

The Luxury Watch Industry in South Africa

INDUSTRY REPORT



OFFICIAL PROGRAM

THE LUXURY WATCH INDUSTRY IN SOUTH AFRICA

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1. Foreword

South Africa is a strategic partner country of Switzerland and is one of Switzerland's most important economic partners on the African continent. The bilateral trade volume reached approximately CHF 1.3 billion in 2014.

There is a growing consumer appetite for luxury goods in the underpenetrated African market. Luxury-goods retail sales reached \$4 billion in 2014, and the market may expand 31.2% by 2019, according to Euromonitor. Africa has about 50 directly operated global luxury single-brand stores, with LVMH (Moët Hennessy – Louis Vuitton) and Richemont accounting for 60%. Morocco and South Africa are the region's luxury oases, with 80% of luxury monobrand stores operating there, and attracting higher luxury spenders.

As the number of millionaires in Africa continues to rise at a faster rate than in the rest of the world, the African continent is witnessing the fastest growing number of consumers buying luxury goods and services. South Africa offers an already established luxury market, infrastructure and quality shopping centers and is perceived by many retailers as one of the shopping destinations of choice on the continent. According to the Wealth Report 2015, the number of "ultra-high net worth" individuals on the continent, these individuals have assets worth more than \$ 30 million, is expected to grow by almost 50% to 903 individuals by 2024. The South African market is already at this stage "outperforming expectations" for personal luxury goods like designer apparel, handbags and accessories, fine jewellery and watches, and cosmetics and fragrances and the future looks very promising.

The publication "Luxury Watch Industry South Africa" provides the reader with important background information on the sector and highlights market opportunities for companies from Switzerland. I wish you pleasant reading and look forward to welcoming you in South Africa. Sawubona!



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2. Executive Summary

- South Africa has seen a significantly higher percentage growth of High Net Worth individuals in the past decade compared to global figures, and this trend is expected to continue.
- South Africa's luxury goods market is growing, and is being driven by the growing middle class, women becoming more actively involved in the economy with well-paying jobs, and by an increased demand from foreign visitors taking advantage of the weaker Rand.
- The typical luxury watch buyer is male, in his 50's, local, African or International. They want strong brand heritage, quality and personal service.
- South Africa has an advantage over other African countries with regard to its sophisticated and well-developed retail environment. The most attractive shopping malls for luxury brands are Sandton City, Melrose Arch and HydePark Corner in Johannesburg and the V&A Waterfront in Cape Town.
- Forecasters are predicting that the Millennials will have a significant impact on marketing in the luxury industry. Although traditional marketing channels and particularly magazines will continue to be relevant, maximizing the online experience will be important for luxury brands.

3. Market overview

In the past few years, international luxury brands have flooded the local market to take advantage of the mushrooming middle-class in Africa. According to the African Development Bank report released last year, 34% of 370 million people represent the middle-class in Africa, with growth forecasts expecting this group to represent 42% of the African population by 2060.

Africa is also witnessing an impressive increase in high net worth individuals: analysts at New World Wealth say that Africa now has the highest growth among high-net worth individuals. Africa currently has about 165,000 dollar millionaires (have net assets of more than US\$1m, about R14m), with 49,000 of them in South Africa and 15,700 in Nigeria. Andrew Amoils, a senior analyst at New World Wealth, estimates that 16% of South African dollar millionaires are from previously disadvantaged backgrounds.

3.1. THE SOUTH AFRICAN ENVIRONMENT

Africa's 50 richest have a combined net worth of around US\$110.7 Billion. Behind Aliko Dangote at number one with a fortune of US\$21.6 billion, comes South African luxury goods magnate Johann Rupert, worth an estimated US\$7.3 billion. His Compagnie Financiere Richemont has a stable of luxury brands including Cartier, Montblanc and fashion house Azzedine Alaia.

Apart from its 49,000 dollar millionaires, South Africa has 2,060 multimillionaires (have more than US\$10m net assets) and 581 Ultra High Net Worth Individuals (UHNWIs) – with an average per capita wealth of US\$124.7 million (R1.3 billion). South Africa's millionaires have grown by 106% over the past decade and 120% for multi-millionaires, compared to global figures of 58% and 71% respectively. The future looks just as positive with New World Wealth predicting that the total number of \$ millionaires in the country will reach 62,400 by 2017 and 86,700 by 2030.

According to An Hodgson, an income and expenditure manager at international business intelligence research firm Euromonitor: "Sub-Saharan Africa has been experiencing solid economic expansion, with real gross domestic product growth averaging 5.5% per year over the past decade. The continent's impressive strides in growth, in stark contrast with sub-Saharan Africa of the early 1990s, have given rise to the narrative of 'Africa Rising' and captured the attention of global businesses." Sub-Saharan Africa seems a particularly attractive option to brands, Hodgson continues, especially when considered against the backdrop of prolonged weakness in the global economy since the 2008-2009 global financial crisis, because "it offers a relatively empty marketplace with untapped opportunities and an alternative growth avenue to companies struggling to expand in developed markets".

Despite the current weakness in the local currency and domestic economy, South Africa's luxury goods market is growing: the Euromonitor report, Passport: Luxury Goods in South Africa 2015, reported that the local luxury goods market grew by 65.2% in the five years between 2009 and 2014, representing a CAGR of 10.6%. Deloitte's 2015 Global Powers of Luxury Goods Report forecasts steady growth in the luxury goods industry that is largely expected to be driven by women who have become more actively involved in the economy of sub-Saharan Africa with well-paying jobs, the growing middle class in South Africa and increased demand from foreign visitors to the country who are taking advantage of the weaker Rand.

