

BAIN - ALTAGAMMA
LUXURY GOODS WORLDWIDE MARKET STUDY
FALL 2023 – 22ND EDITION

Long Live **Luxury**

Converge to Expand through turbulence

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BAIN & COMPANY 

 **ALTAGAMMA**
CREATIVITÀ E CULTURA ITALIANA



Foreword on content and sources

Content of this document

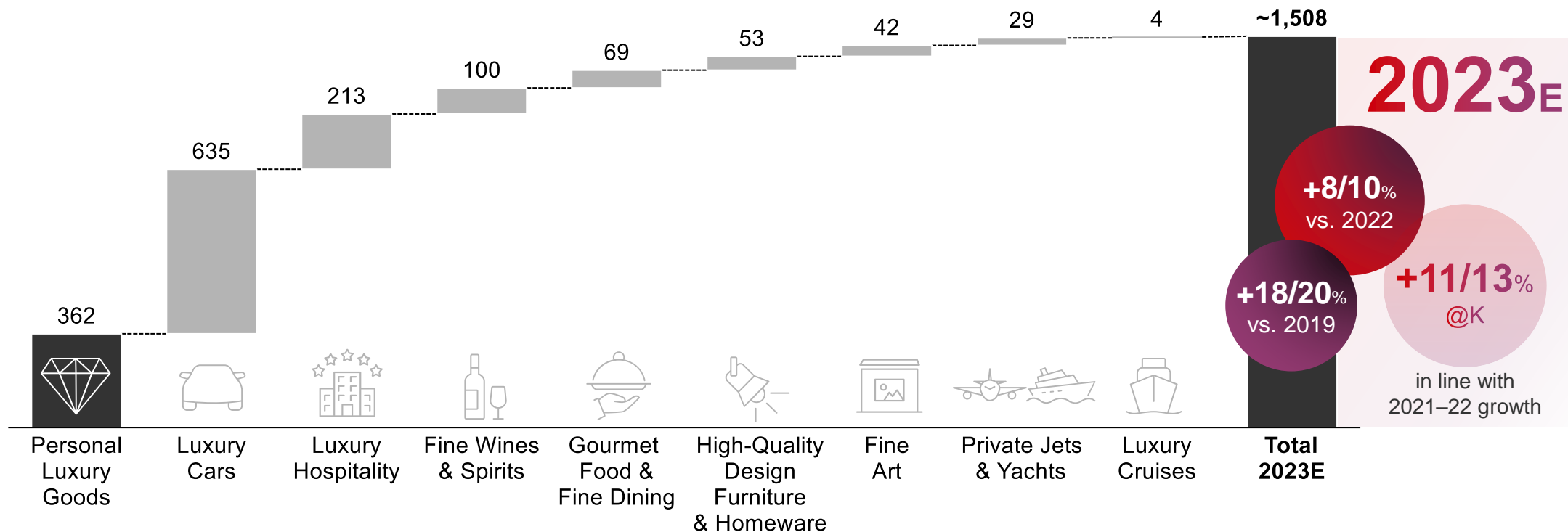
- This document contains **an update** on the **luxury goods market**, in particular:
 - Insight into the **performance of the market** for the **first three quarters of 2023**, with expectations for the last quarter
 - **Estimates** for how the luxury market will evolve **beyond 2023**, with related emerging **macro trends**
 - Bain's **recommendations** for how luxury players can **steer the next phase of growth**

Sources of this document

- The **insights** are based on **Bain's** triangulation of **information** and **sources**, available as of **November 10, 2023**, and include:
 - **Macroeconomic data** (e.g., GDP, consumer confidence index) and the latest **forecasts**
 - **Current trading performance** from relevant luxury industry players
 - Annual **reports**, quarterly **results**, and analyst reports
 - **Consensus of 100+ expert interviews**
- Outlooks **do not consider disruptive changes** in the **global sociopolitical** situation vs. the **status quo**

A new record year for luxury markets, with consumption expanding beyond products to re-engage with experiences

Global luxury markets (€B | 2023E)



2023E

+8/10%
vs. 2022

+18/20%
vs. 2019

+11/13%
@K

in line with
2021–22 growth

Year-over-year ('22–23E) growth

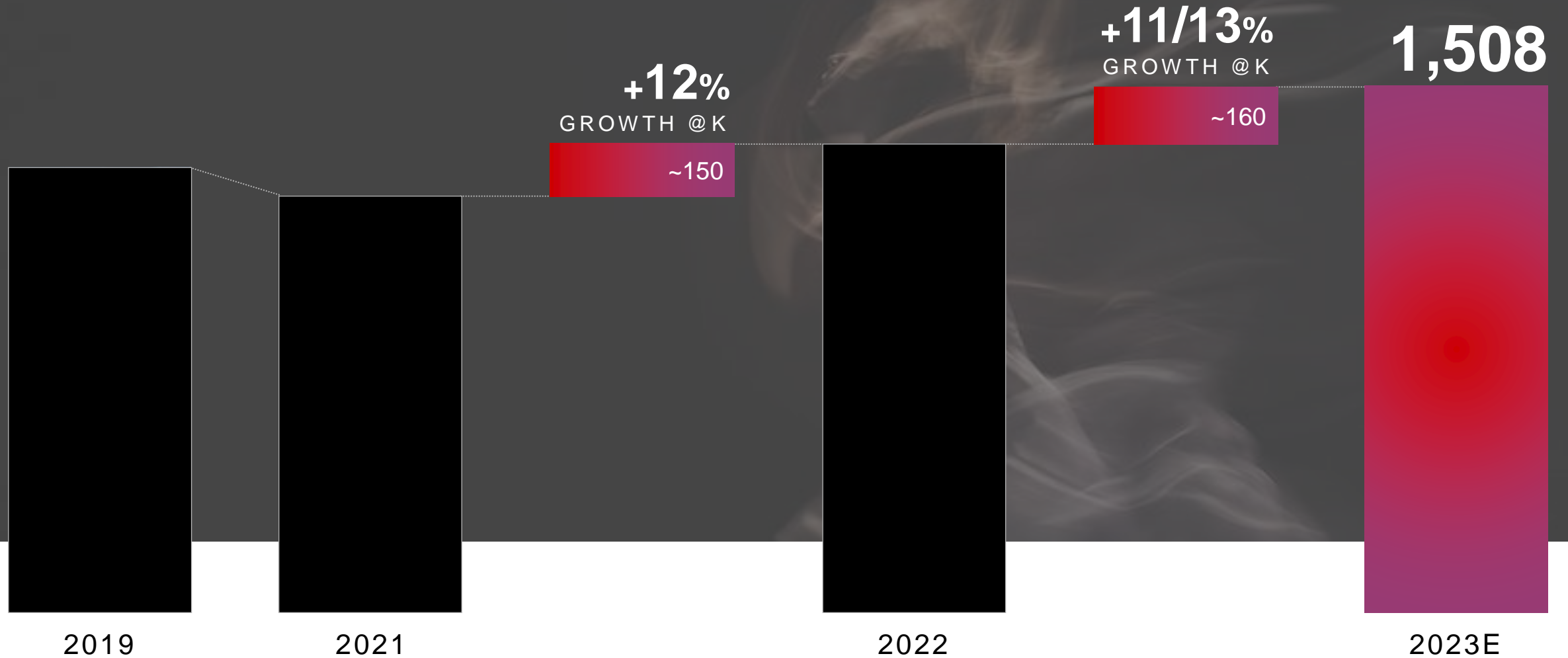
@Current FX
@Constant FX

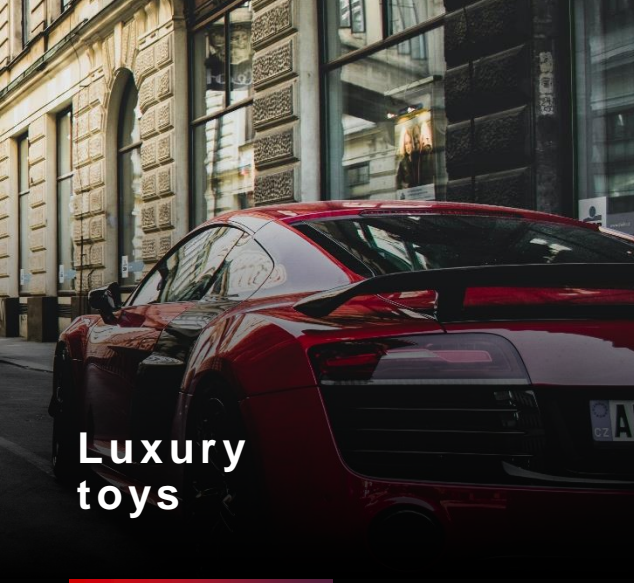
~4%	~12%	~14%	~5%	~10%	~0%	~2%	~11%	~113%
~8%	~15%	~17%	~8%	~11%	~2%	~3%	~13%	~116%

vs. 2019	+28/30%	+14/16%	+3/5%	+31/33%	+28/30%	+25/27%	+15/17%	+21/23%	+50/70%
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Luxury consumption is still there: aggregate spending across markets **growing at same pace** vs. last year

Global luxury markets evolution (€B | 2019–2023E | @constant rates)





Luxury toys

Luxury cars

strong **growth** thanks to **past year robust order books** and **easing of supply chain constraints**. Brands keeping investing in creating a **direct relationship with clients** to enhance sales and **after-sales experiences**

Luxury yachts

vivid interest from HWNI in line with recent past, with growing fascination for “**biophilic**” designs and “**holistic**” **yachting experiences**, favored by Gen Y due to increasing the relevance among buyers

Private jets

positive growth, supported by heightened enthusiasm for **custom-made interior designs** and for **shared-ownership models** (increasing owners’ flexibility)



Fine art & design furniture

Fine art

slight growth, with **polarizing performance** between auctions—witnessing progressive contraction owing to geopolitical tumults—and **dealers proliferating**, propelled by the **fervor of aficionados** and flourishing **curiosity about DEI topics**

High-quality design

growth normalization after postpandemic hypergrowth, as **broad real estate market cools down**, although **high-end residential projects** continue **demonstrating noteworthy resilience**



Food & beverage experiences

Wine

mild growth, hampered by downtrading of aspirational consumer partially counterbalancing the complete resurgence of **social interactions**, with sparkling and rosé showing most **vibrancy**

Spirits

on upward trajectory, yet with **stark variations in performance** between slowing meditation-driven (at-home) and burgeoning mixology-led (out-of-home) spirits; intrigue in **alcohol-free alternatives discernible among** the youngsters

Gourmet food and fine dining

strong growth, driven by increasing interest in **entertainment** as key dining factor, favoring experimentation of (new) collaborative models among different industry players



Out-of-home experiences

Luxury hotels

new high, above prepandemic levels, propelled by increase of **occupancy** and **sustained ADR** pushing upward the customer expectations; intense surge for consumer zeal for **unique** and **transformative experiences**

Luxury cruises

hyperbolic growth stimulated by unleash of bookings accumulated in last two years, with affirmation of consumer interest for the (new) ultra-luxury segment as well as unconventional voyages, further supported by increasing supply

Luxury toys continued experiencing robust growth, on account of strong(er) resilience of (U)HNWI consumers and ease of supply chain constraints



Luxury cars

- Following years of growth restrictions caused by supply chain disruptions, **luxury cars achieving substantial expansion across segments**—building on existing robust order book
 - Absolute luxury segment experiencing fastest growth as result of increased demand for **ultra-customized solutions**, and confirming the continued interest toward sustainable powertrains
 - **Aspirational segment growing steadily**, led by rising popularity of electric vehicles
 - Within **accessible segments**, new (Asian) market entrants **gaining ground** on account of **shifting consumer loyalty** in the region
- Continued brand push toward **establishing more direct relationship with consumers**, to **enhance purchase and after-sales experience**
 - **Online** expanding its role and **increasingly establishing** as a **self-standing purchasing** channel



Private jets and yachts

- **Luxury yachts continuing its sound growth path**, sustained by **vivid interest** from key consumer segments toward the category—and fueled by **strong order book** accrued in previous years
 - **Europe** confirming as key region for luxury yachts, while US and China experience slower growth on account of more challenging macroeconomics fundamentals
 - Rising share of **semi-custom projects**, allowing customers to **answer their desires for customization** while **achieving operational (production) efficiency**
 - Reinforcing consumer interest for **biophilic designs** (bringing nature into the boat), as well as **“holistic” yachting** featuring multiple on-board wellness areas
 - Market drifting toward larger sizes, to satisfy both **consumers’ needs** as well as the **additional space required by shipyards** to accommodate green fuel-cells
- **Private jet market confirming positive growth trend**, driven by:
 - Growing enthusiasm for **consumer-centric interior designs**
 - > Tendency of **younger owners** to **experiment**, favoring unconventional designs
 - > **“Bleisure”** trend, with owners blending **business** and **leisure** areas
 - Increasing interest in **shared-ownership models** (either to access the market or to boost flexibility), as well as SAF (sustainable aviation fuels)

'23E VS. '22 (%)

+11/13%

+14/16%

+10/12%

+21/23%

vs. 2019

22-23E@K

~€635B

+14/16%

~€29B

+12/14%

Market size 2023E (€B)

Design witnessing slowdown as real-estate markets cool off; art impacted by fewer auctions as global uncertainty rises



Fine art

- Fine art market **witnessing a subdued single-digit growth** in 2023, exhibiting a **dichotomy in performance** between **auctions** and **dealerships**
 - **Public auctions** undergoing a gradual downturn, attributable to a **lethargic US market** and **recent geopolitical disturbances**, further compounded by inconsistent performance in Asia
 - **In stark contrast**, dealerships experiencing expansion, extending physical locations as collectors seek **more tangible interaction** in the post-Covid era
- An **escalating shift** in the **customer base is noticeable toward Gen Y and female clientele**, fueling an interest in DEI subjects and **favoring the blossoming** of online channel
 - **Online access** aiding **art market democratization**, with elevated levels of price transparency and ease of accessibility lowering barriers of entry for budding collectors and emerging artists
- Following continuous escalation in **artwork prices** in previous years, 2023 presents itself as a comparatively subdued year, with only selected masterpieces holding their anticipated valuations



High-quality design furniture & homeware

- **Core high-quality design market witnessing a normalization moment after two years of postpandemic hypergrowth**, driven by a general cooling of real-estate market across geographies on account of high interest rates, mostly impacting Americas and Northern Europe, whereas Southern Europe experiences more positive performance
 - In parallel, **high-end residential projects continue demonstrating noteworthy resilience**, driving growth of **soft-contract segment**
- **Living and bedroom** and **outdoor** best-performing categories, favored by lower “impulse” purchase and continual consumer interest in upgrading their living spaces whenever possible
 - Conversely, lighting **experiencing temporary slowdown** after years of exceptional performance, as **consumers** (partially) **set aesthetic aside in favor of budget constraints**, given similar technical performances
- Beyond residential market, **design consumption in commercial spaces holding stronger**, favored by need to elevate customer experience across commercial and hospitality spaces

'23E VS. '22 (%)

+1/3%

+15/17%

-2/2%

+25/27%

vs. 2019

22-23E@K



Market size 2023E (€B)

Resurgence of social interactions fueling growth in fine dining and drinking, with growing interest in experimentation especially among youngsters



Fine wines & spirits

- **Fine wine** posting **mild growth**, with complete resurgence of social interactions and conviviality occasions partially hampered by downtrading of aspirational consumers
 - Sparkling and rosé showing most **vibrancy**, with **notable popularity** extending beyond Europe and especially in **resort locations**
- **Spirits on upward trajectory**, yet with **stark variations in performance** between slowing meditation-driven (at-home) and burgeoning mixology-led (out-of-home) spirits
 - While **cognac** and **whiskey mostly impacted** by reducing at-home time and **US consumption normalization**, agave-based spirits maintained **strong momentum**, stealing “share of throats” to gins within mixology occasions
 - **Baijiu** confirming the recent **strong interest** from local Chinese consumers, on account of local policies and still-to-recover travel retail purchase (in Europe)
- **New trends** emerging especially **among the youngsters**, with heightened intrigue in **alcohol-free alternatives**, yet without losing tasting experience and positive momentum for **ready-to-drink** solutions

