

Luxury in 2023 and beyond

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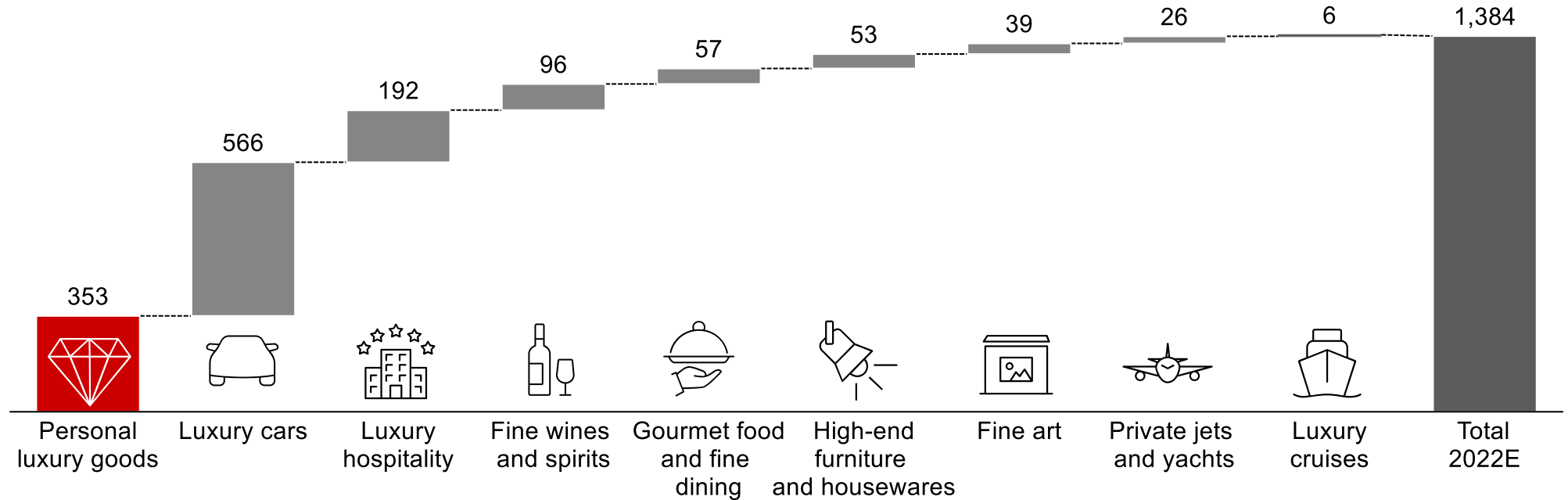
Partner, Paris

- / 20 years of consulting experience
- / Head of Bain Luxury Vertical in Paris



The global luxury market has fully recovered from the COVID-19 crisis

Global luxury market (€ billions, 2022E)



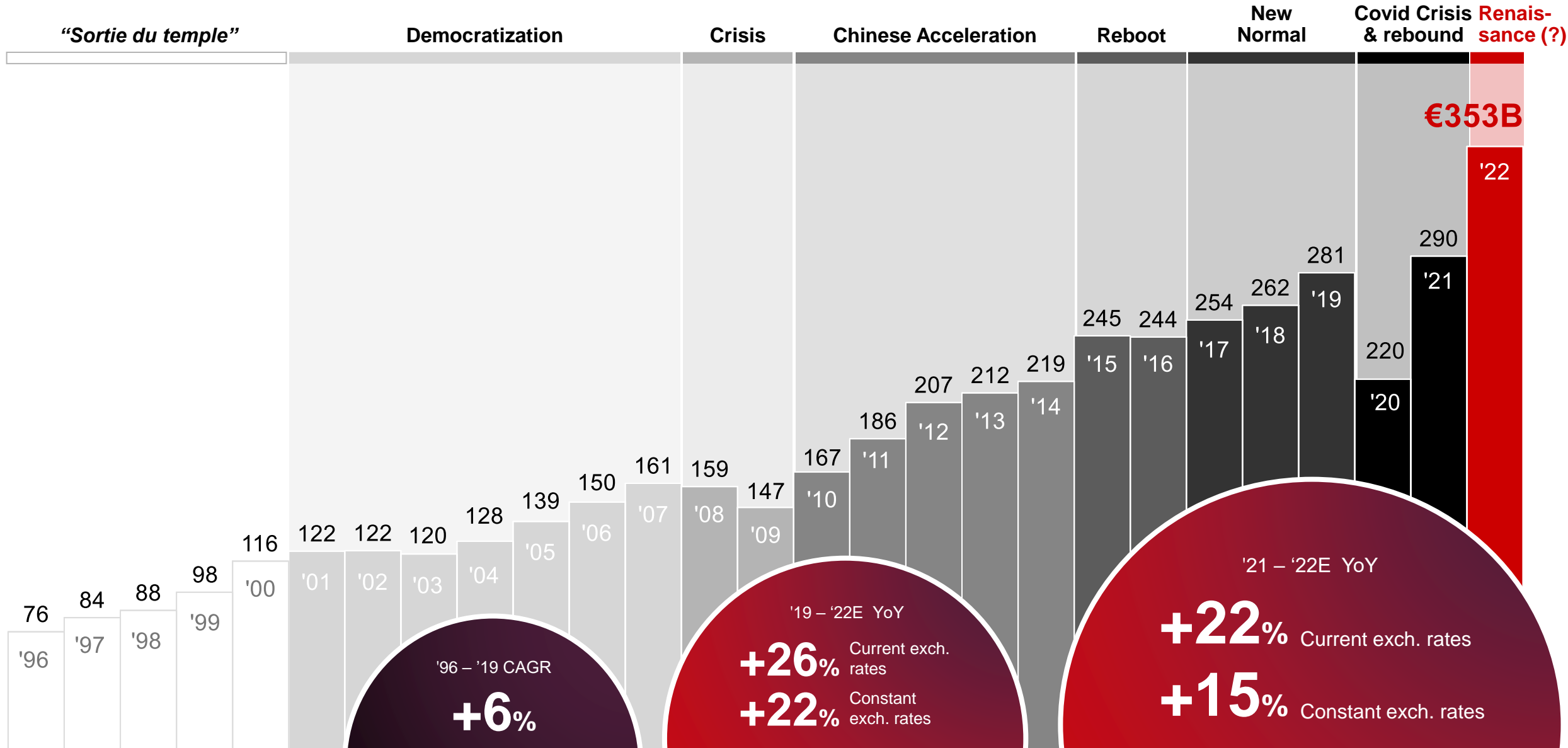
2019–22E overall growth
at current exchange rates

26%	3%	-7%	26%	8%	24%	7%	12%	-25%	8-10%
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2021–22E growth
at current exchange rates

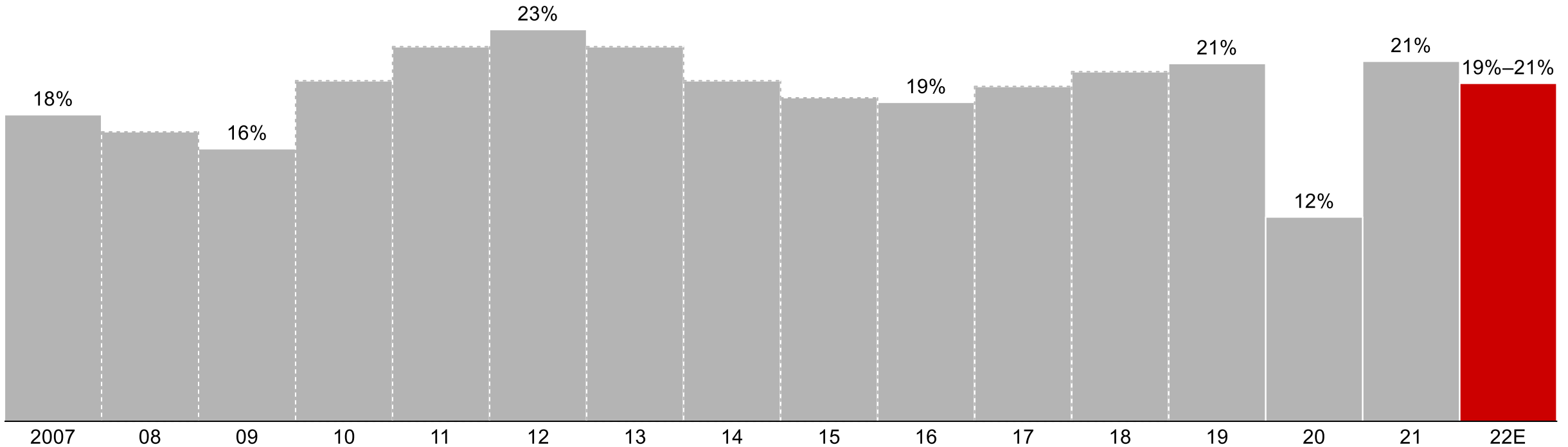
22%	6%	110%	16%	12%	13%	13%	18%	355%	19-21%
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After the V-shaped rebound in 2021, record year for personal luxury in 2022



