BCG ALTAGAMMA CREATIVITÀ E CULTURA ITALIANA

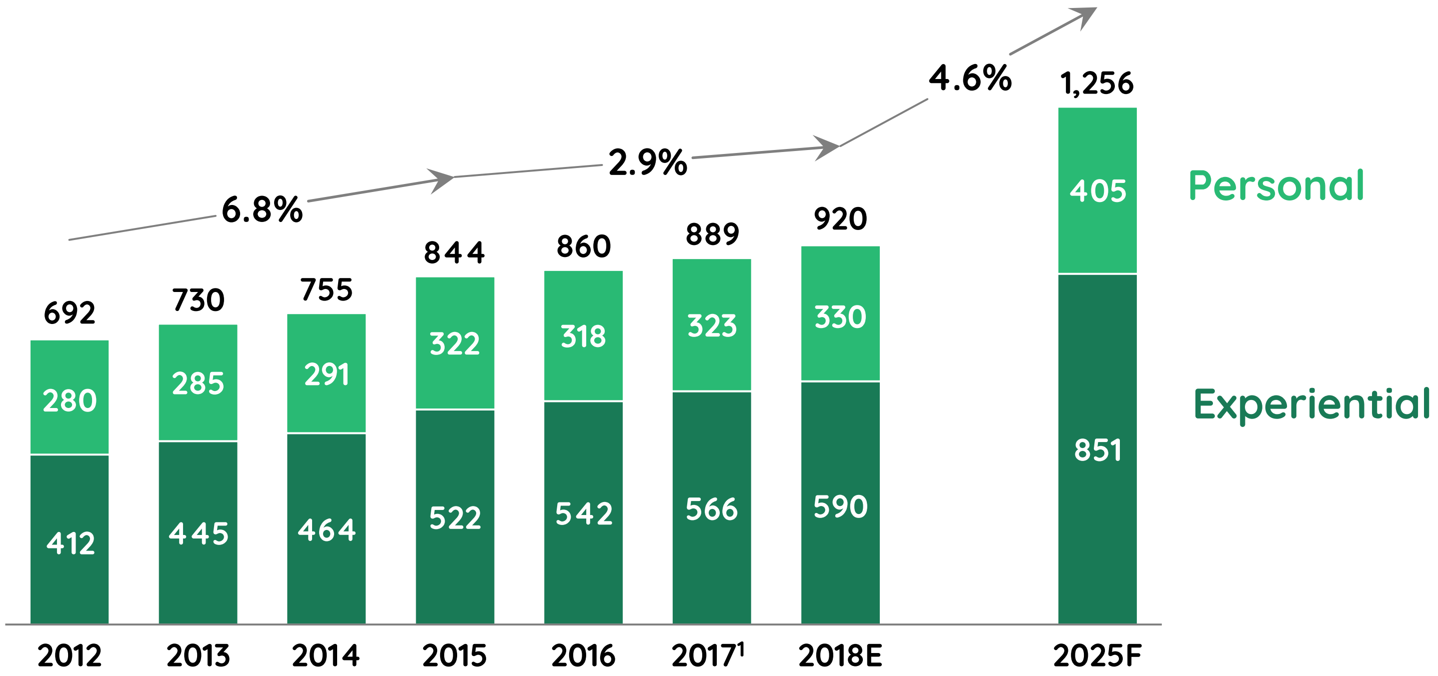
# 2020 Luxury FirstLook

## 6th Edition

New York, January 15, 2020

# Luxury market reaches ~920 B€ in '18, expected to grow at 4.6% per year until '25, experiential 2pp faster

## Personal and Experiential Luxury Market (B€)




## CAGR

| | '12-'15 | '15-'18 | '18-'25F |
|---|---|---|---|
| Personal | 4.8% | 0.8% | 3.0% |
| Experiential | 8.2% | 4.2% | 5.4% |

*Personal goods regaining strength and experiential goods maintaining growth*

1. Restated
Note: Numbers rounded. Personal includes leather accessories, apparel, watches and jewelry (branded and unbranded) and perfumes and cosmetics; Experiential includes furniture, food and wine and hotel and exclusive vacations
Source: BCG Luxury Market Model

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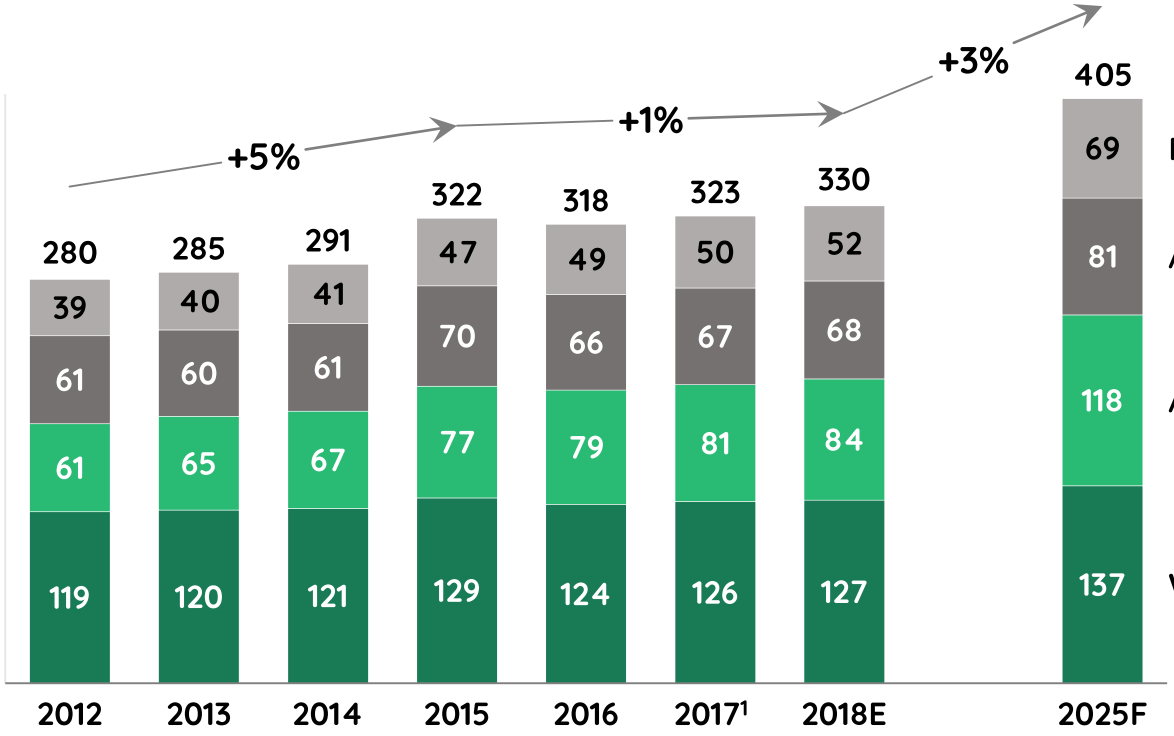
# Personal luxury reaches 405 B€ by '25, growing at 3% p.a. from '18, driven by perfumes, cosmetics and accessories

## Personal Luxury Market by category (B€)




| CAGR | '12-'15 | '15-'18 | '18-'25F |
|---|---|---|---|
| Perfumes & Cosmetics | 6.4% | 3.4% | 4.2% |
| Apparel | 4.7% | -1.0 % | 2.6% |
| Accessories | 8.1% | 2.9% | 5.0% |
| Watches & Jewelry | 2.7% | -0.5% | 1.1% |

1. Restated

Note: Numbers rounded. Watches and jewelry category includes high quality unbranded jewelry (with growth of -0.4% between '18-'25) and branded jewelry (with growth of 5.9% between '18-'25)

Source: BCG Luxury Market Model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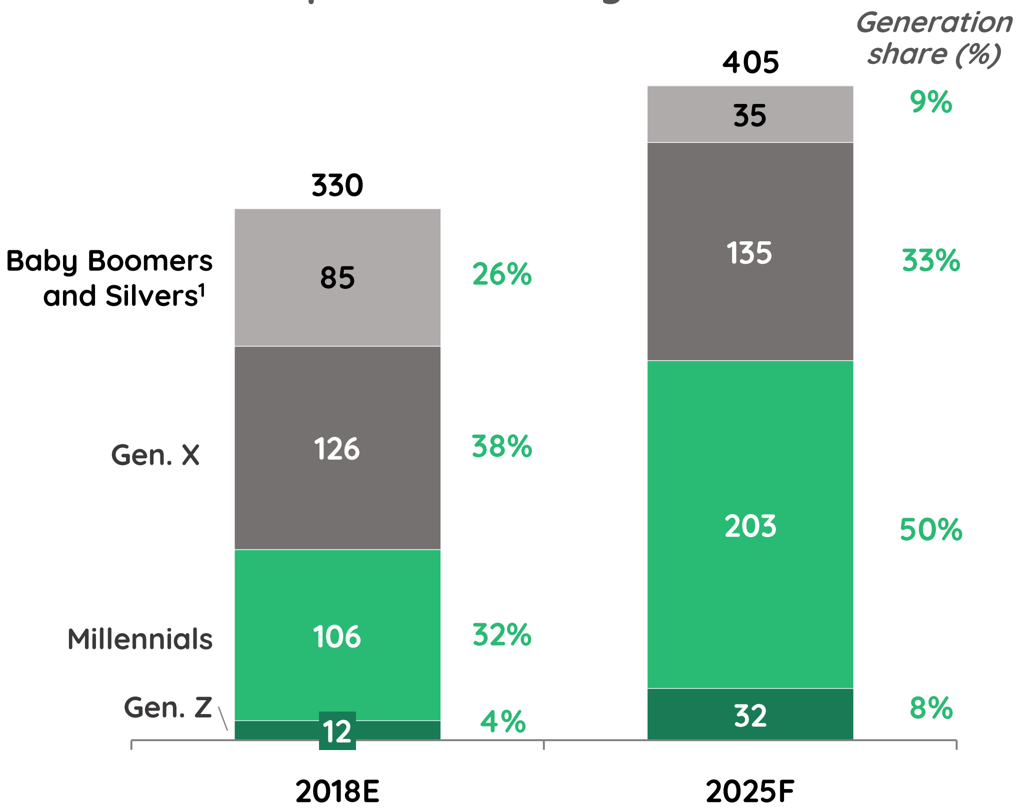
# By 2025, ~50% of the market will made by Millennials

## Generation predictions (B€)
on the personal luxury market




## Between 2018 and 2025…

**130%** of the growth in luxury personal goods market is expected to come from Millennials

## By 2025…

**50%** of luxury personal goods market is expected to be made by Millennial consumption

**~3x** Gen Z expected to ~triple by 2025, growing double digit p.a

**~2x** Millennials expected to ~double by 2025

1. Includes €7B from Silvers in 2018
Note: Numbers rounded. Personal includes leather accessories, apparel, watches, jewelry, perfumes and cosmetics. Gen Z, 1993-2001; Millennial, 1978-1992; Gen X, 1963-1977; Baby Boomers, 1946-1962; Silvers, <1945
Source: BCG Luxury Market Model

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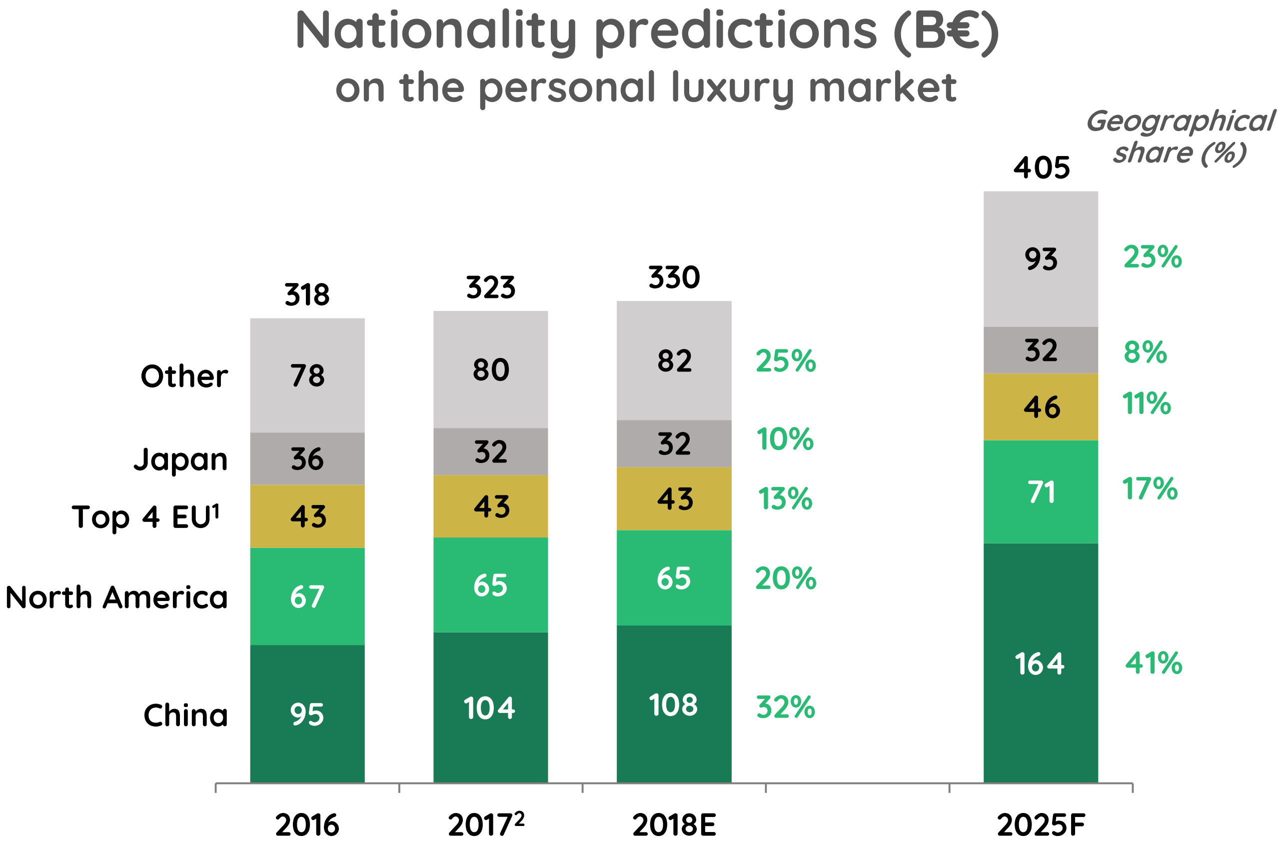
# Chinese will represent ~40% of the market by 2025




## Between 2018 and 2025…

75% of the growth in personal luxury goods market expected to come from Chinese

## By 2025…

40% of the personal luxury goods market expected to come from Chinese consumption

2x Chinese affluent class expected to ~double by 2025, growing double digit p.a

1. Italy, France, UK, Germany 2. 2017 restated
Note: Numbers rounded. Personal includes leather accessories, apparel, watches and jewelry and perfumes and cosmetics
Source: BCG Luxury Market Model

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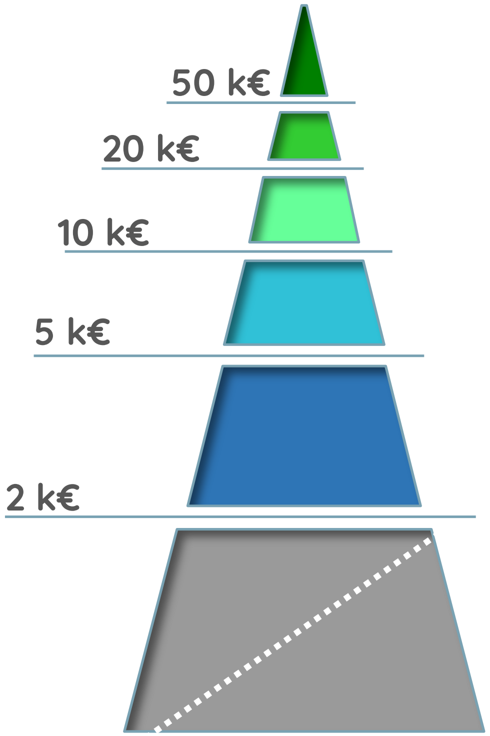
# 18.5M True-Luxury Consumers generating ~30% of global market, continuing to polarize in the next years




| CLUSTER | 2018 Pop. (M) | 2018 Size (B€) | 2025F Pop. (M) | 2025F Size (B€) |
|---|---|---|---|---|
| Beyond money | 0.4 | 22 | 0.6 | 41 |
| Top Absolute | 1.4 | 33 | 2.2 | 54 |
| Absolute | 5.2 | 105 | 6.5 | 145 |
| Entry Absolute | 11.5 | 118 | 13.9 | 155 |
| Total True-Luxury | 18.5 | 278 (30%) | 23 | 395 (31%) |
| Top Aspirational | 21.5 | 64 | 28 | 90 |
| Other Aspirational | 385 | 578 | 443 | 771 |
| Total Luxury Consumers | ~425 M | ~920 B€ | ~494 M | ~1,256 B€ |