Angelina Tan, Vice President of GMT Africa, licence holders for Gucci, Patek Philippe and Bally in South Africa believes Africa is the next big playground. She puts this down to the growing number of affluent, frequent-traveller South Africans who are exposed to international trends and the fact that, although this is an emerging market, it has a First World infrastructure and technology behind it.

Deloitte: Global Powers of Luxury Goods 2015: Engaging the future luxury consumer; Euromonitor: The New World Wealth Report 2015; African Development Bank Annual Report 2014; Unilever Institute of Strategic Marketing: 4 Million and Rising Project 2013; www.citypress.co.za; www.sundaytimesnews.co.za

And, what are wealthy South Africans spending their money on? New World Wealth's Andrew Amoils says they have bought a lot of luxury collectibles over the last decade, particularly luxury investments that hold their value well over time. Collectibles such as art, wine, classic cars, jewellery, stamps and super-luxury items have become increasingly popular for the rich 'to store their wealth', and accounted for \$1.5 billion of the total assets of South Africa's wealthy last year. Some \$32-million was generated from the sales of super-luxury watches including Patek Philippe, Francke Muller, Breguet, Vacheron Constantin and Ulysse Nardin.

Looking forward, Deloitte's analysis of the Global Powers of Luxury Goods 2015 report says that the appetite among high-end consumers for luxury goods and products remains stable. Luxury goods sales in sub-Saharan Africa grew 35% between 2008 and 2013 and are predicted to climb by another 33% over the next five years, according to Euromonitor. The highly developed retail environment in South Africa gives it an advantage over other African economies that may be performing better currently: Nigeria is now ranked as Africa's biggest economy but the luxury market is hampered by the lack of retail space: there are hardly any shopping malls in Nigeria. Other potential markets – Kenya, Ghana and Angola – are better but are not nearly as sophisticated and well-developed as South Africa.

Although exports of Swiss watches to Africa are less than 1% of output, a presence in the region is helpful in building awareness, even if big purchases are made elsewhere. Patrik Hoffmann, chief executive of Ulysse Nardin, says, "What is new are markets such as Nigeria, Angola and Ghana, and we see customers from Nigeria shopping for minute repeaters and high-end pieces in London."

For marketing purposes, most watchmakers split Africa into three regions: the Maghreb, central and South Africa. Brands are most strongly established in South Africa although there has been high growth in Nigeria and Angola. As proof of the growth in Angola, Peter Harrison, chief executive of Richard Mille Europe, Middle East and Africa, cites the example of a limited edition watch costing about £55,000 and made in a series of 10 that was marketed in Angola's capital, Luanda, and sold out in days.

The outlook is bright for global brands that can overcome the many logistical, social and political challenges that South Africa presents. South Africa, with its established market and high-end shopping malls, currently offers the best opportunities compared to elsewhere in Africa where there is a lack of established commercial infrastructure.

3.2. WEALTHY SOUTH AFRICANS: WHO ARE THEY?

The middle class in Africa is growing fast, and has a more disposable income than in the past. The largest share of this growth is among black South Africans. Cape Town's Unilever Institute of Strategic Marketing (UISM), which has been conducting research on the country's black middle class since 2004, reported in 2013 that black middle class spending skyrocketed to a staggering R420 billion per annum – substantially outstripping white middle class spending power (R320 million).

Vanessa Borchers, Western Cape Industry Director at Deloitte South Africa, believes that there will be a continued demand for luxury goods among locals: "In South Africa, the continued growth of the middle class creates a market segment where there is an aspiration for the finer things in life, which in turn creates the desire for status symbols. This is a market that luxury brands should continue to monitor closely as it is likely that the luxury buyers of the future will emerge here."

Currently, the average age of South African multimillionaires is 55, slightly below the world average of 56. The financial services industry – asset management and brokering – is the main route by which they have acquired their wealth: it is the primary source of wealth for 20%. Other important industries include real estate, construction and basic materials (New World Wealth 2015).

Deloitte: Global Powers of Luxury Goods 2015: Engaging the future luxury consumer; Euromonitor: Luxury Goods in South Africa. February 2015; Unilever Institute of Strategic Marketing: 4 Million and Rising Project 2013; www.ft.com; www.citypress.co.za; www.bdlive.co.za; www.mg.co.za; www.sundaytimesnews.co.za; www.businessinsa.com; www.biznews.com; www.bdlive.co.za; www.ft.com

Although much of the country's wealth still remains in the hands of the white minority, the momentum of the rising black middle and upper classes has been not only an essential social improvement; it has also been an important driver for the economy. It is this demographic change that is quite literally changing the face of the fashion business in the country at the moment and creating much of the dynamic atmosphere felt by local players. This means that, in terms of numbers, there are currently more White high net worth individuals in South Africa than other race groups. However, White HNWIs are in decline while Black African and Indian HNWIs are on the rise. In 2007, there were 2,300 black African HNWIs and at the end of 2014 there were 4,900, a growth of 113%. In 2007 there were 36,900 white high net worth individuals while at the end of 2014 there were 32,100, a contraction of 13% (New World Wealth reports that many of the Whites have left the country, mainly to the United Kingdom, European Union, United States, Canada, Australia and New Zealand).