Profitability slightly decreased in 2022 as players invested in growth while facing inflation

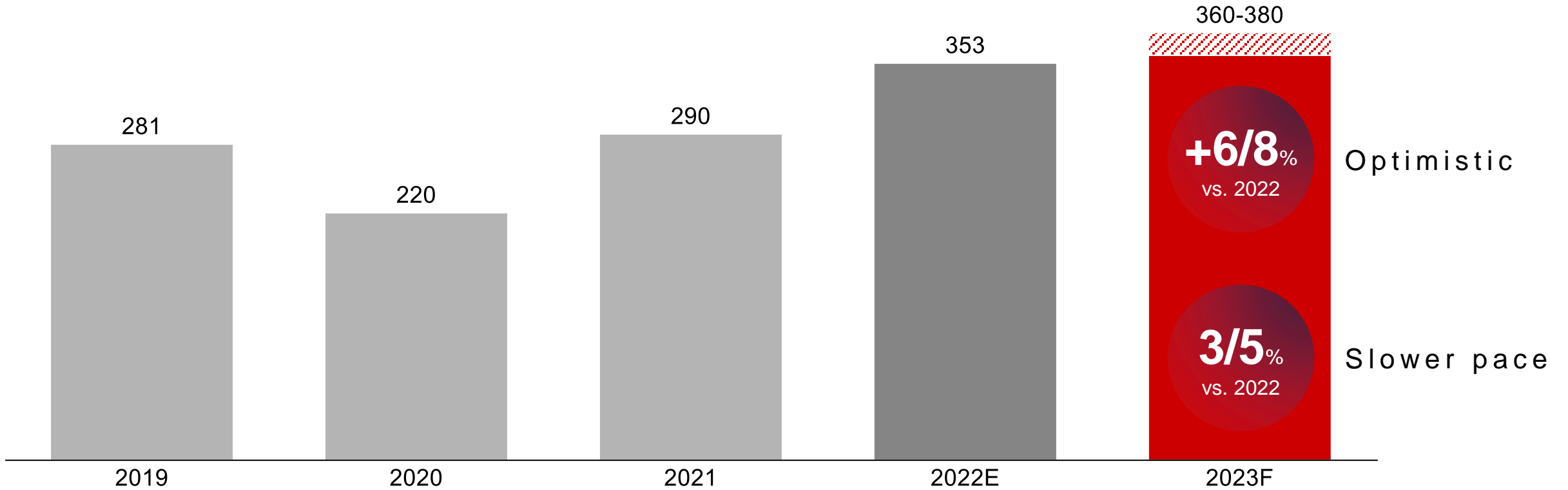
EBIT margin of selected personal luxury goods brands



→ Hyperinflation and resumption of brands' investments (i.e., marketing, renovations, IT, transformation costs) slightly driving down industry profitability in 2022

In 2023, we expect the market to grow between 3 and 8% over 2022

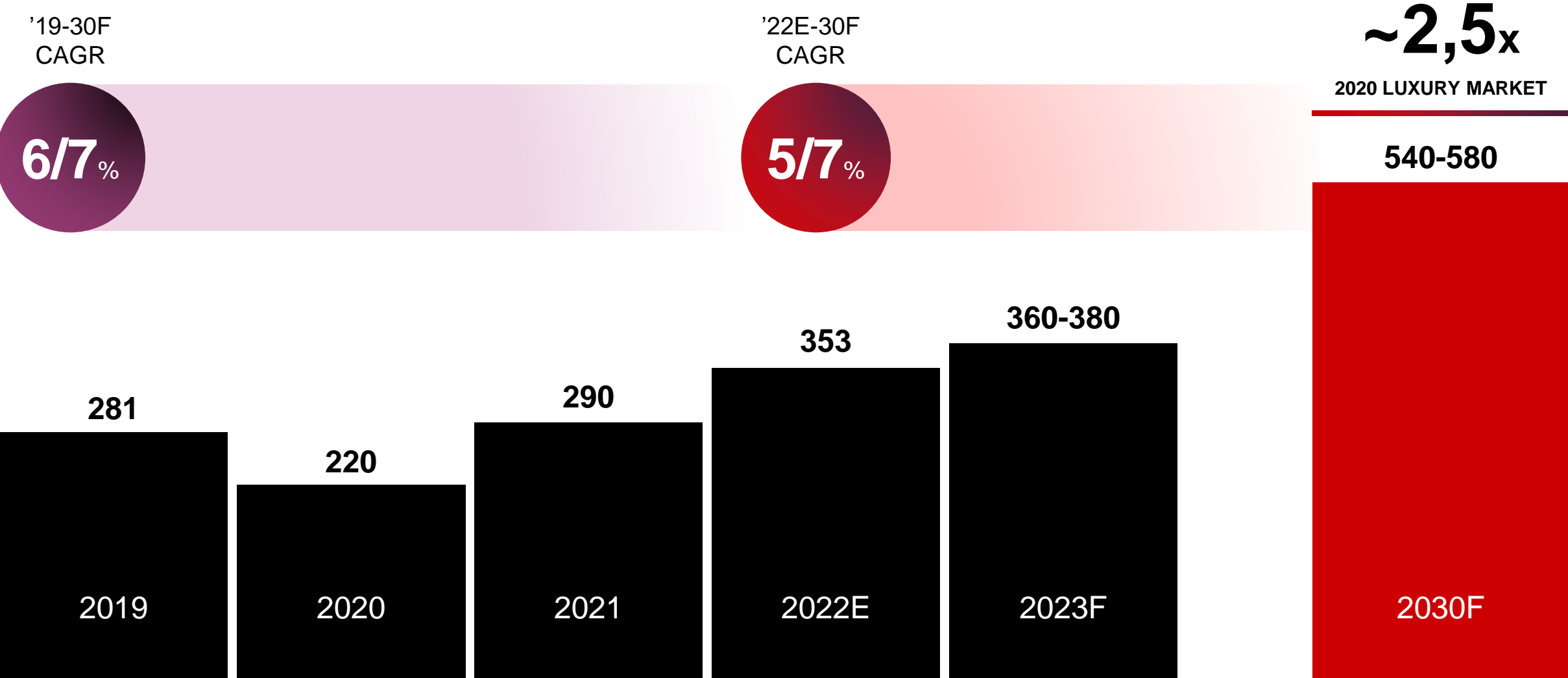
Global personal luxury goods market, by scenario (€ billions)



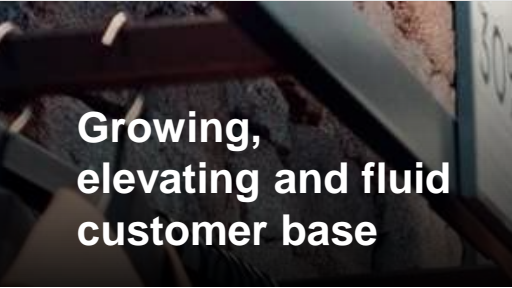
Note: 2022E and 2023F at constant exchange rates
Source: Bain & Company

After growth acceleration in 2022, and potential bumps along the route, solid fundamentals driving a brilliant midterm direction

Personal luxury goods market evolution (€B | 2019–2030F)