'23E VS.
'22 (%)

+4/6%

+31/33%

vs. 2019

22-23E@K

~€100B

+7/9%



Gourmet food & fine dining

- **Fine dining** exhibiting **strong growth** (~+18/20%), driven by the “*entertainment-is-the-star*” segment, favoring experimentation of (new) **collaborative models** among industry players
 - Customers' quest for camaraderie and merriment is shaping the “**fun-to-table**” **ethos** as a **crucial determinant in selection**, thereby blurring the line between dining and entertainment
 - In parallel, **craftsmanship** involved in **concocting cocktails** is increasingly becoming an indispensable component of the menu
 - Moreover, **increasing attention to DEI topics** triggering waves that resonate beyond traditional “hygiene” factors (ingredients traceability, biologic, etc.), with focus now **extending to the sphere of talent management**
- Moreover, the gastronomical landscape is witnessing a **resurgence of traditional cuisine** alongside the usage of **conventional preparation techniques**, with particular interest in **naturally sourced ingredients**
 - “**Forgotten**” food hitting back, with the usage of **less-refined** (but qualitative) ingredients
 - Return to the à la carte menu as the **dining scene becomes** more casual and relaxed
- At-home **urban gardens** foods increase, also driven by a request for more **sustainable** and **diverse** consumption occasions

+9/11%

+28/30%

~€69B

+10/12%

Market size 2023E (€B)

Luxury hospitality and cruises thriving, propelled by an intense surge in the appetite for unique, personalized, and transformative experiences



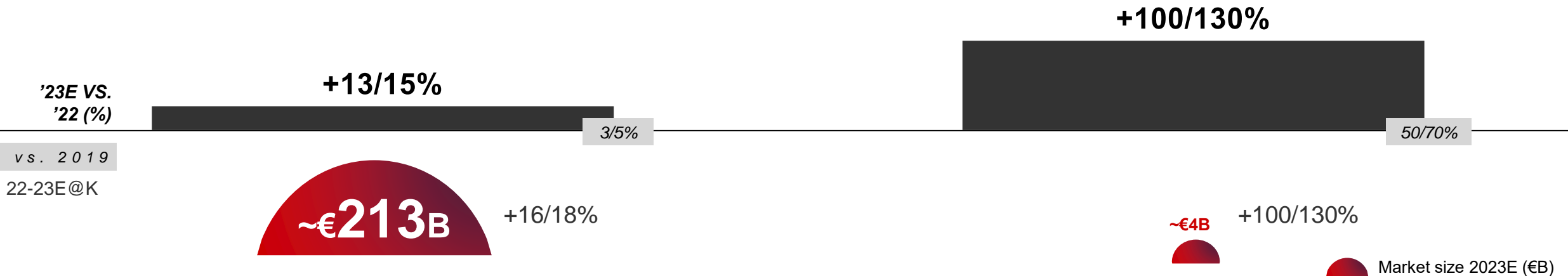
Luxury hospitality

- Luxury hospitality **market recovering above pre-Covid levels** propelled by increase in **occupancy** and **stabilizing ADR**, with different **nuances across geos**:
 - **US and Latin America** experiencing positive growth, fueled by intraregional touristic inflows
 - **China** remaining below pre-Covid levels, despite borders reopening
 - Across regions, consumer standards for “acceptable performance” levels are rising, as room rates stabilize at higher levels vs. the past
- Intense surge in the appetite for **unique, personalized, and transformative experiences**, favoring a “disconnection” from the life one normally lives
 - Heightened expectations on experience among HNWI/UHNWI, with players seeking to **add value** through services going **beyond traditional luxury amenities**
 - **Impact-consciousness**, particularly among Next Gens, pushing industry toward offering more authentic and culturally immersive experiences and implementing sustainable in-house practices
 - However, rising service expectations calling for adequate **new tech solutions** and **data usage**, with talent attraction and retention remaining key to excellence



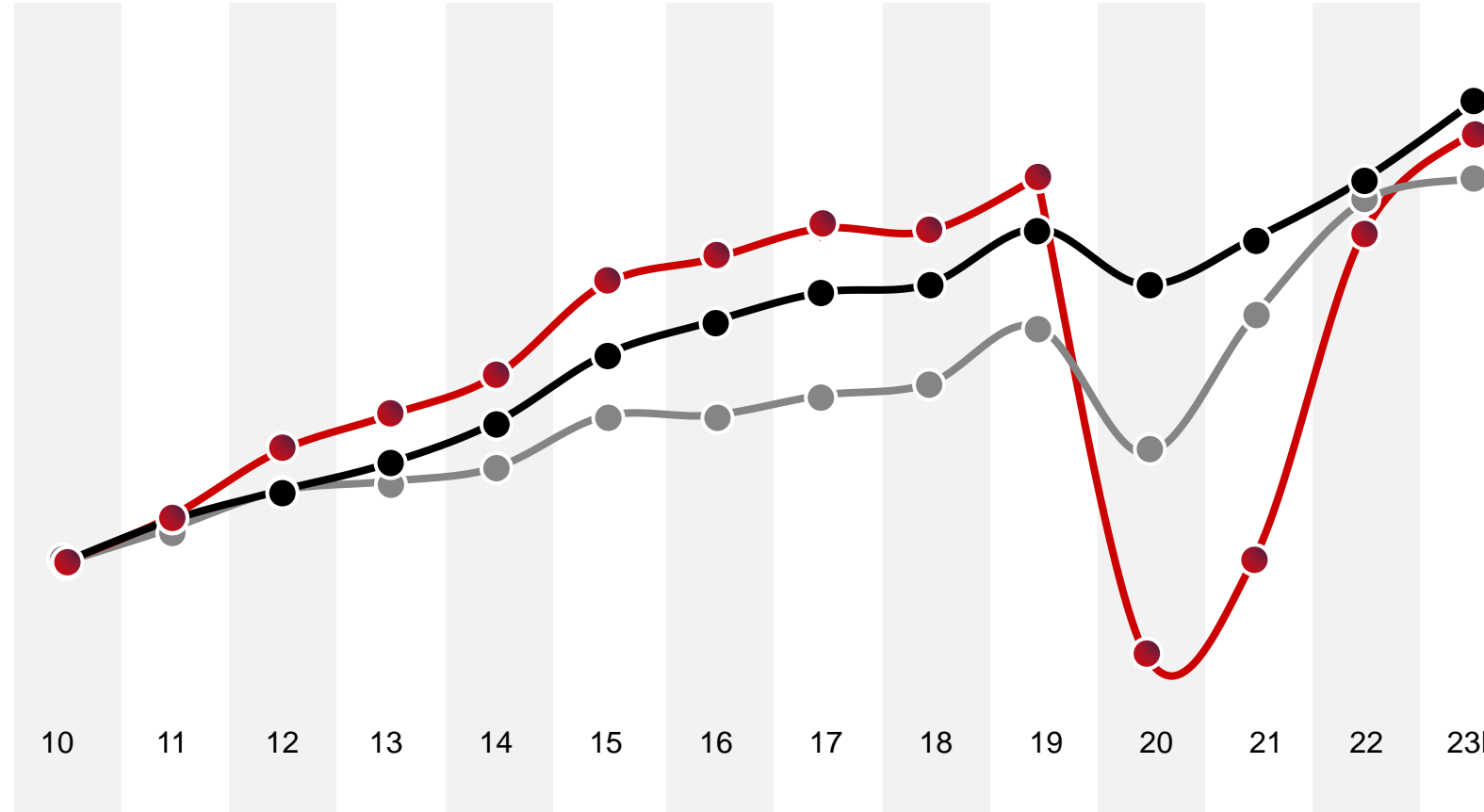
Luxury cruises

- Cruises undergoing **strong growth**, stimulated by unleash of **bookings** accumulated in last two years, with affirmation of **consumer interest** for the **(new) ultra-luxury segment** as well as unconventional voyages
- Increasing demand for **ultra-customized experiences**, looking for higher levels of **comfort, service, and privacy** during cruises
 - Travelers seeking to pay more for **high-end accommodations**, with players investing in **smaller ships** featuring more **spacious cabins** to ensure more personal space while avoiding overcrowding
 - **Food & beverage** playing an **increasingly pivotal role** for cruise enthusiasts, with players intensifying on collaboration with **renowned celebrity chefs**, and widening wine and cocktail menus
- In response, several high-end **hospitality and travel** players progressively tapping into the segment, with one ship already launched and more than five planned for the near future



Consumer appetite for **experiences** driving **rebalancing** in discretionary spending throughout 2023

Growth of global luxury goods segments, indexed to 2010



	CAGR 2010–19	CAGR 2019–23	YoY 2022–23E
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Experience-based goods	8%	~4%	~10%
Experiences	9%	~1%	~15%
Luxury products	6%	~7%	~3%

Experiences

Spending on experiences recovers historical highs, with consumers reapproaching luxury beyond products, fueled by a **sense of urgency** for social life and travels

Experience-based goods

Experience-based goods unleashing growth previously restrained by exogenously-imposed disruptions, with **solid demand** across markets

Luxury products

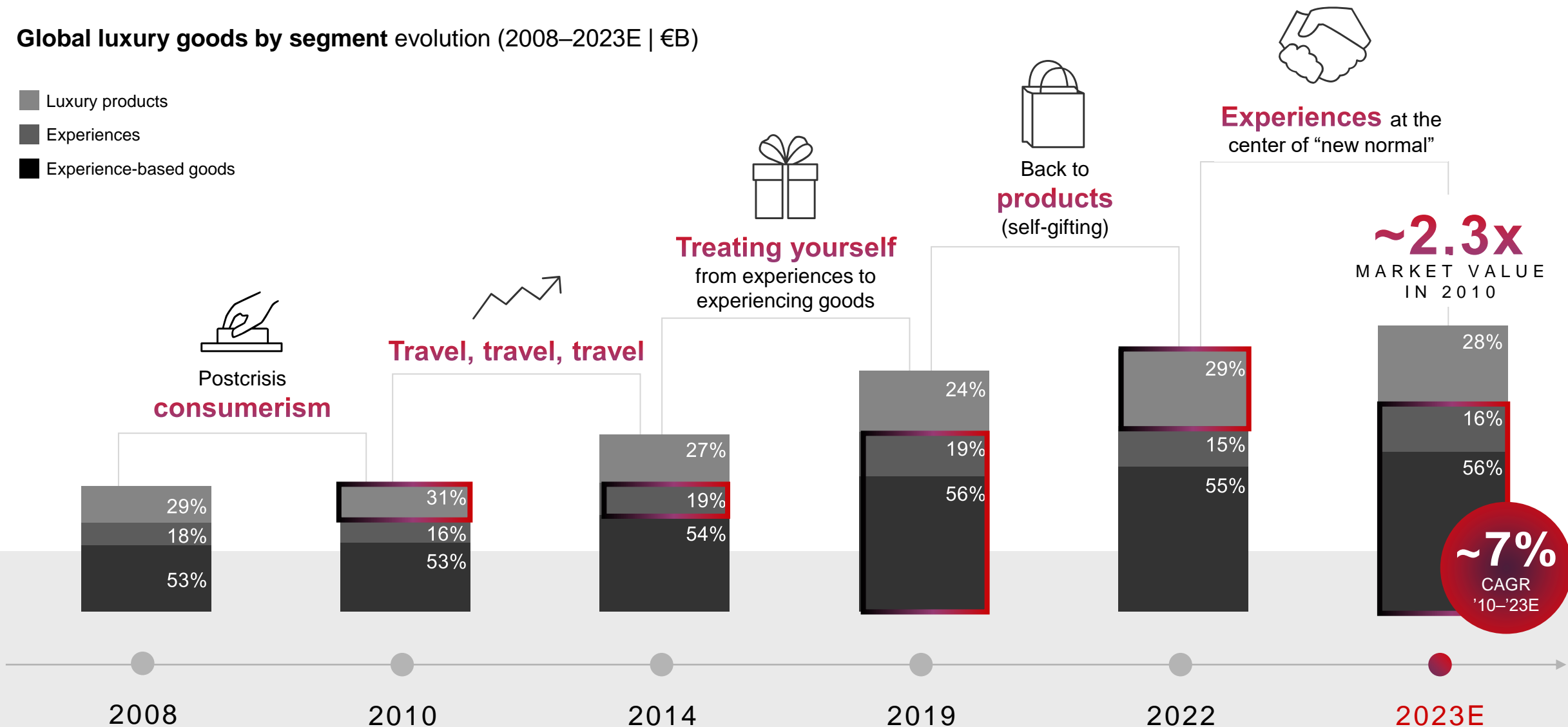
Products still growing, yet **normalizing**, as discretionary spending rebalances toward lived-in experiences

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; luxury products include high-end furniture/housewares and personal luxury goods; experiences include luxury hospitality, cruises, and fine dining

Over time, overall luxury market has gone through **different eras**

Global luxury goods by segment evolution (2008–2023E | €B)

- Luxury products
- Experiences
- Experience-based goods



Broader luxury markets **balanced across regions**

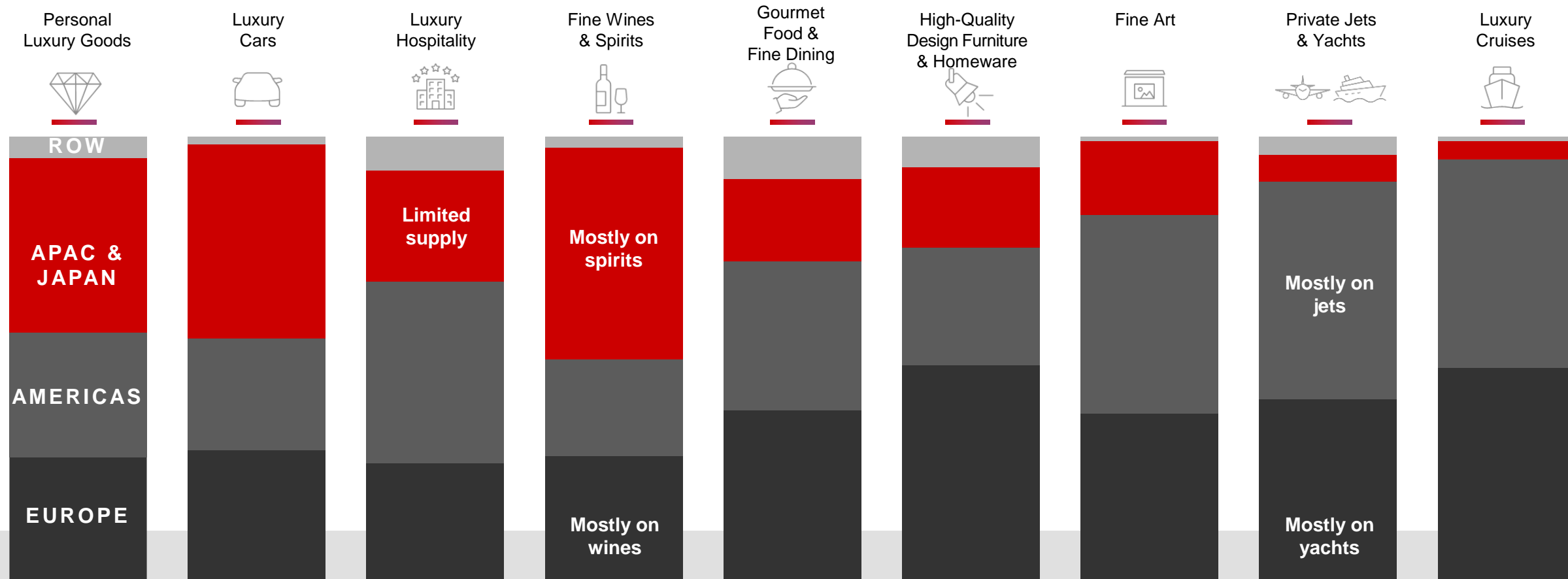
Asia main recent growth engine

Global luxury market evolution by region
(€B | 2019–2023E)