+117 B€

+219 B€

+336 B€

+69M

## In 2018

30% of total luxury market value was generated by just 4% of consumers … the "True-Luxury" ones

## Between 2018 and 2025…

~90% Out of the True-Luxury growth, ~90% will come from new consumers…

~10% …~10% from increased spend per True-Luxury consumer

Note: Includes personal and experiential luxury, excluding cars and yachts
Source: BCG Luxury Market Model

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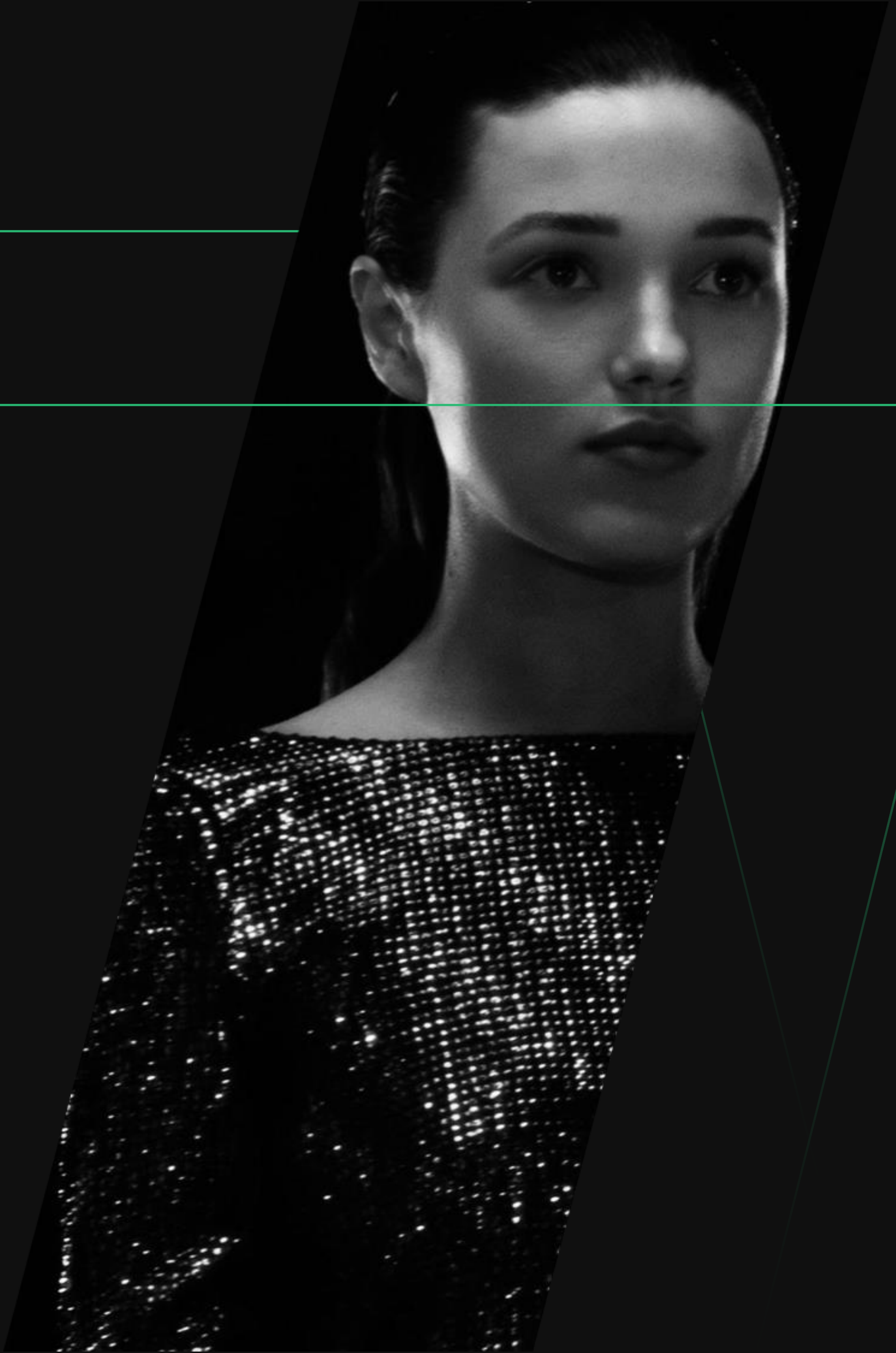
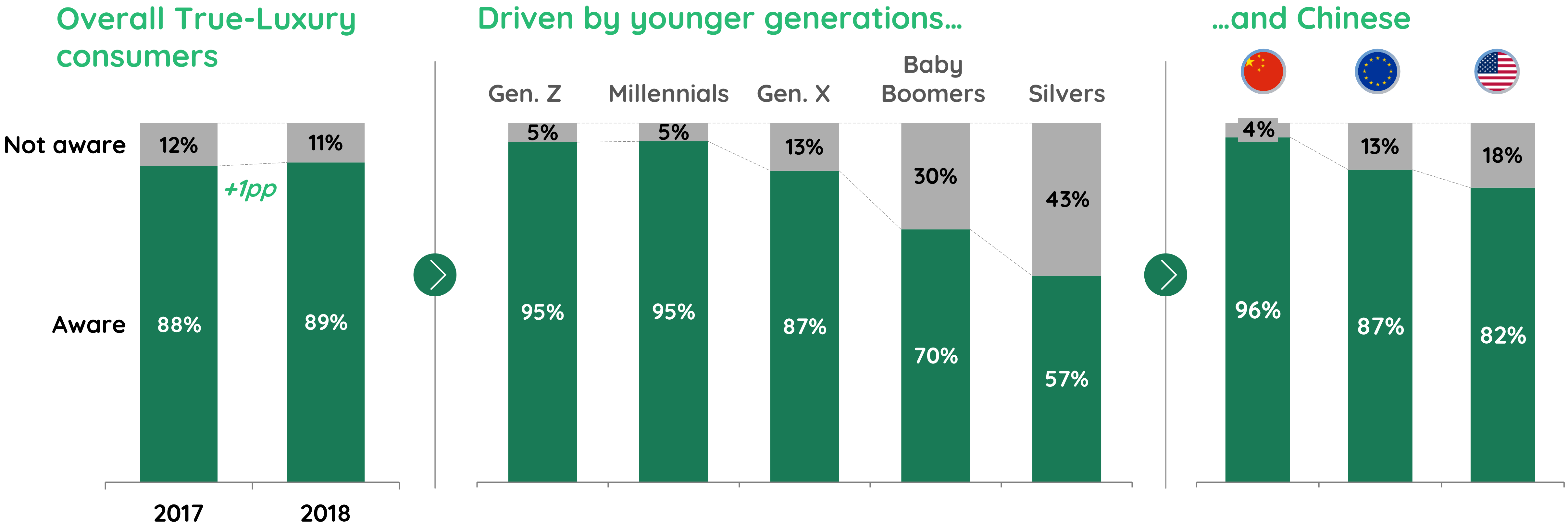
# Collaborations



# Collaborations' importance confirmed, with awareness reaching ~90% of True-Luxury consumers

*Thinking about special editions realized in collaboration with different brands / artists, which of the following statements best apply to you? If you don't know about them select "I am not aware"*




Note: Limited responses available for Silvers
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

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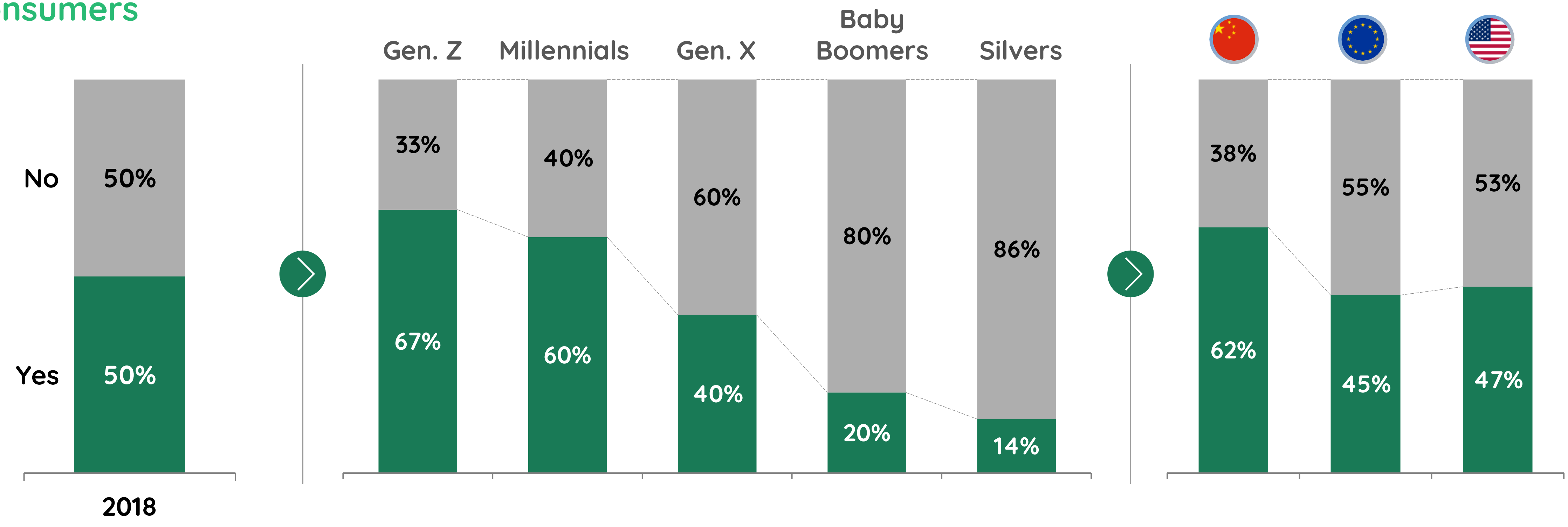
# Half of True-Luxury consumers have purchased special editions, again driven by younger generations and Chinese

*Have you ever purchased special editions created by brands in collaboration with different artists/brands?*

## Overall True-Luxury consumers

## By generation

## By nationality




Note: Limited responses available for Silvers
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

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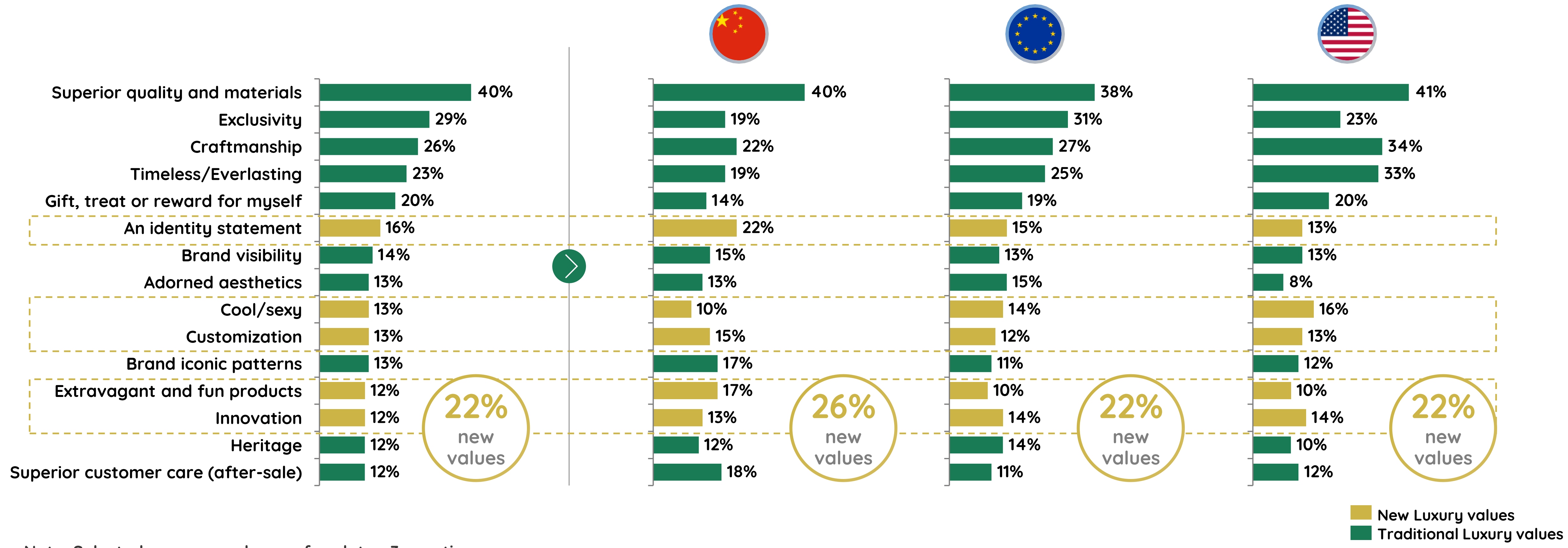
# Demand for collaboration mirrors the rise of new luxury values, particularly among Chinese consumers

*Luxury to me is…*

## Overall True-Luxury consumers

## By nationality




Note: Selected responses shown of rank top 3 question

Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

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# Handbags and sneakers dominate collaborations and special edition purchases

*Thinking about special editions created by brands in collaboration with different artists/brands, which category have you ever purchased?*