Key themes for 2023 and beyond




Growing, elevating and fluid customer base



Products... and experiences... of desire



Next Gen customer connections



Delivering on the sustainability imperative



Tech-enhanced value chain

/ Expansion of the base

/ Category dynamics

/ The unstoppable rise of controlled distribution

/ Urgency for results

/ Technology across the value chain

/ Generational shifts

/ Fashion to make a statement

/ Fusion of online and offline

/ Regulatory pressure

/ Circularity through secondhand

/ Slow but steady adoption

/ Activist mindset

/ Path to price elevation

/ Shoppable touchpoints

/ Responsibility via new materials

/ Barriers to adoption

/ Courting VICs

/ Return of experiences

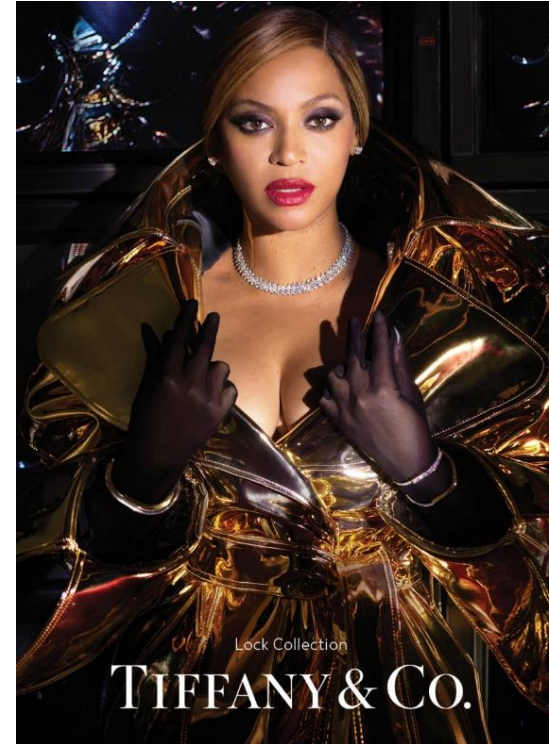
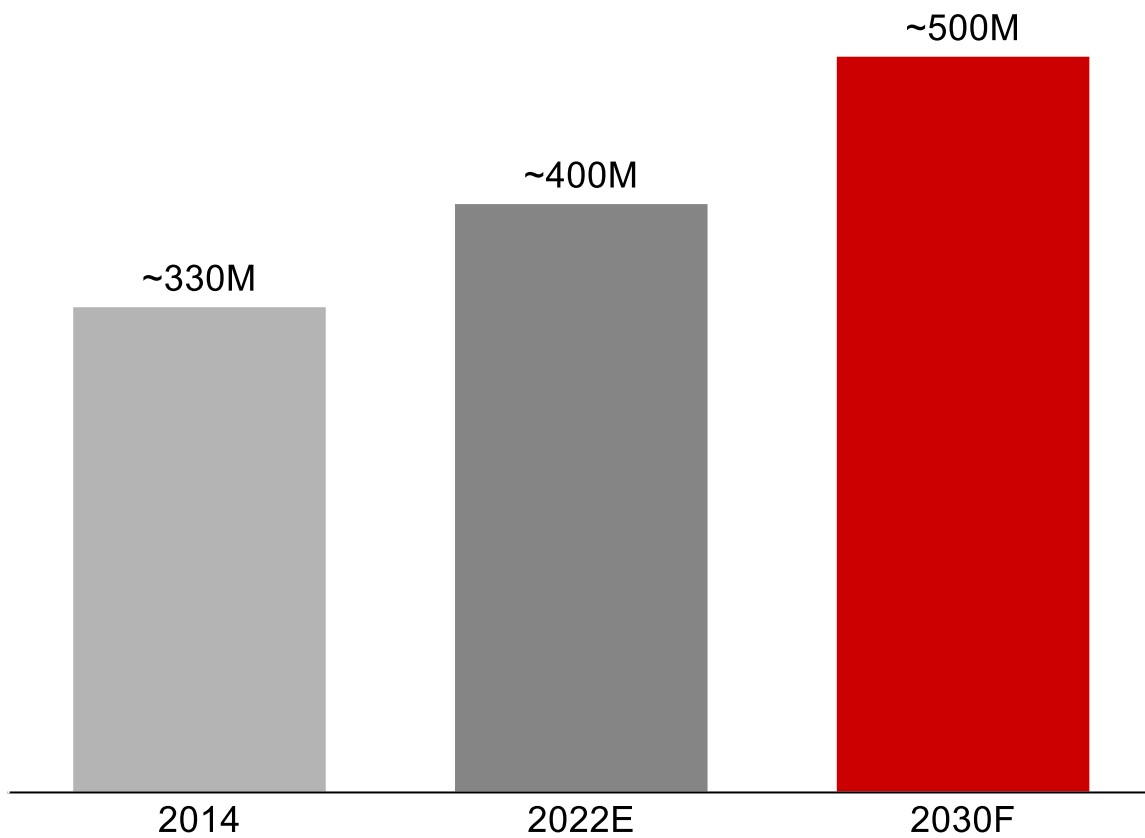
/ New possibilities via the Web 3.0

/ Pathway to maturity

/ Shifting regional dynamics

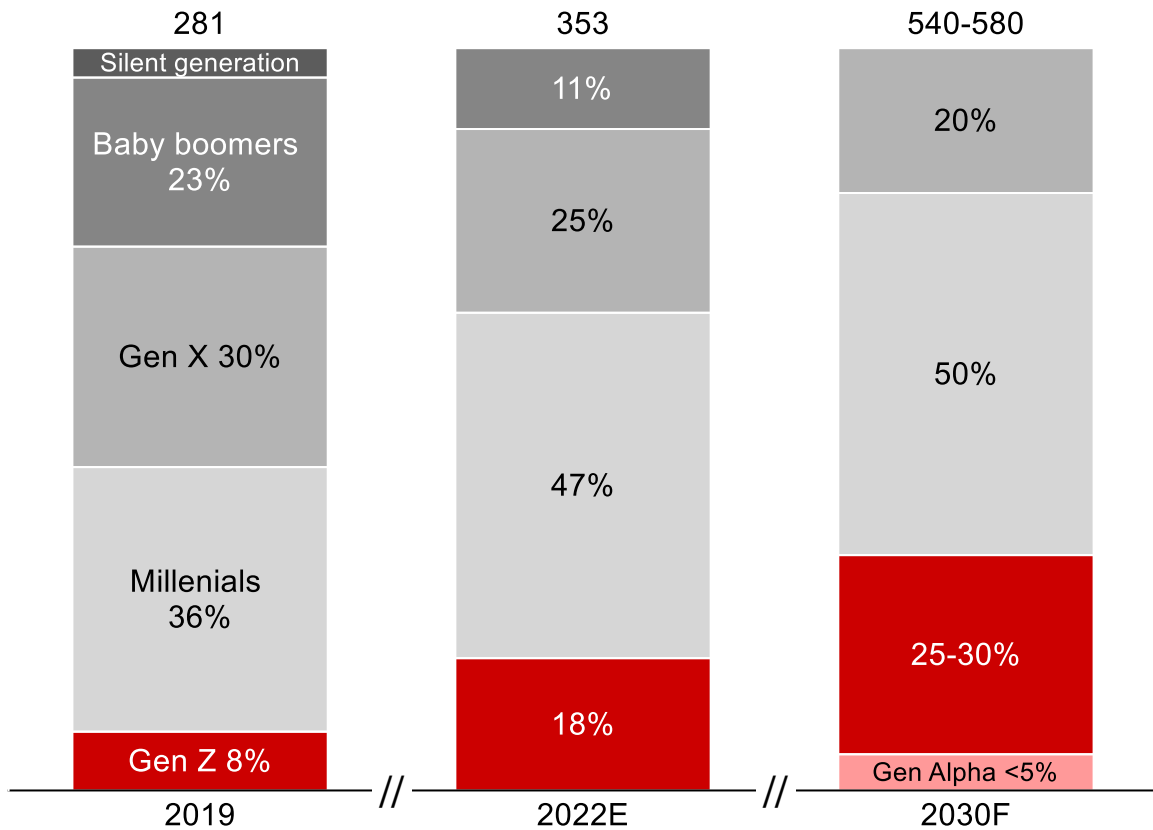
Expansion of the base: Luxury's consumer base continues to broaden, as brands target traditionally overlooked customer segments

Luxury customer base (# of customers)



Generational shifts: Gen Z and Alpha will grow 3x faster than other generations until 2030

Share of global personal luxury goods market by generation (€ billions)

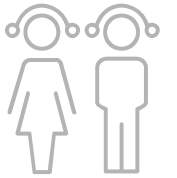


Note: Segments may not total 100% due to rounding
Source: Bain & Company

Gen Z buys luxury earlier

15
YEARS
OLD

Average age **Gen Z starts buying** luxury items (vs. 18-20 years old for Millennials)

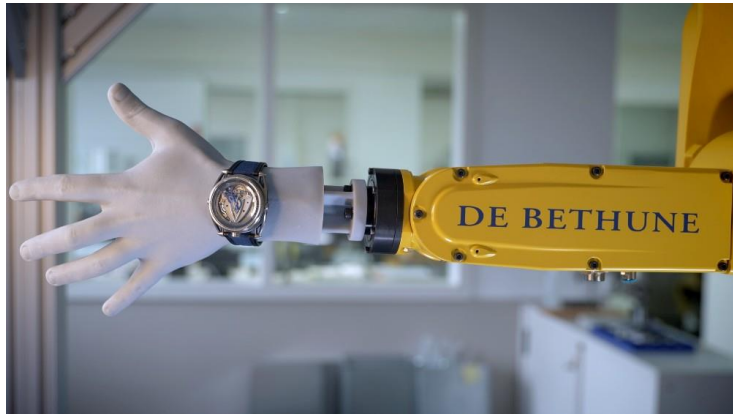


Gen Z style is authentic and experimental



Courting VICs: As top buyers make up a growing proportion of the market, brands are investing in their biggest spenders

Dedicated product offering



Unique distribution

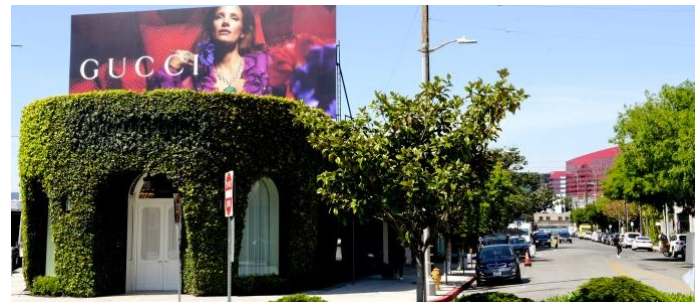
Chanel to Open Private Stores for Top Clients as Sales Soar 50%

The French luxury giant said 2021 revenues rose 23 percent over pre-pandemic levels to \$15 billion. The brand now plans to open dedicated boutiques for top-spending clients as rapid growth risks overcrowding its stores, CFO Philippe Blondiaux revealed.