Johannesburg, in particular, has one of the strongest forecast growth rates for high net worth individuals over the coming decade, according to Margaret Nienaber, global chief executive of Standard Bank Wealth & Investment. Johannesburg is home to the highest concentration of millionaires and multimillionaires in Africa. Most of South Africa's multimillionaires live in Johannesburg (990), followed by Cape Town (380), Durban (115) and Pretoria (105). The most popular suburbs for multimillionaires in Johannesburg are Sandhurst, Hyde Park and Bryanston, in Cape Town are Camps Bay, Bishopscourt and Constantia, and in Durban are La Lucia and Umhlanga.

Johannesburg is also the city that attracts wealthy visitors from Nigeria, Ghana, Angola, Kenya and Botswana who come to buy labels that are not available in their home country. This means that there is a steady stream of African shoppers arriving in Johannesburg all year round, compared to Cape Town which tends to be more seasonal coinciding with the northern hemisphere's winter months.

The largest growth area is Durban, where millionaire numbers have increased by 200% since 2000, compared to the national increase of 135%. The city's growth has been fuelled by Indians, who have risen nationally more than other racial group. Professor Dilip Garach, a financial coach to the wealthy, says that, "In most cases the wealth has been acquired post-1994, after South Africa achieved democracy and hence the wealth is 'new' money and not inherited." Andrew Amoils, head of research at New World Wealth, identified finance, real estate, retail and media as the top sectors for Indian millionaires.

Retailers who deal in luxury timepieces describe their typical client as male, in their 50's, and local or international – they said that many African, Indian and Chinese clients who are frequent travellers to South Africa would prefer to make this type of purchase in South Africa because of favourable exchange rates.

3.3. WEALTHY SOUTH AFRICANS: WHAT DO THEY WANT?

Luxury Goods in South Africa 2015 reports that the growth in the desire to show career success has been through purchasing luxury items. There is a group of consumers with more than enough spending capacity as long as the brand or product gives them what they deem to be value for money.

Demand for luxury products in South Africa has been highly driven by factors such as strong brand heritage, quality and personal service. Alessandro Patti, managing director of Cartier Africa, says, "We believe that African clients, who are very attentive to the notions of quality, exceptional craftsmanship and beauty, will gain importance over the next decade."

Super luxury watches are a booming market in South Africa, according to a report from New World Wealth, "Over the past 10 years, the global super-luxury watch industry has grown by more than five times in terms of revenue, whilst in South Africa it has grown by even more." New World Wealth estimated that about R320m worth of sales from "super-luxury" watches were generated in South Africa in 2014, up from R230m in 2013. And this trend is expected to continue.

While not all super-luxury watches are for men, it is the male segment that has been the bigger riser over the past decade. As one local retailer put it, "Watches have become to men what diamonds are to women."

Deloitte: Global Powers of Luxury Goods 2015; Engaging the future luxury consumer; Euromonitor: Luxury Goods in South Africa. February 2015; The New World Wealth Report 2015; www.ft.com; www.iol.co.za; www.mg.co.za; www.adlip.com; www.businessoffashion.com; www.businesstech.co.za; www.sundaytimesnews.co.za; www.destinyman.com; www.citypress.co.za; www.bdlive.co.za

The New World Wealth report lists the five top-selling super-luxury men's watch brands in South Africa as Ulysse Nardin, Vacheron Constantin, Breuget, Franck Muller and Patek Philippe. Other major players include Blancpain, Audemars Piguet, Roger Dubuis, A Lange & Sohne, Richard Mille and FP Journe.

Andrew Amoils, senior analyst at New World Wealth, says that the appeal of super-luxury watches is 'snob appeal'. "Most people won't recognise the brand, unlike a Rolex or Louis Vuitton...and high net worth individuals get a kick out of that, as only a certain clique will realise what the watch is worth. High net worth people that we have spoken to like that they are in a club of their own." "A mega-watch offers a way for men to showcase their wealth, prestige and position in society", says Anina Malherbe-Lan, CEO of VividLuxury, a specialist marketing company that has facilitated the market entry of several luxury brands in Southern Africa. A South African investor who she won't name, owns more than 35 Patek Philippe watches, is one of the biggest global investors in the brand. He belongs to an exclusive investors club of watch collectors from around the world who gather, by invitation only, at Patek Philippe's headquarters in Switzerland each year.

Amoils says the rapid rise of sales in super-luxury watches in South Africa is driven partly by demand from ultra-wealthy Africans from countries such as Angola and Nigeria. Christopher Greig, MD of Charles Greig — a high-end purveyor of timepieces and jewellery — said there had been an "enormous" uptick in the number of African consumers buying men's luxury watches, "Particularly from SA... Nigeria, Ghana, the Democratic Republic of Congo and Angola."

According to New World Wealth, "A couple of years ago wealthy South Africans would need to order these watches through relevant retailers overseas or travel to places such as Bond Street in London to buy them. Now, most of these brands can be purchased over-the-counter from local stores."

Part of the appeal of super-luxury watches is that they hold their value, making them good investments, much like art, fine wine or classic cars. Another attraction is the relative ease with which you can buy them for cash, without paperwork. A watch can be carried over the borders without arousing suspicion, making it a convenient way to transfer wealth.