## Top-purchased product categories among collaborations and special editions

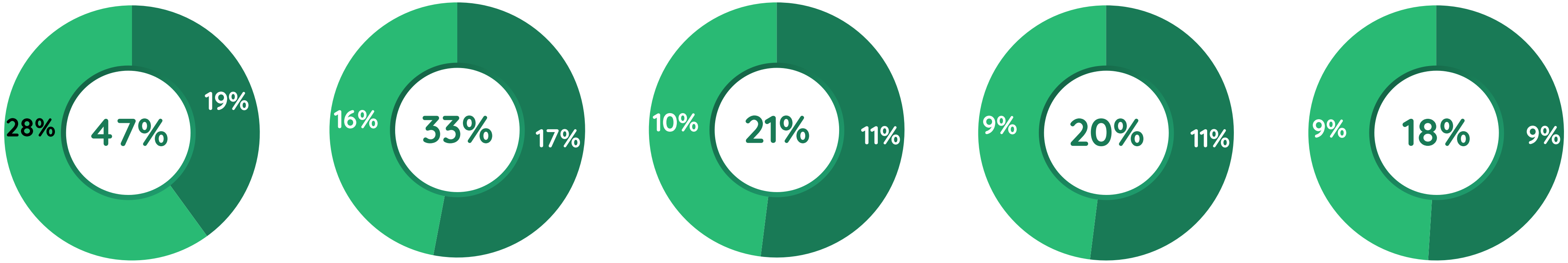

1. Handbags

2. Sneakers

3. Formal shoes


4. Backpacks


5. T-shirts




*% of special edtion's buyers*

*Female* *Male*

Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

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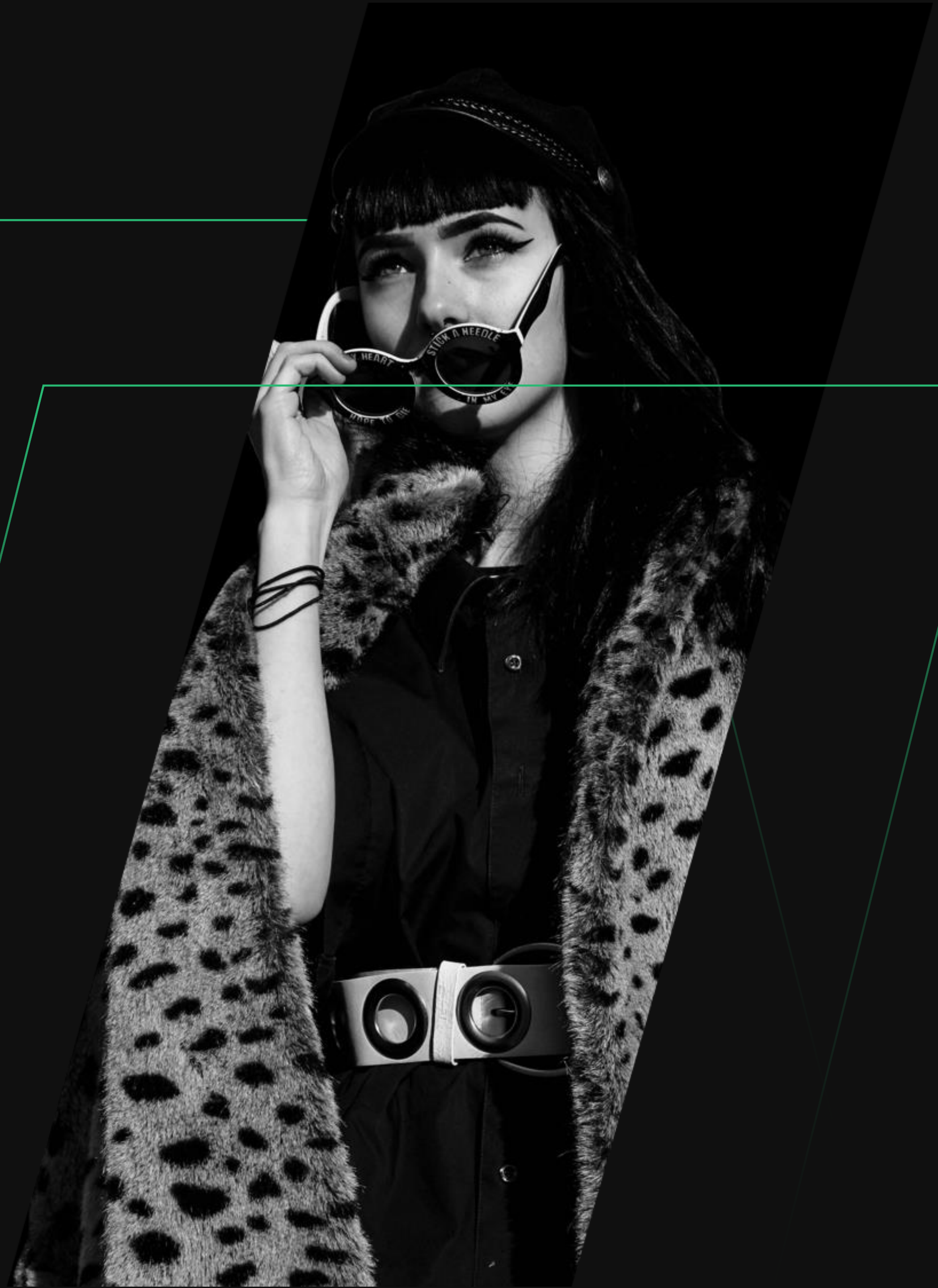
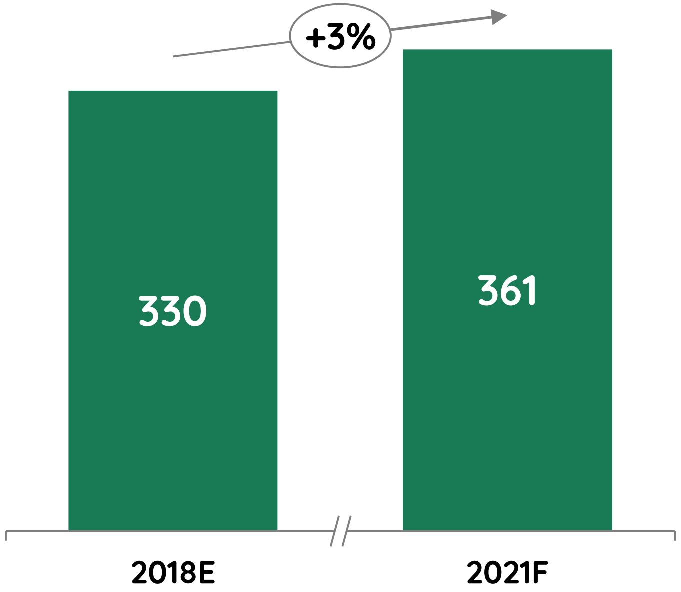
# Second-hand luxury

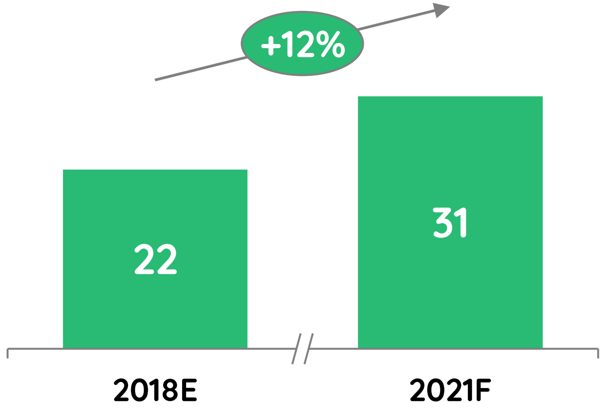


# Luxury 2nd-hand market estimated at 22 B€ and growing faster than overall personal luxury...

## Total personal luxury market size (B€)




## 2nd-hand luxury market size (B€)




| | 2018E | 2021F |
|---|---|---|
| Share of total personal luxury market[1] | 7 % | 9 % |

*Note: On the most penetrated categories, and most successful brands, this can rise to 15-20%*

1. Second-hand personal luxury sales as share of total personal luxury market size

Source: BCG True-Luxury Market Model; Analyst reports; Expert interviews; BCG analysis

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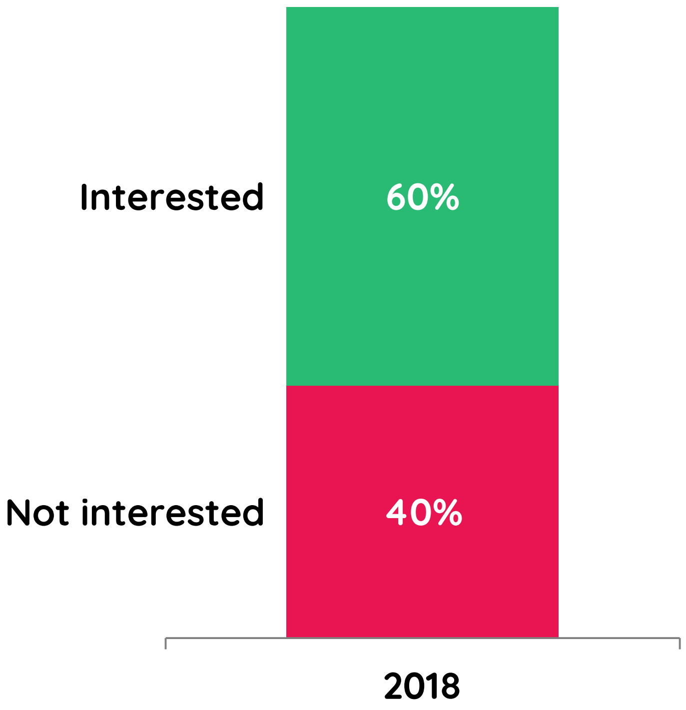
# Most True-Luxury consumers interested in purchasing luxury 2$^{nd}$-hand products

*Have you ever purchased second hand / pre-owned luxury items?*

## 60% are interested in purchasing pre-owned luxury items




## Driven by

- 32% Perceived price-quality ratio
- 19% Look for sold out/ limited edition/ vintage items
- 17% Thanks to online platforms, there is more transparency on price and authenticity of 2$^{nd}$-hand market
- 35% Not interested / would never buy pre-owned
- 34% Do not trust resellers and afraid of counterfeit goods
- 13% Afraid of buying products in bad condition

Note: Selected most important answers
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

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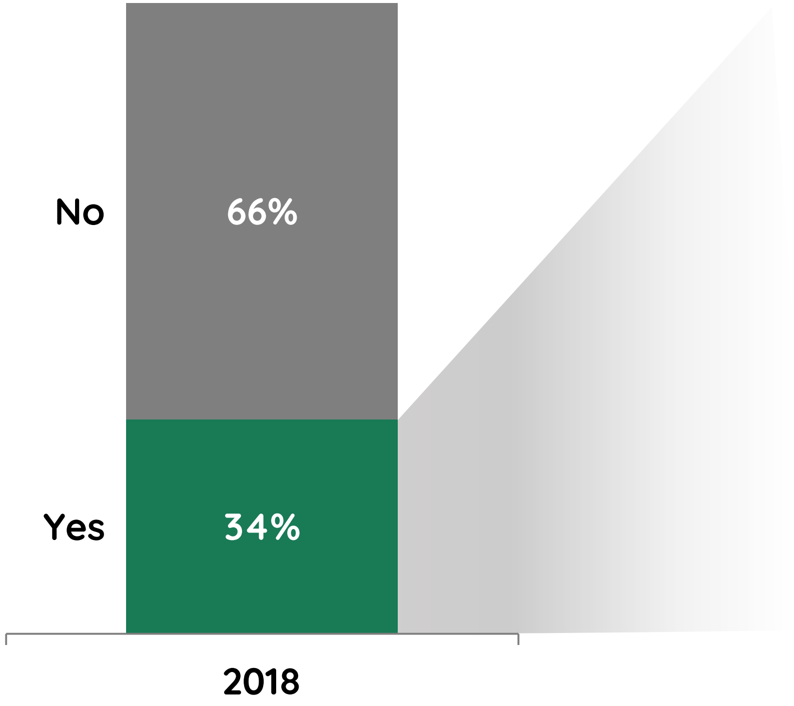
# One-third of True-Luxury respondents sell luxury items, to primarily empty wardrobe and finance new luxury purchases

*Have you ever sold on / through second-hand platforms?*

## 34% have previously sold luxury items through 2nd-hand platforms




## Reasons why


Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

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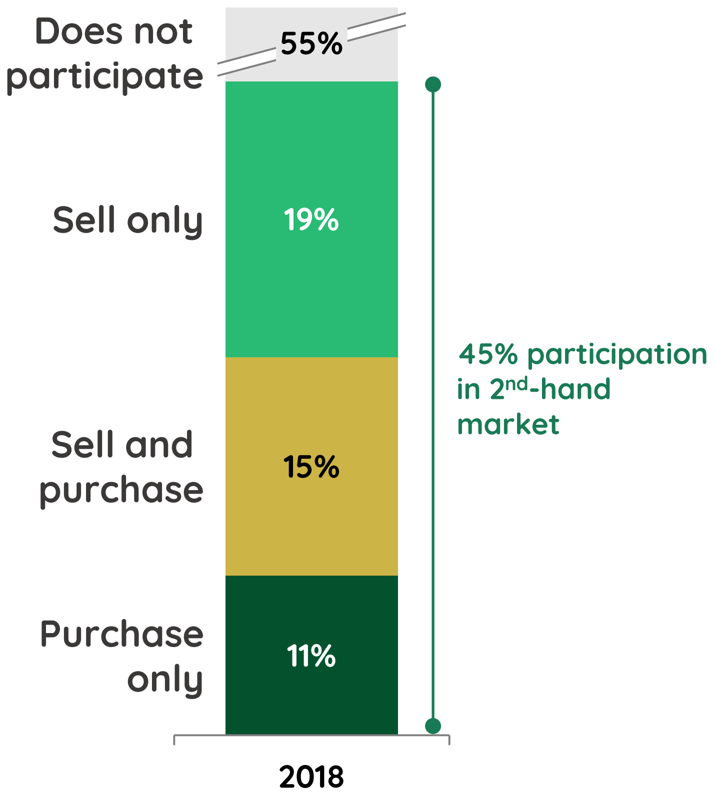
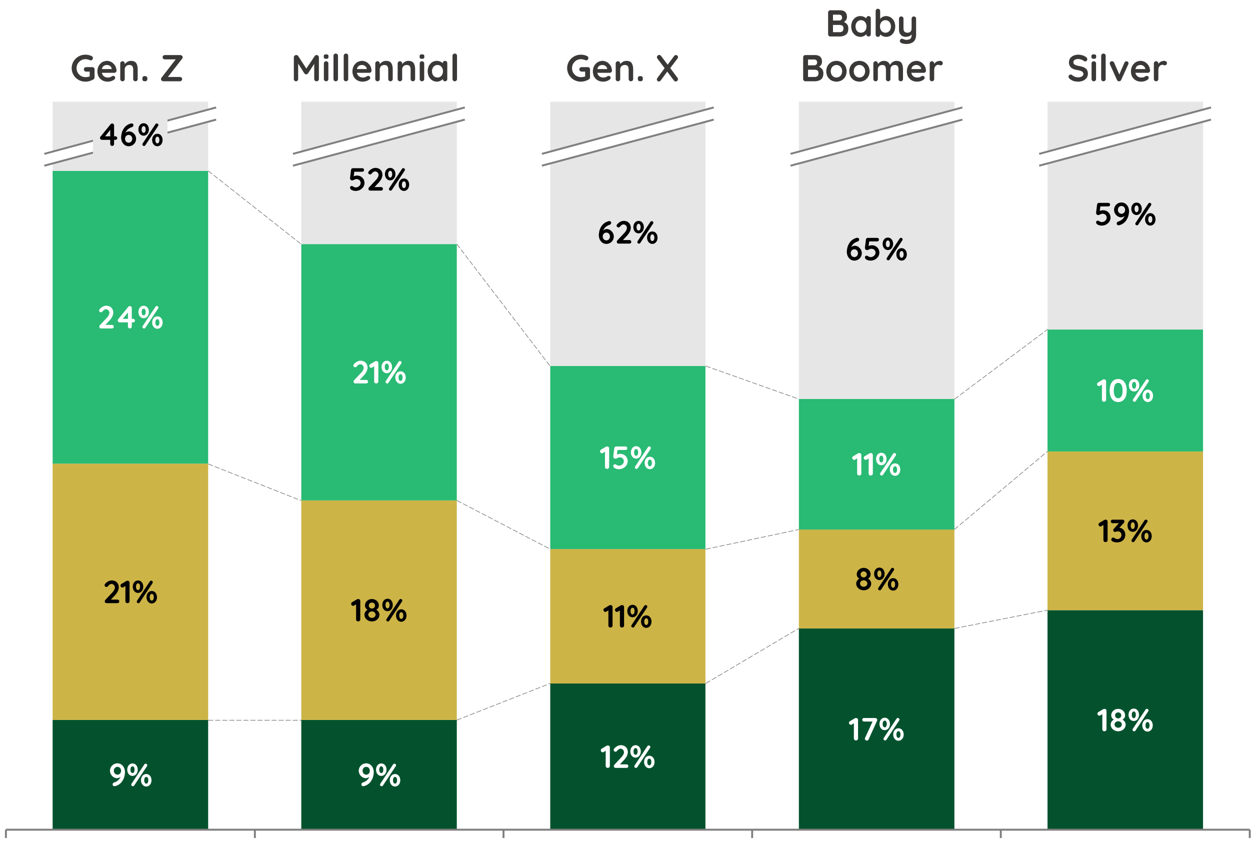
# Younger True-Luxury consumers largest participants in 2nd-hand, with supply driven by younger generations and demand driven by older

## 45% of True-Luxury consumers participate in 2nd-hand market




## Younger generations bigger sellers, older generations bigger buyers




Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

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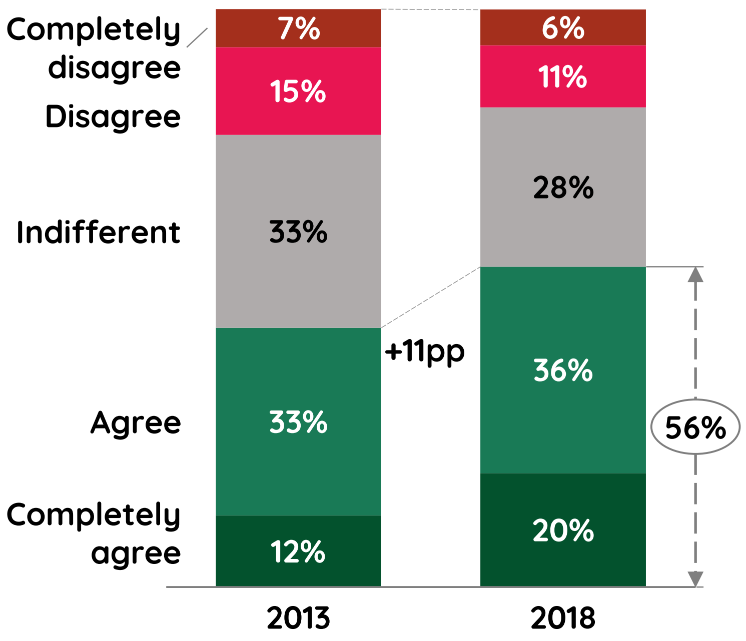
# Sustainability in luxury

# Consumers increasingly informed about sustainability, resulting in greater influence over purchase decisions…

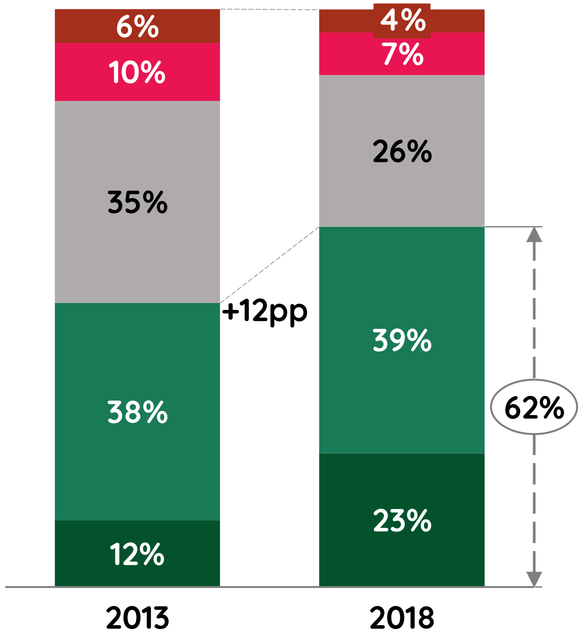
## 56% of consumers investigate a brand's social responsibility