Gucci Salon Ultra-luxe Private Store Concept Debuts in L.A.

Gucci's focus on the wealthiest shoppers is part of its turnaround strategy.



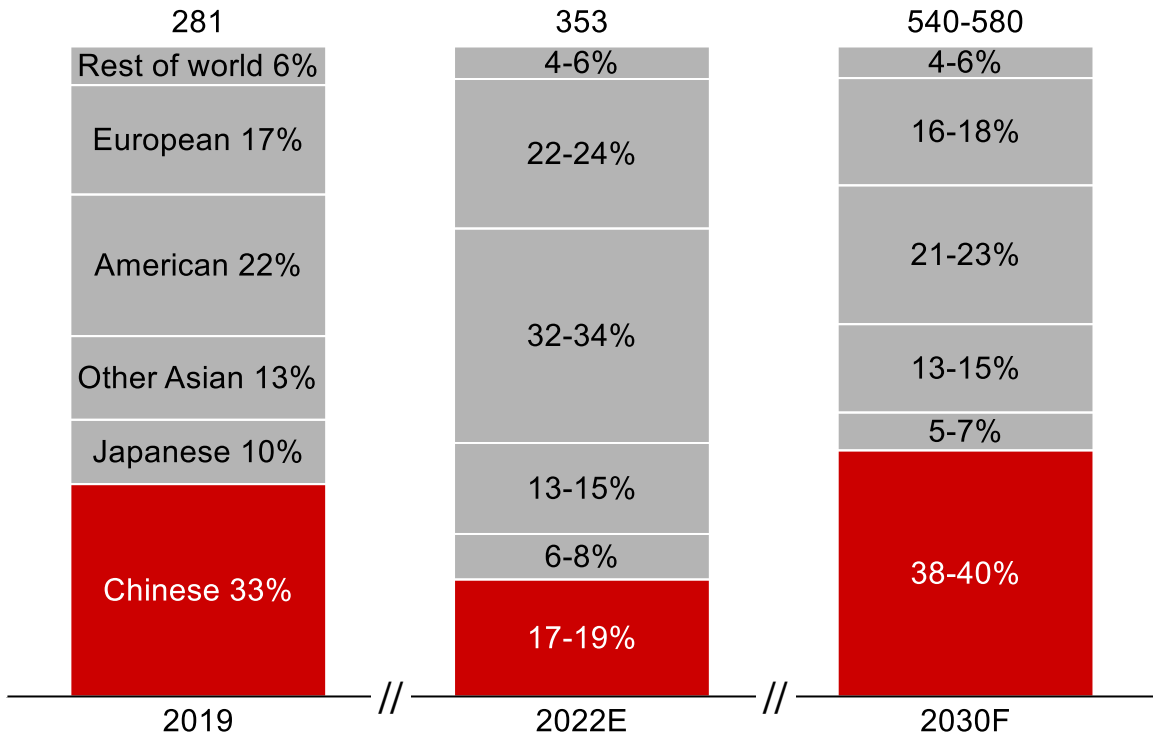
Enhanced and specific customer experience



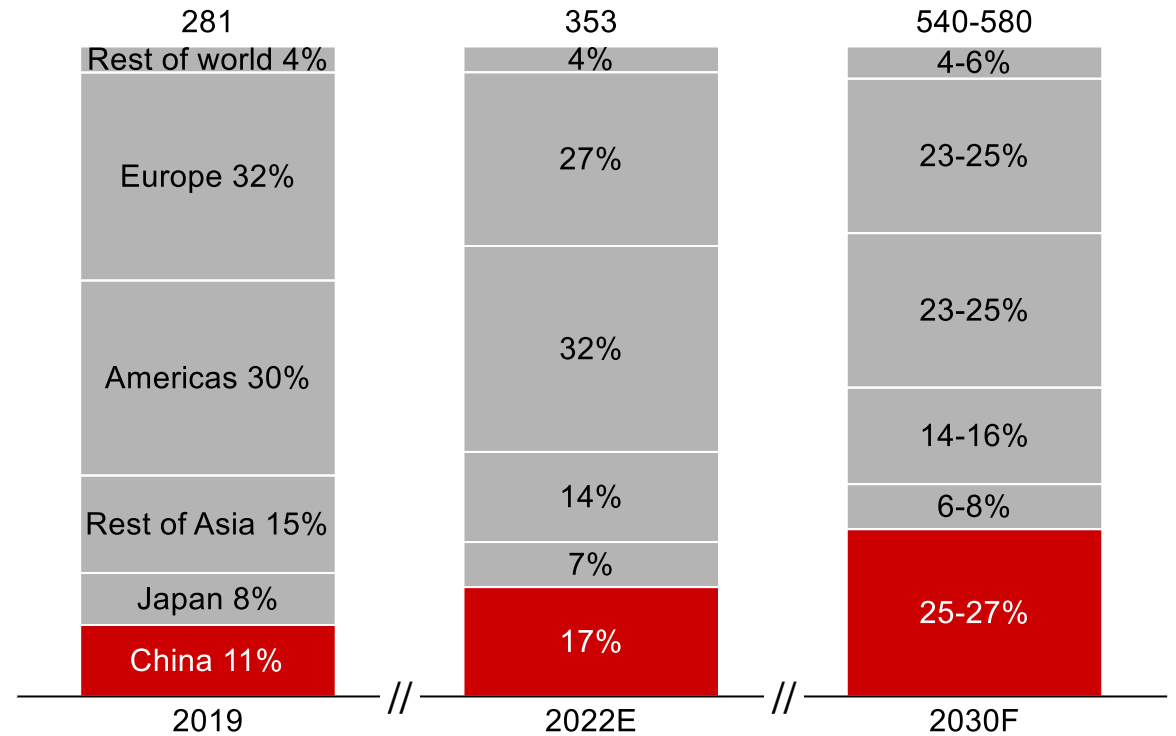
Regional dynamics: By 2030, Chinese consumers should become the top personal luxury goods customers again and China the biggest market

Share of global personal luxury goods market (€ billions)