Local specificities may unlock development opportunities across segments and geographies

Global luxury markets by region (€B | 2023E)

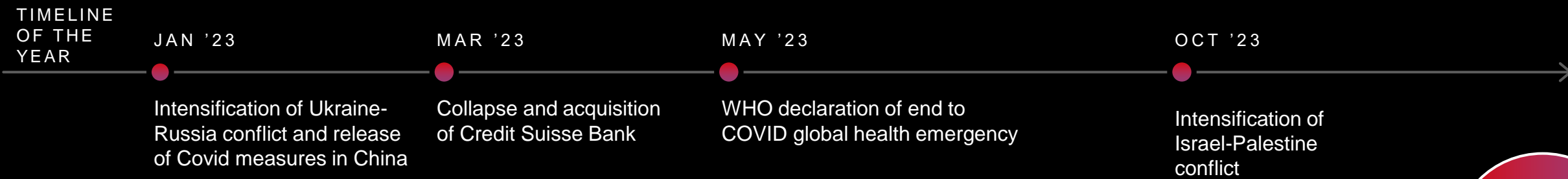


PULL
with some markets already there



PUSH
and others yet to be conquered

In front of pronounced geopolitical and macroeconomic shifts, luxury markets proved unparalleled resilience so far



FY23

Real GDP growth

~-2p.p.
vs. 2022

Reducing vs. 2022

yet progressively narrowing the gap throughout the year

Inflation

~0.7x
vs. 2022

Decreasing vs. 2022

Continuously recovering, although still relevant

Consumer confidence

~+0.9p.p.
vs. 2022

Stacked on a low-level vs. prepandemic era (yet slightly recovering vs. 2022)

with China scoring lowest-ever values and dropping in last months

Currency exchange rate
(vs. EUR)

~+4%
vs. 2022

Euro getting stronger

against all, and with JPY depreciating more than proportionally

Luxury goods

MARKET FEATURES ACROSS '23

+11/13%
'22-23E @k

Sound HNWI base

High Net Worth population, continuously growing and expanding its wealth

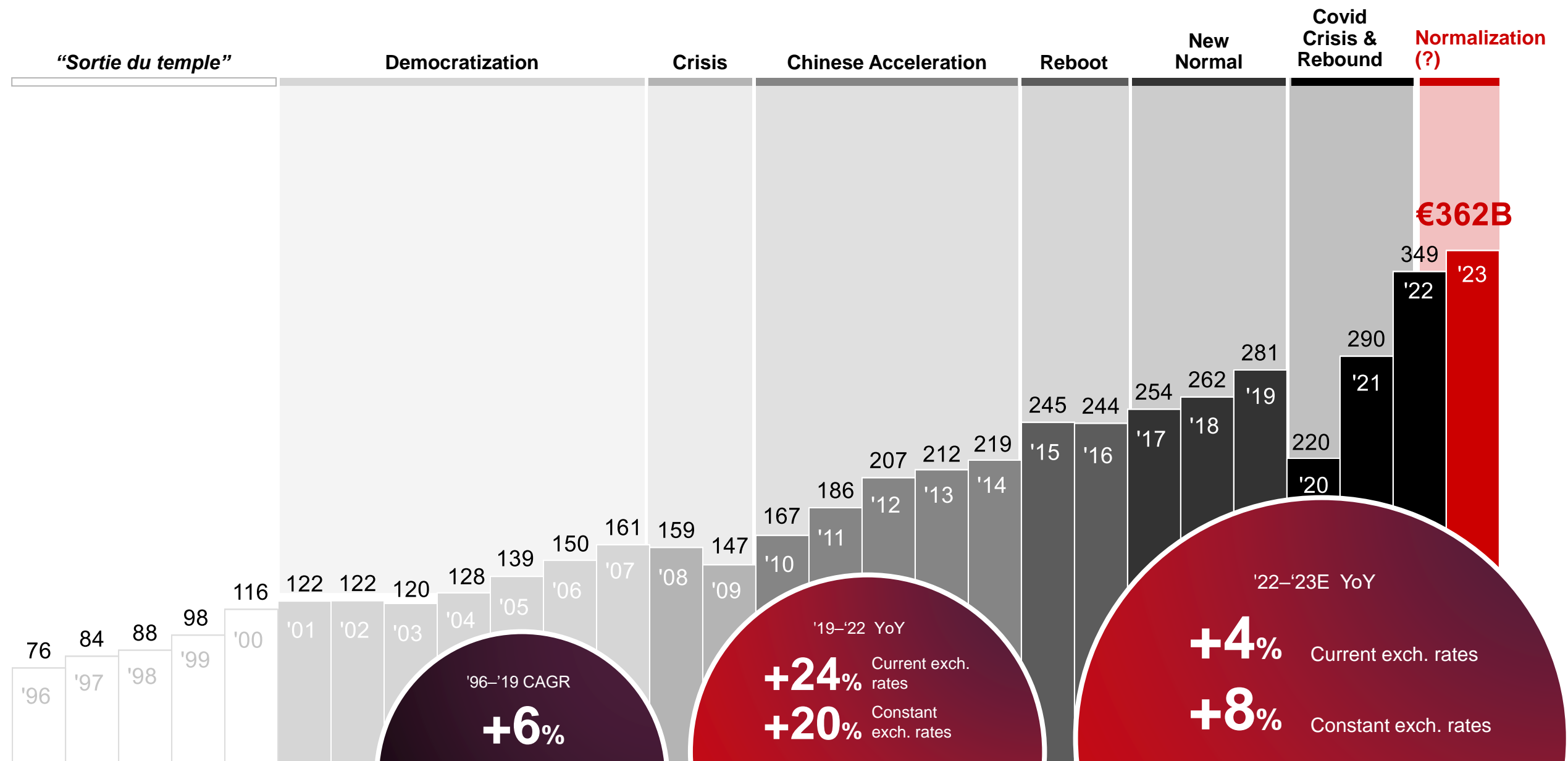
Ultra-high consumers on the rise

Top customer base increasingly taking share, constantly engaged by brands through ad hoc activations

Re-accelerating touristic flows

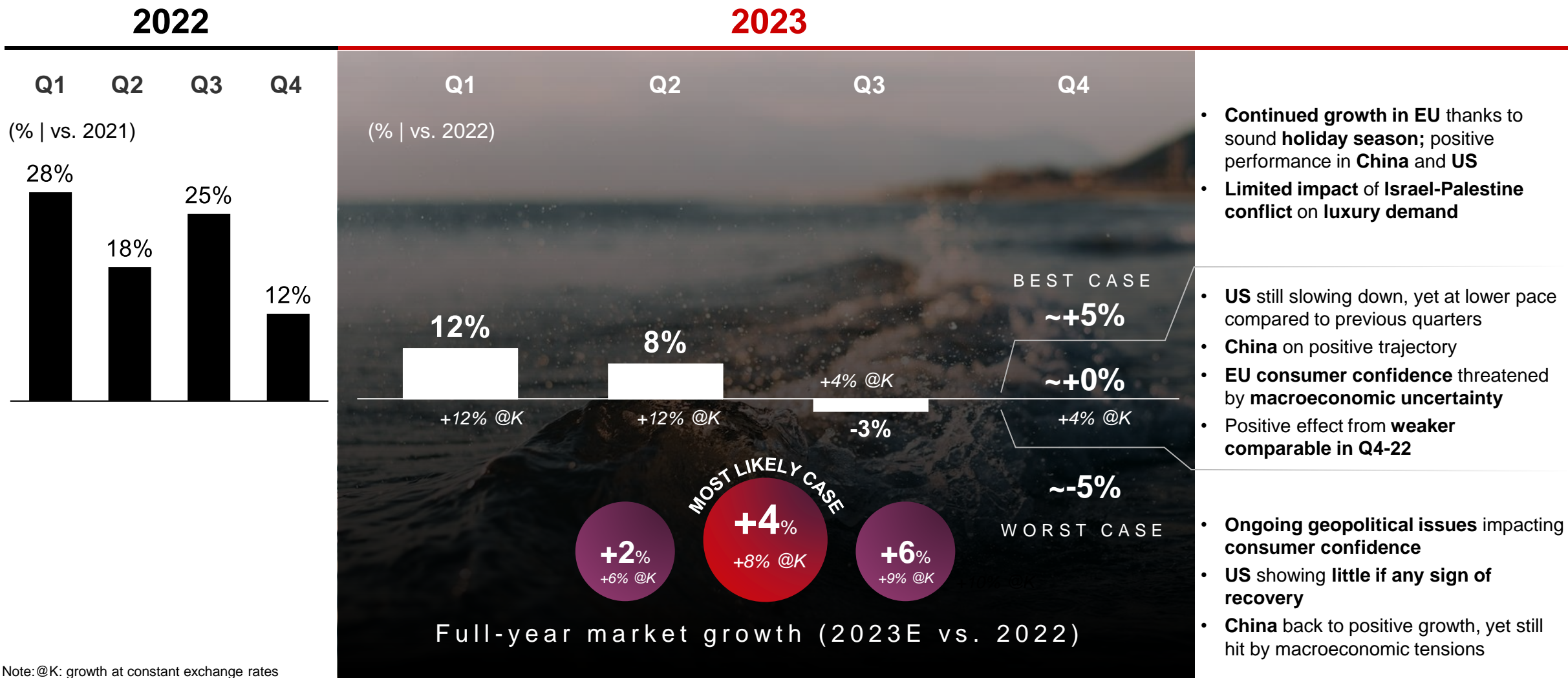
Tourists spending superseding or approaching prepandemic levels across regions

Amid uncertainty, personal luxury posting another year of growth in 2023



Lowering quarterly trajectory; Q4 performance highly exposed to daily winds, with China on a positive trend, while Europe and US slowing down

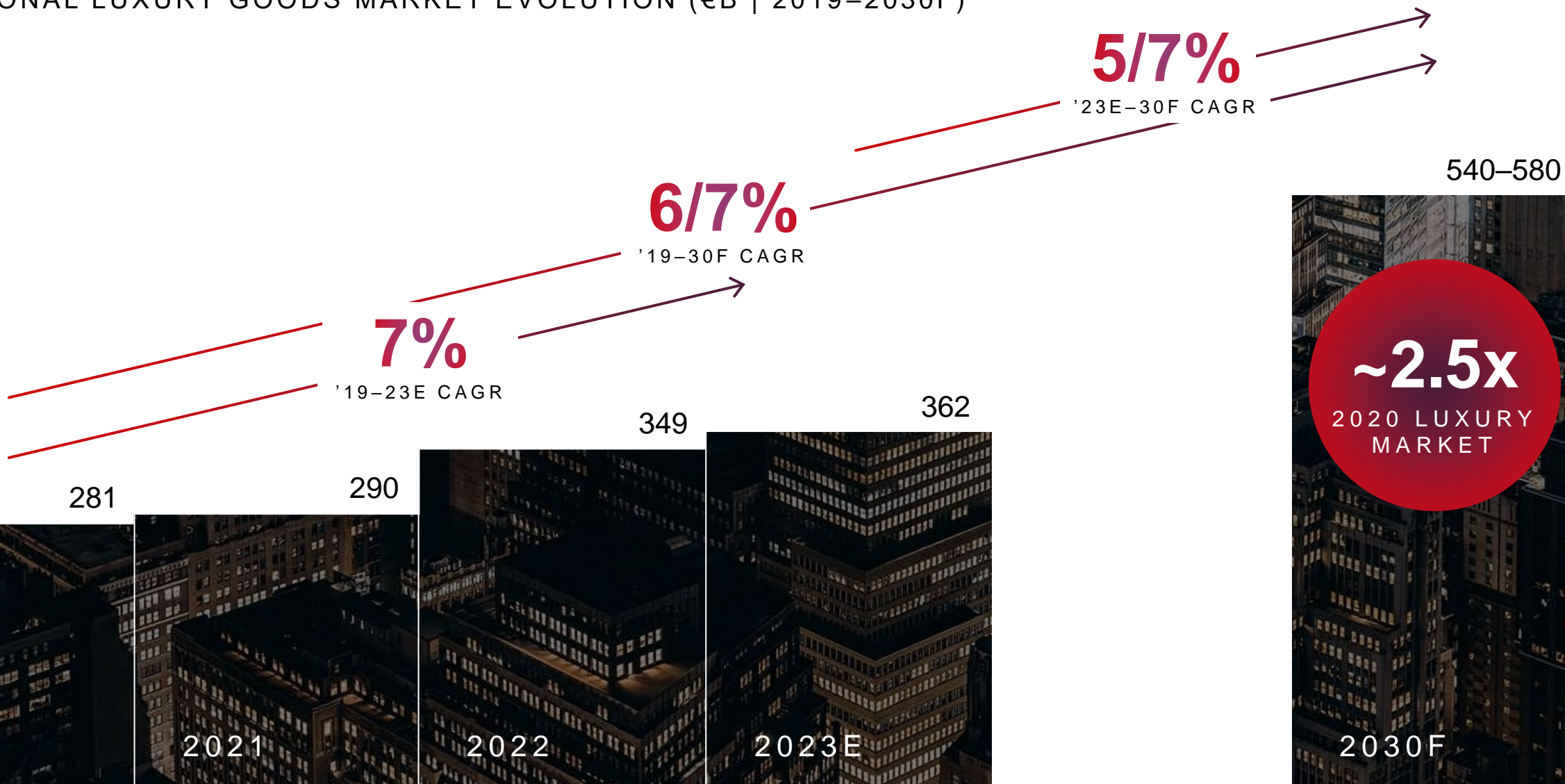
Personal luxury goods market evolution by Q



Note:@K: growth at constant exchange rates

Despite possible bumps along the route, solid fundamentals poised to drive market growth in the upcoming years

PERSONAL LUXURY GOODS MARKET EVOLUTION (€B | 2019–2030F)



2023

Are we in a **defining moment** in luxury market history?

With **uncertainty** at its historical peak, **resilience, relevance, and renewal** are the basics of the new/old **value-centered luxury equation**

Multidimensional **puzzle** with some **moving pieces**

Suns awakening, **shadows** rising

Touristic luxury consumption back

Tourists to follow

Multigenerational complexity unfolding

Luxury **back to (new) basics**, while evolving its **meaning**

Excellence + Purpose in the quest

Continued elevation, leading to **opportunities/tensions**

Brand-customer gap narrowed, evolving **role of touchpoints**

Winners vs. Losers gap: how to stay in the game?