*“I try to get informed whether the brand I buy is socially responsible*

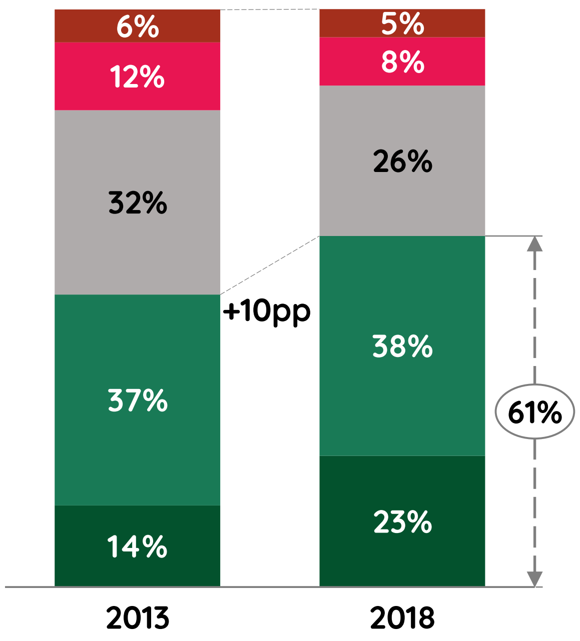



## For a given item, over 60% would purchase from the more sustainable brand

*“For the same product I would choose a brand that supports sustainability rather than a brand that does not*




*“Knowing that a brand cares about sustainability can make a difference to me in choosing it*




Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)



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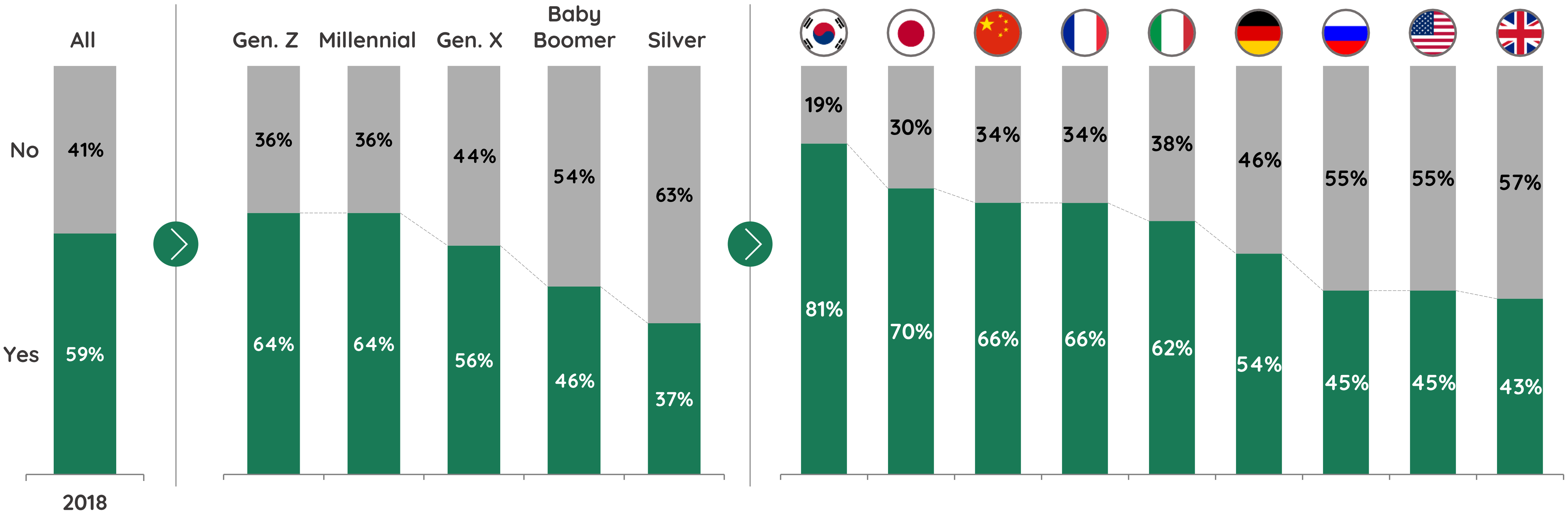
# …greatest influence on younger generations, and substantial variation across nationalities

*Does the Sustainability topic influence your purchasing behavior?*

## ~60% influenced by sustainability, reaching 64% of younger generations…

## …and from 81% of South Koreans to less than 50% of UK and US




Note: Limited responses available for Silver generation which may influence trend

Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)



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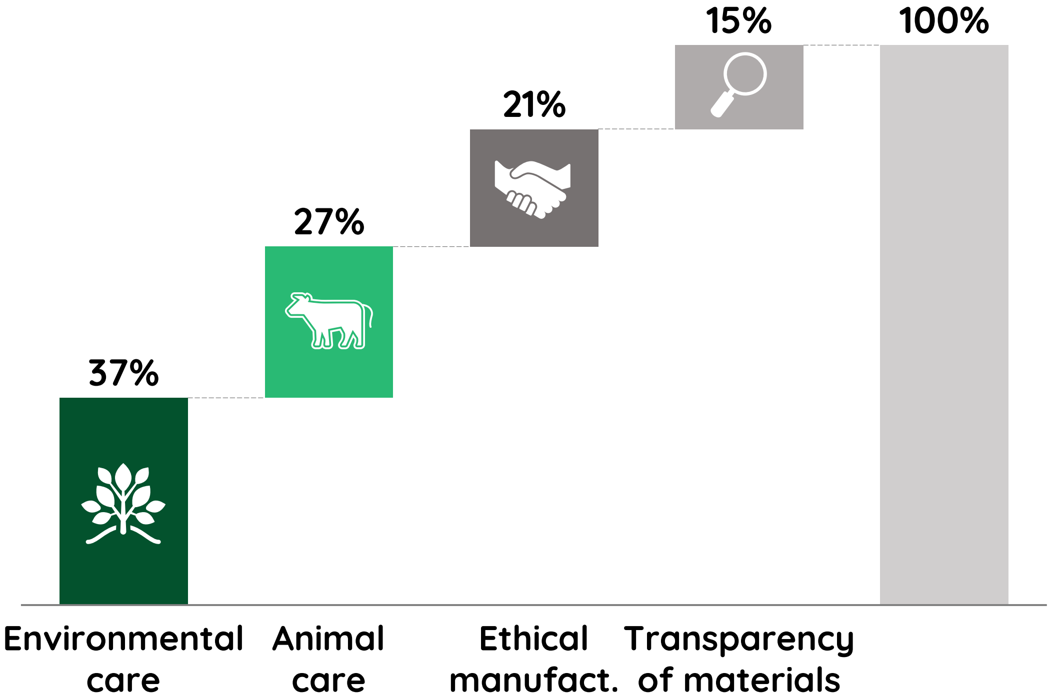
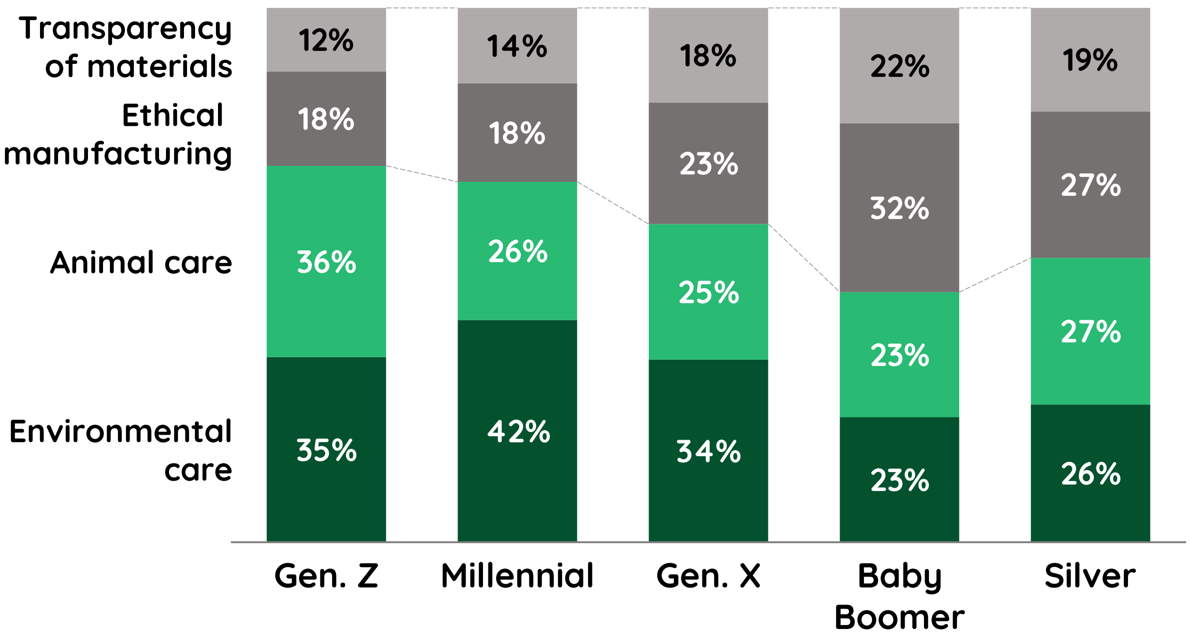
# …with Environmental and Animal criteria most valued when purchasing luxury goods, driven by younger generations

*Which sustainability criteria do you value when it comes to purchasing luxury goods?*

## Environment and Animal concerns dominate sustainability criteria…




## …driven by younger generations, while ethics and materials more important to older consumers




Note: 12 personal sustainability criteria grouped into above four categories. Limited responses available for Silver which may affect generational trend

Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

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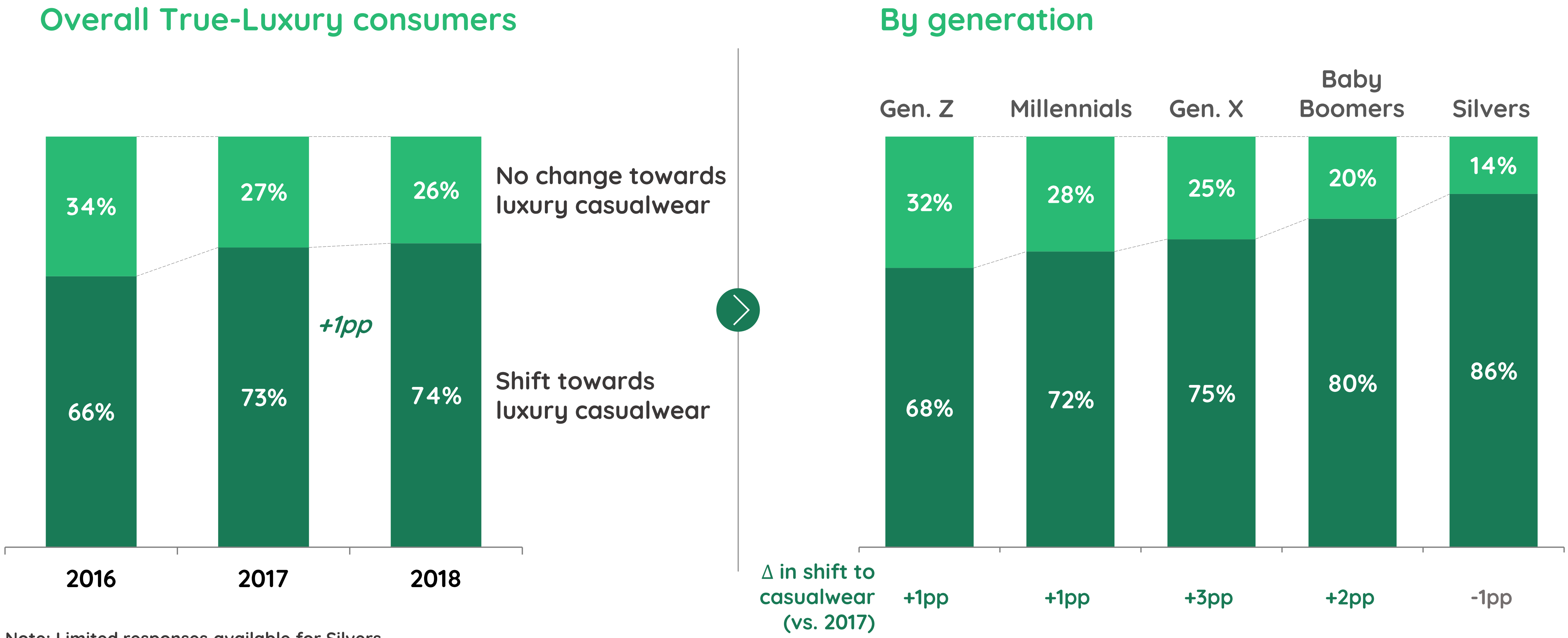
# Luxury casualwear

# Luxury casualwear confirming last year's traction and overall relevance to True-Luxury consumers...




Note: Limited responses available for Silvers

Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

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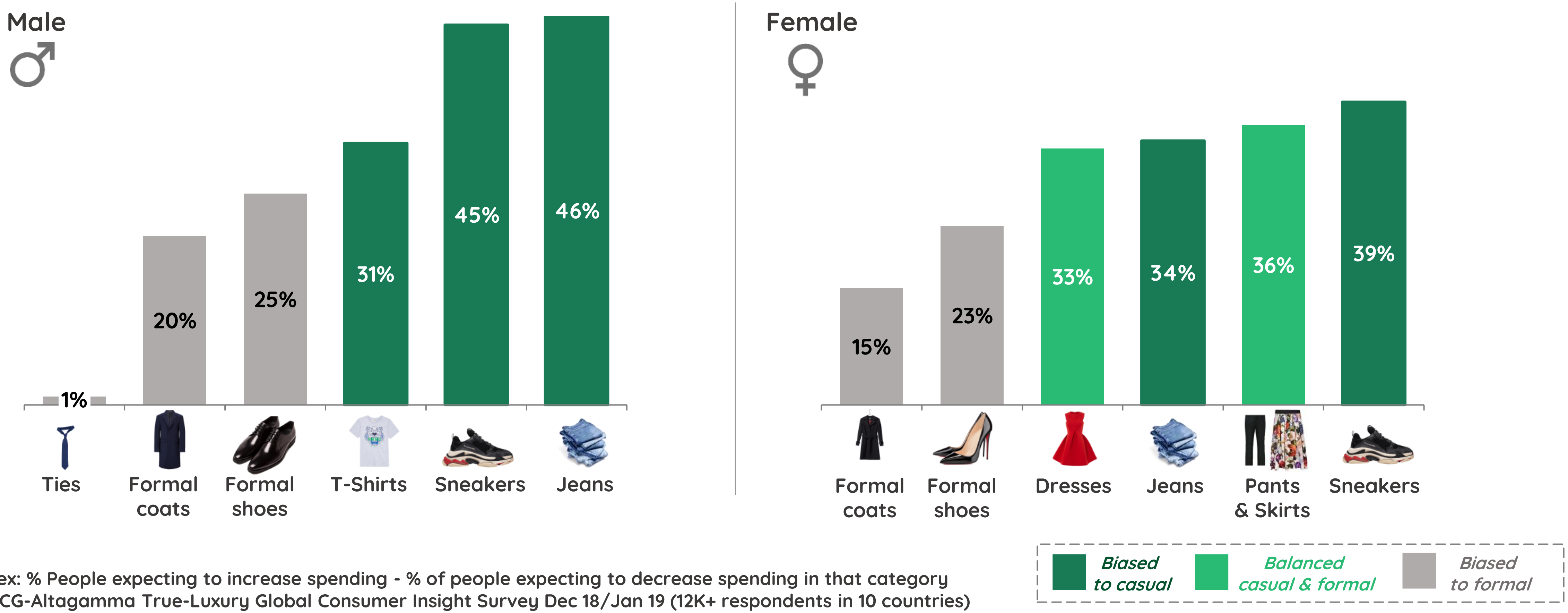
# Casual product categories main driver of expected increase in spending, led by jeans and sneakers

*In which categories will your spending on luxury goods be affected the most and in which direction?*

## Expected spending increase by product category and by gender




Note: Index: % People expecting to increase spending - % of people expecting to decrease spending in that category
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)