Nationality



Region

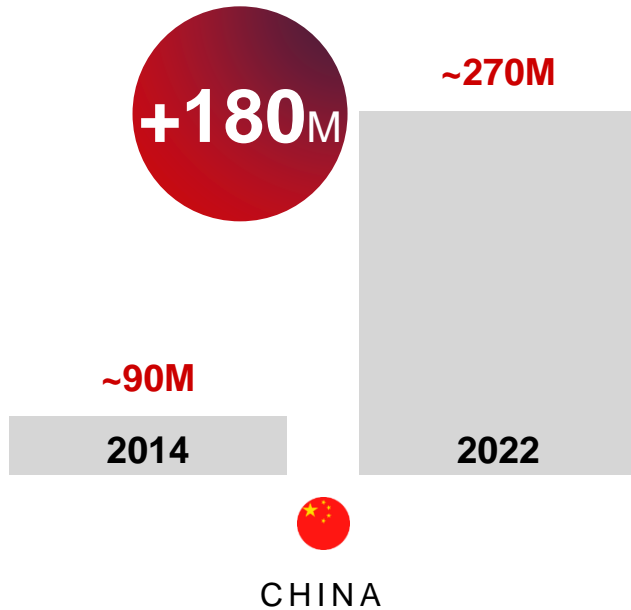


Note: Segments may not total 100% due to rounding
Source: Bain & Company

Some 'smaller China' likely to emerge in the next 10 years

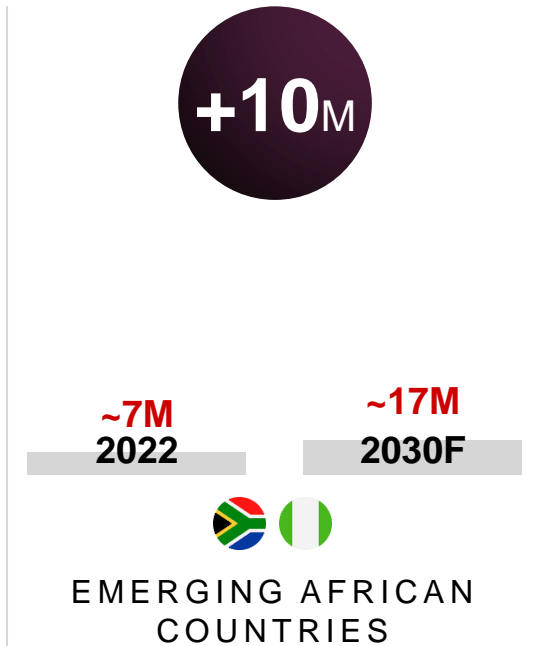
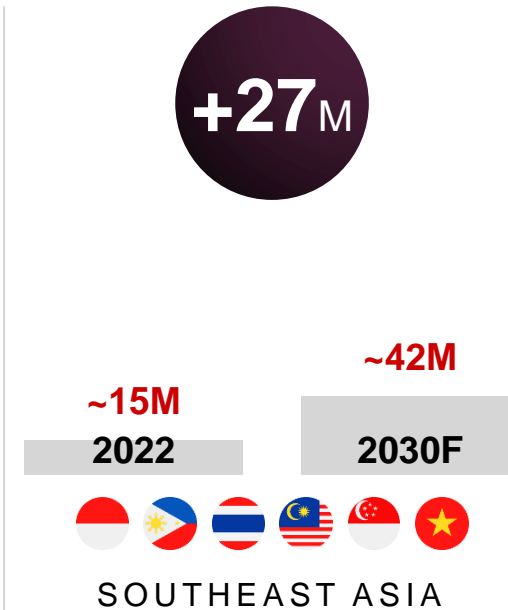
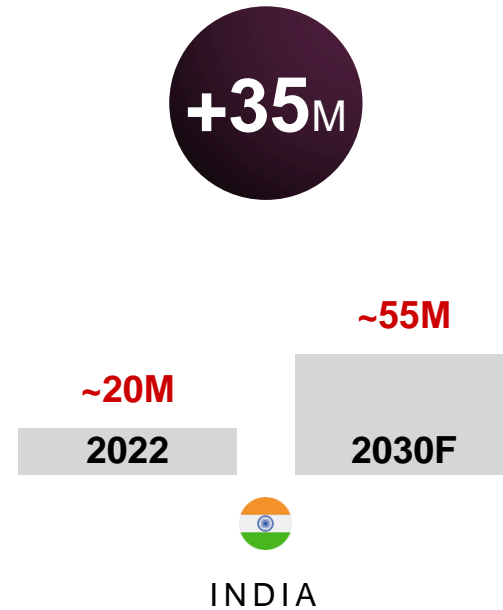
China was the growth behemoth of last decade

Mid- and high-income consumers by country



Future growth fragmented across emerging markets

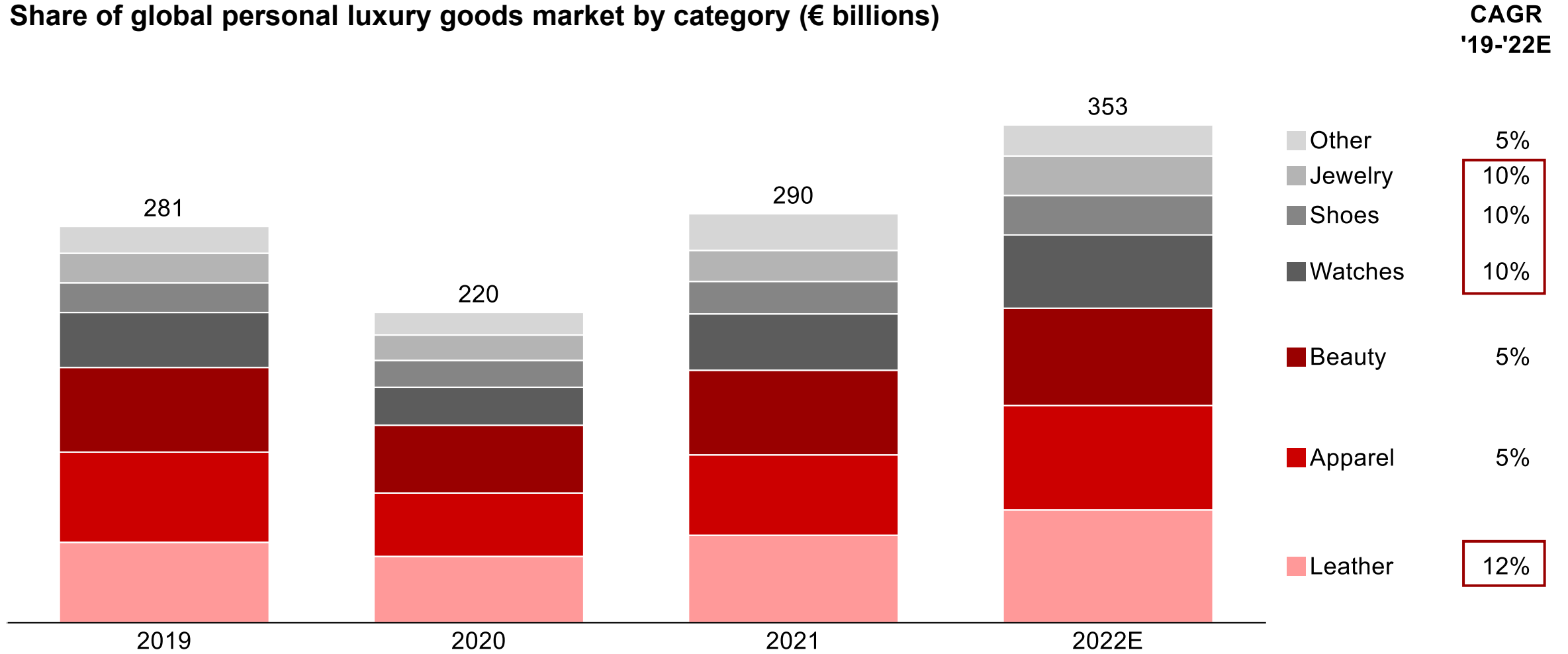
Mid- and high-income consumers by country



Top emerging countries will add approx. **70M** mid- and high-income consumers, **~40%** of China's increase in last decade

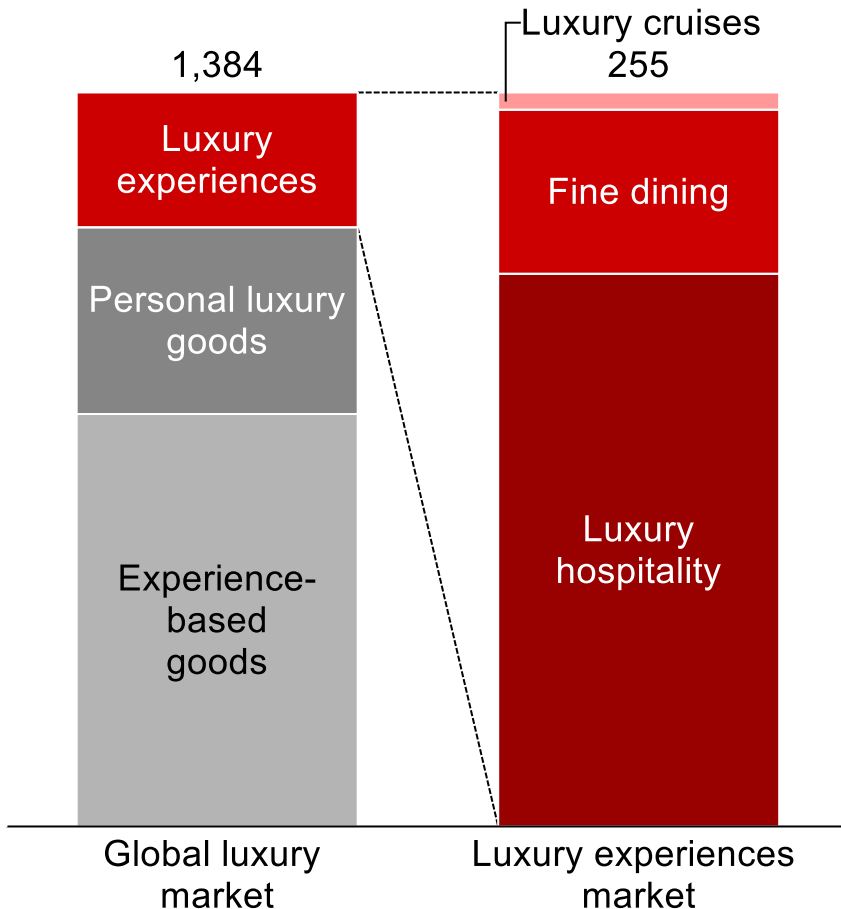
Category dynamics: All categories have grown beyond 2019 levels

Share of global personal luxury goods market by category (€ billions)



Return of experiences: Luxury players are making inroads to hospitality and dining

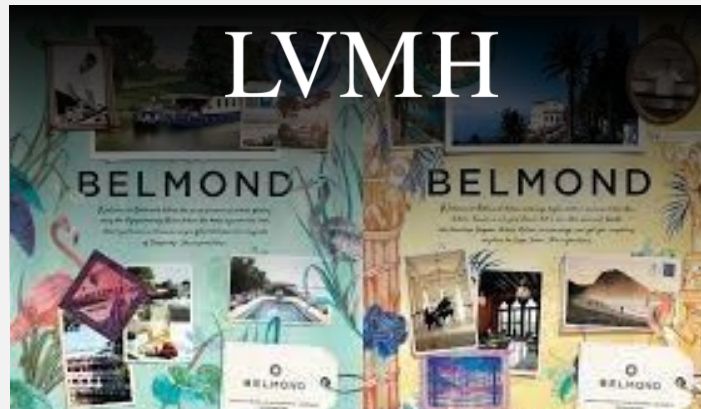
Global luxury market, by category (2022E, € billions)



