

From Surging Recovery to Elegant Advance: The Evolving Future of Luxury



Our 2021 Luxury Goods Worldwide Market Study
shows how brands can build on their historic rebound.

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Contents

Executive Summary.....	2
Luxury spending trends in 2021	5
Regional highlights	9
Distribution trends	12
Individual category performance	15
Outlook for the future	17
Appendix	21

Executive summary

Over the past two decades, the Bain & Company Luxury Study has become a reference point for the industry, but it has never seen a year of surging performance to match 2021. With personal luxury goods sales likely to be up by almost a third, the 20th edition of the study—released in collaboration with Fondazione Altagamma, the trade association of Italian luxury goods manufacturers—is a landmark in more ways than one.

The overall luxury industry tracked by Bain & Company encompasses both luxury goods and experiences. It comprises nine segments led by luxury cars, personal luxury goods, and luxury hospitality, which together account for 80% of the total market. After contracting in 2020 due to the pandemic, the market grew by 13% to 15% in 2021 to €1.14 trillion, according to our estimates. However, this is still 9% to 11% below 2019 levels.

Luxury spending adjusted to 2021's constraints, with a shift from experiences to goods and experience-based goods. Luxury products in general were first to recover to their 2019 levels, driven by the loosening of pandemic restrictions and by lockdown-inspired home upgrades and blended living and working spaces. Experience-based goods (such as fine art, luxury cars, and yachts) almost fully recovered to 2019 levels, due to positive consumer traction across segments. Limitations to international travel continued to restrict spending on luxury experiences, which remained well below pre-pandemic levels. Spending on experiences should be the last luxury outlay to recover historical highs, given its reliance on the resumption of international tourism and business travel.

The market for personal luxury goods—the “core of the core” of luxury segments and the focus of this analysis—has come roaring back, experiencing a V-shaped recovery in 2021. After a sharp contraction in 2020, personal luxury goods sales are set to beat their pre-Covid record, with the market forecast to grow by 29% at current exchange rates to hit €283 billion, likely finishing the year up 1% from its 2019 record.

A remarkable recovery driven by dual-engine growth, powered by the acceleration of local purchasing

The revived personal luxury goods market has been powered by the dynamism of local consumption, particularly in China and the US, which now form a dual engine for the sector. Regional shifts were indeed marked by the persistent rebalancing of where luxury purchases are made. Purchases made locally have grown by 50%–60% since 2019, and tourist purchases have declined 80%–90% vs. 2019.

Mainland China experienced remarkable momentum, with the market size nearly doubling since 2019, entirely due to the repatriation of Chinese purchases from abroad. The Americas posted solid

growth, particularly in the US, where a new map of luxury is fast emerging with the increased importance of secondary cities and suburban areas. The Americas account for €89 billion in annual sales (31% of the global market), while sales in mainland China now amount to €60 billion (21% of the global market).

The Middle East was another bright spot, with Dubai and Saudi Arabia leading the growth. Europe, Japan, and the rest of Asia only partially recovered during 2021 and have still not reached pre-Covid levels. Their comeback is inherently linked to the resumption of global travel (particularly of tourism out of China). Japan is expected to be back to pre-pandemic levels by 2023 and Europe by 2024.

The online channel nearly doubled in the past two years and the secondhand market thrived

Brands continued to increase control over their distribution in 2021, with a rise of directly operated channels. The retail channel has grown to the point that it now accounts for almost half the market (a forecast 49% in 2021) and is poised to overtake the wholesale channel.

Overall, online and monobrand stores were the key channels for 2021's recovery and should lead growth in the medium term. After a 50% jump from 2019 to 2020, online continued to power on, thanks to accelerated adoption during Covid-19. Websites devoted to a single brand gained ground on other types of online platforms and now make up 40% of the online segment, up from 30% in 2019.

Bain estimates that the secondhand luxury market soared to €33 billion in 2021, driven by surging demand and an increasingly competitive offer.

All personal luxury goods categories except apparel are back to their 2019 levels

At category level, shoes, accessories, and jewelry were the star performers during the pandemic. Their success—sales for all three should exceed 2019 levels in 2021—reflects the contradictory currents of the pandemic, in which some consumers embraced a new informality while others rediscovered logo-led style or turned to the most exclusive and sparkling incarnations of hard luxury.

According to our forecasts, shoes grew by 11% compared with 2019 to reach €23 billion, thanks to a switch to casual footwear (although there are signs that women are now snapping up shoes fit for more extrovert occasions). Accessories remained the largest personal luxury goods category in 2021 and grew by 8%, relative to 2019, to reach €62 billion. Strong demand for luxury belts proved not everyone wore sweatpants in 2021 (at least not all the time).

Jewelry reached €22 billion, up 7% from 2019, as the appeal of branded luxury jewelry continued to grow in traditionally noncore markets. Unisex jewels became popular, and the online channel played a key role for entry-level-priced goods and custom pieces.

Watches and beauty grew back to their 2019 levels. The luxury watch market regained its record €40 billion valuation, reflecting solid demand for “über-luxury” and iconic pieces, as well as genderless watches. Beauty recovered to €60 billion, just 1% below its 2019 levels. Skin care was boosted by a wave of pampering, although the weak performance of travel retail is still holding beauty back.