3.4. TRENDS

Jolandi Grace, Africa Fashion and Luxury Brand Leader at Deloitte, commenting on the Global Powers of Luxury Goods 2015 report, said, "Several key aspects of the luxury goods sector will become unrecognisable over the next few years. For instance, the traveling luxury consumer is expected to change the concept of national boundaries; millennial consumers will grow to represent a significant percentage of sales volume in luxury goods; and the competitive forces driven by technology will disrupt at an accelerated pace. As such, global luxury brands must overcome significant challenges in order to maximise engagement with their digitally-savvy, time-sensitive and socially aware consumers or risk being left behind."

Luxury brands need to have a strategy that will reach a new type of consumer. The African Development Bank report found that millennial consumers are expected to grow to represent a significant percentage of luxury items purchased and although traditional marketing channels such as magazines and store browsing continue to be relevant, if you are a brand trying to access this generation, your best advertising channel would be the internet, through mobile-friendly sites, as 58% of millennial consumers go online, while 31% use social media for gathering information on luxury items compared to just 10% of older luxury consumers.

Andreas le Roux, Deloitte SA consumer business leader, says that "the luxury sector in South Africa needs to maintain strong relationships with diverse technologies that are influencing the luxury goods value chain. The legitimate fear of diluting a brand's exclusivity in the broadly accessible online world requires brands to move carefully to ensure sustainable, long-term value creation."

Deloitte: Global Powers of Luxury Goods 2015: Engaging the future luxury consumer; McKinsey: The Opportunity In Online Luxury Fashion. February 2015; The Deloitte Swiss Watch Industry Study 2014 Changing Times; The new World Wealth Report 2015; African Development Bank Annual Report 2014; www.gbn.co.za; www.fin24.com; www.citypress.co.za; www.themediainline.co.za; www.businesstech.co.za

“In the 21st century, there are so many touch points to consider as a luxury brand, ...we have seen that many of the traditional luxury brands started off being quite resistant about going into different media channels, and then quickly capitulate when realising that this is a new world order and there are different ways of doing things,” says Dion Chang of Flux Trends (a South African trends analysis company: www.fluxtrends.co.za). “Luxury brands need to partner with different people, mediums, or channels in order to provide a holistic brand experience.... A lot of the conspicuous consumption comes in the form of asset building, and once the middle class is exploding, the appetite grows for change from luxury product to luxury experience. The experience is a softer form of conspicuous consumption, it is a little bit more equitable, and I am feeling a lot more comfortable about a luxury experience rather than just a luxury product,” says Chang.

“Africa is generically laden with challenges around infrastructure, supply chain and the like, and as a result, you are getting technologies that are completely leap frogging to first world concepts,” Chang explains. He further comments that “herein lies a huge opportunity, because everyone is waiting for the next big thing, and piggy backing these innovations would provide the sweet spots in differentiating one brand from another.”

According to the Deloitte’s Global Powers of Luxury Goods 2015 report, the luxury industry is going to have to meet three significant challenges in order to engage with the luxury consumer: Despite its challenges, many luxury brands are showing great innovation and embracing the potential for digital technology to reach new audiences, enhance brand awareness and establish a broader geographic reach, and the sector will need to continue to forge a strong relationship with an ever-increasing array of technology; The rapidly evolving consumer profile makes it critical for companies to understand the changing desires, buying behaviours and channels of luxury consumers: And the luxury brand’s commitment to its history, provenance and community will strengthen brand equity and create long-term strategic and financial reward for the business.

In South Africa, online shopping is still in its infancy but is expected to see a double-digit CAGR in the next year: PricewaterhouseCoopers (PwC) released a study early this year that revealed that the value of online retail sales in South Africa was R5.3 billion for 2014, which is just 1% of total retail sales in the country. However, most of these sales are for books, airline tickets and music, with very little activity in the luxury goods market.

Preserving the strength of the traditional store, a high proportion of consumers (73%) say they browse online but purchase in-store. So, it seems that the online shop is a place to research and compare for later in-store purchases. PwC concludes that, although online and mobile technology is a very small piece of the pie in terms of overall retail sales, it is increasingly a critical factor in setting the stage for a purchase. The Luxury Goods Market SA report agrees, “Millennial customers are expected to grow to represent a ‘significant percentage’ of items purchased and if you’re a brand trying to access this generation, your best advertising channel would be the internet, through mobile-friendly sites, as 58% of millennial consumers go online while 31% use social media for gathering information on luxury items.”

South African luxury consumers are no different to their international peers, and luxury brands need to overcome their reservations about exclusivity and control, and become more comfortable selling and marketing on both their own site and that of select department store or pure play luxury e-retailer partners in select markets. These channels are not mutually exclusive as they target different shopping occasions and therefore different consumer groups.

3.5. THE SOUTH AFRICAN RETAIL LANDSCAPE

Destination shopping has become the new buzzword in South African retail, which in recent years has seen existing malls expand and upgrade their properties to create attractive spaces for international luxury brands.

With 60% of Africa’s millionaires in South Africa, the country has the continent’s most developed luxury retail sector. South Africa holds the sixth spot in the world in terms of the number of shopping centres (about 2,000). However, most of South Africa’s luxury retailers are housed in two major shopping malls, namely Sandton City in Johannesburg and V&A Waterfront in Cape Town.