Hospitality



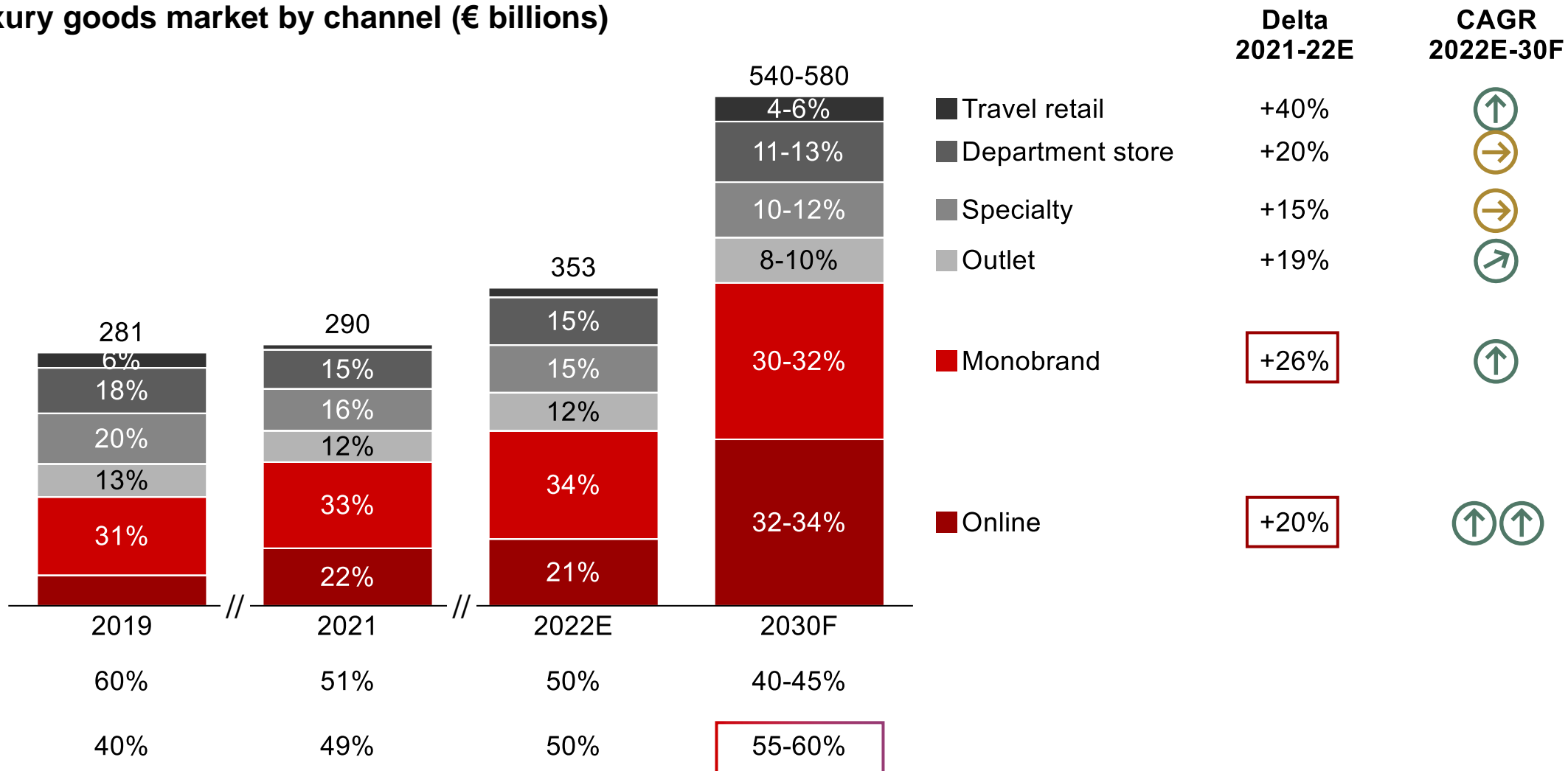
Fine dining



Notes: Growth shown at current exchange rates; experience-based goods include fine art, luxury cars, private jets and yachts, fine wines and spirits, and gourmet food; personal goods include high-end furniture/housewares and personal luxury goods; experiences include luxury hospitality, cruises, and fine dining | Source: Bain & Company

The unstoppable rise of **controlled distribution** **Online** on track to become the **#1 channel in 2030**

Personal luxury goods market by channel (€ billions)



Source: Altagamma "GlobalLuxuryGoodsWorldwideMarketStudyFall2021"

Beyond e-commerce, fusion of online and offline: Innovations in technology will let brands connect with their customers in new, data-driven ways

50%

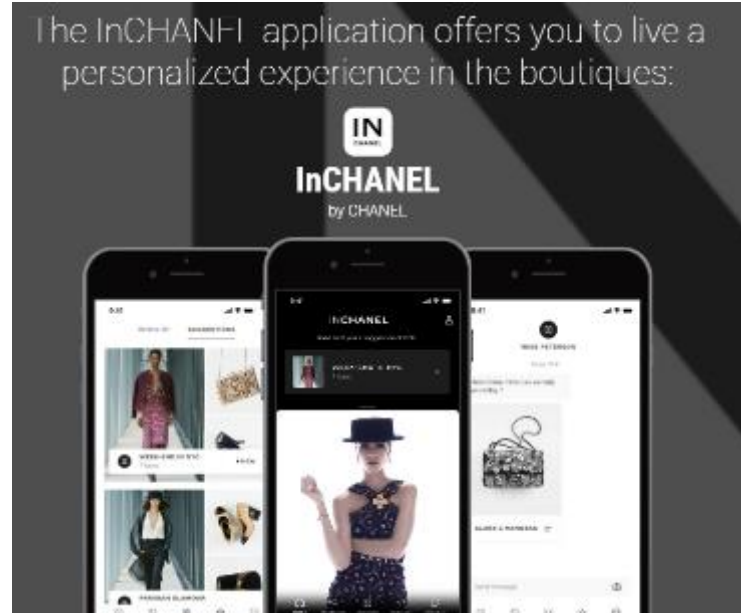
Digitally-enabled luxury purchases

Includes E-commerce, remote selling, omnichannel features (e.g. ship to store) and all sales strongly leveraging digital environment/tools

Distance selling from stores



Augmented Boutique



Omnichannel flows



Boutiques becoming fulfilment centers

Blending with art: Stores are increasingly being designed to let customers immerse themselves in a brand's values, aesthetic, and heritage

Louis Vuitton x Yayoi Kusama at Paris flagship



Dior flagship in Paris



Browns Brook Street in London



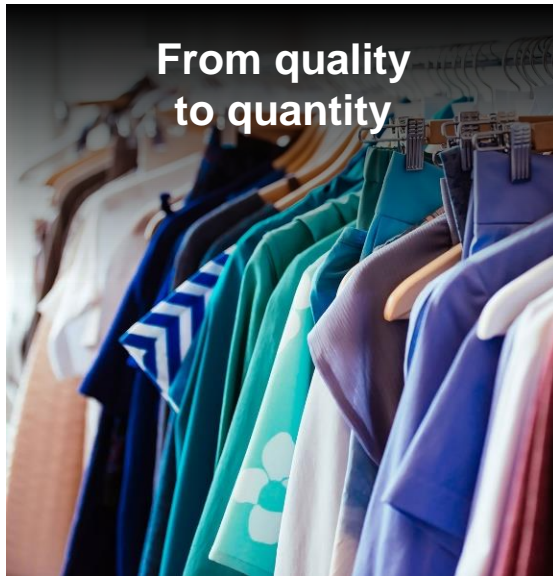
Urgency for results: The fashion industry is entering into the delivery phase, where results will be more important than commitments

1950-2010

2010-2015

2015-2020

2020-2030+



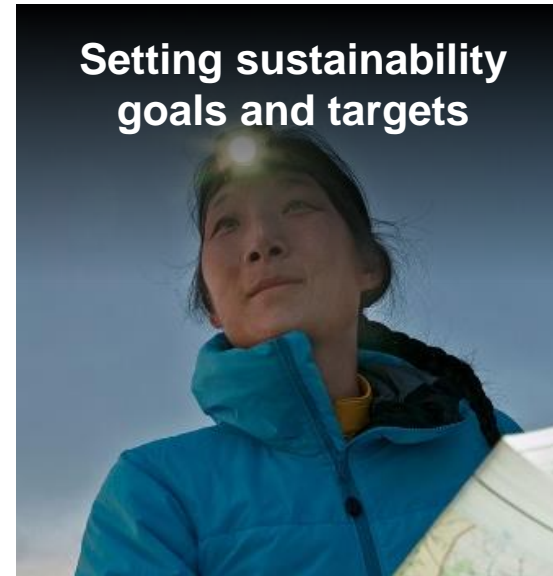
From quality to quantity

Global fashion **brands** emerge
Fast fashion takes hold



ESG enters the cultural mainstream

Discussion of the **social and environmental impact** of fast fashion become widespread



Setting sustainability goals and targets

Brands **set goals and commitments** for the future



Delivering on goals and pledges

Brands **will need to act on their pledges**, largely out of economic and regulatory necessity

But what does sustainable mean?: There is no standard definition of “sustainable fashion,” leading to confusion for brands and consumers

No agreed definition of sustainable fashion ...