The apparel category grew in 2021, but not sufficiently to close the gap with 2019. The desire for comfort was a theme again, but big-occasion dressing is making a comeback, giving womenswear more of a spark than menswear. As in accessories, logos are back in fashion.

Increasing market concentration but still room for rising stars

Over the last 20 years, the leading brands have grown both their share of the market and their scale advantage over other players. That said, there is still a place for “rising stars” in the industry. These small brands, many of which are newcomers, currently make up 2% of the market but are growing twice as fast as the broader industry.

The Covid-19 crisis marks a turning point for luxury

Luxury brands have faced two years of tremendous turbulence, but the industry is coming out of the crisis with more strength, resilience, and agility than before. Profitability has already recovered to pre-Covid levels: We forecast that a typical brand’s earnings before interest and taxes margin nearly doubled in 2021 to 21%, up from 12% in 2020.

The prompt 2021 rebound suggests that growth will be healthy for the personal luxury goods market in the medium term. We expect the sales recovery to continue over the next four years, with the personal luxury goods market reverting to annual growth rates between 6% and 8% until 2025.

The crisis marks a turning point for luxury as we knew it. The expanding universe of luxury customers expects more from brands than before. Well beyond product considerations, they seek personalization and alignment with their values, a strong voice on social issues, and real action and responsibility when it comes to sustainability.

Luxury brands will continue to redefine themselves over the next 20 years by expanding their historical mission beyond creativity and excellence, generating economic growth in a networked economy, contributing to cultural development and fostering social progress. New keywords and phrases—such as metaverse, personalization at scale, and tech stack—will come to the fore as the industry grows and evolves.



Luxury spending trends in 2021

- ▶ The overall luxury market tracked by Bain & Company comprises nine segments: luxury cars, personal luxury goods, luxury hospitality, fine wines and spirits, gourmet food and fine dining, high-end furniture and housewares, fine art, private jets and yachts, and luxury cruises. Luxury cars, luxury hospitality, and personal luxury goods together account for 80% of the total market. According to our forecasts, the overall luxury market grew back by 13% to 15% in 2021, to €1.14 trillion, 9% to 11% below 2019 levels. All segments except luxury cruises resumed growth, but only luxury cars, personal luxury goods, fine wines and spirits, and high-end design furniture were able to grow enough to exceed their 2019 levels.
- ▶ Sales of luxury cars, the biggest portion of the overall market, beat their 2019 record, reaching €551 billion, 7% to 9% more than 2020 at current exchange rates, and 0% to 1% up from 2019. Asian outperformance helped sales weather supply chain disruption. In Asia, local premium players outpaced European ones in the more accessibly priced segment. The policy-led transition toward greener automobiles continued.
- ▶ Luxury hospitality bounced back from the middle of the second quarter of 2021, and occupancy rates progressively increased. However, overall spending on hospitality stayed well below pre-pandemic levels due to continued restrictions to international travel. The market reached €79 billion, up 20% to 22% at current exchange rates from 2020, but still down 58% to 62% from 2019. Hotel chains outpaced independents, powered by their greater adaptability to shifting consumer needs. Customization proved vital to accelerate the recovery. Digitalization advanced to meet the needs of younger customers, while enabling process automation and contactless interactions.
- ▶ Sales of fine wines and spirits rebounded strongly, reaching €77 billion, up nearly 2% from 2019, boosted by people throwing themselves into post-lockdown socializing in a mood of “revenge conviviality.” Spirits grew the most, due to rising consumption of Asian spirits (mostly baijiu) and growing interest in high-status spirits. Marketing messages focused on topics such as inclusivity and sustainability to meet the concerns of younger adults. Sparkling wine, disproportionately hit in 2020, recovered better than other segments of the wine market.