Polarization strikes back

Bold decisions ahead, on behalf of the customer

Booming Japan thanks to locals and tourists; China between reopenings and uncertainties; Europe still sound, while Americas facing harder times

Japan

Sound local customers with renewed energy and interest toward the sector

Weak yen attracting **tourist inflows** (especially Chinese) throughout the year, with luxury products as one of the many spending items

Brands revamping interest in **exclusive partnerships with local craftsmanship and creativity** to increase cultural relevance

+17%

+27% @K

€29B

Mainland China

Strong start of the year, yet **progressively slowed down** as **macroeconomic issues** arise

New **economic stimuli** in Q3 expected to relief performance from year end down to 2024, encouraging **growth of local consumption as well as investments in (new) Tier 1 megacities**

Hainan poised to grow as bright **luxury hub**, set to become an entirely duty-free (with ad-hoc tax system) island by 2025

+9%

+12% @K

€56B

RoW

Middle East showing **strong growth across the board**; abrupt shock after **Israel-Palestine conflict awakening**, rising uncertainty for upcoming months

Dubai remains the key hub; **Saudi accelerating**, attracting investments of **major luxury brands**, with still large untapped potential to be exploited

Australia proving **fertile ground** for growth, with local labels starting to gain interest among luxury consumers

+9%

+17% @K

€17B

Asia

Consumption **slowdown in S. Korea: unfavorable macroeconomics** impacting local consumption, and strong currency leading **tourists elsewhere**; yet Koreans remain **primary source of influence** in the region

SEA confirming **momentum: local customer base growing**, sound **tourism and foreign investments**; **Thailand** leading growth

Hong Kong and Macao booming back in 1H; **growth deceleration** in second half of the year due to **softened touristic inflows**

+8%

+15% @K

€55B

Europe

Progressive tourism revamp, driving **growth across countries**, with **long-haul resort locations** key to intercept **high spenders** (e.g., Capri, Bodrum, etc.)

Local customers normalizing, and through the year impacted by **macroeconomic instability** across the board

More **challenging environment in UK**, due to **tax-free impact and lack of tourists**, esp. over summer season

+7%

+7% @K

€102B

Americas

Ongoing deceleration throughout the year, with (aspirational) customers **hitting the brakes on luxury spending**

Top customers still holding up, yet partially shifting spending abroad and/or in **other luxury categories**

Recalibration of **new luxury epicenters**, with general slowdown of secondary locations but few "winning hubs" (e.g., Austin)

LatAm suffering across countries, with Mexico being the only exception

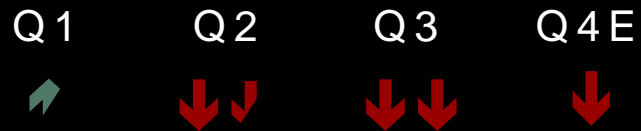
-5% @K

-8%

€101B

US market facing hard times throughout 2023

Real-term American luxury market trend 23E vs. 22



...impacted by three ongoing **macro-tensions**

Macroeconomic gloom

Slowed GDP growth (yet improving in Q3)
Inflationary pressure
Rising yields

Weakened luxury ecosystem

Department stores' value proposition undermined
Ongoing markdown pressure to clear out excess stock

Hindered consumer base

Dry-up of **postpandemic savings**
Weakened **consumer confidence**

20%
Pandemic extra-saving left

... yet **market fundamentals** for the **long-term holding true**



~+15–20€B
additional market value 2023E vs. 2019



~+20%
growth 2023E vs. 2019

Solid fundamentals for future growth...

Wide **distribution footprint**

Consolidated in Tier-1 cities, and already present in high-potential “new markets”

Wide **consumer base**

~50%+ global (U)HNWI are in Americas

Sustained **interest in luxury**

despite turbulence, brands-consumers engagement remains sound

... And **clear opportunities** to be tackled

New luxury epicenters emerging

(aside historical strongholds) ...

toward **South US**

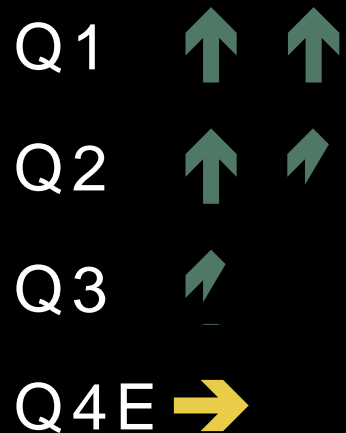
favored by wealth shifts

Increasing relevance of **all identities other than white**

Sound tourism rebound in Europe, counterbalancing progressively normalizing local consumption

Europe **facing progressive slowdown**, yet tourist comeback overcompensating and new luxury hotspots affirming

REAL-TERM EUROPEAN LUXURY MARKET TREND, '23E VS. '22



Locals weakening throughout the year, yet **VIC pools still sound**



Local consumers weakening after strong '21–22 impacted by worsening **macroeconomics** across quarters



Sound **VIC pools** maintaining **positive momentum**, with performance positively driven by brands' **clienteling efforts**



Touristic spending back above 2019 levels, **although fully price-driven**

European Luxury Goods touristic spending (Sales growth, 2019–2023 YTD)

+10–15%

vs. 2019

+50% vs. 2022

LOWER # SHOPPERS	LOWER # TICKETS	HIGHER TICKET VALUE
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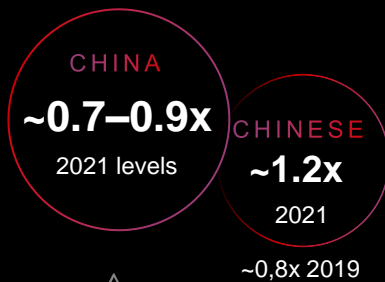
Recovery driven by **United States and GCC**

European Luxury Goods tax-free spending by Country of Origin | Sales growth (2019–2023 YTD)



Chinese customers fueling the Asian luxury ecosystem, while not yet back in full swing locally

China not yet **back to 2021 (record) levels**, normalizing growth with some (fresher) dynamics affirming and reinforcing



Refocus on key cities and malls



Icons over newness

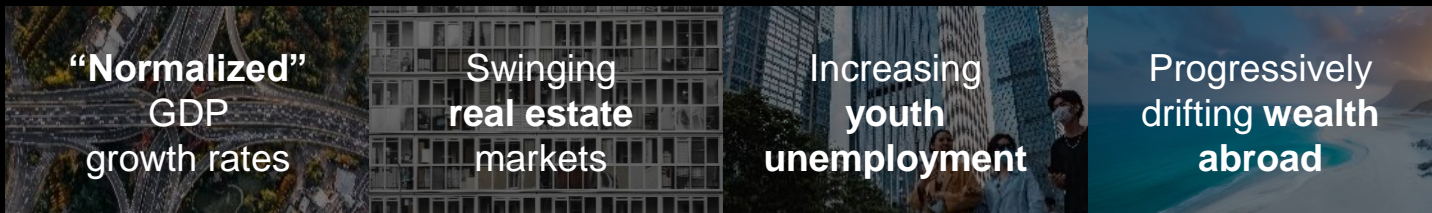


Aspiration still key for millennials



Lived-in luxury for GenZ

... although some **“new” macroeconomic topics** hindering consumer confidence



Chinese back to spending abroad with **new dynamics**



Experience-first



Uber-luxury first

Chinese **touristic spending**, by region (2023YTD as % of 2019 spending)



~40%

in Europe, mostly driven by GenZ and Millennials

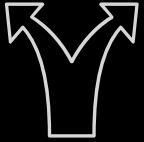
~65%

in Asia, mostly driven by top customers

SUNS AWAKENING,
SHADOWS RISING

Ongoing changes

WITHIN ASIAN
LANDSCAPE



Recent star
slowing down

New markets
maintaining
strong traction

Old magnet
back to growth



HONG KONG AND MACAO

Benefiting from **Chinese inflows in H1**, slowing down as **Hainan takes share as luxury duty-free destination**



JAPAN

Extraordinary growth on account of **sound locals** and **growing tourism**

Favorable price differentials and **weak yen** boosting touristic (Chinese) spending



SOUTH KOREA

Weak **macroeconomics** impacting **locals**

Adverse tourism flows
Koreans traveling abroad; Chinese not yet back (as flowing to Japan)



SEA

Rising interest of **locals** and positive contribution of **touristic inflows and investments**

Luxury market concentrated around **few key hubs, Thailand leading**



INDIA

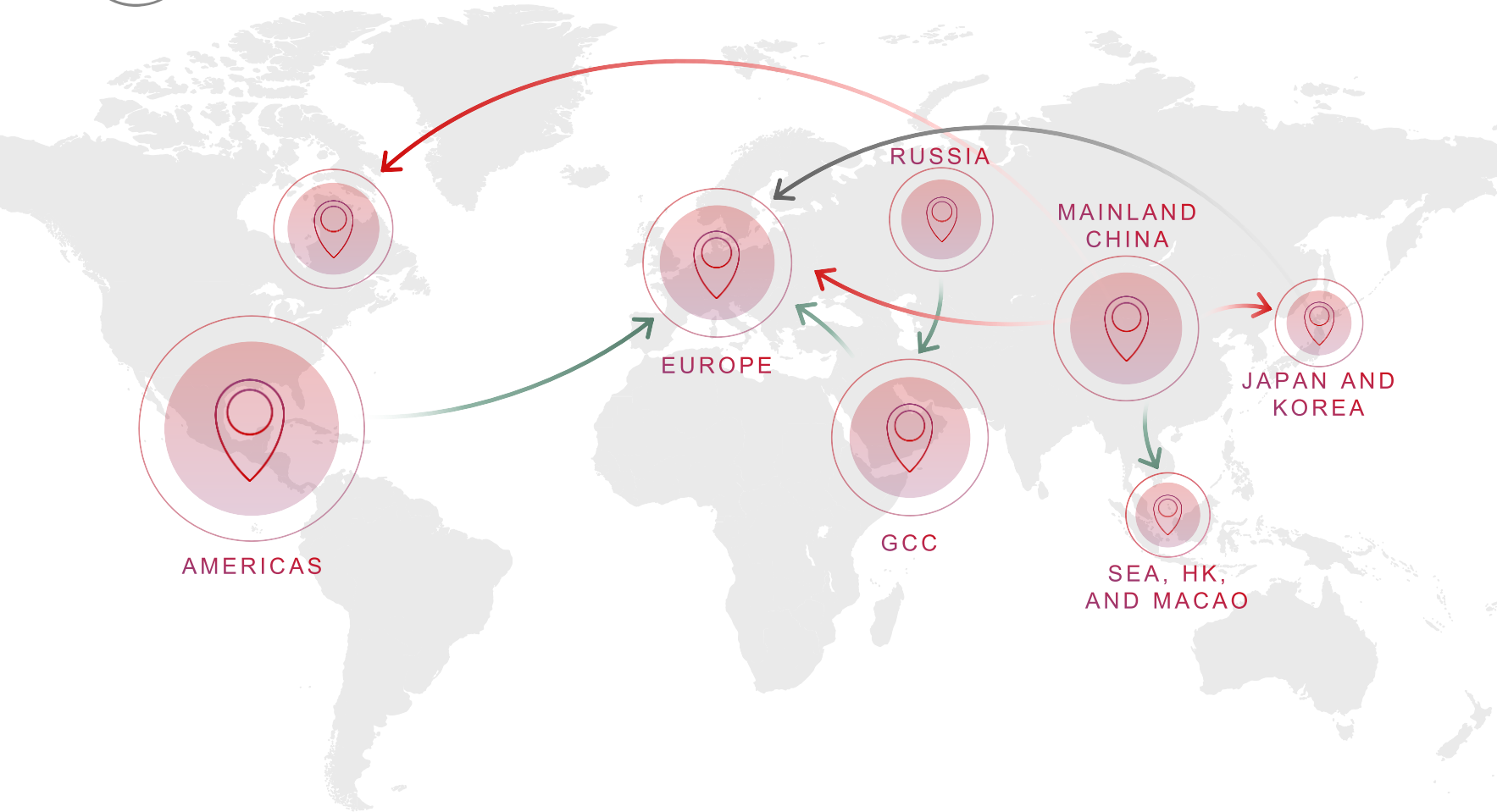
Local clientele increasingly **into luxury**, with region set to turn into **magnet for Western brands**—although **infrastructures yet to be scaled**



Real-term trend 2023E vs.2022



Personal luxury goods market—
Major **touristic flows** across countries (2023E)

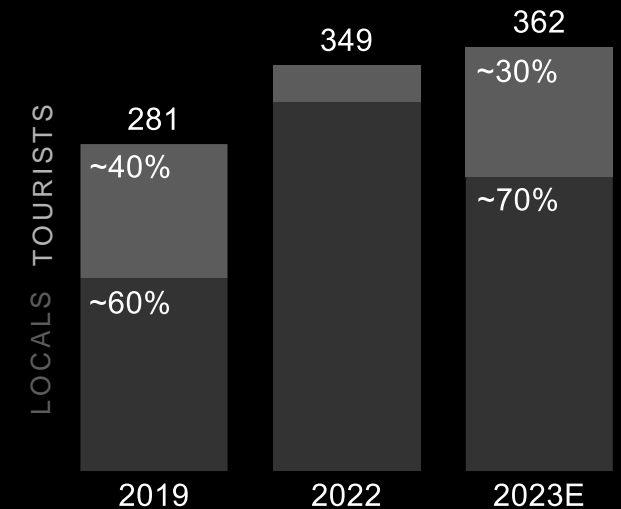


DIFFERENCE VS. 2019

→ HIGHER → LOWER

Luxury **touristic** purchases almost **back to prepandemic levels** in absolute terms globally, still with **untapped potential**

Personal luxury market evolution (2019–2023E | €B)

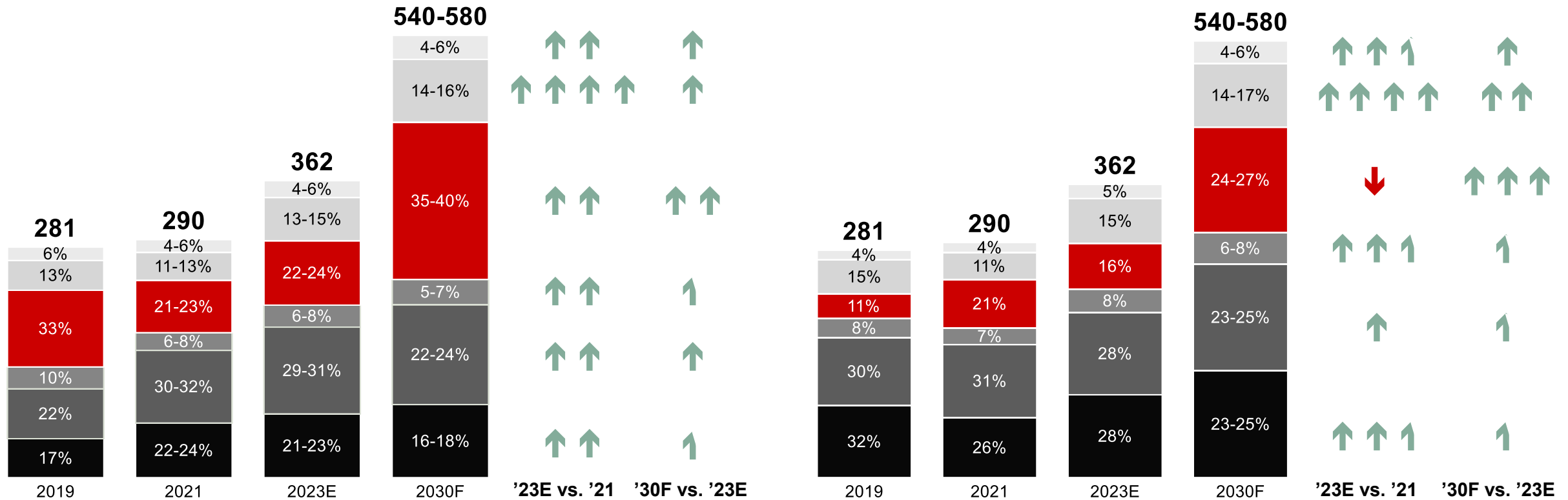


All markets showing good fundamentals to grow in the midterm, with China and the Chinese as key drivers

