

LUXASIA

A new chapter

Asian company LUXASIA has revealed to *BW Confidential* that the company will have a new CEO from July, with Satyaki Banerjee, CEO Markets of LUXASIA and Managing Director of the company's e-commerce subsidiary LEAP Commerce, to take over from current CEO Dr Wolfgang Baier. In an exclusive joint interview, Baier and Banerjee talk about what this management transition means for the company, and outline the opportunities, challenges and key issues to watch for in the Asia Pacific beauty market **by Oonagh Phillips**

It's the beginning of a new chapter at Asian distribution company LUXASIA. The company has shared exclusively with *BW Confidential* that it will appoint Satyaki Banerjee as its new CEO from July. Banerjee is currently CEO Markets of LUXASIA and Managing Director of LEAP Commerce, the company's e-commerce subsidiary. He will take over from the well-regarded Dr Wolfgang Baier, who joined the company almost 10 years ago, when he was charged with leading its transformation project, which involved projecting LUXASIA into the digital era, building a corporate structure for growth and expanding into new markets and product categories. Baier built on the solid foundations laid down by the company's much-respected Founder and Chairman, entrepreneur Patrick Chong, who created LUXASIA in 1986 and developed it into a major player in luxury beauty. LUXASIA now operates in 15 markets in Asia Pacific and in all the major beauty categories, as well as the luxury lifestyle segment.

Banerjee will take over the reins at a time of much volatility, with the continuing slowdown in China, which has had repercussions throughout the region, and in the face of US President Trump's tariff blitz and an escalating US-China trade war. However, both Banerjee and Baier remain optimistic, underlining that LUXASIA operates in a region with many high-growth markets and much potential for the future. They add that despite the uncertain geopolitical environment, there will be no major shifts in strategy, and that the expertise that the company has built in digital, e-commerce and retail, combined with expansion opportunities in key markets, such as India and Indonesia among others, will help LUXASIA reach its objective of growing twice as fast as the market.

Indeed, the management transition is more about continuity through change, than any radical rupture. Banerjee, who spent six years at McKinsey and two years as VP of E-commerce Logistics at Singapore Post, joined LUXASIA nine years ago, and has seen all sides of the company in digital and in key markets; he was also COO. As Baier highlights, Banerjee is more than ready to take the company to the next level and rise to current challenges.

What does this leadership transition mean for LUXASIA?

Wolfgang Baier: Satyaki will be appointed Group CEO of LUXASIA on July 1, and I will step down to spend more time in the US with my family and pursue my own interests. Together with Patrick Chong, our Chairman, his children Alwyn and Sabrina, and our

3,000 employees, we have achieved a lot over the past nine years. One of the most important things I had to do from the beginning was ensure that there was a professional transition at the top when it was time for me to exit.

Satyaki joined the company at the same time as me, and we have worked together for almost 20 years. He has been groomed for the position—the decision is the fruit of nine years of succession planning and is fully supported by the shareholder family. In our choice of Satyaki, we were thinking about how to take LUXASIA to the next level and have leadership consistency, which was very important to Patrick [Chong], the family and myself. Satyaki brings all his professional capabilities, but also knows LUXASIA inside out, understands our values, and how we do business, and so it's a very smooth way forward.

Satyaki Banerjee: I look forward to continuing to build strong relationships with our brand partners, as well as our retail and trade partners. I believe in a flat leadership style with minimal bureaucracy and hierarchy. LUXASIA is a privately owned organization and professionally managed, and the secret sauce to make this work is to have a strong foundation built on trust.

It has been almost 10 years since the company embarked on its transformation. How has it developed and what is vision for the future? Will there be any pivots given the current geopolitical volatility?

WB: When I joined LUXASIA in 2016, we had a strong network of offline trade partners, were focused on retail, we had local teams driving local market execution, we were fragrance focused and present in 10 markets. Over the years, we have built an omni-channel network—so we can do retail, we have our own boutiques, we cemented our leadership in e-commerce and developed digital and social media marketing with more than \$100m GMV. We corporatized LUXASIA with a group structure and regional leaders partnering with local teams, and we were able to scale, and grow much deeper talent. We diversified our portfolio, and now not only have fragrance, but strong skincare, color and haircare pillars. In addition, luxury lifestyle is an emerging pillar, which has grown from a startup to almost 10% of our company. We are now also in 15 markets and have expanded our footprint in new markets, like India and Australia, while accelerating

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LUXASIA CEO Wolfgang Baier

business in Vietnam, Indonesia, the Philippines and Hong Kong. We've grown by about 60% in three years, that's a CAGR of almost 17%, and is almost three times the market's growth. To cap it all, we won Gold Status for Deloitte's Best Managed Companies Award in 2024. With those pillars in place, Satyaki will bring the business to new heights. There will be no pivots in our core business.

