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## Luxury Portable Consumer Electronics in Malaysia

### Loss of International Tourists Affected Sales in 2020

Malaysian luxury retailing was hit hard by the COVID-19 pandemic in the first half of 2020, people believed that it will just take at least six months after the Movement Control Order (MCO) (which ended in May) to recover. Around one-fifth of the demand for luxury portable consumer electronics in Malaysia is contributed by international travelers, where the MCO and border closures significantly reduced the travel flow in 2020. As a result, demand was low due to the loss of international tourists, especially the mainland Chinese visitors. Therefore, luxury portable consumer electronics relied entirely on domestic consumers in 2020. High net worth individuals/high-income Malaysians represent the key growth driver for the remainder of 2020. Nevertheless, all these factors restricted current retail value growth heavily in 2020, with luxury mobile phones exhibiting negative growth.

### Online Shopping Mitigates Negative Effects from Border Closures and Movement Restrictions

During the MCO, consumers spent more time at home, facilitating the shift from offline to online shopping behavior in 2020. This trend was especially apparent in luxury portable consumer electronics as such products are pretty standard. Generally, consumers feel safe to purchase them online without having to see the product in-store. While stores were closed during the MCO, high-income consumers tended to shop more online, mitigating the drastic impact brought by COVID-19 on personal luxury in Malaysia. As a result, e-commerce saw moderate growth in current retail value sales in 2020.

### Minimal New Launches were Seen in 2020 Due to Economic Uncertainty

Luxury wearables continued to represent the majority of luxury portable consumer electronics sales in 2020, and also perform better than luxury mobile phones in

## Highlights

- Sales are slightly dampened due to the loss of international tourists amid COVID-19, but the shift to online purchases mitigates the negative effects in 2020.
- E-commerce saw moderate growth in current retail value sales in 2020.
- Luxury portable consumer electronics is set to rebound quickly in the forecast period. Sales will likely be boosted once the travel lockdown is lifted.
- To catch up from the losses experienced in 2020, it will be unlikely for retailers to reduce their product prices, especially those who plan to launch new products.

2020. TAG Heuer Connected, the second leading brand in luxury portable consumer electronics, introduced its third-generation smartwatch in 2020. This product offers daily connected services with Wear OS by Google with the new TAG Heuer Sports app. Furthermore, it can provide detailed tracking for golf, running, cycling, walking, fitness, and other sessions, thanks to the smartwatch's built-in GPS and heart-rate monitor, among other sensors. This new model is expected to help Tag Heuer Connected capture additional market share. Other brands in luxury portable consumer electronics are reluctant to allocate resources for product and development and marketing campaigns in 2020 due to the high uncertainty brought by COVID-19. Nevertheless, Porsche Lizenz & Handelsgesellschaft continues to lead sales within luxury portable consumer electronics in Malaysia thanks to its Porsche Design brand, which benefits from a very strong reputation and widespread distribution across the country.

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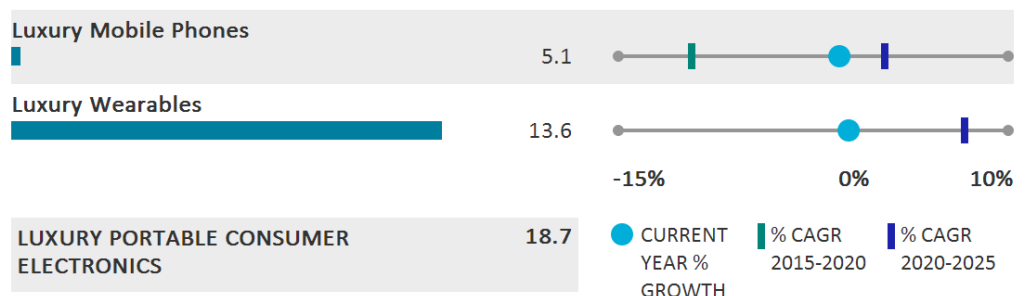
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### Sales of Luxury Portable Consumer Electronics in Malaysia by Category

Retail Value RSP - MYR million - Current - 2020

Growth Performance



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## RECOVERY AND OPPORTUNITIES

### Swift Recovery Expected in the Forecast Period

Following the mediocre performance in 2020, luxury portable consumer electronics is set to rebound quickly in the forecast period. Sales will likely be boosted once the travel lockdown is lifted, with current plans set to lift restrictions this 2021. Furthermore, the rollout of the vaccine for COVID-19 will also likely help with the return of international travel and international tourists which represent an important consumer base. Retailers are optimistic in the post-pandemic scenario since the pandemic had less of an impact on high-income consumers, so the key consumer groups' consumption power will not be affected much in the forecast period. Furthermore, the lift of the travel ban will also unlock the big-spending foreign travelers, especially mainland Chinese visitors, further driving the swift recovery in the forecast period.

### The Online Presence will Continue to Gain importance

Over the forecast period, sales of luxury portable consumer electronics are expected to continue in shifting from offline to online. Notably, the MCO and subsequent movement restrictions in 2020 helped domestic consumers develop online shopping behaviors and become more confident in making purchases through this channel. Furthermore, luxury retailers

#### Company Shares of Luxury Portable Consumer Electronics in Malaysia

% Share (NBO) - Retail Value RSP - 2019

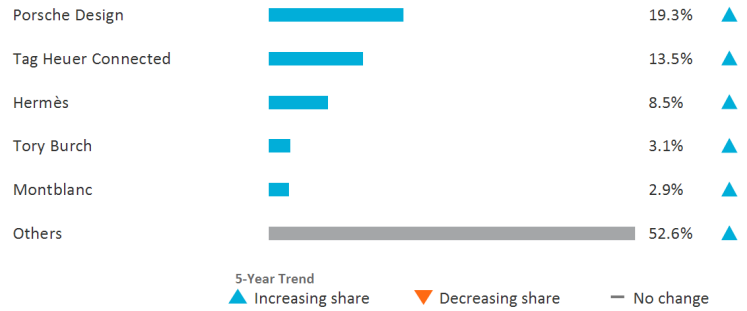


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#### Brand Shares of Luxury Portable Consumer Electronics in Malaysia

% Share (LBN) - Retail Value RSP - 2019



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will be more willing to invest in online capabilities after experiencing the catastrophic event of COVID-19 that showed the importance of having a strong online presence.

### Physical Outlets will Attract Consumers, Once the Pandemic is Stabilized

After the pandemic is stabilized, sales through offline channels are expected to rise once again in the forecast period. Consumers are likely to return to consumer electronics outlets, as well as specialists like DirectD for a luxurious shopping experience. Similarly, mono-brand stores will likely be another popular avenue among consumers due to their ability to provide more professional sales advice. To catch up from the losses experienced in 2020, it will be unlikely for retailers to reduce their product prices, especially those who plan to launch new products. Generally, within luxury portable consumer electronics, a new product means new design and functions leading to higher unit prices. ■

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