

MasterCard Report: E-Commerce & M-Commerce Key in Capturing US\$200.7 Billion of Discretionary Spend by Affluent Consumers in Greater China

Hong Kong, 24 August 2009 – Asian luxury brands should capitalize on the current financial crisis to innovate and rethink distribution channels. With e-commerce and m-commerce identified as among the key drivers propelling growth in the luxury industry in Asia, brands need to stay ahead of these trends to capture the US\$200.7 billion¹ (worth of key discretionary spend by the affluent in Greater China. These are among some of the findings of a MasterCard commissioned report - *The Luxury Industry: Lessons Learnt from Past Crises* - released today.

The report examines the growth of the global luxury industry through the various crises and distils lessons for brands to apply in the current economic climate. The report is developed in conjunction with the ESSEC Business School in Paris, which runs the world's only luxury brand management MBA program.

MasterCard's research shows that the key discretionary spend by affluent consumers in Greater China will reach US\$200.7 billion in 2015 – with US\$166.9 billion of spend by consumers in China, US\$17 billion by consumers in Hong Kong and US\$16.8 billion by consumers in Taiwan.

To capture this market, improving services in luxury online and offline stores has been singled out as a top priority for luxury brands. With consumers demanding a total experience that is functional, sensorial and emotional, brands need to think of more innovative and customized ways of engaging its affluent clientele.

As part of this, e-commerce and m-commerce have been identified as key drivers propelling growth. MasterCard research shows that online shopping is holding up in the region despite the global economic crisis². The percentage of respondents looking to shop online continues to increase steadily, with China (94%) having the highest number of respondents intending to shop online when surveyed.

While the global luxury industry is facing challenging times in the current economic crisis, the report recommends that brands view this instead as an opportunity to strengthen their market share and keep ahead by defining their brand personality, offering product innovation, improving stock management and value chain optimization, and implementing strong risk management programs.

¹ Data taken from *Succeeding Like Success – The Affluent Consumers of Asia*, which is authored by Dr. Yuwa Hedrick Wong, economic advisor, Asia/Pacific, MasterCard Worldwide

² Data taken from *MasterCard Insights Report: Economic Crisis and Preference for Online Shopping in Asia/Pacific, Middle East and Africa*

“The luxury houses have evolved tremendously over the last 30 years, moving from family-run businesses to corporations run by shareholders, finance and marketing professionals. The evolution has been shaped by many of the past economic crises, as economic crises provide opportunities for businesses to grow either through innovation or mergers and acquisitions. The current crisis provides an opportunity for brands to rethink and refine their strategies so as to emerge even stronger post-crisis. Brands that manage to do this and do it well will succeed and increase their market share,” said Prof Michel Phan, Director of MasterCard-ESSEC Luxury Brand Management Executive Program and LVMH Chaired Professor, Marketing Department, ESSEC Business School in Paris.

While no one crisis is identical to the next, the report identifies four strategies which have been key in helping major luxury groups grow through the previous crises. They include:

1. Developing a strong retail network through new store openings and/or store refurbishing in key strategic locations
2. Launching new products to continuously stimulate consumer demand
3. Improving financial health by cutting costs, creating greater efficiencies and better managing logistics/supply chain
4. Diversifying into strategic but complementary businesses, or acquiring greater control of current businesses

“Over the years, MasterCard has devoted extensive resources to developing a deeper understanding of consumer trends and the business and economic environment in the region through surveys and independent research studies. This report adds to our knowledge and key insights on the luxury industry, and we believe that there are important lessons that can be learnt from the past. We are glad to be sharing this with our customers and valued merchants, as together we seek to innovate and emerge stronger from the economic crisis,” said Jeff Portelli, group executive, Global Products & Solutions, Asia/Pacific, Middle East & Africa, MasterCard Worldwide.

MasterCard and its Suite of Research Properties

MasterCard has released a series of research pieces on the affluent and luxury industry in Asia, ranging from the demand for luxury in Asia/Pacific to consumer insights on the affluent Chinese consumer. MasterCard has also released a book *Succeeding Like Success* on the affluent consumer, authored by its Asia/Pacific economist, Dr. Yuwa Hedrick-Wong and published by John Wiley & Sons. This is part of its series of four Asian consumer insights authored by Dr. Hedrick-Wong.

Besides these, MasterCard also puts out a range of research reports and Indices as part of its ongoing research and analysis of consumer trends, business dynamics, financial policies and regulatory activities in the region. Its indices include the MasterCard Survey on Consumer Purchasing Priorities, the MasterCard Worldwide Index of Consumer Purchasing Resilience, the MasterCard Worldwide Index of Consumer Confidence and MasterCard Worldwide Index of Women’s Advancement while over 60 Insights reports have been produced since 2004.

The MasterCard Indexes and Insights reports are available at www.masterintelligence.com

About MasterCard Worldwide

MasterCard Worldwide advances global commerce by providing a critical economic link among financial institutions, businesses, cardholders and merchants worldwide. As a franchisor, processor and advisor, MasterCard develops and markets payment solutions, processes approximately 21 billion transactions each year, and provides industry-leading analysis and consulting services to financial-institution customers and merchants. Powered by the MasterCard Worldwide Network and through its family of brands, including MasterCard®, Maestro® and Cirrus®, MasterCard serves consumers and businesses in more than 210 countries and territories. For more information go to www.mastercard.com.

Contacts:

Pamela So, ps@webershandwick.com, (852) 2533 9916

Jane Hung, jhung@webershandwick.com, (852) 2533 9920

Bonnie Cheung, bcheung@webershandwick.com, (852) 2533 9975