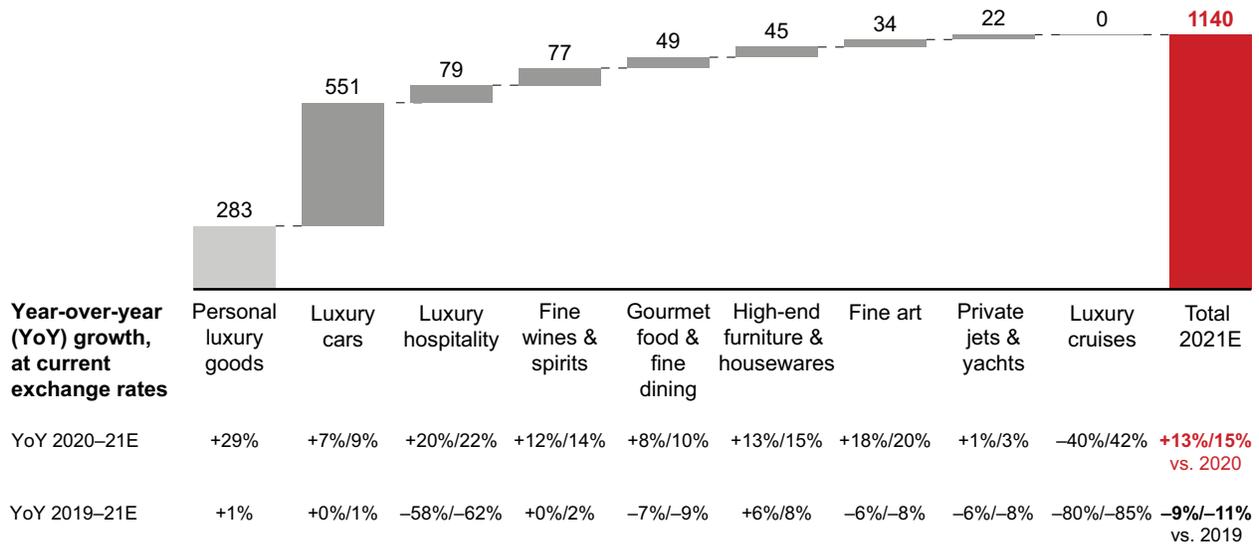
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- ▶ High-end food and fine dining grew 8% to 10% at current exchange rates but, at €49 billion, stayed 7% to 9% below 2019 levels. Fine restaurants, hit hard last year, rebounded after lockdowns eased. Gourmet food grew at a lower rate than last year, despite evidence that greater enthusiasm for home cooking was spurring consumers to create high-end pantry meals with specialized appliances. Meal delivery from “dark” or “ghost” kitchens has also been going upmarket.
- ▶ Sales of private yachts and jets edged up by 1% to 3% at current exchange rates relative to 2020, reaching €22 billion, but did not close the gap with 2019. Luxury yacht delivery growth in 2021 was aided by delays in 2020 and surging interest in intimate luxury experiences. Sustainable solutions (including hybrid propulsion) were in high demand. The demand for private jets was stable compared with 2020, driven by the perceived benefits of safety, convenience, and efficiency. The secondhand market slowed down, due to less availability than in past years.
- ▶ The fine art market rebounded, thanks to the gradual reopening of public auctions and art fairs. We observed stronger growth in the medium-priced segment as global uncertainty discouraged bids on higher-priced items. Mergers and acquisitions meant a wave of consolidation rippled through high-end galleries. Diversity, equity, and inclusivity climbed the agenda for fine arts management teams. Non-fungible tokens (NFTs) proved increasingly popular among the younger generations, but their impact on the broader market is still uncertain.
- ▶ The high-end furniture and housewares market reached €45 billion, up 13% to 15% from 2020 and 6% to 8% ahead of 2019. The segment benefited from consumers spending more on their homes, with a particular focus on their living rooms, bedrooms, outdoor areas, and lighting. The blending of living and working spaces fueled “residential” growth, with consumers seeking increased comfort, functionality, and flexibility in design solutions.
- ▶ Overall, spending shifted from intangible experiences to tangible products in 2021. That’s visible in the different recovery trajectories of luxury goods vs. luxury experiences. The steepest recovery in 2021 belonged to personal luxury goods and furniture/housewares, now marginally ahead of 2019 levels. Experience-based goods are not far behind. Experiences should be the last to regain their 2019 peak. We see that happening in 2024, but much depends on the resumption of international tourism and business travel.
- ▶ The market for personal luxury goods—the heart of the whole luxury industry—enjoyed a V-shaped recovery after its worst dip in history in 2020. Sales are set to beat their pre-Covid record in 2021, with the market forecast to grow by 29% at current exchange rates to €283 billion, up 1% from its 2019 record. The most likely outcome in the fourth quarter is a 1% year-over-year rise.

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Figure 1: The global luxury market recovered to €1.14 trillion in 2021, up 13% to 15% from 2020, but still below 2019 levels

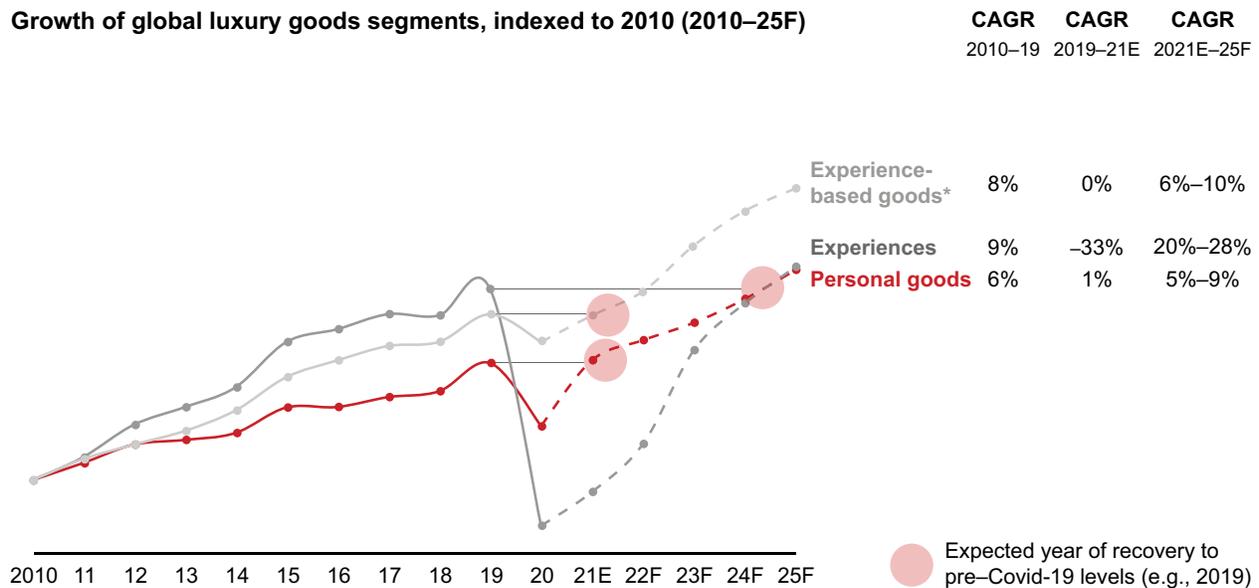
Worldwide luxury market, 2021E (€ billions)