“ [sustainable fashion] is a term now so ubiquitous in PR and marketing, so liberally applied to any brand that uses organic cotton or manufactures its goods locally, that its fundamental definition has become obscured

Stella McCartney, FT interview

“ There is this vast array of icons and language and terminology, all of which feed a dynamic where customers don't question a purchase, it reinforces a purchase

European Marketing Director, Patagonia

... and lack of a recognized and shared way to measure impacts

450+ certifications across the value chain



600+ ESG ratings & rankings, by 70+ firms



A number of sustainability initiatives and coalitions



Top priorities for Fashion brands: Five ESG topics remain highly material for fashion and luxury brands



85%



85%



80%



70%

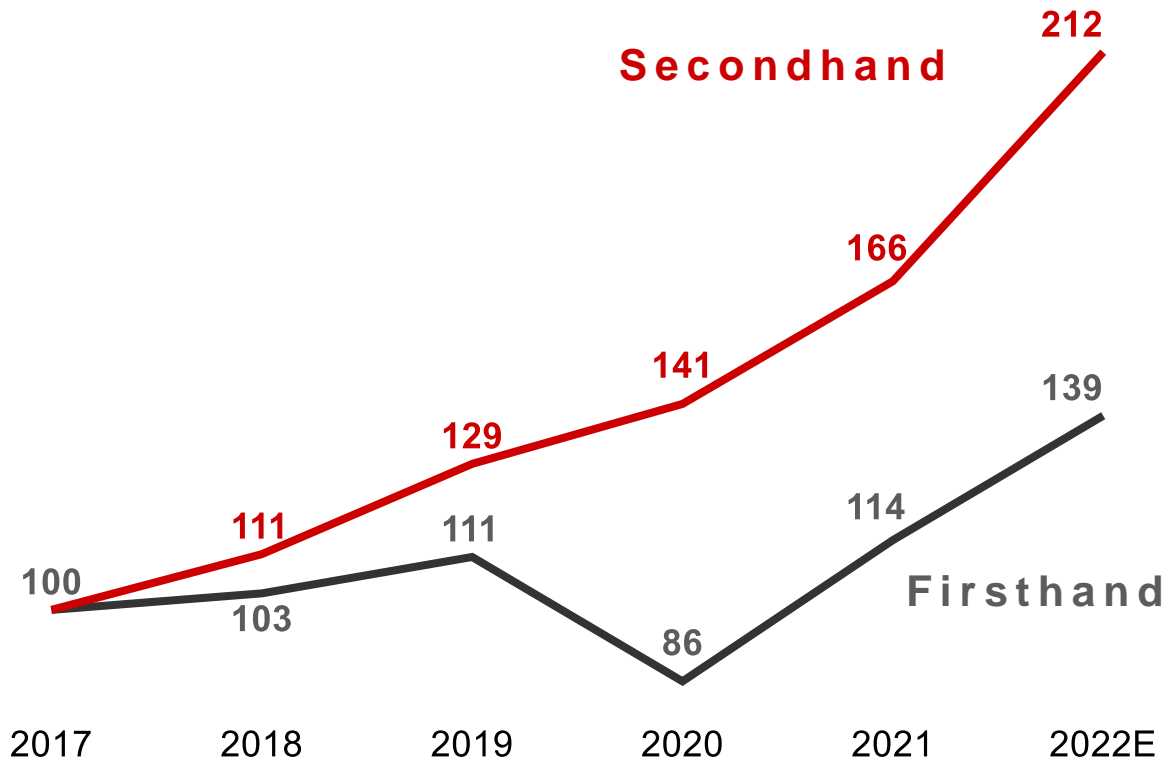


60%

XX% of brands that have each topic as a sustainability pillar in their ESG report

Circularity through secondhand: Pre-loved luxury continues to rise, especially watches

Secondhand vs. firsthand luxury goods market
(indexed 2017 = 100)



#1
category

~60% of the Luxury second-hand market in 2022



25%

Of French shoppers have **bought second-hand clothing, footwear and accessories** in the past 3 months...

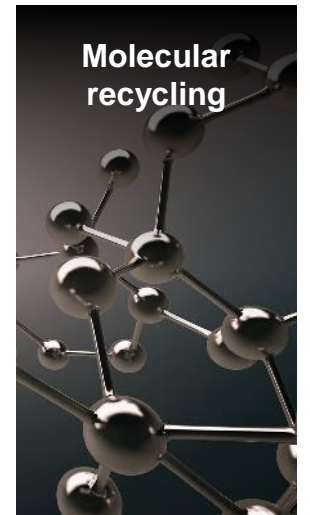
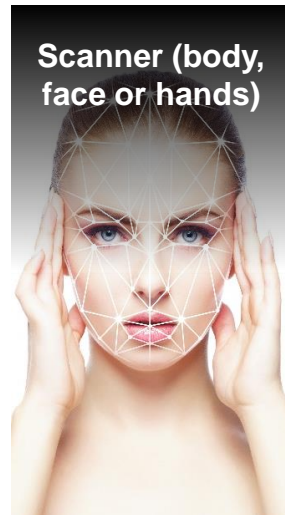
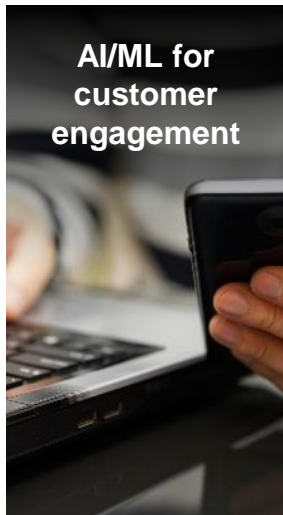
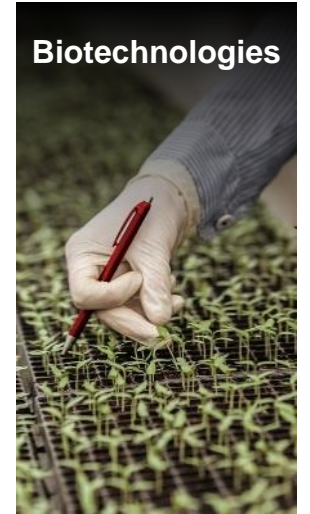
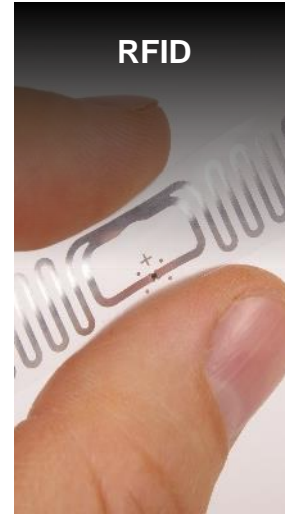
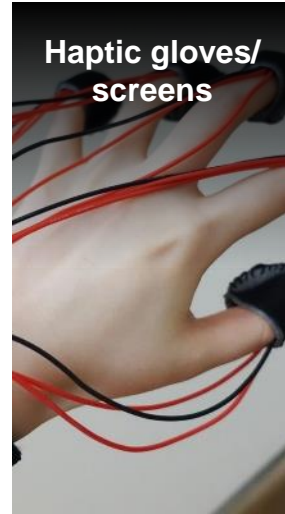
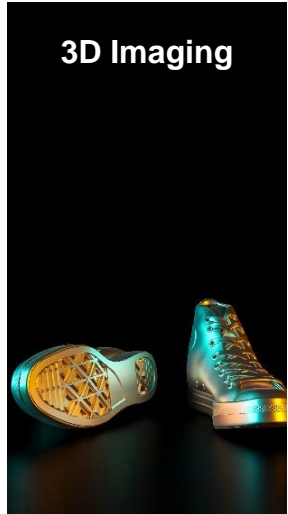