By customer nationality

By geography

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



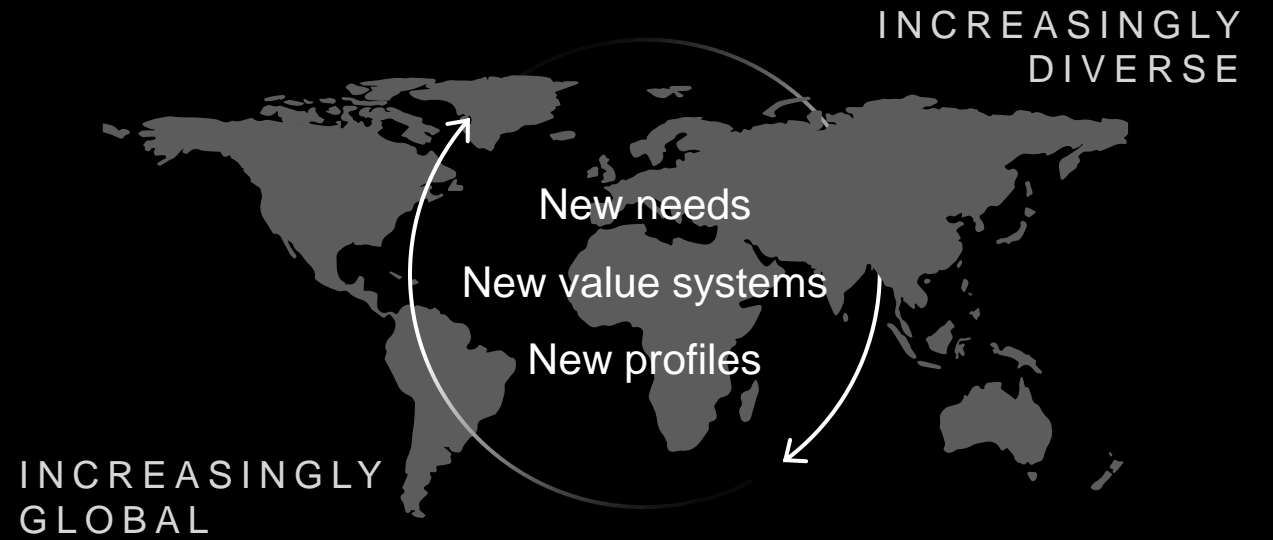
↑ → ↓ Real-term trend
Note: RoW = Rest of the World

■ Europe ■ Americas ■ Japan ■ China ■ Rest of Asia ■ Rest of World

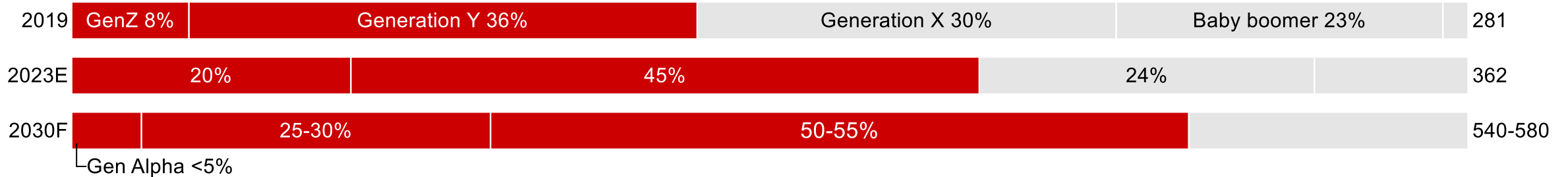
GenZ

key influencer for future market evolution,

yet **millennials** set to account for **more than half** of market in the midterm



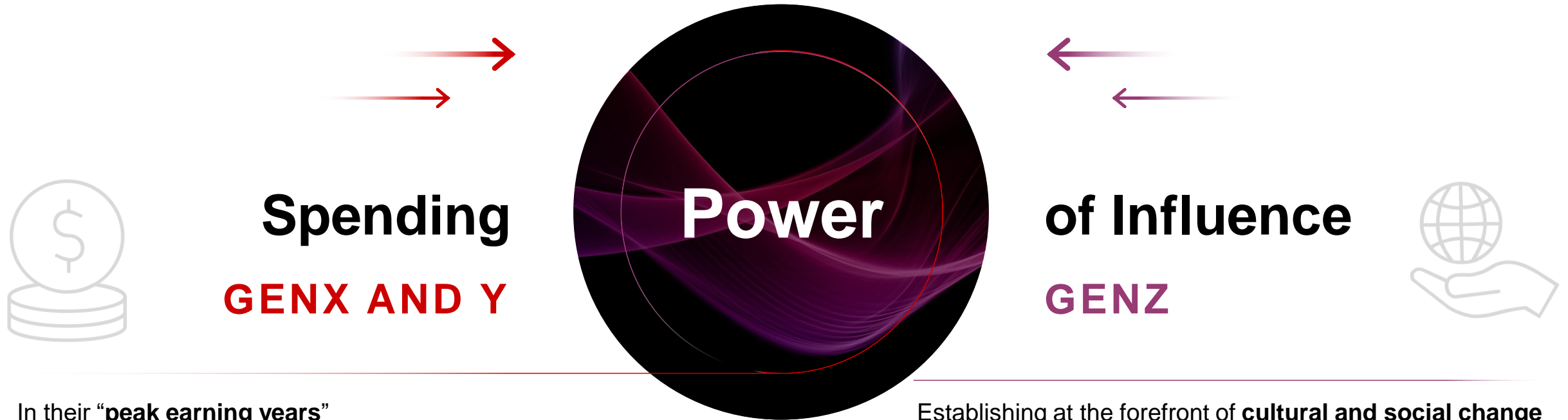
PERSONAL LUXURY GOODS MARKET BY GENERATION (€B | 2019-2030F)



'23E vs. '19	↑ ↑ ↑		↑ ↑	↑	
'30F vs. '19	↑ ↑		↑	↑	

↑ → ↓ Real-term trend '19-'23E & '19-'30F

Brands to navigate through rising complexity, playing ambidextrously to serve different needs across the consumer base



In their “**peak earning years**”

Representing bulk of **luxury purchases**

Key pool of **income growth in the near future**

Establishing at the forefront of **cultural and social change**

Inspiring other generations’ **value systems**

Shifting their preferences in luxury purchases

~6-8x

more “high-income” Millennials vs. GenZ expected in next 2 years

Quest for meaning

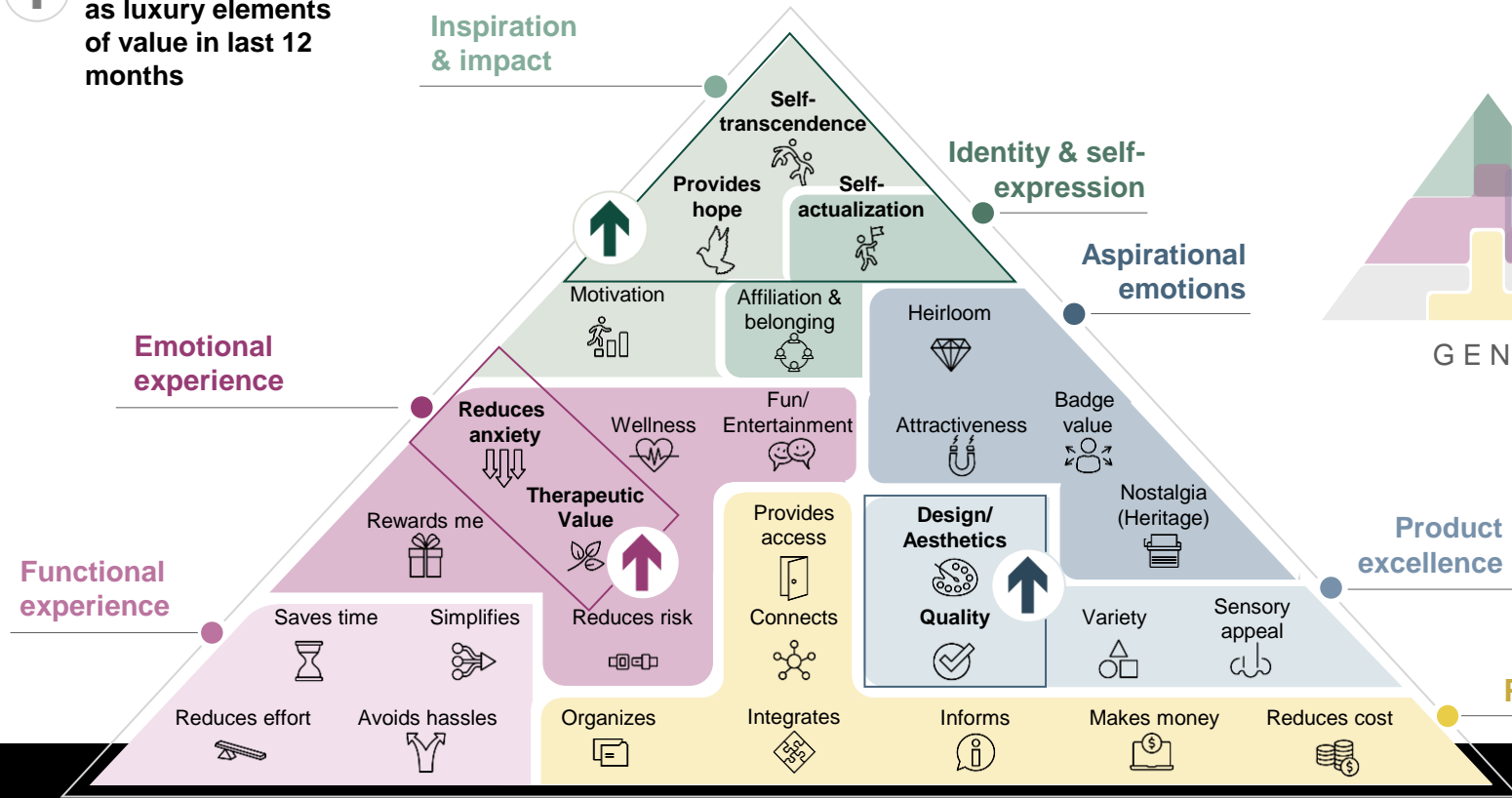
Redefinition of what **matters the most**, pushing a significant shift toward **purposeful purchase**

Desire for lived experience

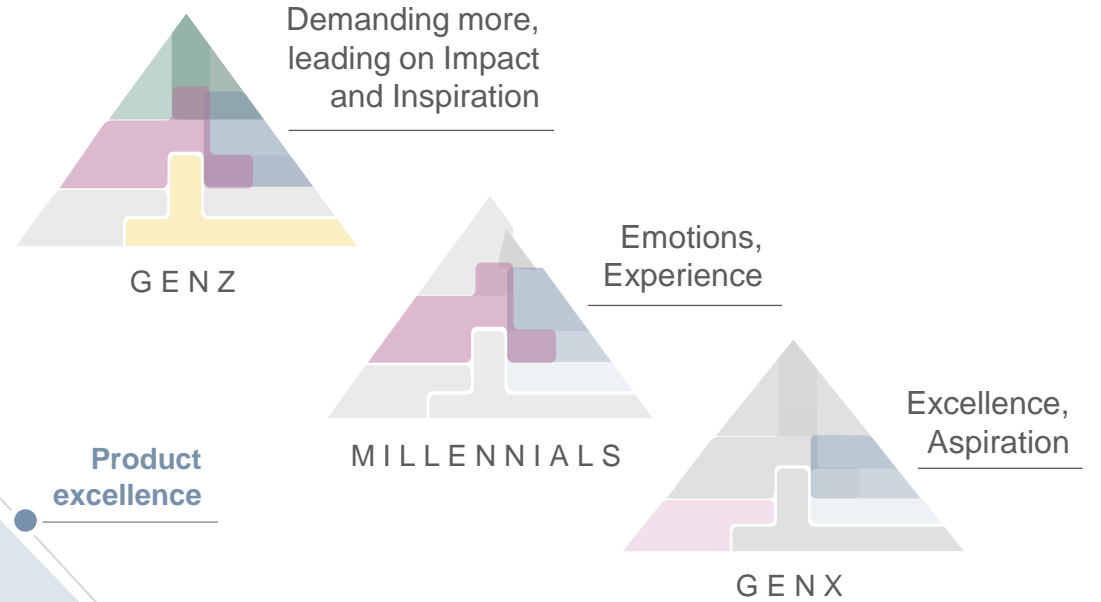
Growing enthusiasm for immersive **experiences**, often becoming the first touchpoint with luxury

Cross-generation quest for a “higher purpose” and self-nourishment, alongside unwavering demand for product excellence

↑ Gaining relevance as luxury elements of value in last 12 months



WHAT CONSUMERS ARE DEMANDING across generations



WHAT'S IN IT FOR LUXURY BRANDS

Enhance brand purpose

Foster emotional connection

(Continue to) deliver product excellence

Over **the last 5 years**, luxury brands have set **bold decarbonization commitments...**

65%

of luxury industry¹ set and disclosed decarbonization goals, with different levels of ambition

... with **7 years left** to 2030, decarbonization has become **a near-term priority**

34%

of total 2030 decarbonization target achieved by luxury industry¹

The **decarbonization journey** has reached a **turning point**, requiring luxury brands to **enter the delivery phase**

BRANDS ARE REQUIRED TO ENTER THE **DELIVERY PHASE** TO MEET THE BOLD 2030 TARGETS



Shifting focus from corporate to BU level, driven by line-led initiatives



Aligning incentives to overall targets, to embed decarbonization in day-by-day decisions



Proactively engaging critical suppliers to jointly identify decarbonization levers

Orchestrating a **complex multilever transformation program**, involving (among others) materials innovation, circular business models, recycling/upcycling

All categories showing positive growth: high-end apparel and hard luxury leading, fueled by investment mindset and wardrobe elevation

Jewelry

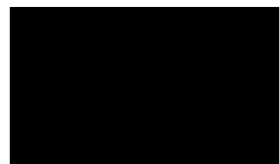
Fine jewelry enduring positive and **diffused growth**, affirming as **bright spot** for investments amid uncertainty

Demand for bespoke pieces holding up, flanked by **growing interest** for **repetitive high jewelry** intercepting **ultra-rich**

Continued acceleration of **fashion jewelry**, as well as **genderless and male segment**

'23E vs. '22 (%)

+5-6%



~€29B



Apparel

Resilient and strong growth sustained by **top spenders** on the **ultra-high offer**, with unfolding demand for **excellence** and **timelessness**

Fashion-driven items stepping aside for **core products**, close to brand heritage and DNA

Elevated post-streetwear wave consolidating (especially on men)

+5-6%



~€75B



Beauty

Make-up on a positive momentum, with “**lipstick effect**” to continue attracting **aspirational clientele**

Ultra-lux and **celebrity fragrances** taking off, with **AI** contributing to give rise to new and unique scents

Skincare suffering **momentary headwinds** in Asia, linked with **K-beauty** trends as well as local policies constraining travel retail

+4-5%



~€72B



Watches

Watches still thriving, although with **polarization** around **few industry winners** and **smaller-sized pieces**

Beside luxury industry giants, **smaller DtC brands**, with innovative value proposition, attracting **collector communities**

Stronger performance for both **high-end** and **entry items**, mid-range softening

Continued **strong interest** from GenZ, increasingly tapping into the market

+3-4%



~€55B



Leather

After continued overperformance in last years, **leather goods slowing down their pace**, with growth mostly on account of **prices**

Heightened demand for **brand “core” items** as well as more exclusive **investment pieces**, with **icons overperforming newness**

Small(er) leather goods winning over **aspirational** and **younger consumers**

+3-4%



~€81B



Shoes

Most impacted category due to heavy reliance on **aspirational shoppers**

Formal and special occasion normalizing after last year’s strong acceleration, **casual “elevated” shoes** stepping in; **sneakers maturing**, **aligning pace** to broader category

Growing interest for **performance-oriented products**, from outdoor booties to technical sneakers

+2-3%



~€28B



Continued elevation driving decade's first wavering in volumes



HOW PRICES AND VOLUMES EVOLVED IN THE LAST YEAR?