Deloitte: Global Powers of Luxury Goods 2015: Engaging the future luxury consumer; Euromonitor: Luxury Goods in South Africa. February 2015; McKinsey: The Opportunity In Online Luxury Fashion. February 2015; PwC’s Annual Consumer Survey: Total Retail: Retailers and the Age of Disruption 2014; www.fin24.com; www.iol.co.za; www.mg.co.za; www.bizcommunity.com; www.fin24.com; www.adlip.com

"Although many African consumers will visit international destinations for luxury shopping, the increasing availability of luxury goods also means that there is an increasing number of South Africans who do their high end purchases at home...High income consumers from Angola often visit Cape Town for shopping and consumers from Mozambique, Zambia and other neighbouring countries stop in Johannesburg for luxury shopping," Izaskun Bengoechea, a research manager at Euromonitor, says.

Similarly, Kevin Lings, Stanlib's chief economist, says South Africa is seeing a "lot more tourism" that was boosting retail activity. "Our tourism inflows, money wise are the highest ever recorded... this is supporting some of the retail activity, which is tending

to be higher-end luxury shopping... so its specifically people arriving and shopping in Sandton City, Hyde Park or the V&A Waterfront," he says.

Sandton City, with well over 2 million visitors per month, is the most attractive to visiting and local shoppers in search of luxury brands. It is strategically positioned where most of the important foreign businesses and major banks have their offices. The dazzling new R185-million Diamond Walk was opened in 2015 and has seen the introduction of a number of new international luxury labels such as Prada, Ermenegildo Zegna, Dolce & Gabbana, Giorgio Armani, Burberry, Jimmy Choo, Gucci and Arque Champagne Crescent. Cartier, Mont Blanc and the soon-to-open Elegance are to be found at one end of the Diamond Walk.

In Johannesburg, Melrose Arch precinct is another favourite, with more of a premium focus (Lacoste, Tiger of Sweden, Etincelle), all set in a series of courtyards. "Before we opened our first store in 2009 in Melrose Arch, we didn't have South Africa on the map. But since we entered the country, performance has been very good," says Jonas Windahl, Tiger of Sweden's brand manager in South Africa.

Hyde Park Corner is the other high-end retail area in Johannesburg, with a Fashion Court housing international brand names such as Burberry, Armani, Versace and a luxury Tiger of Sweden concept store. Peter Prinsloo, chief executive of Hyprop, the owner and developer of Hyde Park Corner, said the presence of these exclusive global brands "further underpin Hyde Park Corner's exclusive fashion offering and reputation as the luxury shopping destination of choice."

Cape Town's retail landscape is dominated by the V&A Waterfront – the most visited tourist destination last year – which has a luxury wing, or the "Platinum Mile", where Gucci, Louis Vuitton, Burberry, Dunhill and Jimmy Choo are all found along a quiet corridor deliberately hidden from the crowds below.

4. Regulatory overview

South Africa has a world class, progressive legal framework. Legislations pertaining to commerce, labour and maritime issues is particularly well developed, while laws relating to competition policy, copyright, patents, trademarks and disputes conform to international norms and conventions.

South Africa's trade incentives are aimed at encouraging economic growth and development. As a founding member of the World Trade Organization (WTO), it is an active participant in the multilateral rules-based trading system.

South Africa is also a member of the Southern African Customs Union (SACU), which allows free exchange of trade between South Africa and the other four countries – Botswana, Lesotho, Namibia and Swaziland. Member states form a single customs territory, and tariffs and other barriers are eliminated on the trade for products originating in these countries. A common external tariff applies to countries that are not members of SACU.

South Africa has a Free Trade agreement with the European Union (EU) and with the Southern African Development Community (SADC). The SARS website (www.sars.gov.za) carries comprehensive details on South Africa's trade agreements. More about trade with the EU can be found on the European Commission's South Africa profile page (http://ec.europa.eu/index_en.htm).

Since 2008, a trade agreement has been in place between the SACU and the European Free Trade Association (EFTA), which comprises Iceland, Liechtenstein, Norway and Switzerland. This facilitates trade and also deals with issues such as intellectual property.

4.1. ENTITIES INVOLVED IN THE REGULATORY ENVIRONMENT

Entities involved in the regulatory environment

Imports are controlled and administered by the International Trade Administration Commission of South Africa (ITAC) and the South African Revenue Service (SARS).

The **International Trade Commission of South Africa (ITAC)** (www.itac.org.za) is a legislative body that aims to foster economic growth and development by administering international trade. Its core functions include customs tariff investigations, trade remedies as well as import and export control, including issuing of permits.

Apart from controlling and regulating revenues, **SARS** is a useful source of data with regard to import information. Their site (www.sars.gov.za) includes trade statistics, import data and the top ten trade commodities listed by value.

www.sars.gov.za; www.itac.org.za; http://ec.europa.eu/index_en.htm

5. Opportunities and challenges

The main challenge in the luxury industry is low stock turnover rate which may not be ideal for smaller players with limited funding. The luxury market remains a high risk business in South Africa and therefore requires retailers with adequate funding which helps ease the pressure to have quick sales as most luxury items take long to sell and such a business is not sustainable for retailers with limited funding. This remains as a major barrier to entry for new players.