37%

...within **higher income bands**

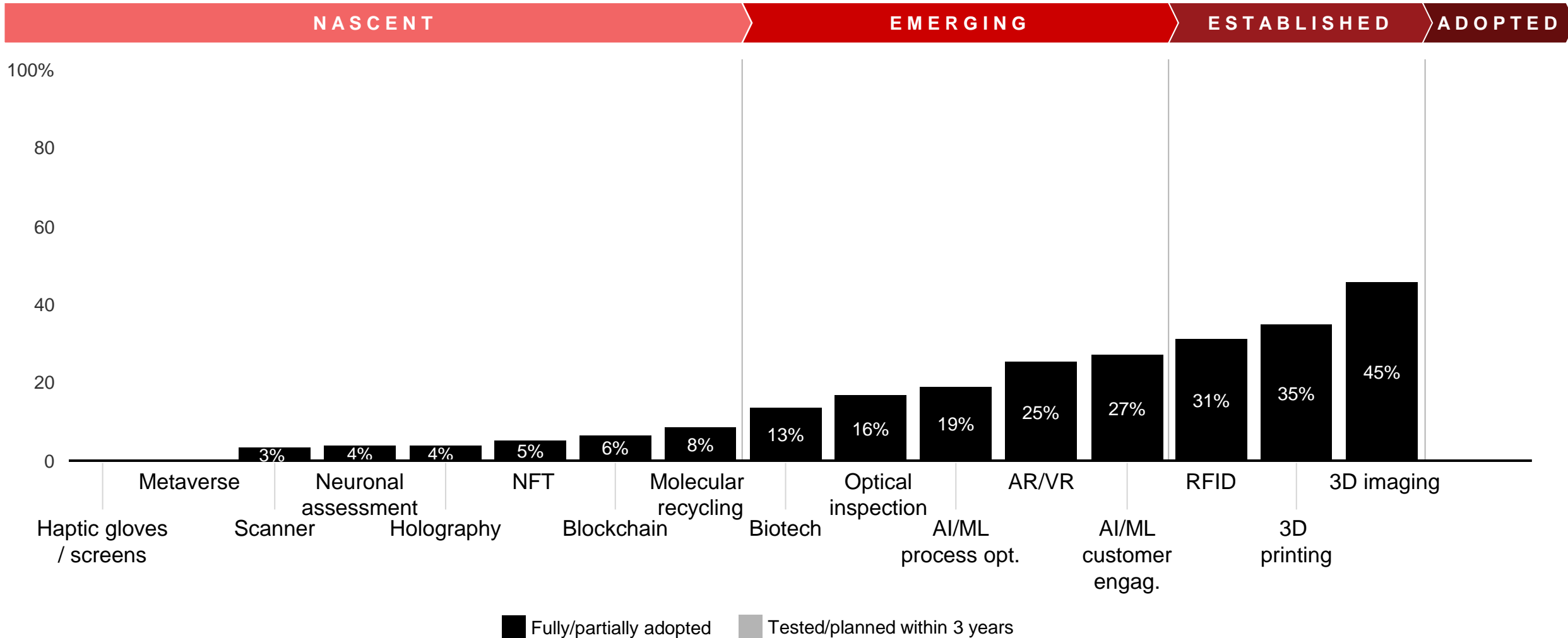


Technology across the value chain: Brands are finding new ways to use technology to boost operational excellence and connect with customers



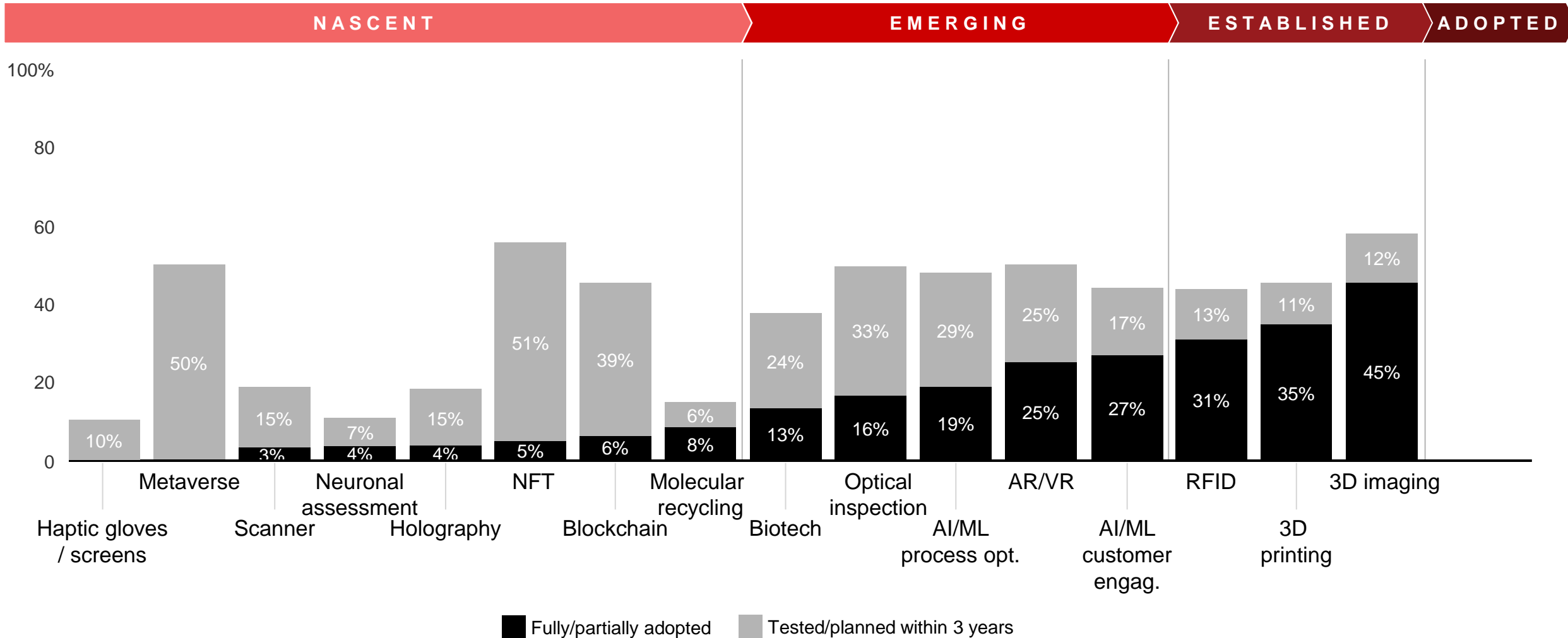
Slow but steady adoption: Luxury is not leading the pack in technology adoption

Level of adoption by technology



Slow but steady adoption: Luxury is not leading the pack in technology adoption, but is showing interest and curiosity

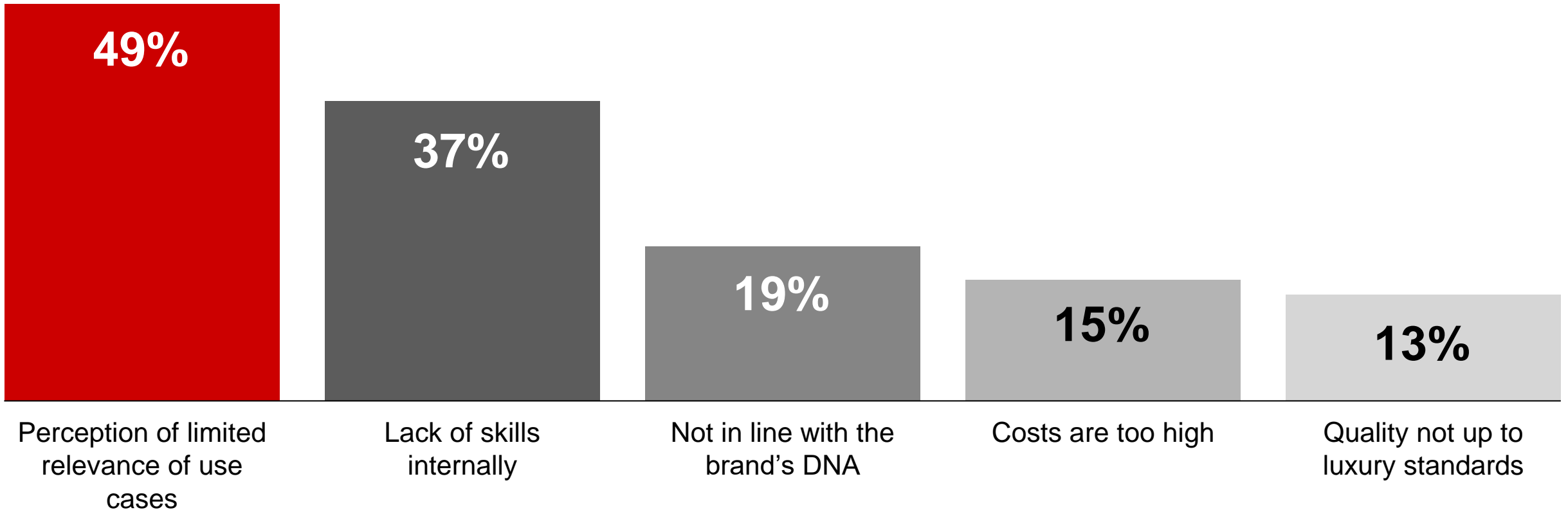
Level of adoption by technology



Barriers to adoption: Most often the reason for not using new technologies is a lack of perceived relevance or insufficient talent

Barriers to technological adoption

Reason cited for not deploying technology





How to win in the Future of Luxury

Master the customer journey to understand and anticipate the needs of an evolving customer base

Excel in omni-retail 3.0 to create a cohesive brand experience between online and offline channels and connect with customers

Trailblaze in sustainability by being open to newer and more sustainable materials, processes, and business models

Invest in technology and ensure adoption by building teams with strong capabilities

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Thank you.



Questions