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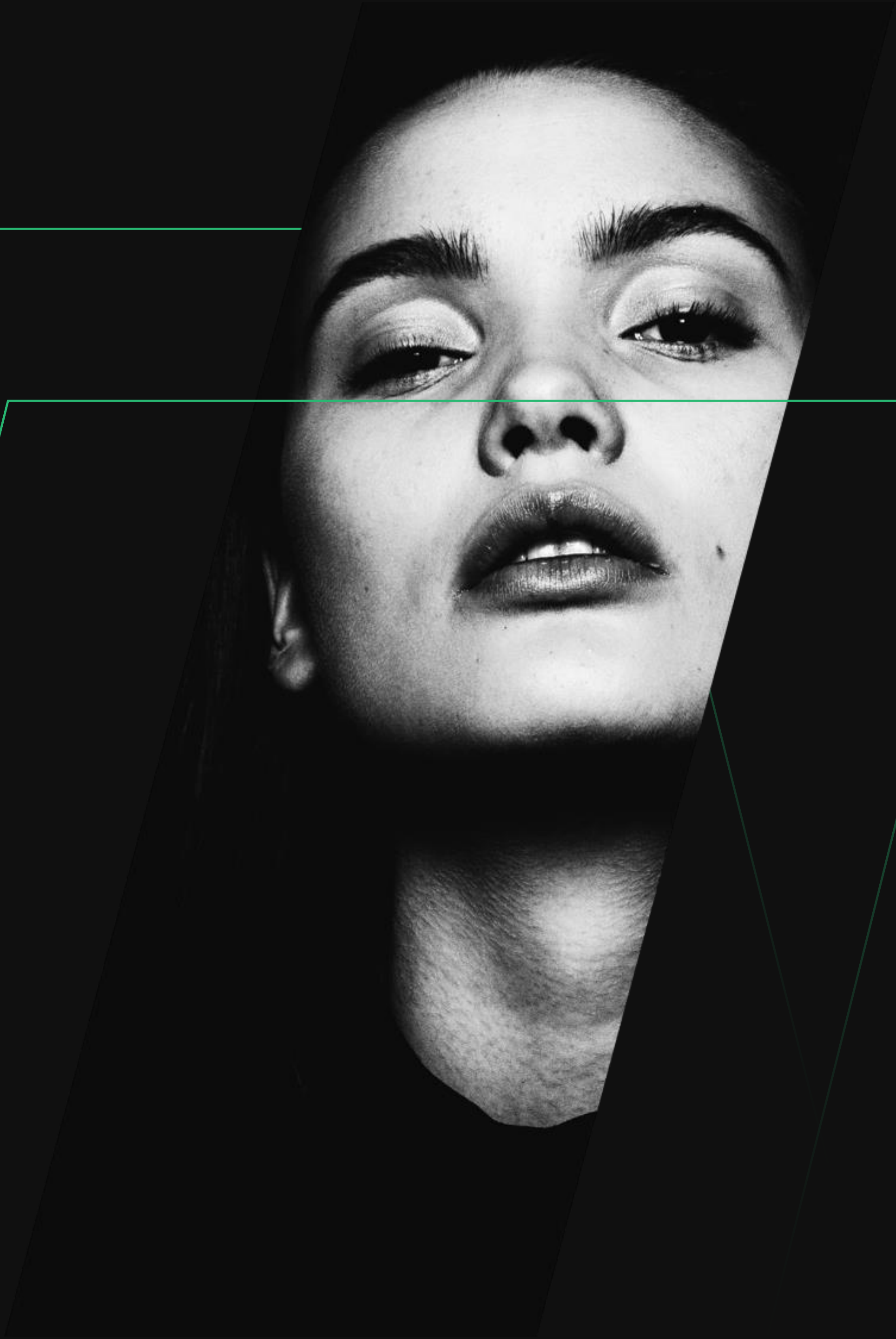
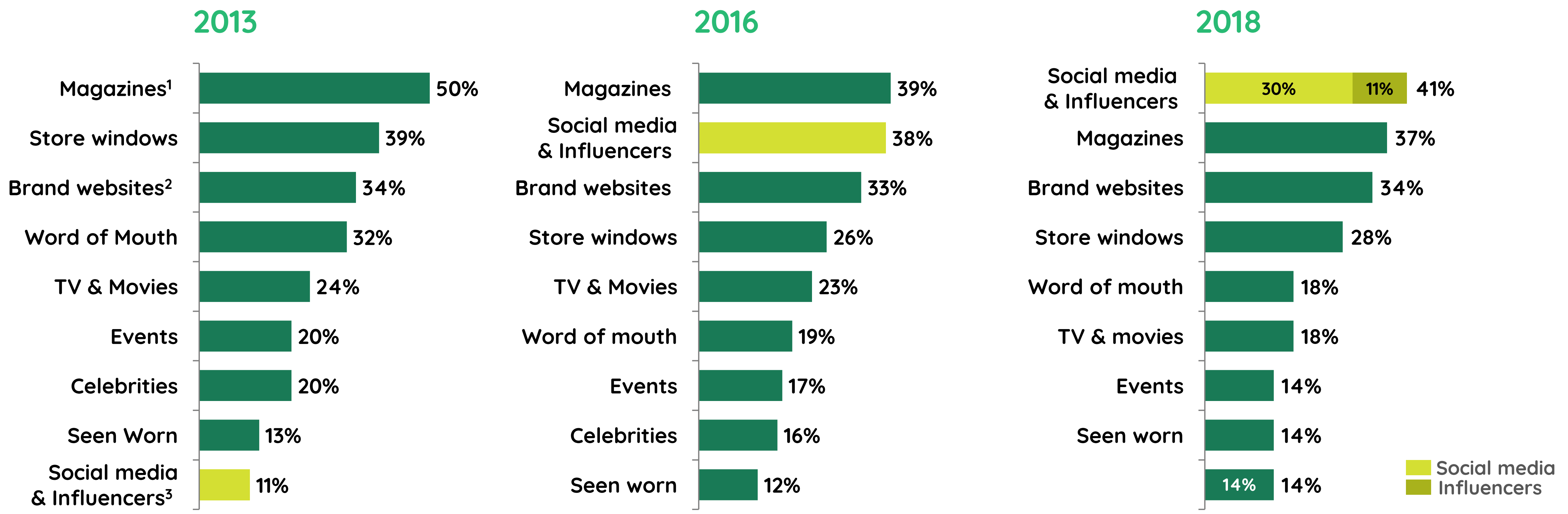
# Role and impact of social media and influencers in luxury



# Social media and Influencers the overall primary source of impact on True-Luxury consumers, + 3pp vs 2016, + 30pp vs 2013

*Which of the following sources of information / channels usually impact how you develop your opinions or make decisions about luxury purchases?*




Note: Multiple options answer, with top 3 answers ranked for all respondents
1. Includes Editorials and Commercial in Magazines, and both traditional & digital magazines 2. Includes Brand's App 3. Includes Social Media, Online blogs & Influencers
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

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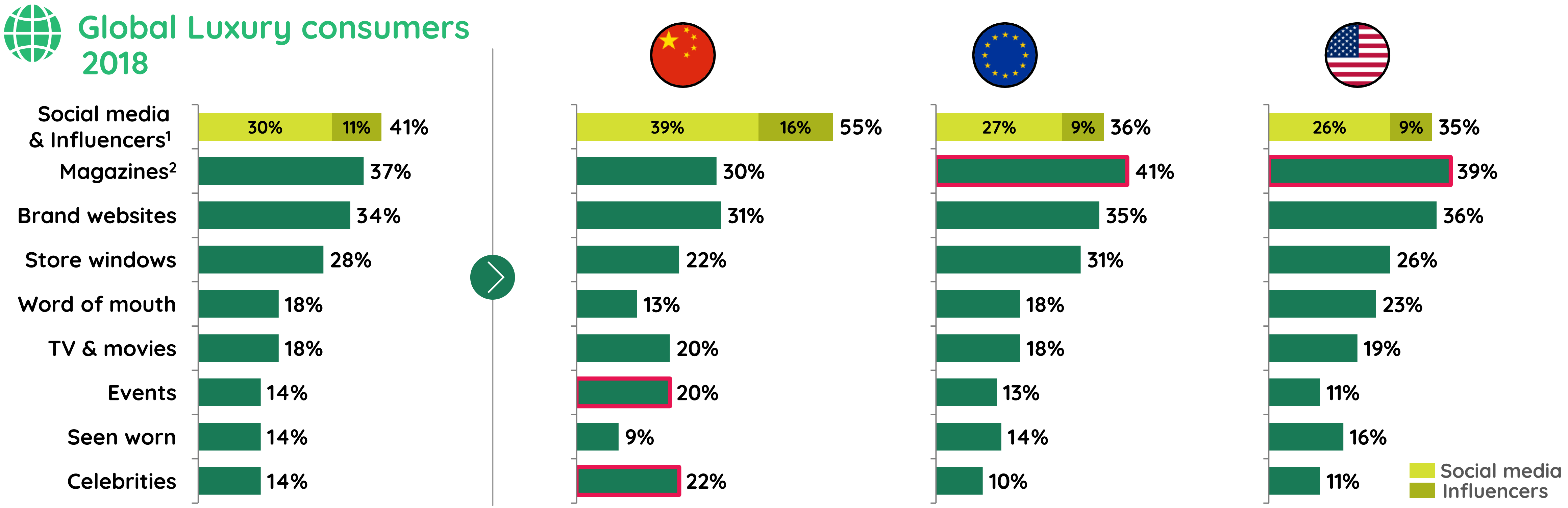
# Social media and Influencers continue growing as primary influence lever over Chinese, and approaching magazines in Europe and US

*Which of the following sources of information / channels usually impact how you develop your opinions or make decisions about luxury purchases?*




Note: Multiple options answered, with top 3 answers ranked for all respondents
1. Includes Social Media, Online blogs & Influencers 3. Includes Brand's App 2. Includes Editorials and Commercial in Magazines, and both traditional & digital magazines
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

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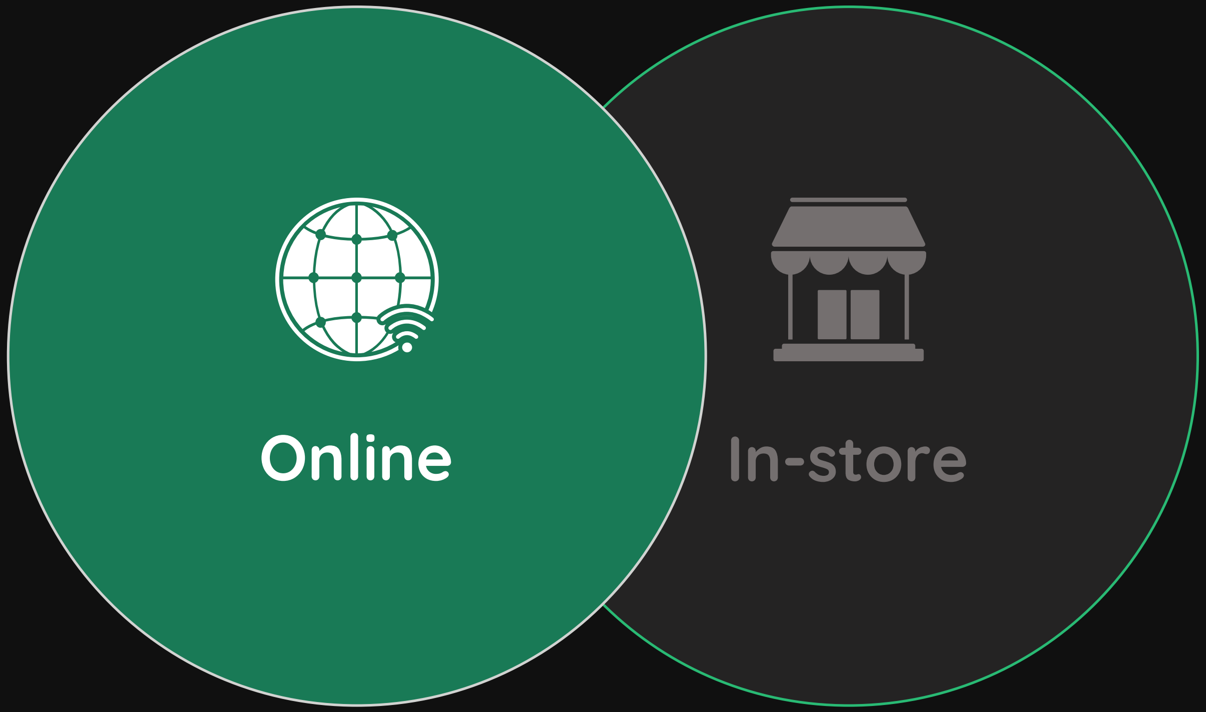
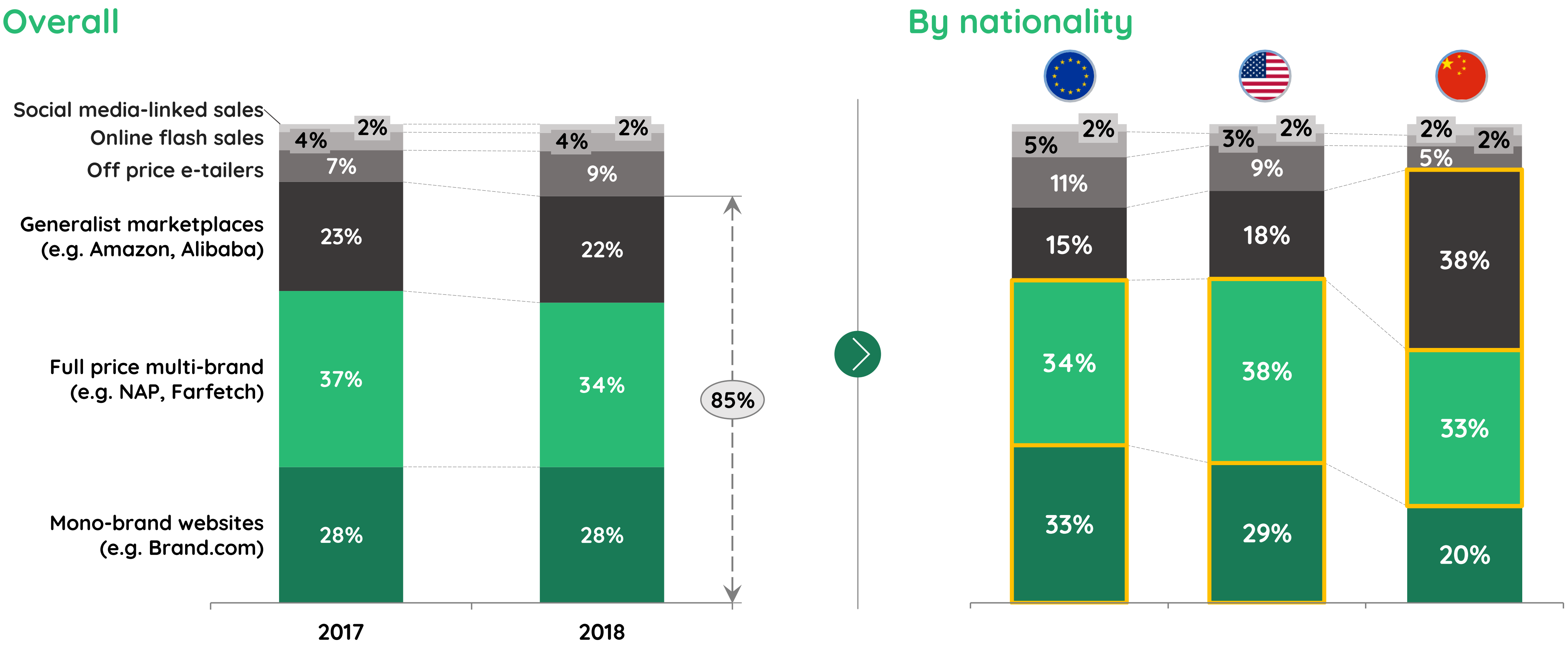
# Channel mix