African markets outside of South Africa have even greater challenges: "Poverty remains widespread, infrastructure is weak, retail markets are undeveloped and brand awareness is lacking. Corruption can also be a problem, as can political instability in some countries," Euromonitor luxury goods research head, Fflur Roberts, says.

6. Important market players

6.1. POTENTIAL INTERNATIONAL PARTNERS

6.1.1. Compagnie Financière Richemont SA

Compagnie Financière Richemont SA is the ultimate holding Company for some of the world's leading luxury goods companies - its Maisons - encompassing jewellery, watches, premium accessories and other luxury products. The Group is managed with the objective of growing value for shareholders over the long-term, recognising that the most important assets of the Group - its Maisons - have almost all been in existence for over a century. The Group's eight specialist watchmakers are among the most renowned in the fine watchmaking industry, which is concentrated in Switzerland.

The independence of each Maison within the Group is fundamental to Richemont's overall growth strategy. Each Maison focuses on increasing awareness and desirability by developing creative products and appropriate marketing programmes. The

Maisons' products are sold through a network of boutiques owned by the Group, through franchise operations and through boutiques owned by third parties.

The Group's luxury businesses operate globally. The Group believes the diversity of its geographical operations, with a lack of dependency on any one market, represents a long-term competitive advantage.

Richemont – which was founded and is run by South Africa's richest man, Johann Rupert – accounts for approximately 16% of global watch revenue.

Headquarters

Compagnie Financière Richemont SA
50, chemin de la Chênaie, CP30
1293 Bellevue, Geneva, Switzerland

Europe (covering Russia/CIS, Middle East, Latin America and South Africa)

RLG Europe B.V.
1, chemin de la Papéterie
1290 Versoix, Geneva, Switzerland

Euromonitor: Luxury Goods in South Africa. February 2015; www.richemont.com

6.2. POTENTIAL LOCAL PARTNERS

6.2.1. Picot & Moss/Architects of Time

Address: 6th Floor, 114 West Street (cnr Katherine & West), Sandton

Phone: +27 11 669 0500 (Picot & Moss); +27 11 669 0790 (Architects of Time)

Website: www.picotandmoss.co.za

Established in South Africa in 1919, Picot & Moss has grown strength to strength into a conglomerate of luxury and lifestyle brands, placing the company as one of the prestigious watch distributors in South Africa today. Picot and Moss currently houses over 14 top brands especially for the watch connoisseurs seeking the very best desired timepieces that have endured due to their superb quality, superior craftsmanship and timeless design appeal. Their exclusive range of watches includes Tag Heuer, Victorinox, Hermès, Frederique Constant, Raymond Weil, Fred, Gucci and Zenith. They pride themselves on being able to offer the highest level of after sales service along with having one of the most experienced and equipped workshops in the country.

Its sister company, **Architects of Time** is the sole distributor for Audemars Piguet, Dior, Ebel, and Chopard Timepieces. They have also launched 3 boutiques dedicated to these luxury brands, BHH in

Hyde Park Corner and V&A Waterfront as well as the Chopard Boutique in the V&A Waterfront.



BHH, Hyde Park Corner



Chopard Boutique, V&A Waterfront

6.2.2. Elegance Jewellers

Address: HL 15, Melrose Arch, Johannesburg

Phone: +27 11 684 1380

Website: www.ejewels.co.za

Founded as a family business in 1967, Elegance Jewellers offers a curated collection of the best local and international design. In addition to offering their own signature line of jewellery, Elegance showcases products from global brands including Cartier, Montblanc and TAG Heuer, as well as a number of super-luxury brands.

The family consists of Nick and Rena Mavrodaris and their three sons, Alexi, Dino and Oresti. They have two stores, both in Johannesburg, one in Melrose Arch and the other in Bedford Centre, and will be opening a store in early December 2015 in Sandton City in the fine jewellers zone close to the Diamond Walk.



Elegance, Melrose Arch, Johannesburg

6.2.3. The Watch and Jewellery Gallery

Address: Store 429, Nelson Mandela Square, Sandton City, Johannesburg

Phone: +27 11 784 8618

Website: www.gmtafrica.com

The Luxury Watch Industry in South Africa

The Watch & Jewellery Gallery is a purveyor of fine watches and watch winders, as well as selective jewellery items such as writing implements and smoking accessories. The Gallery showcases brands such as Patek Philippe, Alain Silberstein, and S.T. Dupont. The Watch & Jewellery Gallery (Sandton) is managed by GMT, who also operates Gucci, Bally and St Dupont, all at Nelson Mandela Square.

As part of its strategy for growth, GMT is wanting to extend its offerings of quality upmarket timepieces. They are committed to providing quality, competitive and excellent services and products and to forging long-term partnerships with customers and principals.



The Watch and Jewellery Gallery, Nelson Mandela Square, Johannesburg

6.2.4. Charles Greig

Address: Hyde Park Corner, Hyde Park, Johannesburg

Phone: +27 11 325 4477

Website: www.charlesgreig.co.za

Charles Greig, a fifth generation family owned business, was established in 1899. There are five stores in all, with the head office in Hyde Park Corner, and the business is still in the hands of three-great grand-sons of the founder. The other stores are in The Michelangelo (Sandton), V&A Waterfront (Cape Town), Brooklyn Mall (Pretoria) and the Palace (Sun City). Christoff Fine Jewellery, the brainchild of Christopher Greig and Anne Tripp can be found in the Platinum Mile at the V&A in Cape Town.