Source: Bain & Company

Figure 2: Consumers indulged in luxury products in 2021; experiences are expected to complete their recovery in 2024

Growth of global luxury goods segments, indexed to 2010 (2010–25F)



* 2023 acceleration driven by a predicted end to supply chain disruptions in the car market

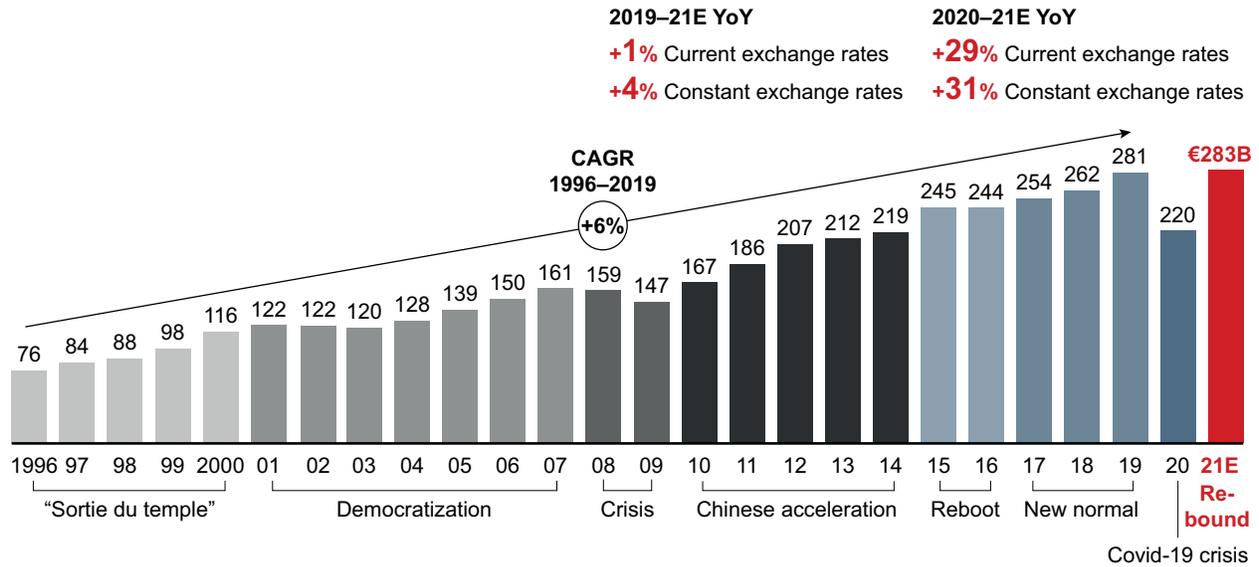
Notes: At current exchange rates; personal goods include high-quality design furniture and personal luxury goods; experience-based goods include fine art, luxury cars, private jets and yachts, fine wines and spirits, and gourmet food; experiences include luxury hospitality, cruises, and fine dining

Source: Bain & Company

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Figure 3: After its worst dip in history, the personal luxury goods market experienced a V-shaped rebound in 2021

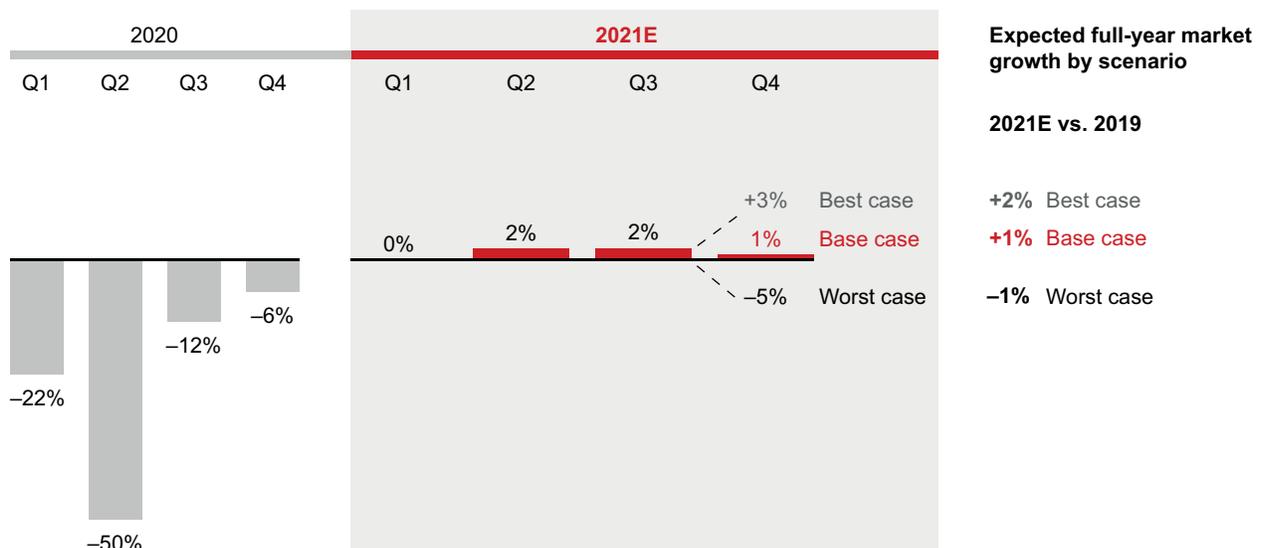
Global personal luxury goods market (€ billions)