# Three channels continue to dominate the online ecosystem, with substantial differences across geographies

*Which kind of online store did you buy the product from?*




Note: referred to last purchase; excl. smartwatches, smartphones and tablets
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)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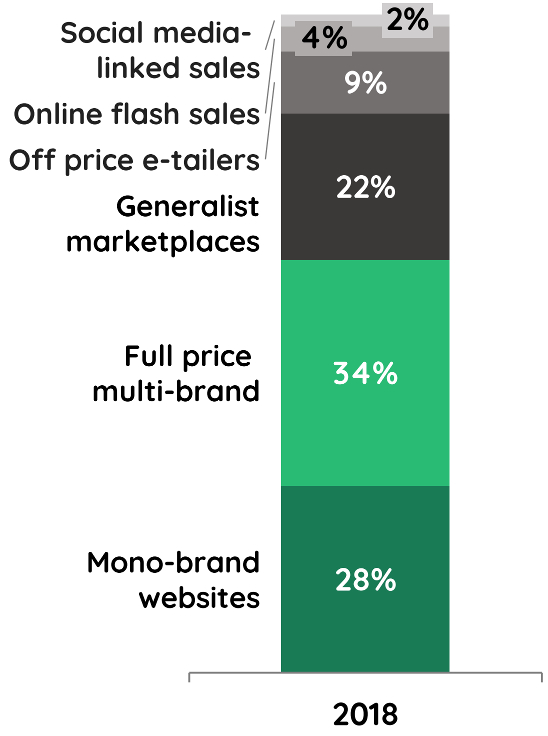
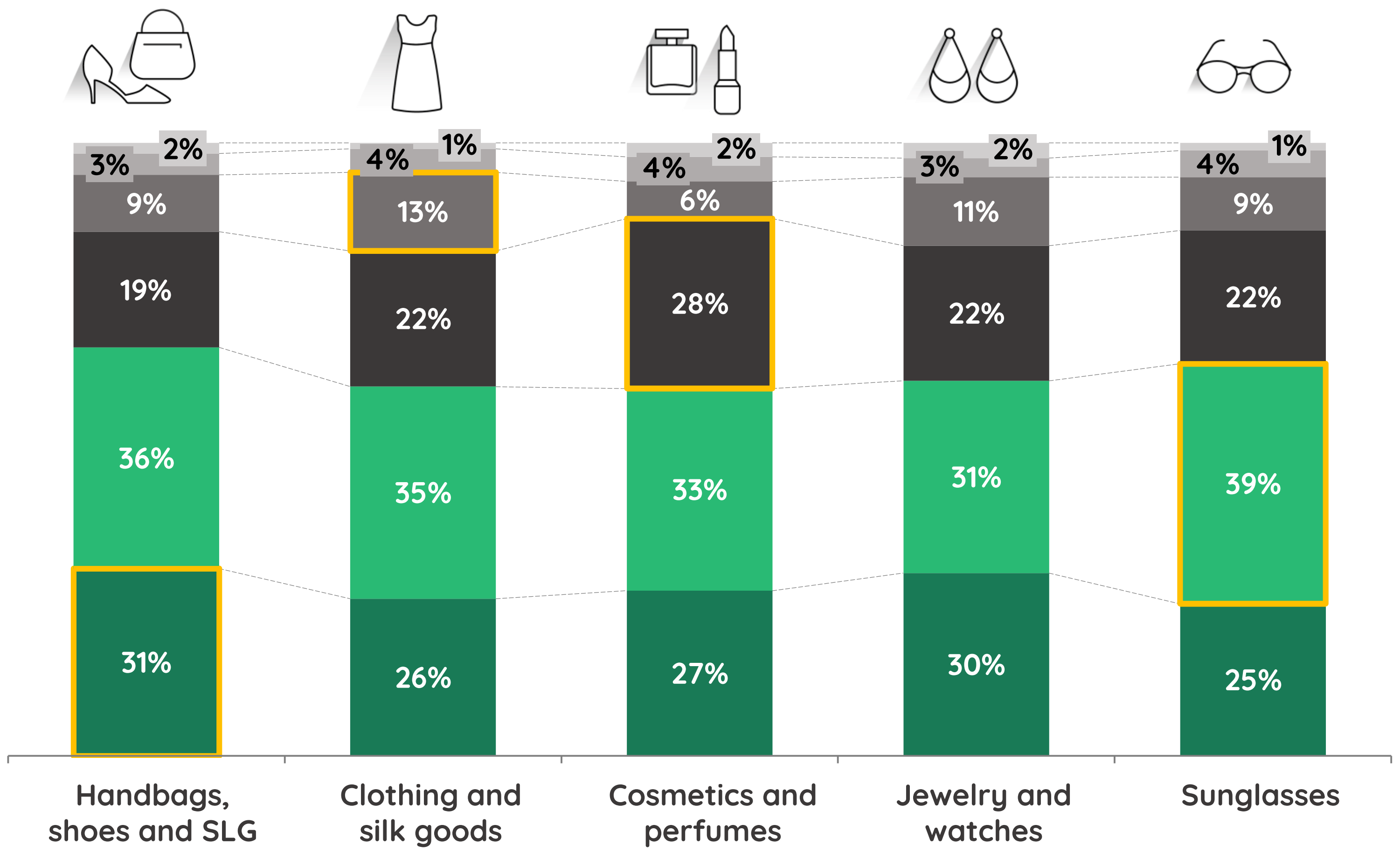
# Online ecosystem varies broadly across luxury categories

## Overall True-Luxury consumers




## By product category




Note: referred to last purchase; excl. smartwatches, smartphones and tablets; shown only selected product categories. SLG, small leather goods
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

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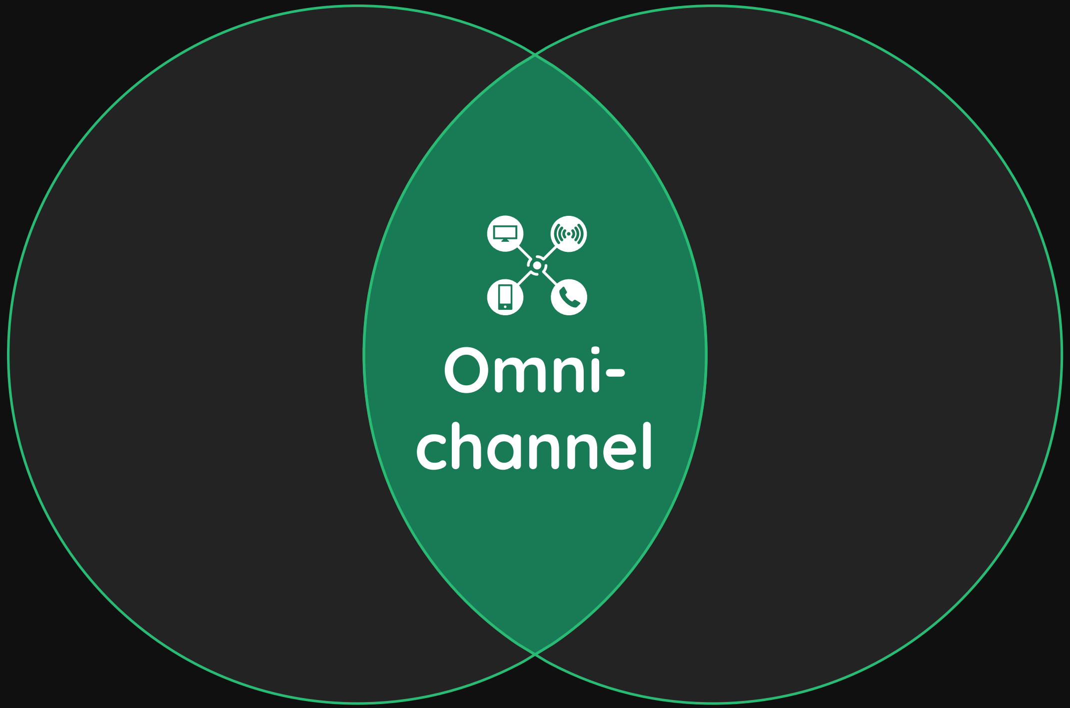
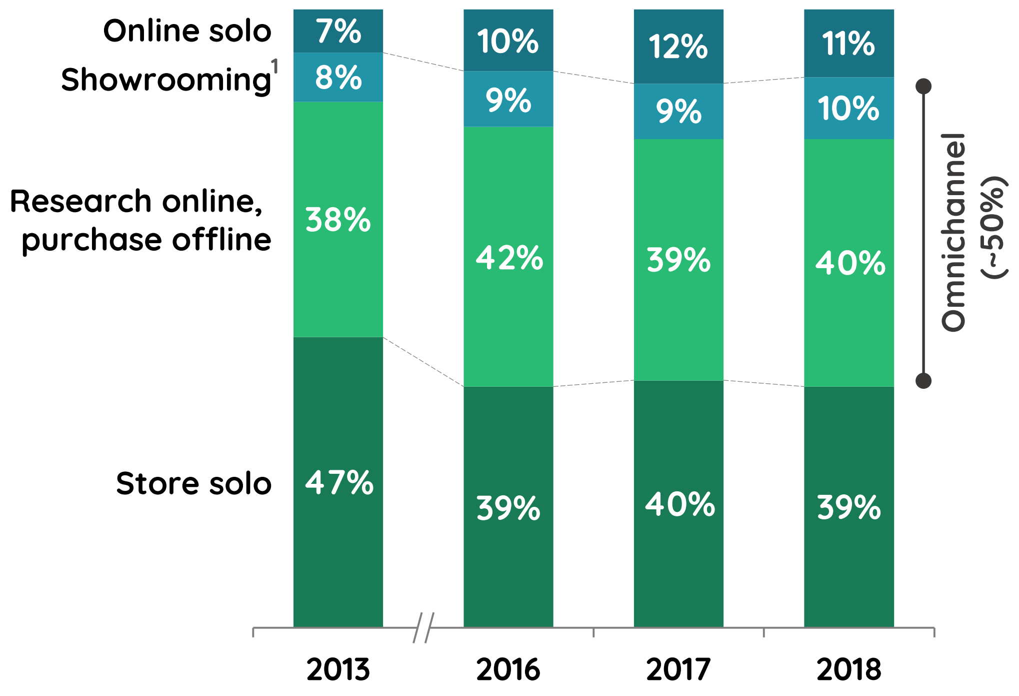
# Channel mix

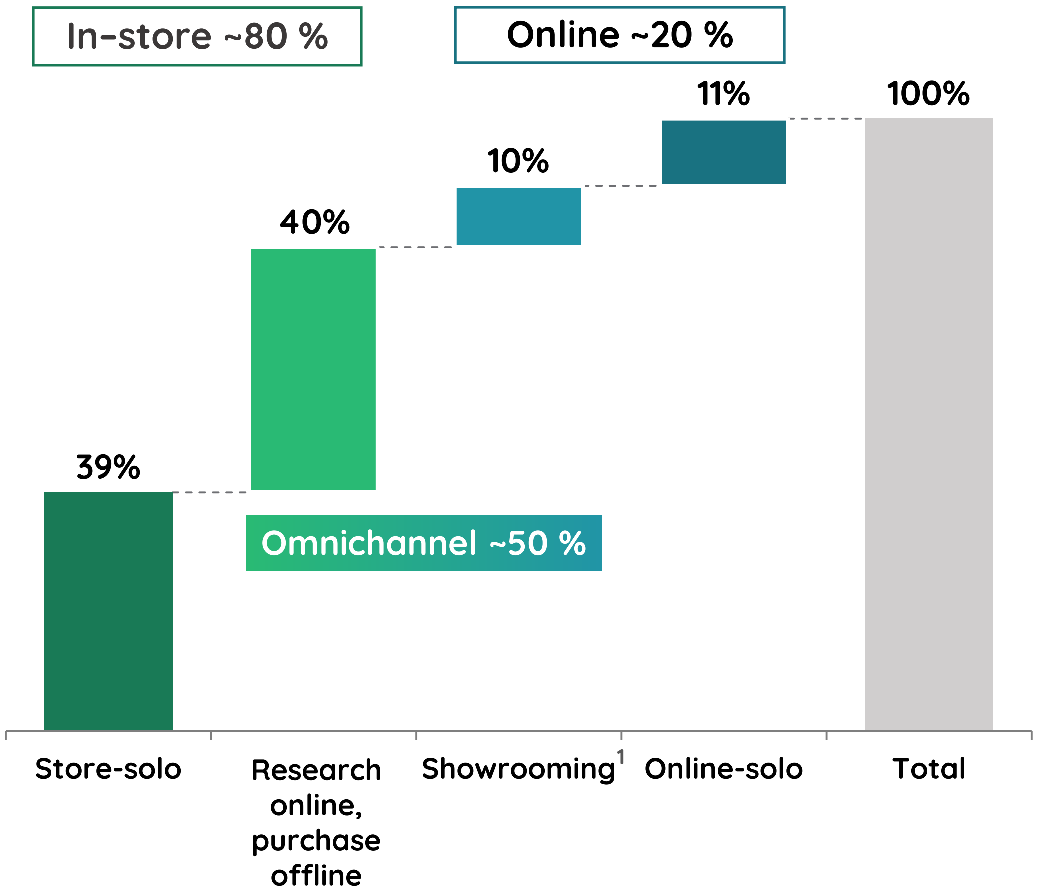


# In-store/online purchases reaching balance at ~80:20, with omnichannel accounting for 50%

## Overall channel mix




## 2018 explored




1. Research Offline, Purchase Online

Note: referred to last purchase

Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

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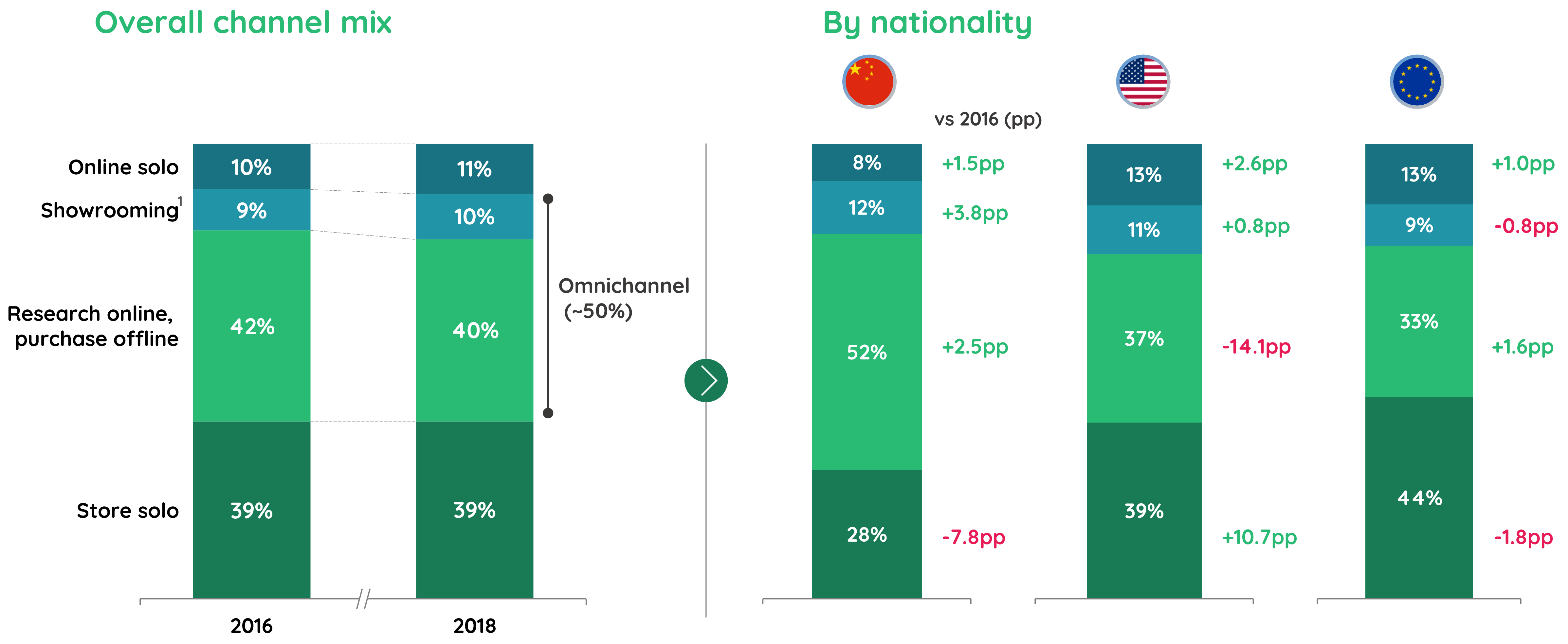
# However, a steady global channel mix masks the reality of substantial changes across and within geographies