Since its inception, the Greig legacy has been synonymous with fine timepieces. David Greig, the third generation descendant, inherited his grandfather's passion for watches and, as a consequence, pursued his watchmaking tuition in the horological town of Neuchâtel, Switzerland. In turn, he bequeathed his love and knowledge of watches to his sons Christopher, Donald and Richard.



Charles Greig, Hyde Park Corner, Johannesburg

Other purveyors of fine watches in South Africa are:

Arthur Kaplan Jewellers: www.arthurkaplan.co.za

Bellagio: www.bellagiojewellers.co.za

Tanur Jewellery: www.tanur.co.za

Trigg Jewellery: www.trigg.co.za

World Time Machine: www.worldtimemachine.co.za

World's Finest Watches: www.worldsfinest.co.za

6.2.5. Vivid Luxury

VividLuxury is an award-winning communications agency specializing in high-end luxury brands. Over the last 8 years, the agency has established itself as a highly-acclaimed specialist in the fields of luxury and premium brands as well as high-end consumer goods and services.

As a key player in the South African luxury goods industry, VividLuxury delivers a dedicated, high value approach, ensuring exceptional skill and expertise in every project they undertake.

Operating at the forefront of an evolving communications landscape, VividLuxury prides itself in its ability to strategically execute a full range of communication campaigns for its luxury brand clients, via public relations, media relations, event management, brand activations, media planning and buying, as well as digital and social media management.

Anina Malherbe-Lan, founder and CEO

Physical Address: 32 Wandel Street, Gardens, Cape Town, 8001

Tel: +27 - (0) 21 465 2312

Email: info@vividluxury.co.za

Website: www.vividluxury.co.za

6.2.6. Luxury Brands

Luxury Brands is South Africa's fastest growing luxury marketing group, offering direct access to over 18 000 pre-qualified high net worth individuals through its strategic membership alliances. The exclusive association brings together high level decision-makers, targeted clientele and luxury brands. This bespoke association, is facilitated by a team of experienced industry professionals with the aim of creating integrated marketing, sales and showcase campaigns.

Luxury Brands is a dynamic brand building agency co-owned by Jeremy Nel & Annette Cowley-Nel. Together, Jeremy and Annette have over 20 years of highly successful local and international marketing experience, with a proven track record and an exclusive client base that is managed with a high level of personalised service.

The agency comprises a focused team of chosen professionals, all motivated and geared towards offering a comprehensive and justifiable turn-key marketing solution. The Luxury Brands team are known to be the very best in their field, and have been instrumental in launching and positioning some of the most successful luxury brands and businesses in South Africa.

Physical address: Suite 181 Private Bag X16 Constantia Cape Town South Africa 7848

Telephone: +27 21 702 3436

Email: jeremy@luxurybrands.co.za

Website: www.luxurybrands.co.za

6.3. LUXURY PRINT MEDIA

Although online will be a key focus for luxury brands going forward, traditional marketing channels and particularly magazines will continue to be relevant for consumers gathering information on luxury brands. Magazines in SA have proved to be the most influential medium when it comes to fashion trends as well as improving product image for brand owners. Magazines often make use of celebrities, who have also helped stimulate luxury product demands.

Opulent Living (Newspace Publishing Group)

Address: 17 Braeside Road, Greenpoint, Cape Town

Telephone: +27 21 433 1699

Journalist: Barbara Lenhard: +27 79 403 2393

Website: www.opulentliving.co.za

Blurb: Opulent Living is the luxury brand that has established itself with a luxurious, bi-annual coffee-table magazine for high net-worth individuals. The brand has expanded its divisions to include an events division, Opulent Living Experiences, a bespoke travel designer division, Opulent Living Travel, as well as an online division, Opulent Living Online. The magazine was born from a vision to inspire and has grown to become the leading South African coffee-table publication in the luxury sector. It is approximately 176 pages thick, and has features on 5-star hotels, lodges & resorts, in-depth interviews, articles about luxurious lifestyle topics and stunning photo productions.

The Luxury Watch Industry in South Africa



Wanted: Magazine Supplement for Business Day (Times Media Group)

Address: 4 Bierman Avenue, Rosebank, Johannesburg

Phone: +27 11 280 5130

Website: www.bdlive.co.za/wanted/; <http://businessday.newspaperdirect.com/epaper/viewer.aspx>

Editor: Alexander Parker: ParkerA@bdlive.co.za

Monthly magazine, available with Business Day nationwide, subscribers only.

Bulb: Business Day's award-winning* glossy lifestyle supplement Wanted is essential reading for the educated, the affluent and the influential. Unashamedly glamorous, it holds real appeal for discerning, cultured consumers who like to stay ahead of the game outside of the boardroom.

Wanted is for those who work hard and play even harder. Whether sipping champagne up front in an A380 or jetting down a ski slope at 100km/h, these professionals live on the edge and insist on life's finer things. It has an eclectic mix of serious, insightful and witty journalism about who's hot and going places, exclusive big-personality interviews, and the most coveted cars. We're also hot on the heels of the latest high-street fashion, tomorrow's technology, and gadgets for grown ups. Plus, we'll whisk you away to exotic destinations, while delivering first-class, non-stop lux-factor news worth knowing to use all year 'round.