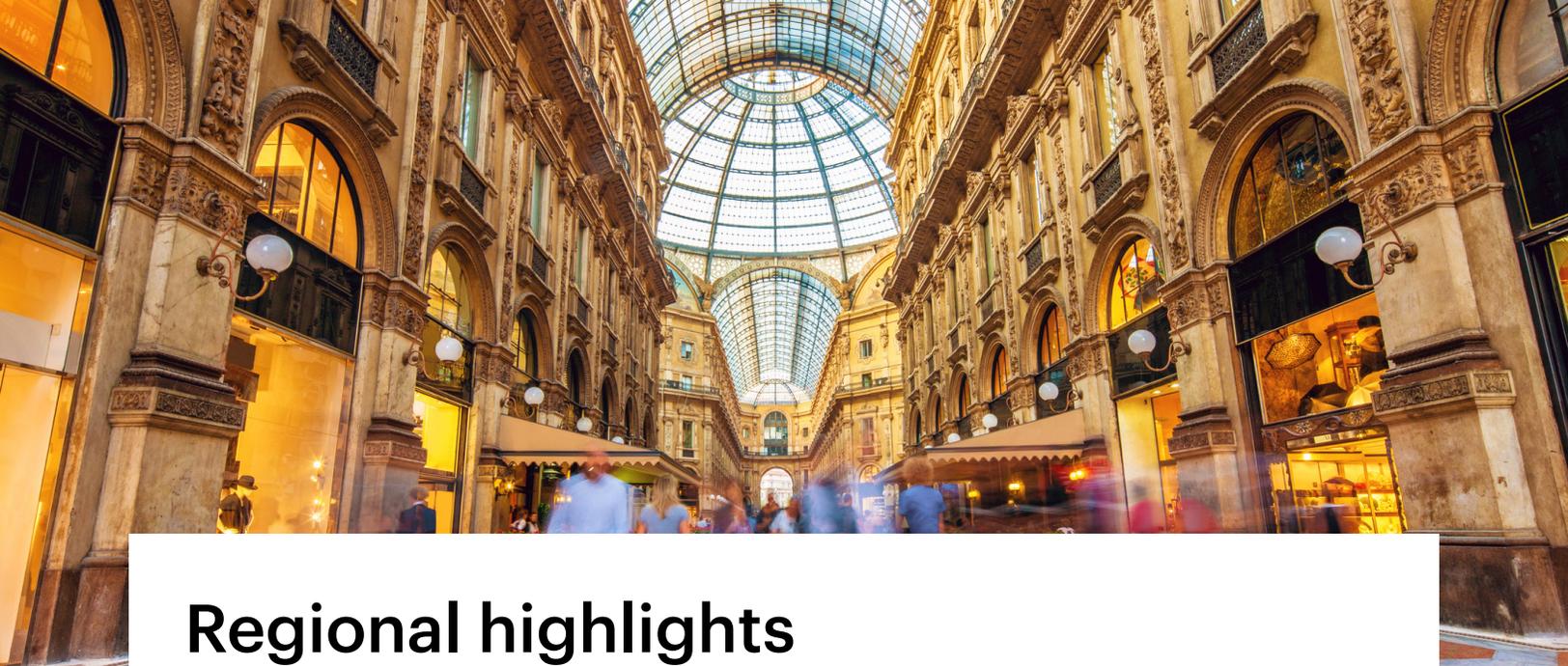
Source: Bain & Company

Figure 4: The personal luxury goods market comeback began in Q3 2020; some uncertainty persists for the upcoming holiday season

Global personal luxury goods market, growth trend per quarter in 2020–21E (QoQ growth rate vs. 2019)