SB: The world faces extreme volatility, both political and in terms of financial flows and trade at this juncture. At the same time, our 15 core APAC markets will continue to be some of the fastest-growing geographies in the world over the next decade. We are firmly focused on continuing to build for the long term—to grow at least twice as fast as the market, strengthen our core beauty pillar, while adding luxury lifestyle brands to our portfolio. We will continue to build our retail, digital and digital commerce capabilities, while investing in technology and our backbone strength. We are launching our three-year program called LX27 this year—built on our flywheel of growth and re-investment.

In the next three to five years, from a country perspective there are markets where we see outsized growth opportunities and we are putting resources and energy into driving them, such as in India and Indonesia. There are other markets—for example Vietnam—which have potential, but are more limited in terms of distribution channels. We will also continue to drive existing strongholds like Singapore and Malaysia—we will not ignore any of our markets. The opportunities differ in how and where to grow. For example, India is a traditional fragrance market, but skincare, make-up, and hair are outpacing growth. Niche and fragrances have continued to grow in the skincare-dominated Southeast Asian and North Asian markets, as have specific make-up and hair brands. Australia has seen celebrity and designer fragrances do exceedingly well. We will also continue to add luxury lifestyle business in many of our markets.

A lot of growth has come from boutiques in the past few years, and we expect that trend to continue, while brands also weigh up revenue growth versus P&L performance. E-commerce and digital have also settled at a more stable rate of growth in most of our markets. In India there is also a huge potential for expansion through omni-channel ■■■

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▲ LUXASIA's incoming CEO Satyaki Banerjee (left), Founder & Chairman Patrick Chong (center) and current CEO Wolfgang Baier (right)

LUXASIA

Headquarters: Singapore

Operating in 15 markets: Singapore, Malaysia, Indonesia, Thailand, Australia, New Zealand, India, Philippines, Vietnam, Hong Kong, Taiwan, Myanmar, Sri Lanka, Cambodia, Brunei

Partners: with more than 120 luxury beauty and lifestyle brands

LUXASIA



▲ Satyaki Banerjee and Wolfgang Baier with the shareholder family: Founder & Chairman Patrick Chong, Regional Managing Director (Southeast Asia) Alwyn Chong, and Group Head, Corporate Development Sabrina Chong

■ ■ ■ chain stores specifically in the next three to five years

We will continue to invest in our core areas in the mid-term. In retail and marketing, we launched project R internally this year to be best-in-class in retail and connect with our consumers, while strengthening our focus on ROI. In digital, in addition to our expertise in e-commerce through our subsidiary LEAP Commerce, we want to build out our capabilities in social commerce and performance marketing and big data analytics.

How do you see tariffs and the escalating trade tension between the US and China impacting business?

WB: We are very proactive and immediately started to analyze the implications. Overall, it's clear that we need to be strong on the basics and be flexible. Obviously, tariffs will impact the industry—but they will impact everyone. So how can you be smarter about where you put your stocks? Where do you replenish and how much do you replenish? We know that consumers are becoming very sophisticated, so we need to make the journey together with consumers to see where they are moving, how they are they buying, and how patterns are changing. In some countries, people will be laid off, as there may be less activity. There is a lot of uncertainty, and uncertainty always hurts consumer demand. In the mid-term, we obviously see market softening, but we still believe that in Southeast Asia we are in a very exciting place. We were all trained by the pandemic when the whole world came to a standstill, so we'll push forward. We also saw an

increase in demand for our services after the pandemic, as in difficult times, there is a need for those who have the network and can provide a cost-efficient solution in each market.

SB: It is too early to call the exact impact of the volatility that we are seeing in China and the impact in the region. I would break it into three parts. The one thing I don't see happening—but it's anybody's guess—is reciprocal tariffs in most of the markets where we operate, so that is one area where I would be a little less concerned. Consumer sentiment and confidence will get hit, as uncertainty has been seeded through the tariff war—to what extent we will have to see. The third part is FX. If I look at the immediate term, there's a lot of volatility in FX, and that really hurts businesses, and in a lot of these emerging markets, those movements are material. But we are also optimists. We've dealt with Covid, which was life threatening, whereas this is a political, economic and financial crisis. Potentially, we will put our contingency plans into space and keep our ears close to the ground and we'll make changes accordingly.

How do you see beauty in Asia Pacific, and what have been the repercussions of the China slowdown in the region?