Business Class: Magazine Supplement for Sunday Times (Times Media Group)

Address: 4 Bierman Avenue, Rosebank, Johannesburg

Phone: +27 11 280 5871

Website: <http://www.timeslive.co.za/businessclass/>

Editor: Charles Boffard: BoffardC@businessclassmag.co.za

Blurb: Business Class is monthly lifestyle magazine aimed at achievers with an interest in business, style and the good life. Business Class is published every month and distributed to subscribers of The Sunday Times Business Times in selected (high income) metropolitan areas. Copies are also distributed in business class lounges at airports and available to passengers as they board SA Airlink flights. It is also available in e-zine format at www.businessclassmag.co.za on the Wednesday after publication.



GQ: Conde Naste Independent Magazines (Pty) Ltd

Address: 220 Loop Street, Cape Town

Phone: +27 21 480 2300

Website: www.gq.co.za

Editor: Craig Tyson: craig@condenast.co.za: +27 21 480 2300

Monthly magazine available via subscription or magazine retailers.

Blurb: GQ South Africa is the first and last word on men's style. With access to some of the world's top photographers and writers, GQ offers professional men content that is entertaining and enlightening. Whether it's fashion, tech, business, Hollywood or investigative journalism, GQ covers it all with intelligence and imagination.

The Luxury Watch Industry in South Africa



Elle South Africa: Isiko Media (Pty) Ltd

Publisher: Gisèle Wertheim Aymés: Gisele@elle.co.za

Address: Postal PO Box 2316 Randburg 2125

Phone: +27 11 480 2300

Website: www.elle.co.za

Editor Emilie Gambade: Emilie@elle.co.za

Monthly magazine available via subscription or magazine retailers.

Target market: LSM 8-10

Readership: 72 316

Bulrb: Elle is a women's magazine offering exclusive access to celebrity photos, seasonal fashion must-haves and beauty product reviews. With 42 editions worldwide, Elle is the world's biggest selling fashion magazine. "Each month we give you the latest in fashion and beauty trends, lifestyle, and report on those issues that affect our everyday lives. Our readers are young enough to think about life as an adventure and old enough to have the means to live it." Elle SA was launched in 1996.



6.4. DIGITAL MEDIA

The millennials are expected to have a huge impact on marketing channels going forward (see '4. Trends'). However, there are currently no multi-brand luxury websites targeting HNWI's in South Africa: these individuals currently gather information via brand websites and in-store.

6.5. EVENTS

Jewellex Africa is the premier jewellery and watch fair and has been hosted by the Jewellery Council of South Africa for over 40 years.

This is the time when new merchandise lines and the most exclusive and extensive product ranges of watches, clocks, fine jewellery, pearls and precious stones, jewellery packaging, machinery, accessories and services available is offered to the local and international retail and wholesale jewellery industry.

Held annually in Sandton in October, this three-day event attracts exhibitors from inside South Africa, as well as from the African states and international countries.

One of the main objectives of Jewellex is to become the trading hub of Africa and thereby offering international countries an opportunity to see what 'Africa' has to offer under one roof. It further aims to provide a secure trade platform for product distribution into and out of Africa.

Jewellex Africa 2015, where relationships are built and business is generated!

Contact:

Lorna Lloyd – CEO; Elsa da Silva – PA

Email: jewellex@jewellery.org.za / elsad@jewellery.org.za

Tel: +27 11 484-5528

The **Southern African Luxury Association** (SALA: www.sa-la.org) is nearly four years old and has already garnered the support of over 70 member brands and nearly 4000 in the network. SALA is the leading body supporting the luxury sector, hosting top-level speakers at our elite forums attended by senior management from the luxury, premium lifestyle and wealth management industries.

"We engage with business leaders as well as UHNW and high-net-worth individuals interested in the broader luxury and premium lifestyle industry. We host both B-to-B events as well as B-to-C events bringing luxury brands in close contact with a valued client base."

The Africa Luxury and Wealth Summit is an annual event, which takes place in early March and seeks to explore the state of wealth in the South African and broader African market, as well as to identify opportunities and obstacles for growth. By bringing together pioneers from the luxury industry it aims to overcome the lack of formal research into this market by creating a platform to share key insights and knowledge. <http://africaluxurysummit.com>

SALA promotes APlus (Africa Plus) Luxury Consulting who assist international luxury brands with their market entry, positioning and client engagement strategies.

7. Attachments

7.1. SOURCES

Reports

Deloitte: Global Powers of Luxury Goods 2015: Engaging the future luxury consumer

Deloitte. The Deloitte Swiss Watch Industry Study 2014 Changing Times

McKinsey: The Opportunity In Online Luxury Fashion. February 2015

Euromonitor: Luxury Goods in South Africa. February 2015

The New World Wealth Report 2015

PwC's Annual Consumer Survey: Total Retail: Retailers and the Age of Disruption 2014

African Development Bank Annual Report 2014

Unilever Institute of Strategic Marketing: 4 Million and Rising Project 2013

Websites

www.bizcommunity.com; www.themediainline.co.za; www.fin24.com; www.ft.com; www.businesstech.co.za; www.sundaytimesnews.co.za; www.citypress.co.za; www.gbn.co.za; www.destinyman.com; www.iol.co.za; www.biznews.com; www.businessinsa.com; www.bdlive.co.za; www.mg.co.za; www.adlip.com

7.2. DISCLAIMER

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