1. Research Offline, Purchase Online
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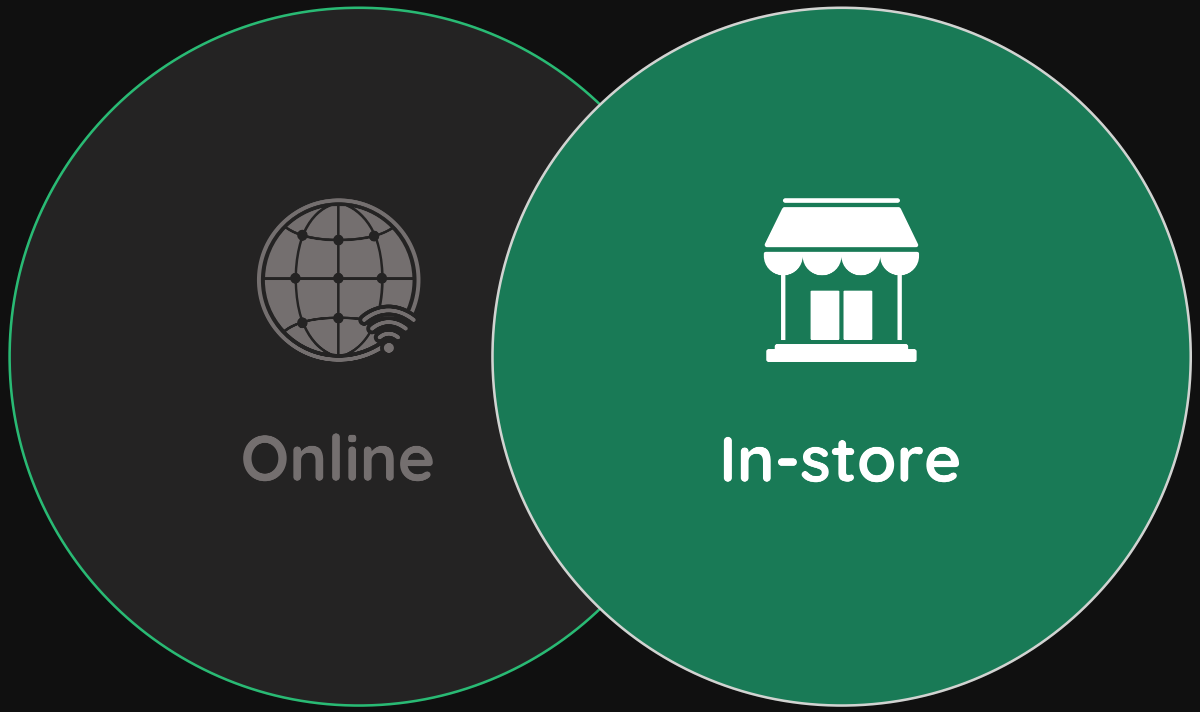
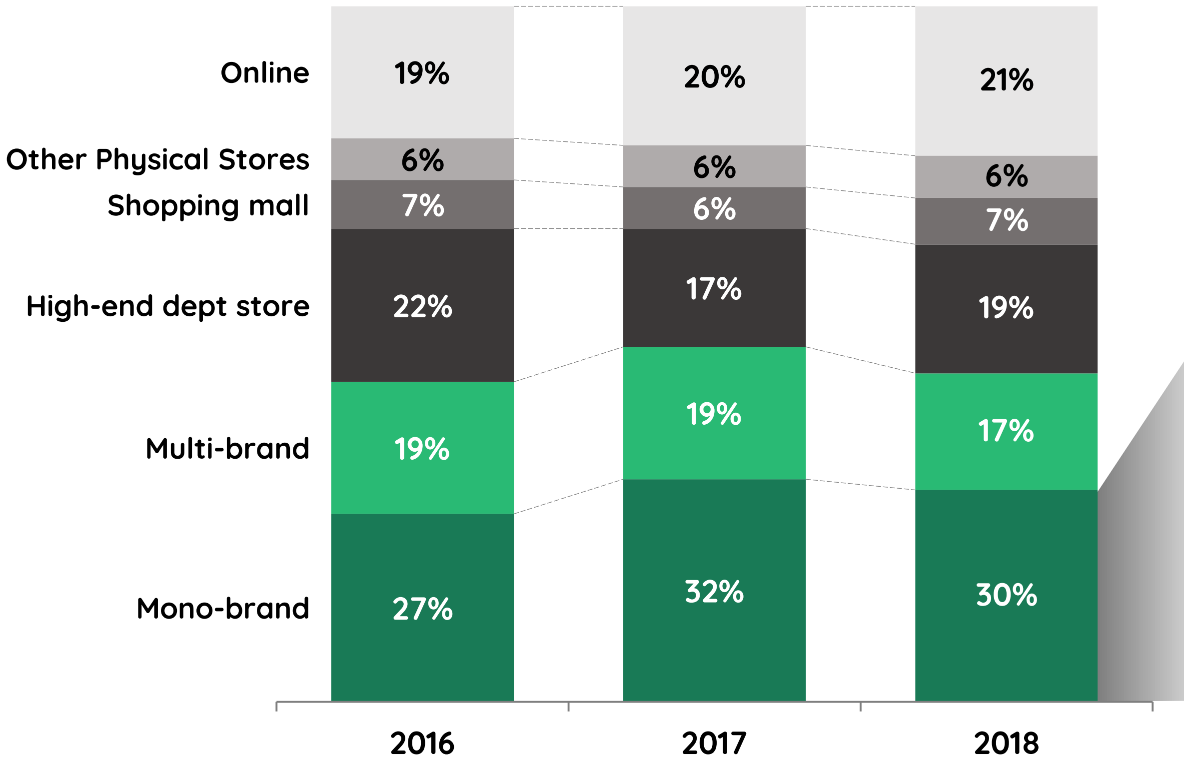
# Channel mix



# Mono-brand store remains preferred channel overall, due to experience (touch and feel, environment) and product range

*Which kind of store did you buy the product from?*

## Preferred channel mix




## Reasons to purchase in mono-brand stores


Note: referred to last purchase
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

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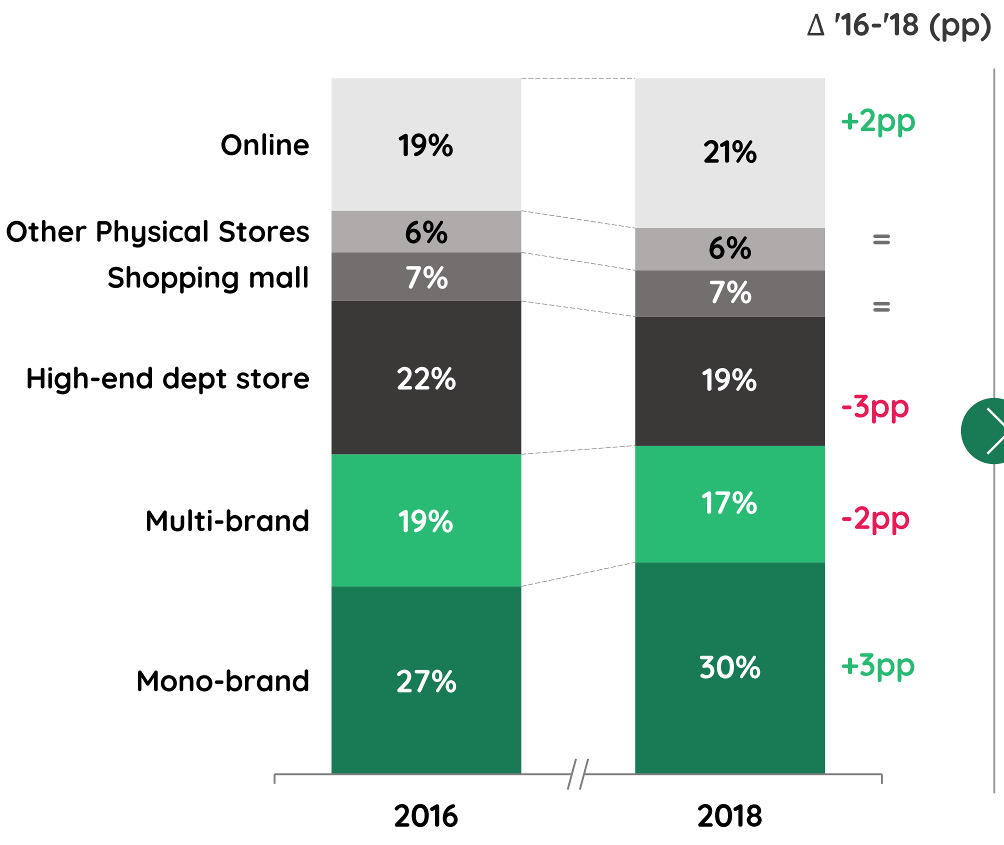
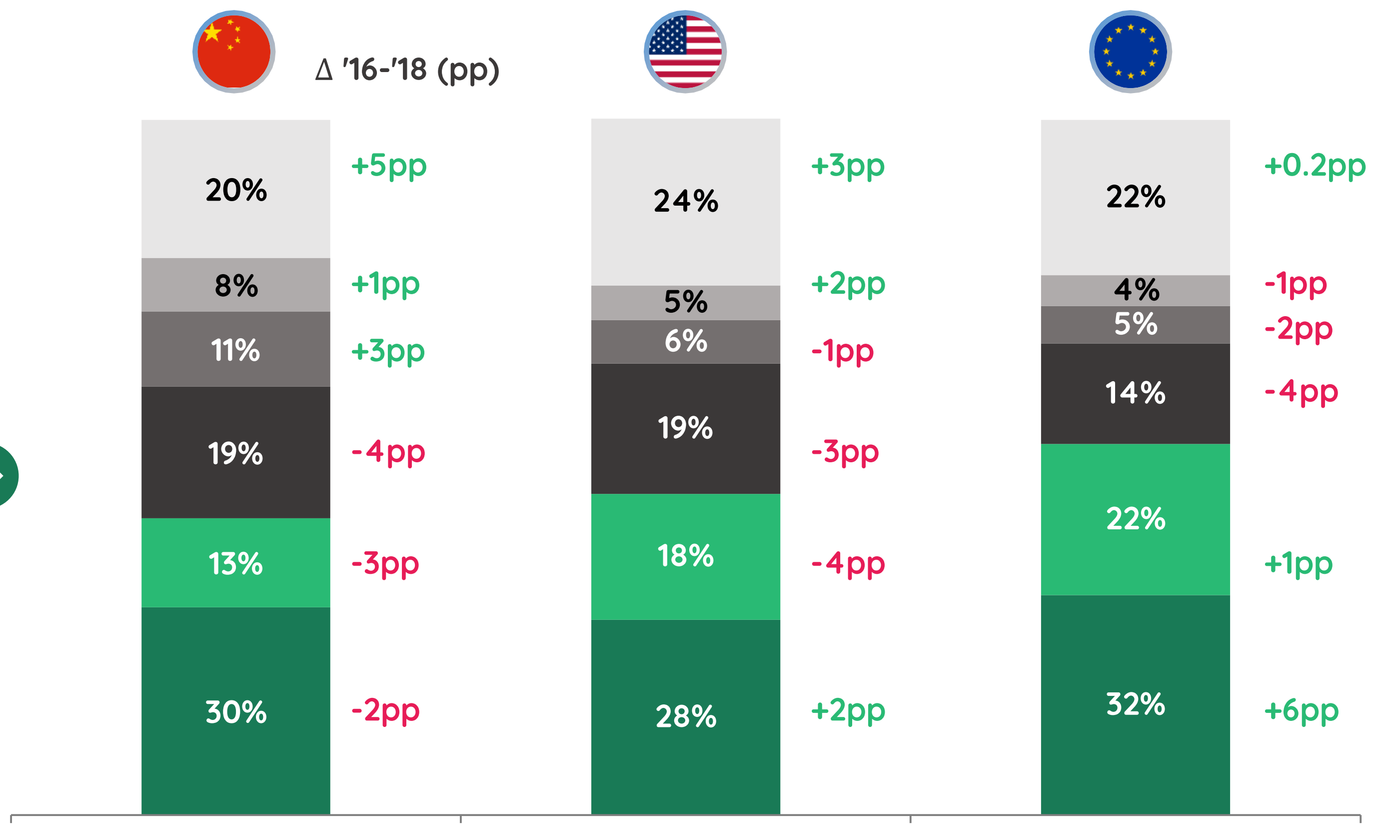
# Mono-brand strengthening, except in China where online continues to grow

## Overall True-Luxury consumers




## By nationality




Note: referred to last purchase
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

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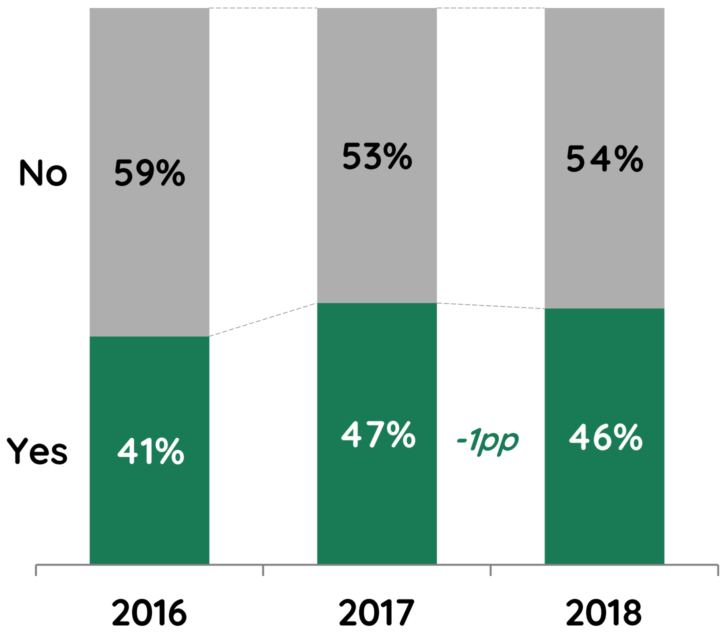
# Mix & Match

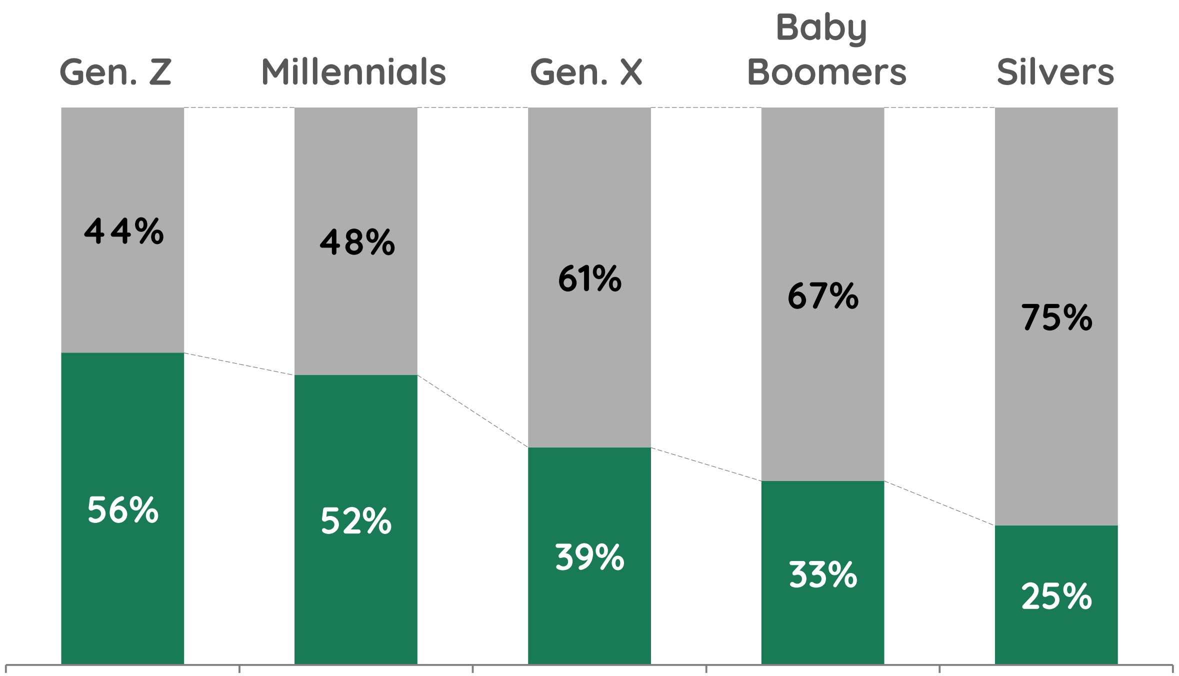
# Almost half of True-Luxury consumers shifting from traditional luxury brands

*Thinking about your spending of 2/3 years ago and that of the last 12 months, do you have the feeling that you have partially shifted your spending from luxury brands to premium / fast fashion / niche or sports brands?*

## 46% of respondents have shifted from top luxury brands




## By generation




Note: Limited responses available for Silvers
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

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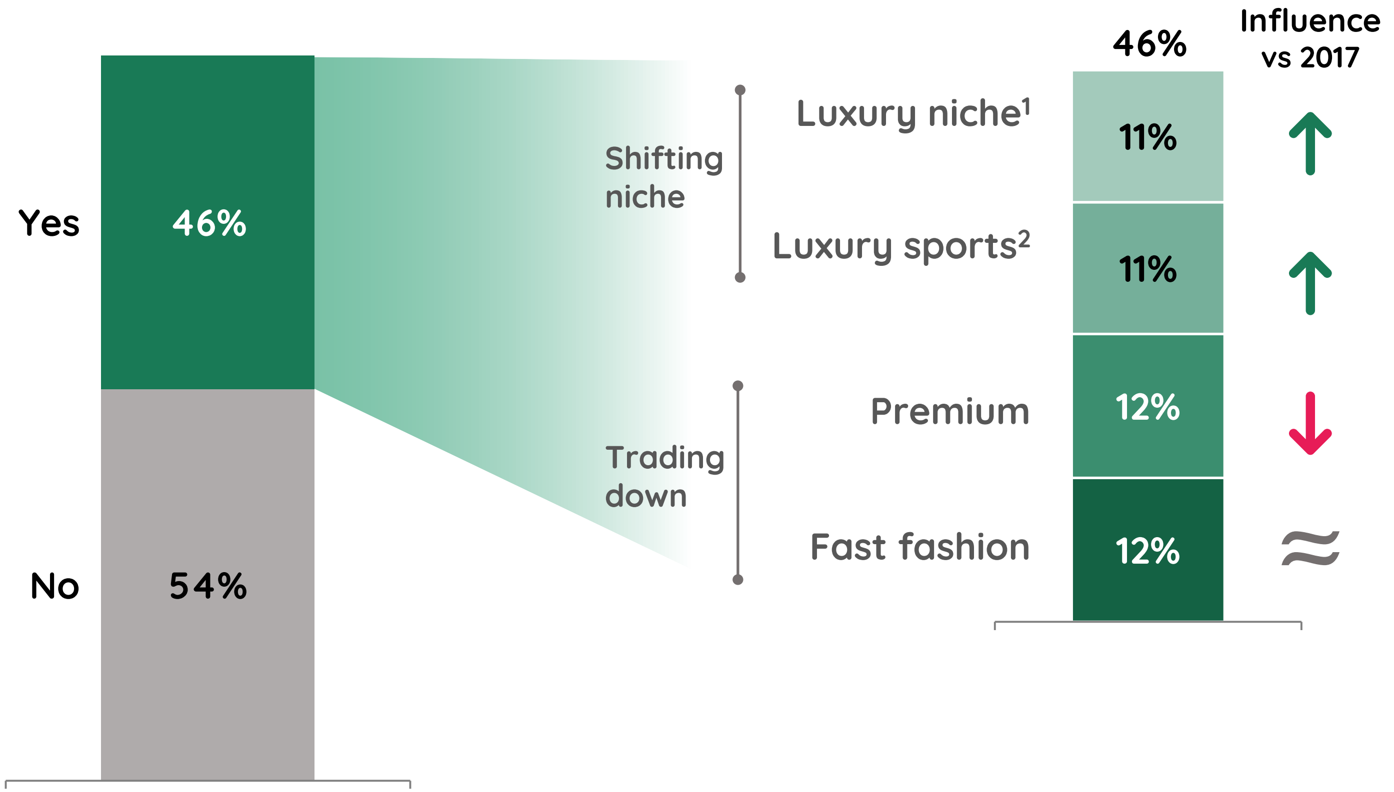
# Among True-Luxury consumers, niche and sports brands continue to gain traction