Source: Bain & Company

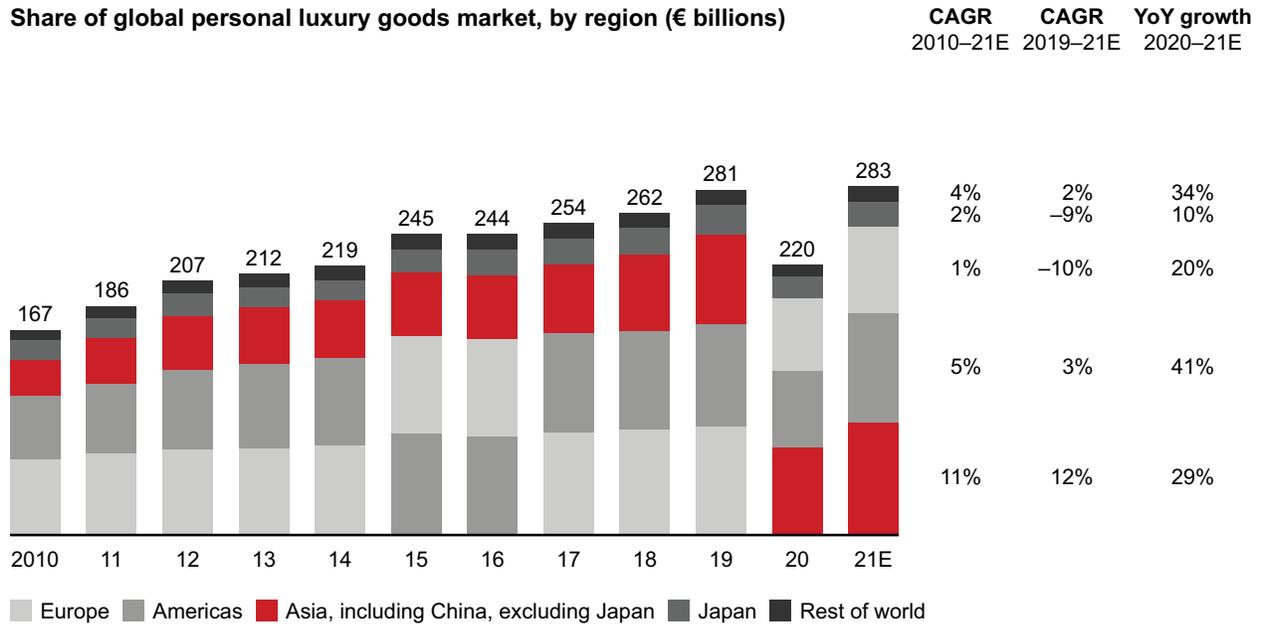


Regional highlights

- ▶ The global ranking of luxury sales by region remained stable in 2021. Asia, which became top ranked in 2020, retained its eminence, followed by the Americas and Europe.
- ▶ The pandemic has nonetheless changed the global map of luxury. As tourism collapsed by 80% to 90%, spending on personal luxury goods by consumers in their home markets picked up the slack, rising by 50% to 60% between 2019 and 2021, according to our forecasts.
- ▶ Luxury went local most dramatically in mainland China, whose market is forecast to grow by 36% at current exchange rates to €60 billion; China's share of the global market has almost doubled in two years, to a forecast 21% in 2021. We anticipate that the corresponding dip in the overall global spending by Chinese consumers will be reversed in the second half of 2022 or the first half of 2023 as tourist flows normalize.
- ▶ There was a solid rebound in overall global spending by US and Latin American consumers in 2021, with some previously unheralded cities such as Denver and Austin emerging as luxury hotspots. The Americas account for 31% of the global market (€89 billion), with the US remaining the single biggest national luxury market.
- ▶ Local consumption was also strong in Europe, including heavy spending by Russians in Russia. The Middle East was another bright spot, with Dubai and Saudi Arabia leading the growth.
- ▶ Japan is forecast to grow by 10% at current exchange rates to €20 billion, still below its 2019 performance. Local consumption was held back by slow vaccine uptake.
- ▶ The rest of Asia is expected to return to growth, rising by 19% at current exchange rates to reach €32 billion. The performance of Hong Kong remained weak, while Taiwan and Macau faced more mixed results. South Korea regained its 2019 levels due to the repatriation of local customers' spending, which more than compensated for the lack of tourism. Southeast Asia, meanwhile, continued to suffer from the dearth of tourists.

From Surging Recovery to Elegant Advance: The Evolving Future of Luxury

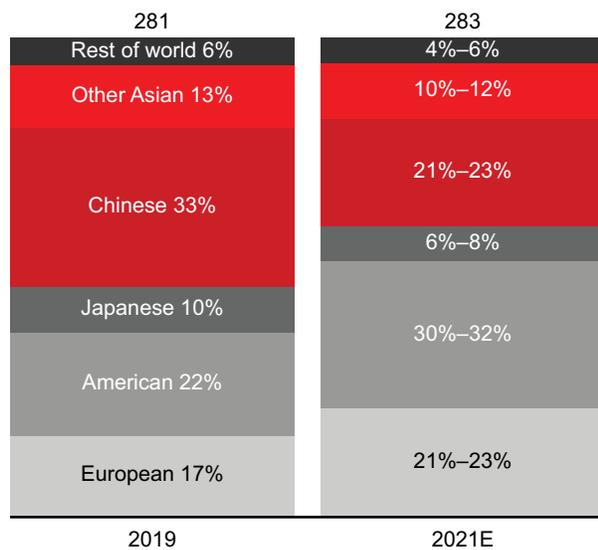
Figure 5: Asia remains the leading region, but the Americas are back to strong growth; Europe and Japan are still in recovery mode