WB: Southeast Asia and India will feature even more prominently as the growth engines of Asia Pacific in the mid-term, fueled by a rising middle-class, increasing affluence, greater sophistication and access to information. China is the main target of trade tensions with the US

and only time will tell the full extent of reciprocal tariffs on global trade. While previously we saw an average of 7% to 13% growth across Southeast Asia and India, we believe that the trade tensions could dampen this expectation to 5% to 11%, which is still impressive.

SB: A big impact is a general throttling of outbound tourism from China and lower average spend per tourist. This impacts markets that tend to receive good numbers of Chinese tourists, such as Thailand, Vietnam, Malaysia and Singapore. Hong Kong benefits from a diversion of tourism back into local domestic travels, but they don't seem to be buying too much. Luxury spending has shifted overseas. Japan has been benefitting, accelerated by the depreciation of the Japanese yen. We know that the Chinese economy itself is not doing that well, even prior to the reciprocal tariff announcements. Now, the landing could be even softer than expected. Many global beauty companies have started positioning China as no longer being a growth market. It is still an important market to many beauty companies by sheer volume of business, but they are now not looking to unearth growth there, but to stabilize the business and establish a more ideal operating structure.

How do you see the market in China?

WB: We cannot comment too much as we paused our operations in China in the first half of 2024 as we foresaw significant uncertainties in the market. In hindsight, this turned out to be a good commercial call. When you look at China you can see the rise of domestic brands and they are growing very fast. There is a real change in the whole dynamic of the market compared with the past 15 years, when it was just about the growth of the international brands, and everything was done in China. That has slowed, and part of the market has been picked up by domestic players that obviously don't have any problem with all of the international tension. Overall, we see the uncertainty in China continuing. The growth engine is now moving towards Southeast Asia and India.

SB: If I look at global brands, a diversified business with lower concentration risk on China is something that companies should build towards. There is obviously the impact of a number of macro factors. If you look at the immediate short term, you're talking about tariffs, and if you're looking at the really long term, then you look at the population growth rates—if you have a 30- or a 40-year view, population will halve. Investment in China has continued to decline, when I look at external foreign investment versus the peak. There are also regulatory changes, where brands need to disclose a lot more about their formulations, which has caused some to pause domestic market launches; in the meantime, local brands have continued to thrive. However, it is still a huge market—the luxury beauty market in China is worth more than \$30bn.

How do you see interest from your clients in India, especially given the decline in China?

SB: It is important to recognize that India is not a counterpoint to China—the total size of the Indian luxury beauty market is less than \$1bn, whereas China is more than \$30bn. For context, Australia is a little more than \$3bn, and Singapore, Malaysia, Thailand and Indonesia are all in the range of \$800m to \$1.2bn.

Having said that, in 10 years' time, India is likely to grow to \$3bn or maybe \$4bn—that makes it an interesting market to have a mid-term

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LUXASIA CEO Markets & Managing Director of LEAP
Commerce Satyaki Banerjee

view on. Is there interest from brands? Is it the time to go? The answer is a resounding yes. There are at least 10 new brands that we are bringing to India in this 12-18 month phase. What is interesting is that brands at the very upper end of the pricing curve—ultra-high-end skincare and niche fragrances—are also betting on India now and going in with us. The growth thesis for India is simple. It is a very under-penetrated luxury beauty market with a fast-growing base of potential consumers who have a propensity to move towards luxury from mass and masstige, and this is combined with the fast-growing physical and digital distribution landscape.

How can you overcome key challenges, especially linked to distribution, in India?

SB: Traditional department stores were never the right location for prestige beauty in India—there is very limited distribution of luxury beauty brands in these stores. A fast-growing distribution landscape is the number one enabler of growth for the Indian luxury beauty market. Players like Nykaa, Sephora and Tira are three omnichannel players driving growth through physical distribution and are natural homes for luxury beauty brands. Nykaa revolutionized e-commerce in luxury beauty, and it's not surprising that Tira, and now even Sephora, are over-investing on the digital part, along with the new brick-and-mortar doors. In that sense, it's not very different from China—e-commerce is playing a big part in reach in India. I believe these formats will completely eliminate department stores in luxury beauty in India, which today focus primarily on designer fragrances. In addition, pure play e-commerce will continue to play a part for brands, with players like Amazon, Myntra and Tata Cliq. Quick commerce is a fast-growing format as well. For the appropriate brands, standalone doors and boutiques basically in the top four cities, will also play a role in establishing brand identity and hit selective distribution for niche and ultra high-end skincare. Department stores like Galeries Lafayette see a white space and are coming to India.