## 46% of True-Luxury consumers shift from top luxury brands in 2018




## Product categories

**Impacted by the shift**

- Formal shoes, Knitwear, Perfumes
- Sneakers, Backpacks, Hoodies
- Handbags, Perfumes, Watches
- Shirts, Jeans, Pants/Skirts

**Resilient to the shift**

- Silk Goods, Jewelry and Cosmetics

1. e.g. Acne Studios, Mr & Mrs Italy, Aquazurra ecc 2. e.g. Lululemon or Sweaty Betty

Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

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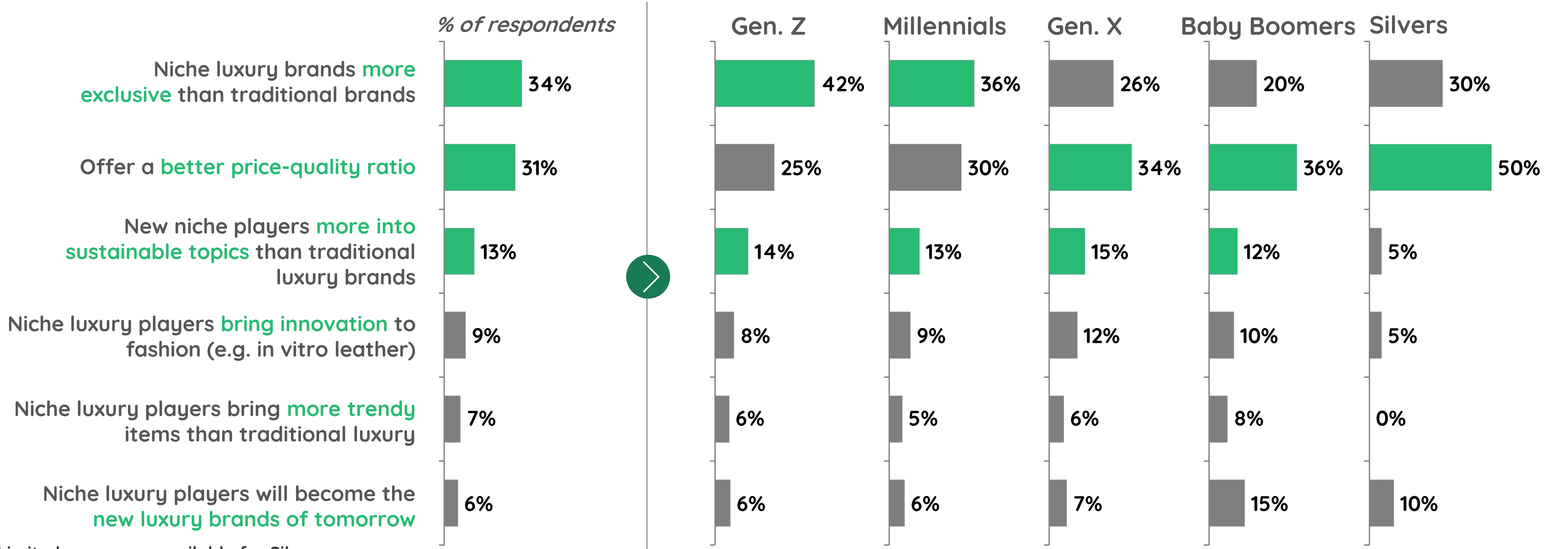
# Perceived exclusivity of niche brands main reason for shift of younger generations, while perceived price-quality drives older generations

*You have said that you have partially shifted your spending from luxury brands towards 'Niche Luxury Brands'; which of the following statements better reflects this choice?*

## Overall reasons for shift to niche brands

## By generation




Note: Limited responses available for Silvers

Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

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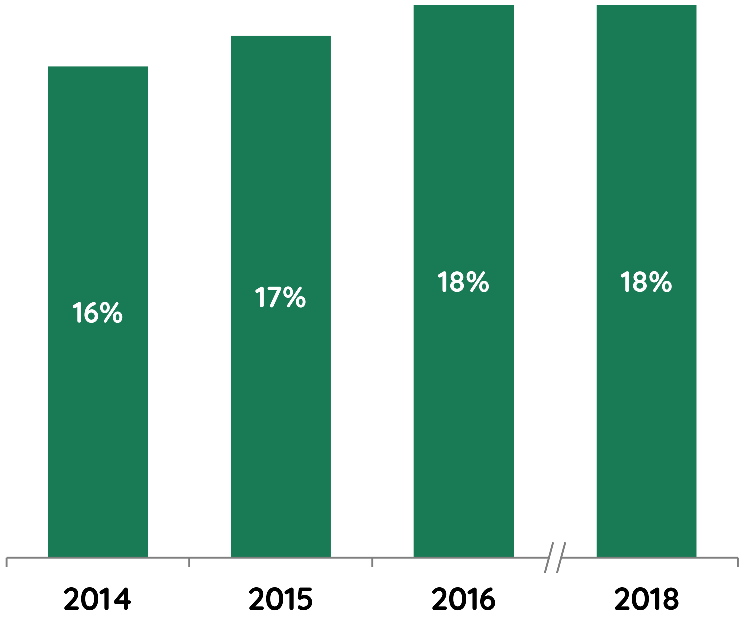
# Customization

# Demand for customization stabilising, product configuration and made to measure most desired

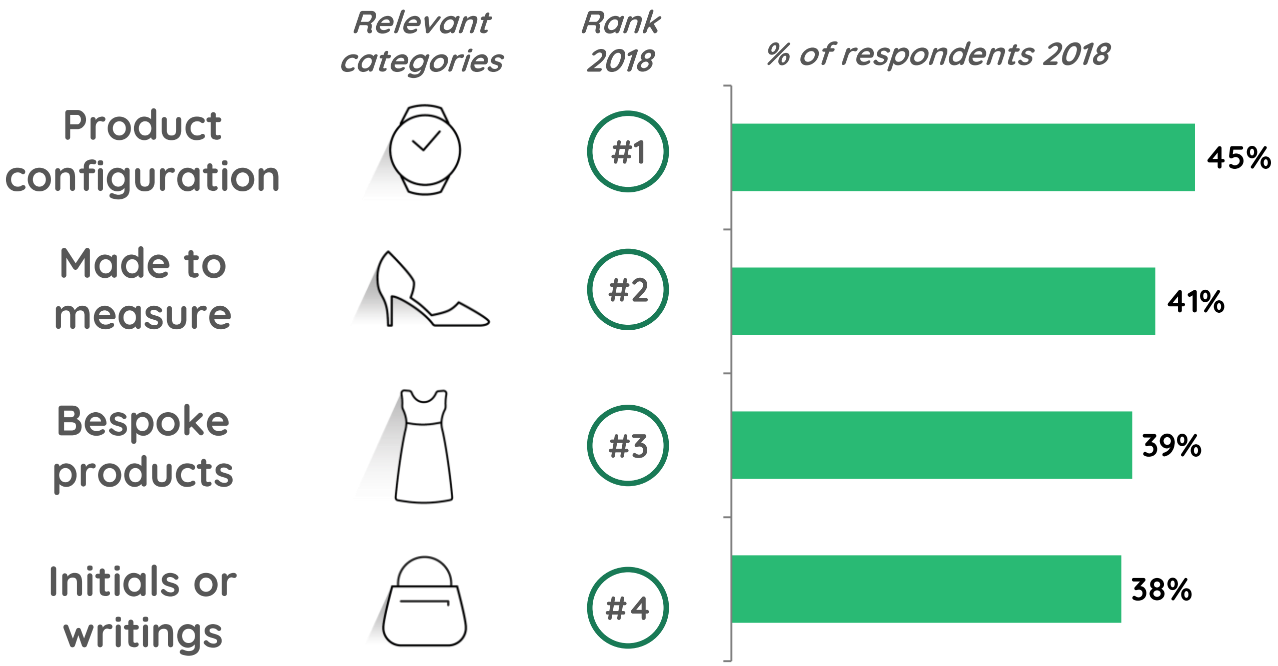
*“Is customization relevant to you when purchase luxury*

## Customization is stabilising…




*“Which level of customization do you value the most?*

## …with broadly spread desires




Note: only top responses shown
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey 2018 (12K + respondents in 10 countries)

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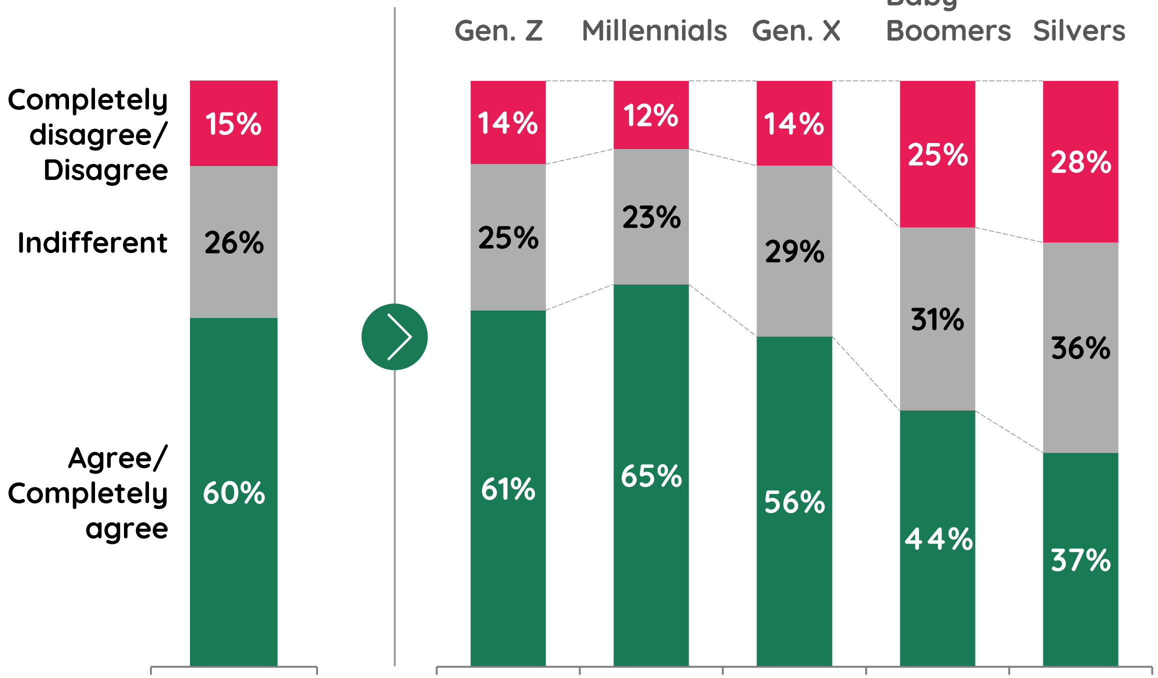
# Differences among generations, with younger True-Luxury consumers showing greater preference for customized and unique products

*Please indicate how much you agree/disagree: I don't mind waiting longer/paying extra to have customized/made to order products*

## Overall desire for customization

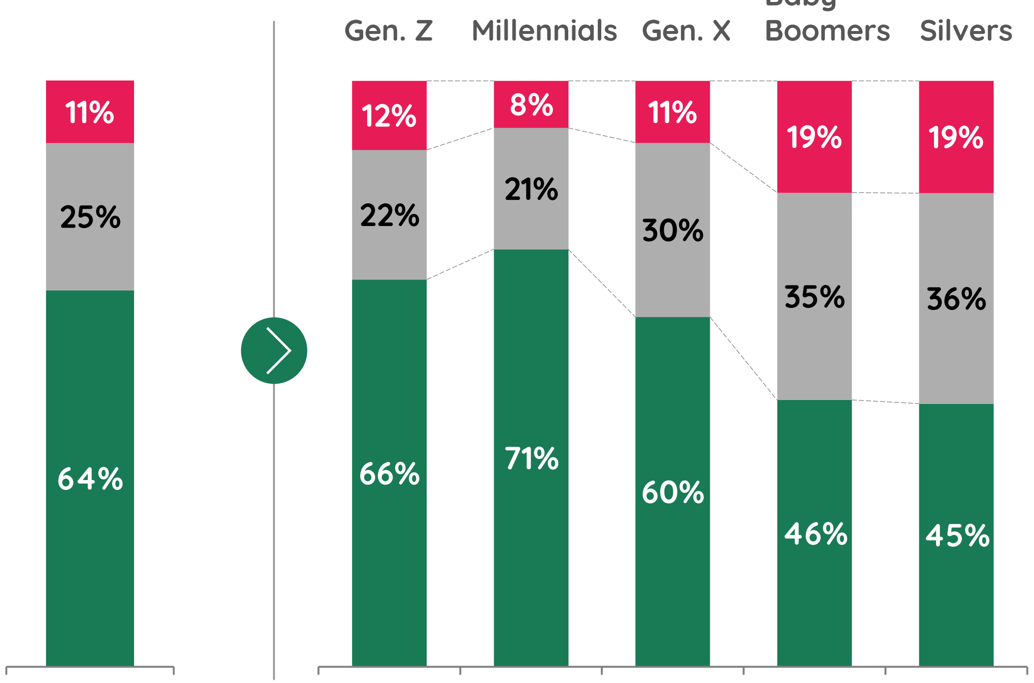
## By generation




*Please indicate how much you agree/disagree: The products I like most have unique details chosen by myself*

## Overall desire for unique details

## By generation




Note: Limited number of Silvers
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey 2018 (12K + respondents in 10 countries)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# True-Luxury Global Consumer Insight 2019 Edition: the 12 key trends

## New and Emerging

**Collaborations** – Awareness reaching ~90%, with 50% of True-Luxury consumers purchasing collaborations & special editions, driven by Chinese (62%) and younger generations (67% Gen. Z, 60% Millennials)

**Second-hand** – Reached 7% of personal luxury market value and is growing 12% per year. Out of True-Luxury consumers, 34% sell 2nd-hand products, while 26% buy. 80% of 2nd-hand market participants use online channels to get informed and to trade

## Keeps Growing

**Sustainability** – Influences purchase behavior of ~60% of True-Luxury consumers (+12pp vs 2013), driven by environmental, animal and ethical manufacturing concerns

**Luxury Casualwear** – Casual approach to social and professional occasions continues to grow, now affecting 74% of True-Luxury consumers, with still further expected growth in spending (driven by sneakers and jeans)

**Influencers** – Their relevance in shaping consumer purchase decisions continues to increase, affecting ~2x as many True-Luxury consumers in China than in Europe and US

**Social Media** – Keep growing in all geographies, by far greatest influence lever in China, soon to overtake magazines in Europe and US

**Online** – Continues to grow, with over 20% of last purchase occasions online, and contributes to overall market growth more than cannibalizing physical channels sales (~60% in addition, vs 40% of cannibalization)

## Stabilizing

**Omnichannel** – Accounts for 50% overall, with substantial variation by geography (64% China, 42% EU)

**Mono-Brand Stores** – Appear to have stabilized in True-Luxury consumers' minds, no longer decreasing in a significant way, except for China

**Made-in** – Made-in Italy continues to strengthen its global lead among True-Luxury consumers and among Millennials, and reconquered leadership among Chinese vs Made-in France

**Mix & Match** – Luxury niche and sports brands driving greater shift. Exclusivity and perception of better value are driving consumers to niche brands, whereas comfort and active lifestyle to sportswear brands

**Customization** – Demand stabilized (at high level). Product configuration, made to measure and bespoke products most desired


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# THANK YOU