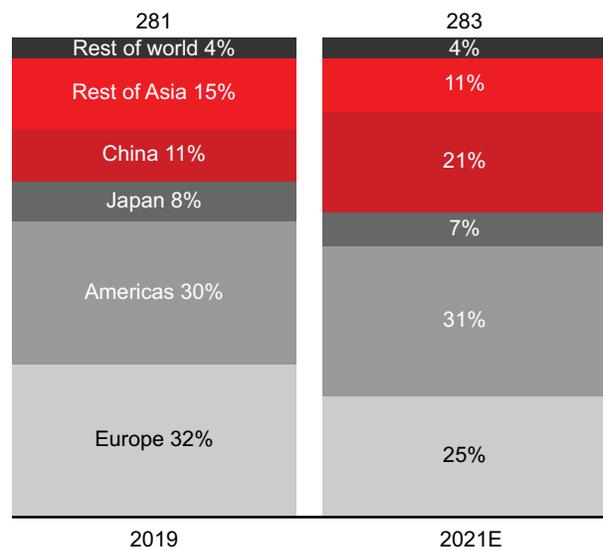
Note: Growth shown at current exchange rates
Source: Bain & Company

Figure 6: 2021 saw the return of American customers and confirmed China’s growing importance in luxury

Share of global personal luxury goods market, by consumer nationality (€ billions, 2019-21E)



Share of global personal luxury goods market, by region (€ billions, 2019-21E)

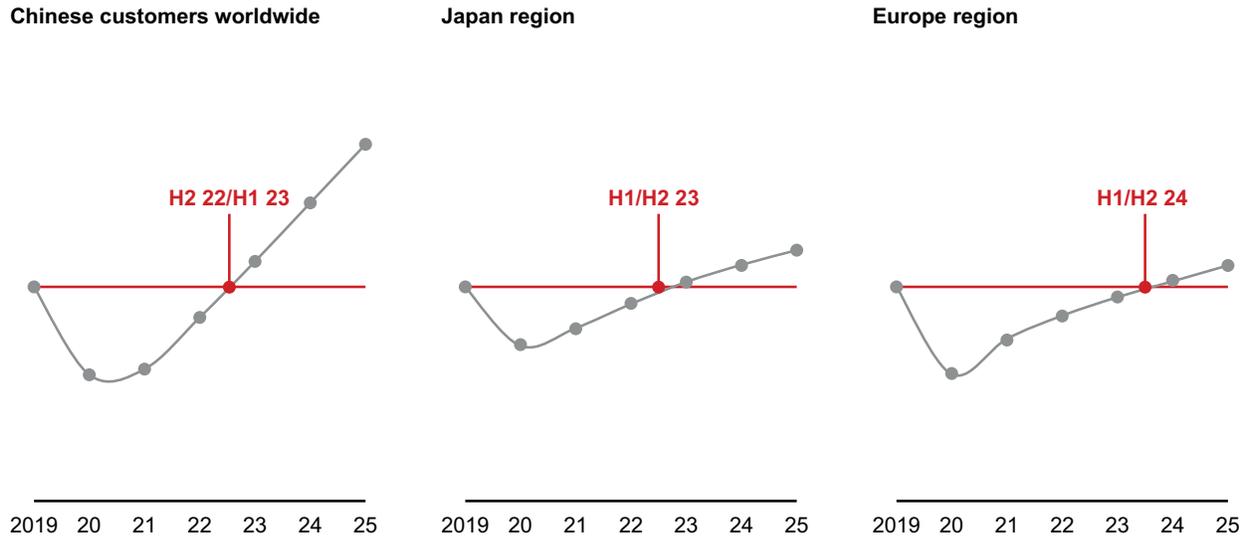


Note: Segments may not add up to 100% due to rounding
Source: Bain & Company

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Figure 7: The dip in global luxury spending by Chinese consumers should reverse in 2022–23; Japan should recover in 2023 and Europe in 2024