What makes India complex, however, is that as a counterpoint to the rapid opening of doors by the three major players in omni-channel, the brand or the brand partner, like ourselves, has to hire the beauty ■■■

LUXASIA

■■■ consultants at the point of sale, unlike in Western markets or even in other markets in Asia, where the retailer runs all the beauty consultants in store. This is imperative to control the brand narrative and experience, and it highlights the importance of having good key account teams, area sales managers and trainers working closely with this wide network of BCs across the country to drive performance on the ground. You obviously have to supplement that with a strong digital and e-commerce strategy.

You have built a robust CRM program. From your data, what are the insights in consumer behavior in the region?

WB: Our CRM system has been in place for about six and a half years, so it's deeply entrenched in how we do everything. There is such a divergence and heterogeneity across the markets, but there are a few general trends. The first is that consumers are becoming much more sophisticated. They are looking at price and value; that has increased over the last years, and we will see more of that. There is also a shift to younger consumers. In fragrance, niche has become the new mainstream, so to stand out, you need to do a lot of experiences. Color is still a very good segment for the region, but it's driven by newness, and consumers move quickly from one brand to another—the loyalty we saw 10 to 15 years ago is no longer there. Skincare is very different by brand—in terms of the consumer profiles and the preferences. We really believe in the hair category, and here consumers have become extraordinarily sophisticated. Overall, for us, it's about driving loyalty and repeat customers, and to do so, we use data to develop intimate client experiences.

The online distribution landscape in Asia is more fluid than ever. How do you see this situation evolving?

SB: We have seen substantial changes in market share among the e-commerce platforms over the past few years, and Shopee seems to be the biggest winner so far. In Southeast Asia, many premium brands have also expanded to Shopee, and they continue to grow rapidly on this platform. Shopee is challenging Lazada's dominant position in prestige in these markets. TikTok Shop is on the rise as well. While it is currently more relevant for mass-market brands, we foresee this evolving in the coming years. Markets like Indonesia, Vietnam and Thailand have already begun to show promising signs for premium brands on TikTok Shop. Overall, we don't see any dominant platform emerging anytime soon, so maintaining a presence across multiple platforms remains important.

What do you see as the key changes in terms of digital marketing and online selling in some of your main markets?

SB: Digital commerce, while still a relatively strong channel, has become more expensive. Marketplaces have increased commissions and the overall cost of doing business. Social commerce is starting to make up a significant share of e-commerce sales. Social-media platforms like TikTok and Line are turning into full-fledged e-commerce channels. However, they require upfront investment for building a presence within the algorithm. Meanwhile, marketplaces are heavily

investing in social-commerce features, for example, Shopee Live drives 10-15% of the GMV now. While investment in livestreaming and video content is becoming non-negotiable, it is a relatively higher fixed cost and not necessarily all of the spend is pure conversion spend and is more akin to awareness and consideration spend. Therefore, brands need to re-allocate their above-the-line budgets to churn out high volumes of content to remain relevant.

Will marketplaces remain dominant in the region?

SB: Yes, given the operational complexity of doing commerce in Southeast Asia, marketplaces will continue to have an edge over other forms of e-commerce due to the traffic, scale and ease of business they offer. However, the cost of doing business is going up drastically on these marketplaces; some of the larger brands have already reached a tipping point, where it makes sense for them to start investing in their own D2C platforms as an additional channel.

We see that top brands with a leadership position and loyal customer base are setting up D2C web stores. But even then, the D2C platforms will not replace their marketplace stores—it will be complementary. Brands use their D2C to drive new launches, enhance loyalty and experience, whereas they use the marketplaces as a wider, more accessible sales channel. Additionally, social-commerce platforms will offer a happy medium for brands who want more visibility on their consumers, while still enjoying scale from the platform.

How do you see the rash of discounting in the region?

WB: Discounting is not helpful for the luxury segment; it is a race to the bottom and it impacts brand equity. We have seen a lot of the flagship brands of a number of global beauty players giving steep discounts, for example up to 50% off, or 1-for-1 mechanics for an extended number of days. The level of discount is higher and the number of days is longer. Retailers are joining the price wars also. We are seeing dominant beauty chains adding more days to their members' events to maximize these key selling, consumer campaign periods. This discounting just leads to intense competition in pricing.

SB: We need to continue to focus on knowing our consumers and carry out activations that deliver impact and ROI. Digitally, as well, the strategy needs to be the same, versus being heavily promotion dependent, which has gone down with the rapid increase in marketplace margins. If brands continue to be promotional, it puts pressure on all of us. We have built tech solutions, such as a data crawler at LEAP Commerce, to track unofficial shops on marketplaces and their promotions to address such direct challenges and infringements.

What are the ambitions for your essentials retail concept?

SB: We will stay true to essentials' roots to bring the best curation of niche beauty brands. The format is not typical retail, but more like a "house of curiosities". Today, we have nine stores across four countries and will expand to two-to-three more countries in this next phase. ■