings? Will the appetite for all things international continue unabated or will the South African luxury consumer finally develop a taste for indulgences created closer to home?

Local considerations

On the negative side, difficulties persist around the skills base, tax structures, access to public and private funding as well as the expertise and confidence of local entrepreneurs to take advantage of these opportunities. There remain significant barriers to breakthrough and it's telling that, with the possible exception of 'Singita', South Africa does not yet have a luxury brand to call its own.

Realising the opportunity

One encouraging factor is an expanding footprint of international luxury brands trading in South Africa. The already impressive brand list is due to grow significantly over the coming year and shows that many international houses are alive to the opportunity that the country presents.

In terms of homegrown or 'outbound' potential, the consensus from our respondents is that the country's real strengths lie in raw materials, hospitality and wine and that these should be leveraged first. There is also a sense that certain global factors are aligning and that these could provide a vital catalyst in unlocking South Africa's indigenous luxury potential.

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