PRICE EFFECT

Price list



Continued price elevation across categories (mostly leather goods, shoes, and RTW), on both top and entry offer

Opposite impacts from rising markdown (on wholesale channel)

Category-mix effect



Post-streetwear driving shift toward **high-end items** in RTW and footwear

Quest for icons and investment pieces shifting mix toward higher prices also in **hard luxury** and **leather goods**

Geopricing effect



Positive contribution thanks to **strong performance of Asia** and **differentials adjustments** across countries



VOLUME EFFECT



Stronger contraction in bags

Polarizing RTW and jewelry, depending on each brands' focus

Shoes and watches holding-up

Different degree of **variance** in brands' growth across categories

LOWER
growth dispersion

Ready-to-wear



Jewelry



Footwear



Leather goods



Watches



HIGHER
growth dispersion

Diffused growth in **ready-to-wear** and **jewelry**

High polarization in **leather goods** and **watches**

Widening price gap toward premium brands unveils opportunities for (re)new(ed) value propositions

2x

price gap between **premium** and **luxury** brands vs. 2019 levels ...

... driven by higher **entry prices** on some key **items**



+30–50%
MINIBAGS



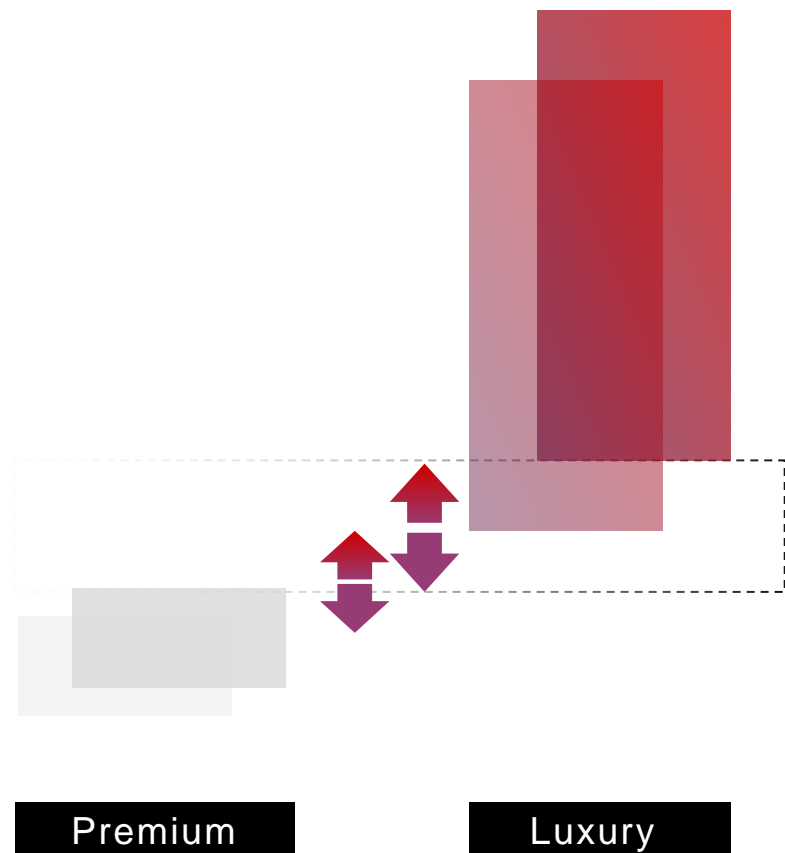
+20–60%
T-SHIRTS



+20–35%
SNEAKERS

Price increase vs. 2019

Price architecture evolution between premium and luxury brands (€ | 2019–2023)



With emerging opportunities and reactions from players

Broadening offer to (new) entry items
from tech accessories to fashion jewelry

Ensuring creativity at entry prices
to play high-low effectively, and continue serving the “aspirational” clientele

Insurgent brands developing “new” value propositions
to cover the positioning gap at the entry of luxury, specifically targeted at younger audiences

Customer base taking some swings as brands focus on **building resilience** rather than **renewing** the pool

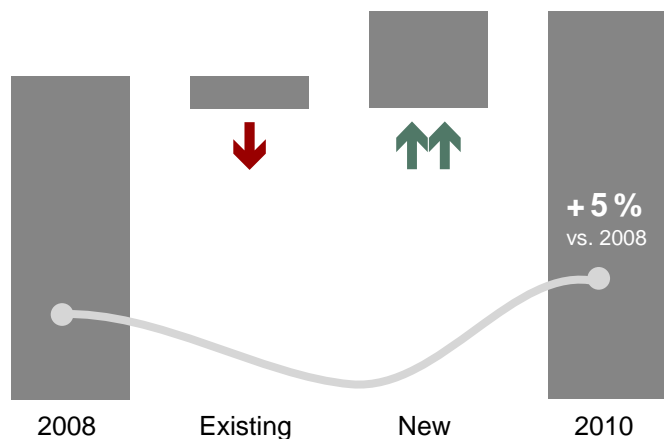
2008–2009

RENEWAL BY WIDENING

Push on entry prices across categories

Development of accessible luxury

Luxury Customers (2008–2010)¹



Widening of reach on more aspirational consumers (and new geographies)

(Few) high-end customers alienated by enlarged value propositions

2022–2023E

RESILIENCE BY FOCUSING

Focus on top items

Price elevation

Luxury Customers (2022–2023E)¹



Aspirational customers cut-out

Limited capture of new customer base (upper middle class in new markets)

Resilience vs. renewal dilemma

To win in the long term, each brand will have to

find its unique way to stay relevant

playing in between the extremes of different (high-low) value propositions

Note: 1. Bars refers to #Customers, line refers to personal luxury goods market value (€B)

Ongoing elevation driving a **war for top customer**, yet «**Core**» luxury customers—feeling left behind—ask for **recovery action**

↑ → ↓ Trend vs. 2022

Customer advocacy (NPS®) evolution

TOP CUSTOMERS



CORE CUSTOMERS



ENTRY CUSTOMERS



What is happening

Focused ViC strategies

Top-range product offer

Ongoing **spending and attention** shift to **experiences**

Price increases

“Off-the-shelves” and **flattened** experiences

Widening offer in **ancillary categories**

... yet with **rising entry prices**

“**Emotional**” one-off luxury purchase

Challenges/Opportunities

Differentiate in a market awash with clienteling

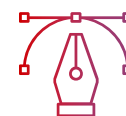


Embrace **multi-layer multi-dimensional segmentation**



Develop **hyper-tailored relevant value propositions**

Make the **1-to-many** relevant again



→ **Design**

enhanced **customer experience** to make each journey **extraordinary**



→ **Monitor**

experience across all journey touchpoints, for all customers



→ **Develop**

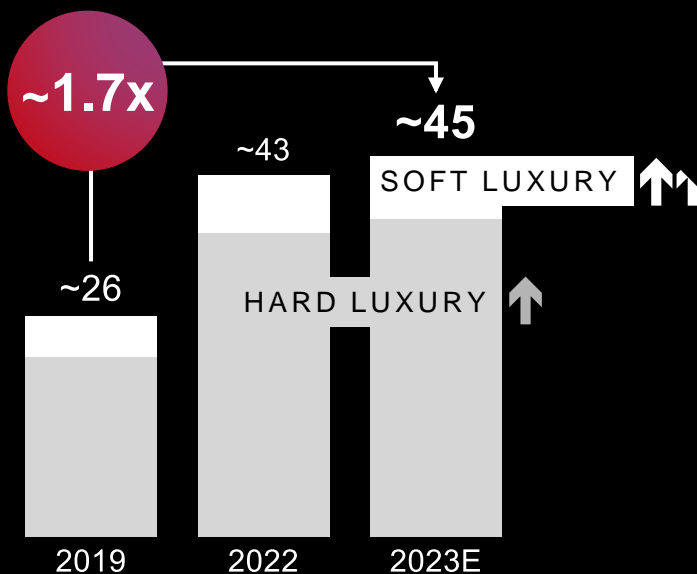
predictive NPS models to drive resource focus

DRIVE EARNED GROWTH ←

CONTINUED ELEVATION
UNFOLDING OPPORTUNITIES/
TENSIONS

Second-hand market unscathed amidst turmoil

Luxury second-hand market evolution by category
(2019–2023E | €B)



CONSUMERS



“Entry-to-luxury” movement

Aspirational consumers seeking for second-hand products as **more affordable means to continue belonging to the luxury ecosystem** while facing increasing economic instability

Gateway to the market

Preowned market progressively rising relevance within **young GenZ and Gen Alphas** as channel **where to purchase the first luxury item**

GEOGRAPHIES



“Old continents” dominating

Europe confirming largest market, accounting for around ~45–50% of global second-hand luxury sales; **US running on resale**, following as second-largest country with growing interest toward preloved timeless bags

China picking up

Although still a “nascent market,” **younger generations driving surge** of second-hand market in China, with rising endorsement also on behalf of celebrities and KOLs

PRODUCTS



HARD LUXURY

Volume-driven growth

Volume-led growth, with prices for **uber-luxury items normalizing** progressively after being **pent up in past years**

LEATHER GOODS

Reinforcing at entry

Growing relevance of **mid-priced bags** over **high-end ones**, as second-hand proves a **meaningful channel to access luxury** after **past years’ price increases**

RTW & SHOES

“Back to classic”

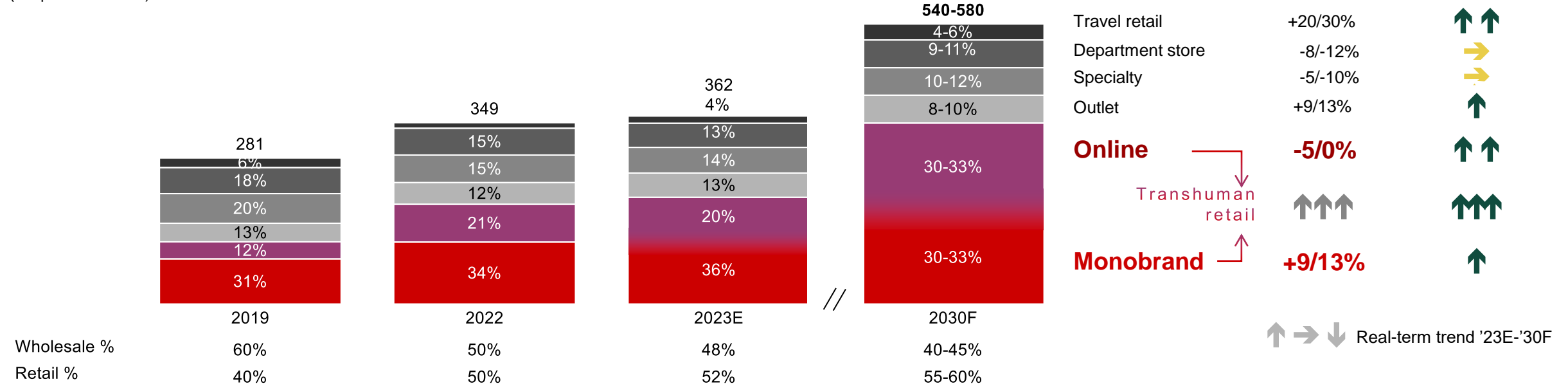
Y2K trend stepping aside to leave space to **timeless vintage looks**

Increasingly “art”

Absolute luxury items reinforcing their role as long-term **investment assets**, rising relevance within **art auctions**

Monobrand leading the distribution ecosystem, favored by consumer quest for physical experiences and transhuman touch

Personal luxury goods market by channel (€B | 2022-2030F)



2023

Brand.com normalizing, e-tailers pushing on markdowns

Monobrand leading, driven by unprecedented quest for in-store experience

Travel retail reigniting, thanks to tourist comeback

Off-price channel growing, driven by aspirational customers and surplus of inventory

Department and specialty stores struggling: trembling value proposition, high stock levels, markdowns

Online and monobrand blending more and more within customer journey

GOING FORWARD

online and monobrand to account for

2/3

of the entire market by 2030

BRAND-CUSTOMER GAP NARROWED

Clear trends in amplify while focusing on the **blending physical-digital** customer experience

Need for a **transhuman touch** mindset across all touchpoints

WHAT BRANDS ARE DOING ...

Within **physical**



INCREASINGLY EXPERIENTIAL TO DELIGHT



Within **digital**

INCREASINGLY FOCUSED TO STAND OUT

LESS STORES

MORE IMPACTFUL

LESS CONTENT

BETTER AIMED

~40–45%

decrease in net openings in last two years vs. pre-Covid¹

Upsizing

Taking the lead, as main brands target for their **key flagships**

–20%

IG Posts / week LTM vs. previous year

+25%

IG interaction rate LTM vs. previous year

Brands will have to focus on providing

differentiating and meaningful experiences
(that span beyond product)
across the **whole customer journey**

regardless of the touchpoint of interaction

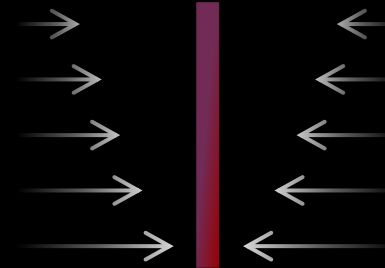
Note: (1) Analysis based 2017-2019 vs. 2021-2023YTD periods, for a panel of more than 80 luxury brands

Brands have narrowed the gap toward consumers

BRANDS

Unfiltered communication, broadcasted on socials and direct channels

Heightened control on distribution and customer experience in brand-powered environments



CUSTOMERS

More knowledgeable

More opinionated

Increasingly connected

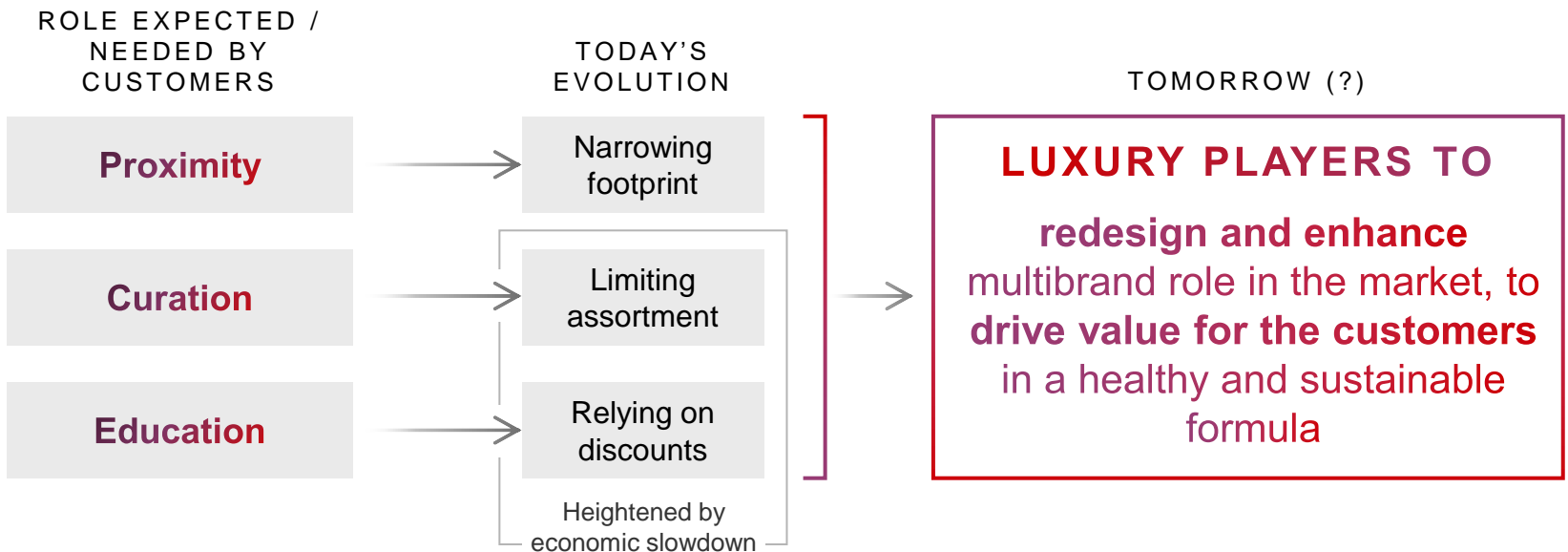
Directly engaged

Disintermediating the distribution to take control

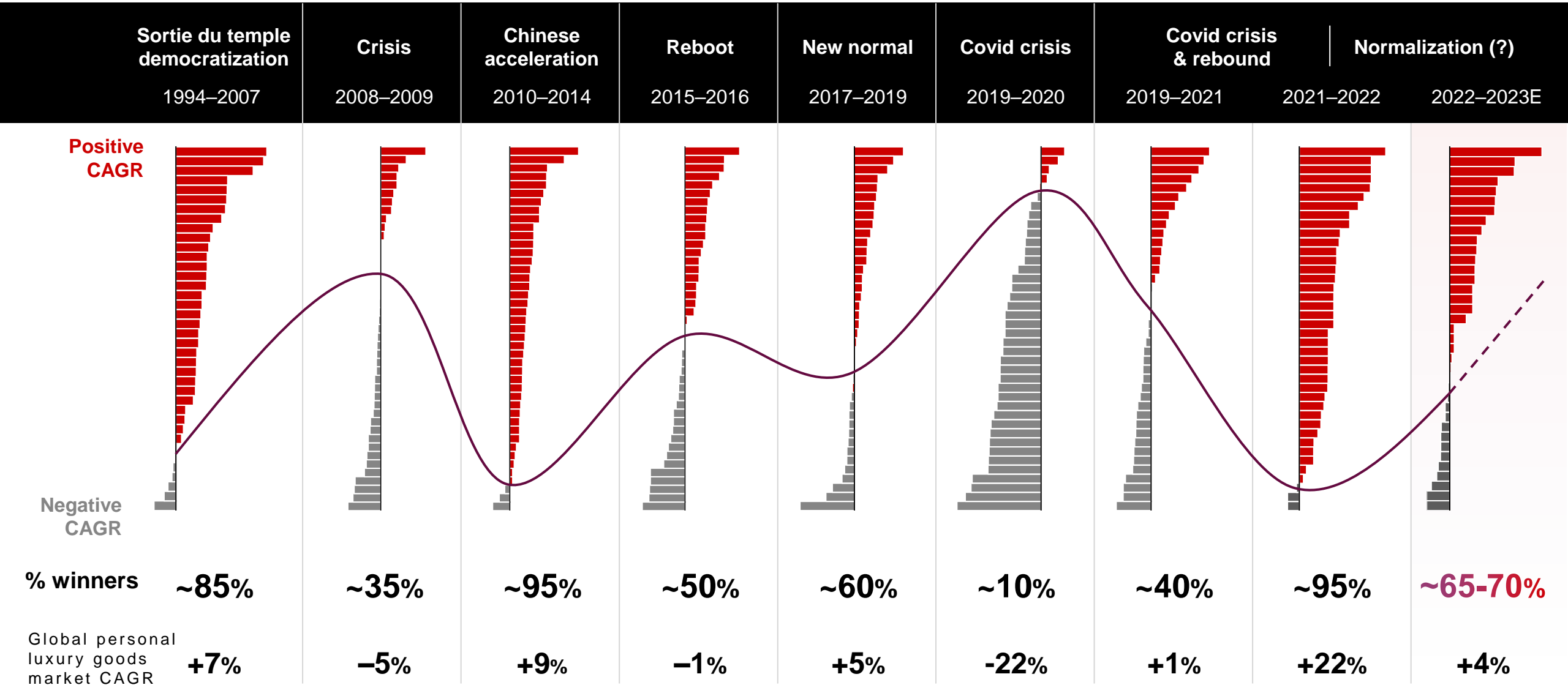
3x

Monobrand channel overgrowth vs. multibrand in last 5 years

... with a future role of **multibrand stores** at risk and yet to be written, despite being very clear in the mindset of the customers



Uncertainty bringing **polarization back** for 2023E—and further expected for the near future





Spending trend per key bucket
(% revenues | Trend 2023E vs. 2022)

Gross margin



Ongoing elevation and retailization

Marketing expenses



Either increasing or constant, to boost visibility and consolidate positioning

Other Opex



Increase in **Opex** due to **higher labor costs**, investments in **retail**, and **energy costs** impacted by ongoing geopolitical turmoil

Digital OpEx & CapEx



On the rise due to ongoing investment in **omnichannel capabilities** as well as data analytics and supply chain optimization

CapEx (B&M and HQ)



Higher capital intensity due to slower pace of **store openings** yet continued focus on **renovations**

... with increasing attention on scenario-based budgeting for 2024

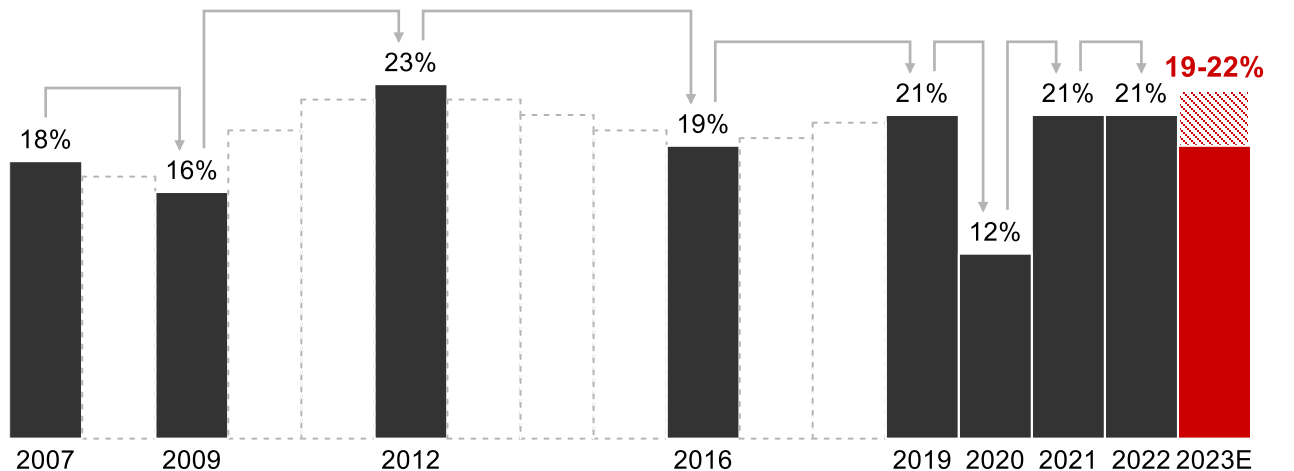
POLARIZATION STRIKES BACK

Market elevation and sustained investments counterbalancing profits; polarization expected

EBIT of selected personal luxury goods brands by era

(% | 2007–2023E)

Crisis	Chinese Acceleration	Reboot & New Normal	Covid Crisis & Rebound	Normal-ization (?)
2008–2009	2010–2014	2015–2019	2020–2022	22–23E



Performance improvement: key word to face short-term pressures

Even throughout turbulence, “winners” continue to invest across key areas

WINNERS VS. LOSERS¹



Doubled down on visibility

+20%

Marketing spend growth



Continued investing, across areas

+20%

CAPEX growth



Reinforced the organization

+30%

#FTEs growth

Making paramount to

→→ **ACTIVATE PERFORMANCE IMPROVEMENT LEVERS** ←←

across all P&L and cash-flow axes

embrace

zero-based redesign

unlock

advanced scenario analysis

streamline **supply chain**

(from responsiveness to inventory management)

pursue

cost variabilization

enhance

integrated business planning

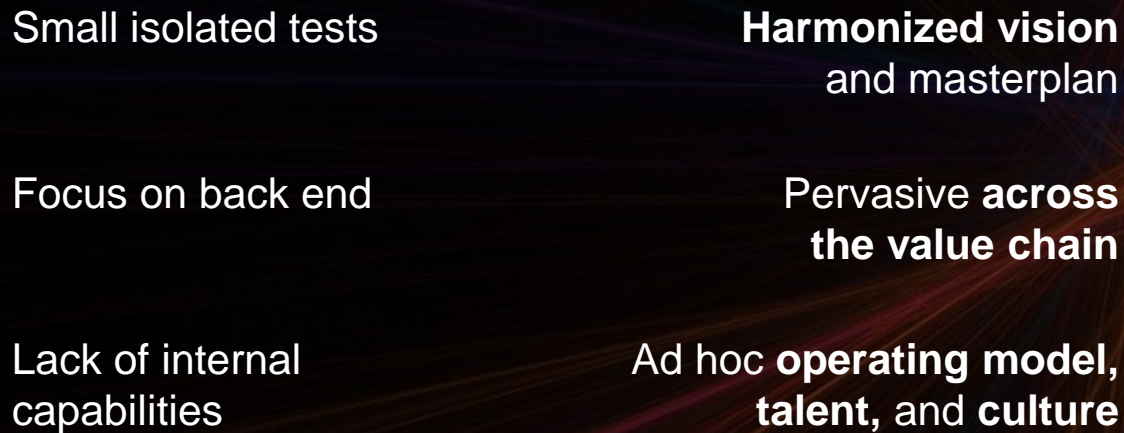
scale **automation**

through new techs

(1) Figures refer to difference between winners and losers (2019–2022 | %)

GenAI: not a matter of *if* but *when* ... and **when is now!**

Brands need to start approaching AI with a holistic and future-back strategy, or risk lagging behind



Main opportunities & key question for the industry

- ↑ Hyperpersonalization of front end
- ↑ Efficiency & automation of back end
- ↑ **Enhanced creativity**

How can **GenAI** be used as a **catalyst for human creativity**, without taking away from its central role in the industry?

KEY CHALLENGES

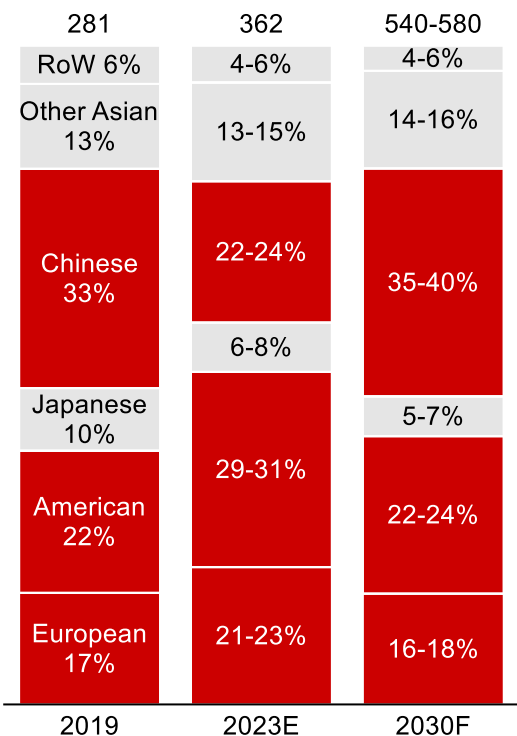
- ☆☆☆ Operating model (re)design
- ☆☆☆ Time, Talents & Resources
- ☑☒ Complexity, Accuracy & Quality
- 🤝 Ownership & Ethics

Luxury market in 2030: snapshot of key breakdowns

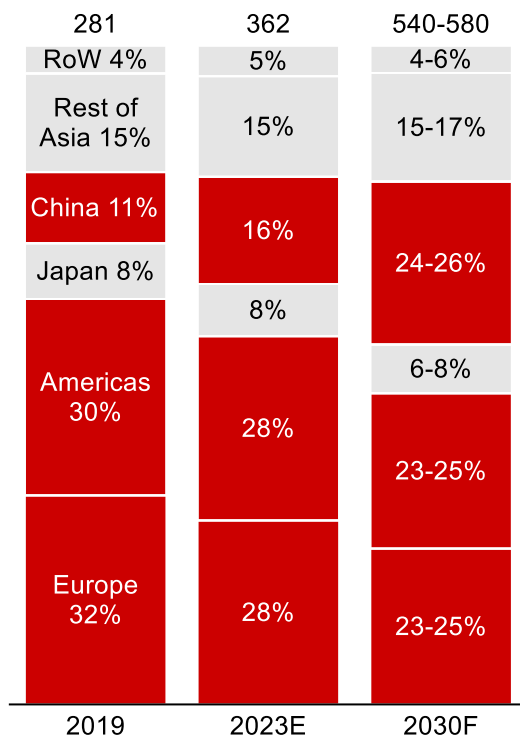
Personal luxury goods market main breakdowns (€B | 2019–2030F)

Nationality

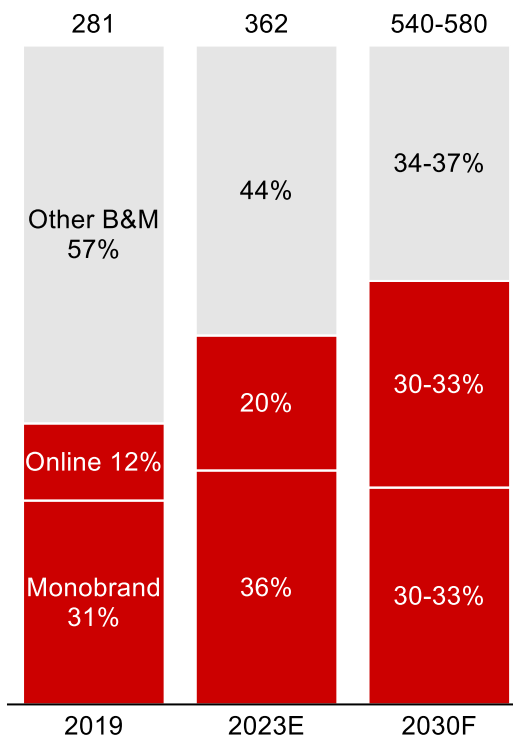
+6/7%
CAGR
'19–'30F



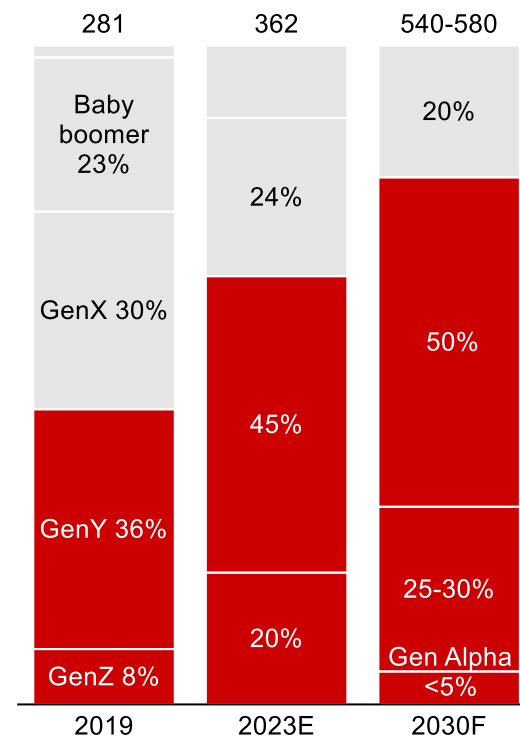
Region



Channel



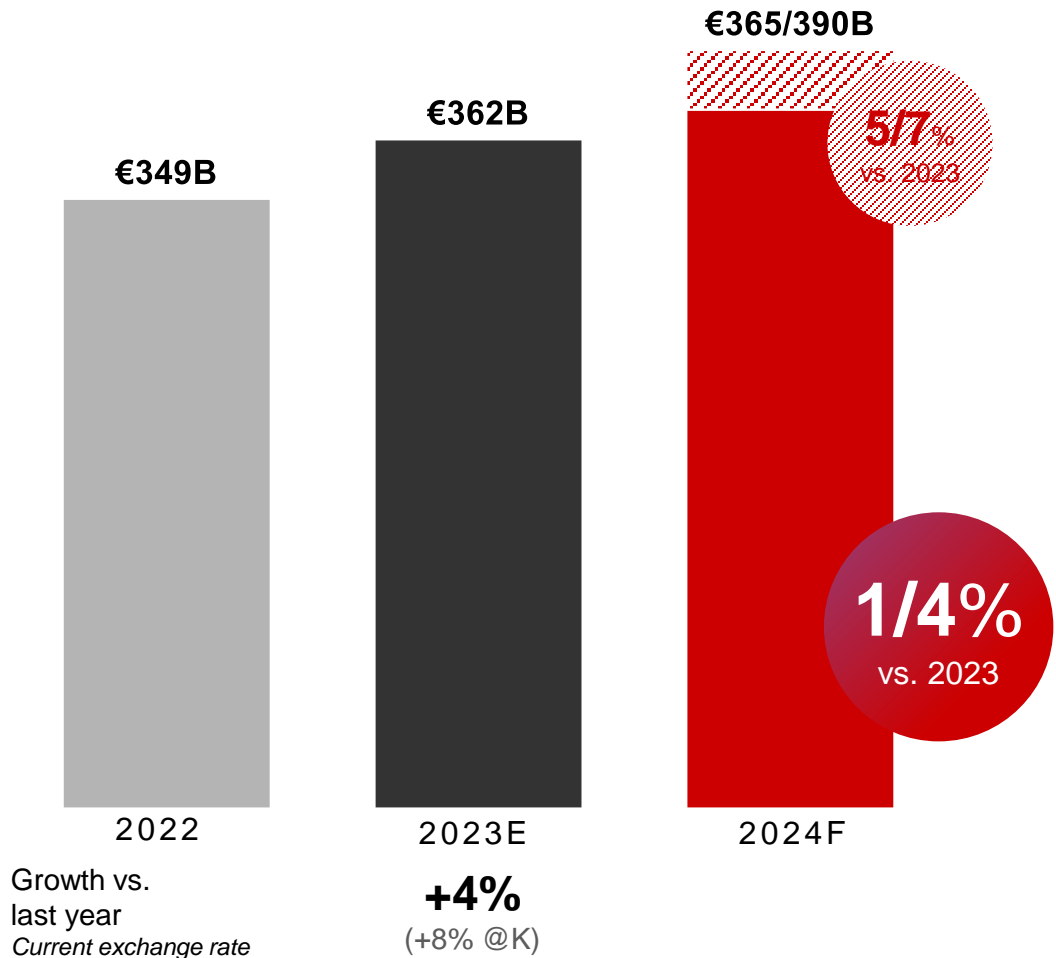
Generation



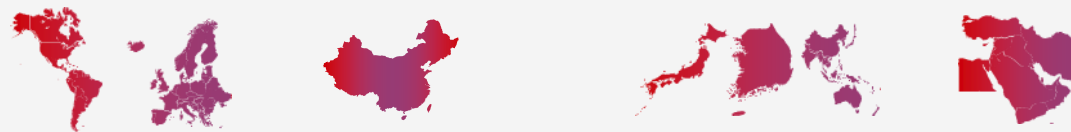
What should we expect in 2024?

Personal luxury goods market

(% growth | 2023 and 2024E at constant exch. rates)



Note: (1) Referring to People's Republic of China; @K = Growth at constant exchange rates



Europe and Americas

Mainland China

Japan and rest of Asia

Middle East

Probability

BETTER SCENARIO

Positive confidence on local customers adding to accelerating **touristic flows** in key regions
Chinese economic measures unfolding positively on consumer confidence
Americas recovering quickly from setback

30%

REALISTIC SCENARIO

Revamping touristic flows outweighing **locals' slowdown** across regions
Recovery unfolding in **US** across the year; **China** and **Middle East accelerating** throughout the year as **confidence revamps**
Normalization of Japan

65%

HIGHLY UNLIKELY SLOWDOWN SCENARIO

Unforeseen events adversely impacting macroeconomic and geopolitical scenario, stressing further luxury consumption globally or regionally

NEGATIVE TREND

5%

REAL GDP GROWTH '24F VS. '23

+1.4%	+1.5%	+4.2%	+1.0%	+4.6%	+3.3%
Europe	USA	China ¹	Japan	Rest of Asia	Middle East

BOLD DECISIONS AHEAD

Luxury markets are **converging** into one

... WITH SEVERAL **COMMON ELEMENTS** ACROSS SEGMENTS TO CONSIDER



Strongly overlapping customer base

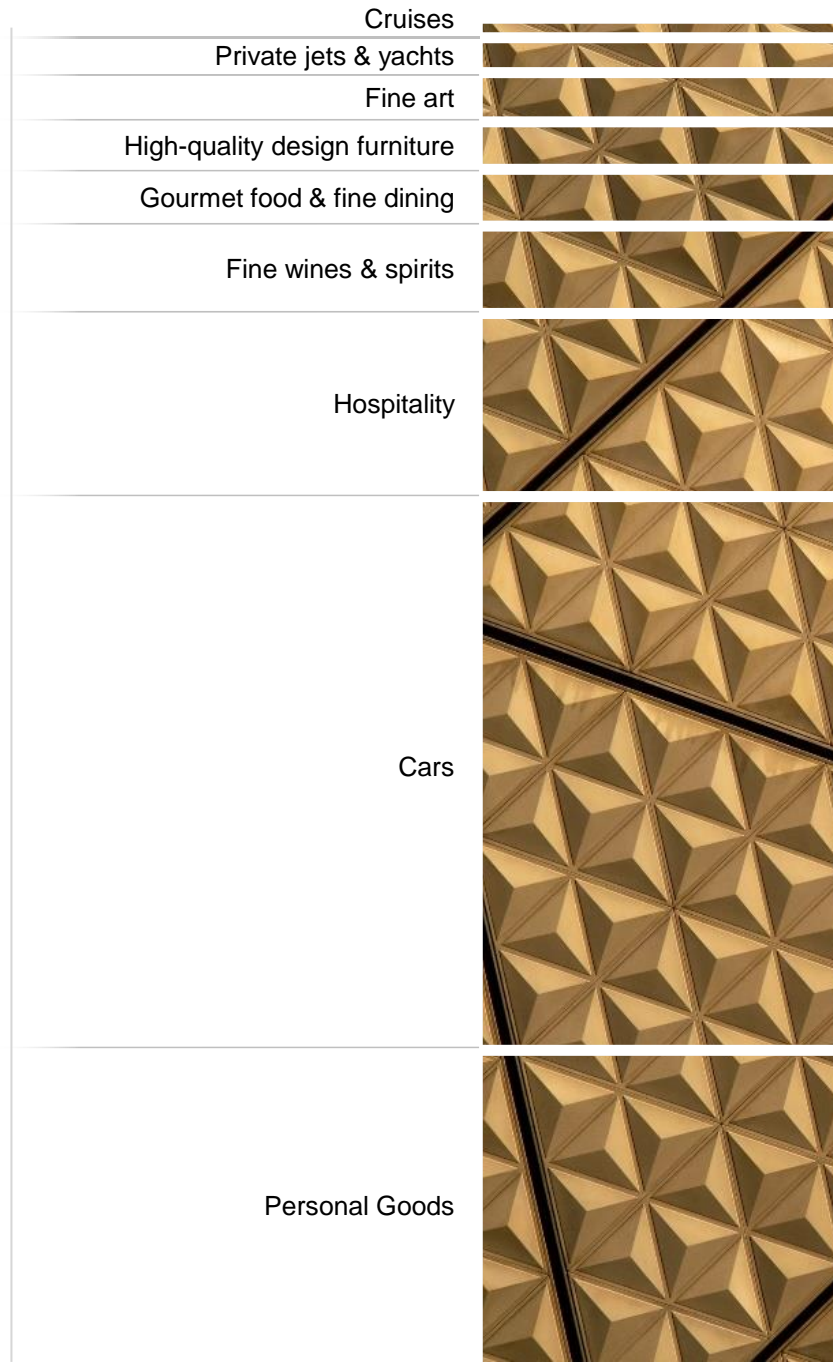


... allocating their discretionary spending **across categories**



... and seeking **similar standards of excellence** and experience across all categories

LUXURY SEGMENTS



TOTAL

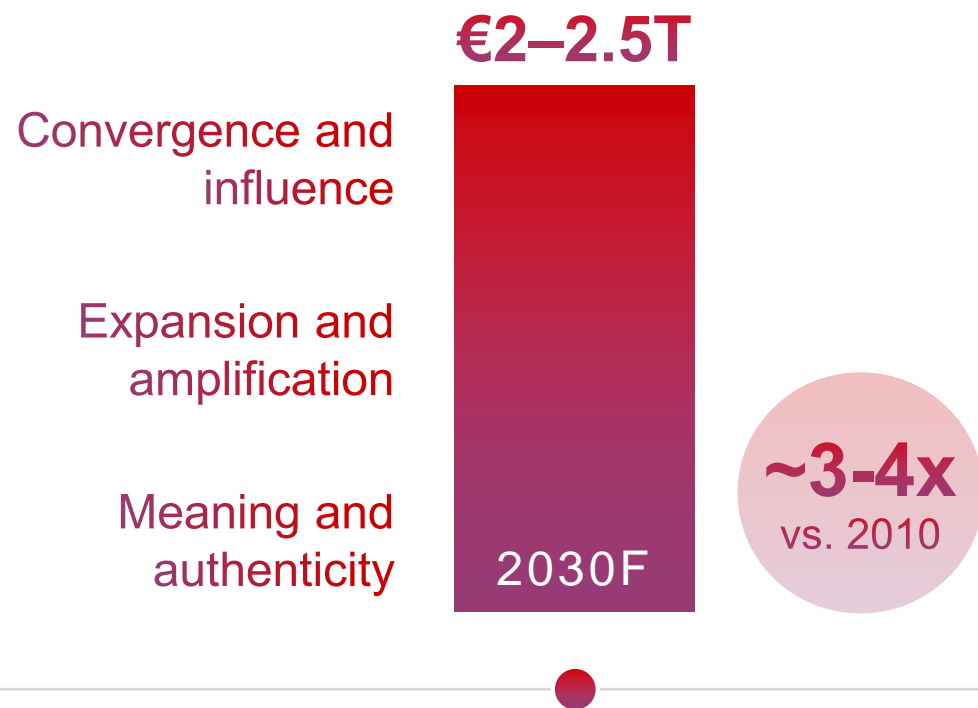
~1,508

Market set for long-term growth, rooted on strong fundamentals

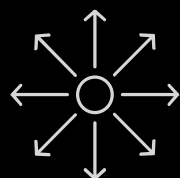
Global luxury goods evolution
(22, 23E, 30F | €T)



Relevance will be mantra to capture and amplify market potential



Convergence among luxury markets allowing a further expansion



Larger brand meaning and reach



Strategic M&A

Different routes to amplify brand meaning and reach

Opportunity spaces
where brands should take a stance

PLATFORM	Independent brand	↔	Partnerships
BREADTH	Anthological different realities under the same platform		Monographic champion of a single reality
MEMORABILITY	Intangible experiences		Tangible products
LEGITIMACY	Developed from within		Acquired inorganically
AUDIENCES	Niche at scale		Universal

Strategically leveraging M&A across axes



TO SUPPORT GROWTH

Build scale (within core)

To face future uncertainty and reinforce competitive positioning

Expand business reach

To increase share of wallet over diversified luxury consumers' spending

Diversify internationally

To expand reach across and within regions and to bring them at full-potential

TO IMPROVE ACROSS THE VALUE CHAIN

Secure control and capabilities

To critical resources and know-how, across the value chain

Embrace sustainability

To improve brand/group positioning, and lead on ESG best practices

Accelerate on digitalization

To drive company transformation toward industry new frontiers

In a nutshell,
what will matter
(today and tomorrow)?



BE DRIVEN BY PURPOSE AND EXCELLENCE

Stand out through
CREATIVITY

Put **creativity** and **innovation** at the center, yet always **remain true to brand's innermost DNA**

Increase **RELEVANCE**
toward consumers

Define how to evolve value proposition to intercept consumers across **high-potential areas** for the brand, **within and outside current core**

Seek
CUSTOMER LOVE

Focus on **driving promoters** across the consumer base to exploit their outreach as organic growth driver while boosting loyalty

Drive strategic
INVESTMENT

Secure investments **required for long-term growth**, across areas (from talent to M&A, marketing, tech, and ESG)

While navigating current uncertainty

Create
OPTIONALITY

Flexibilize the business, building a **zero-based baseline**, and embrace **scenario-based approach** to reshape the business timely

GOVERN
the business

Build full **visibility**, **streamline** governance and processes, and **rethink supply chain setups**, to increase agility and resiliency

THANK YOU



Claudia D'Arpizio

Partner, Bain & Company

Leader, Global Fashion-Luxury Goods vertical



Claudia has spent almost 30 years advising multinational luxury and fashion clients on everything from strategy and new product development to innovation and organizational change.

She is the lead author of the Bain Luxury Study, one of the most cited sources of market information in the luxury industry.

In 2009, Claudia was also recognized as one of the Top 25 Consultants in the World by *Consulting Magazine*.

Federica Levato

Partner, Bain & Company

Leader, EMEA Fashion-Luxury Goods vertical



Over the last 19 years, Federica has led more than 300 assignments in the fashion and luxury industry on issues relating to corporate and brand strategy, portfolio management, merchandising, retail and wholesale excellence, digital acceleration, millennial strategies, marketing and communication, and more.

Alongside Claudia D'Arpizio, Federica is the coauthor of the Bain Luxury Study, one of the most cited sources of market information in the luxury industry.

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Press

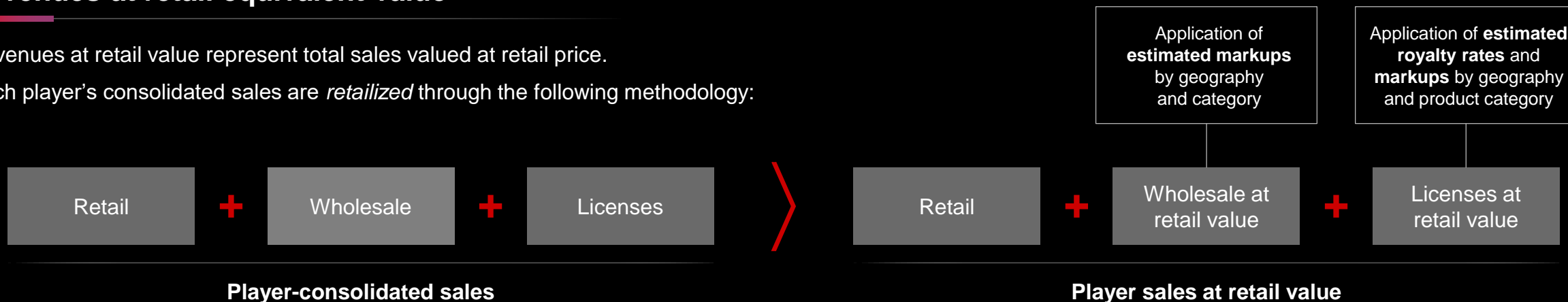
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Methodology of the study

Revenues at retail equivalent value

Revenues at retail value represent total sales valued at retail price.

Each player's consolidated sales are *retailized* through the following methodology:



Bottom-up and top-down estimates

Bottom-up



We add brands' individual retail values...

Top-down

- Industry-specific (e.g., watches vs. beauty) data in the main geographical markets
- Comparison between market breakdown and turnover breakdown for key players
- Interviews with industry experts (top management of brands, distributors, department stores, etc.)
- Consistency check on the data and fine-tuning

...we cross-check results

BAIN & COMPANY 