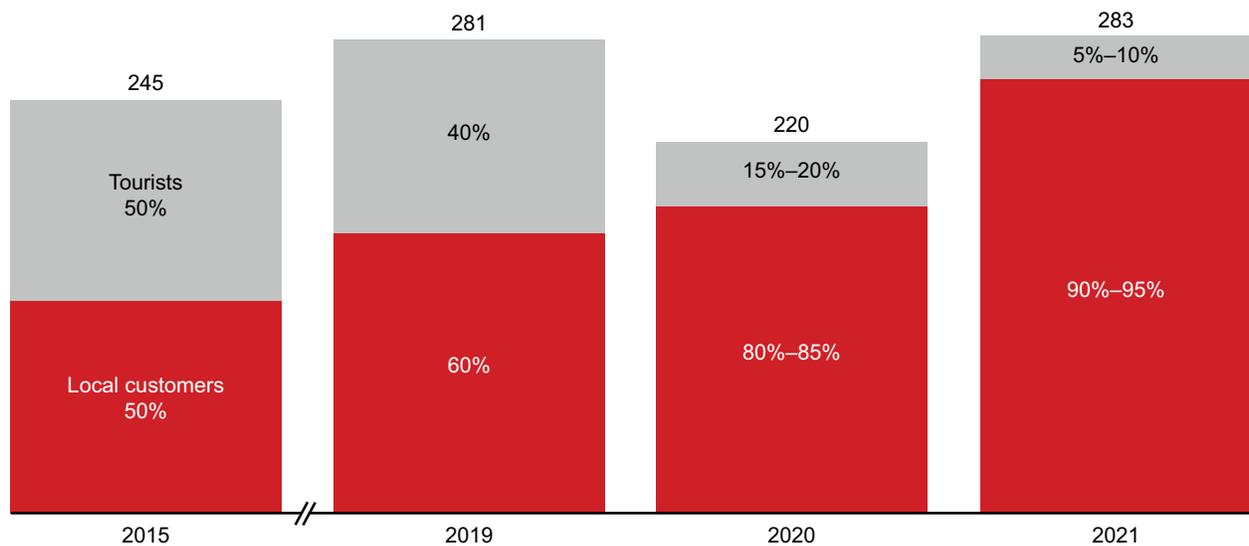
Expected recovery curves (2019–25): market value indexed to 2019



Source: Bain & Company

Figure 8: The global luxury market, historically tourism dependent, confirmed its more local nature in 2021

Share of global personal luxury goods market, by local customers vs. tourists (€ billions, 2015–21E)



Source: Bain & Company

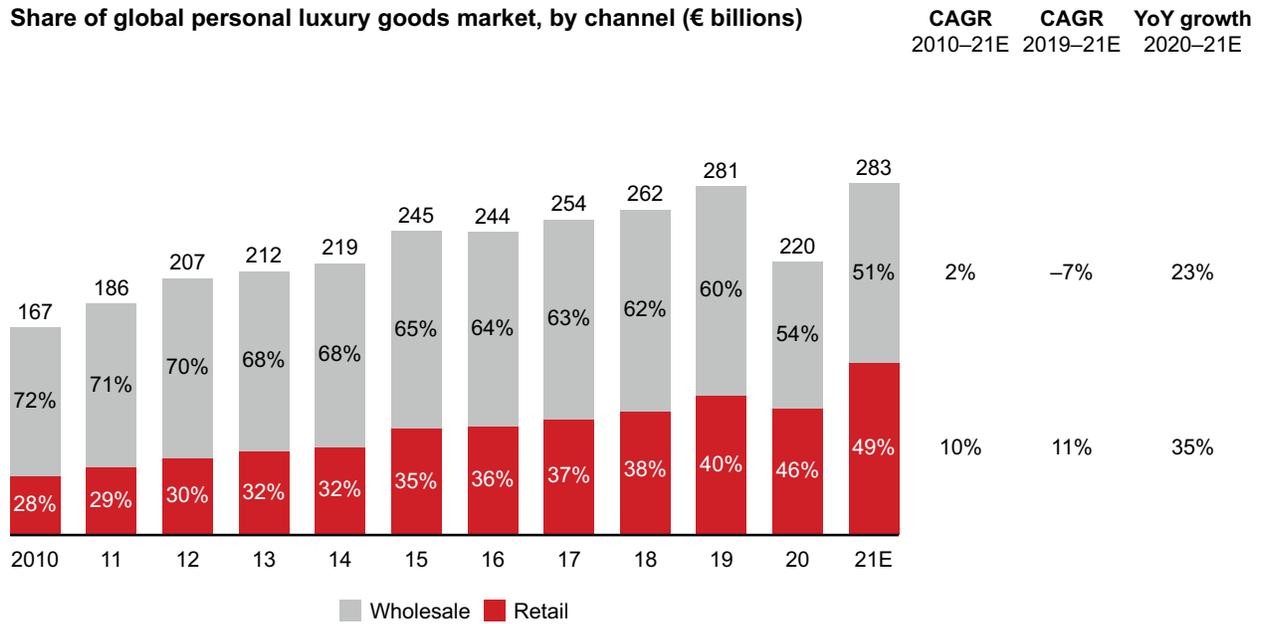


Distribution trends

- ▶ Brands continued to increase control over their distribution, with a rise of directly operated channels. The retail channel has grown to the point that it now accounts for almost half the market (a forecast 49% in 2021) and is poised to overtake the wholesale channel, whose share is likely to fall from 54% in 2020 to 51% in 2021.
- ▶ Online and monobrand stores were the key channels for 2021's recovery. After a 50% jump from 2019 to 2020, online continued to power on, growing by 27% from 2020 to 2021 to reach an estimated €62 billion in market value this year, thanks to accelerated adoption during the pandemic. Websites devoted to a single brand are now likely to make up 40% of the online segment, up from 30% in 2019.
- ▶ Outlets started to recover thanks to the easing of Covid-19 restrictions but still lagged their historical levels. Department and specialty stores regained local footfall yet remained well behind 2019.
- ▶ Bain estimates that the secondhand luxury market soared to reach €33 billion in 2021, driven by increased demand and a growing offer. Overall, the secondhand luxury market grew by 65% between 2017 and 2021, vs. 12% growth for firsthand items.

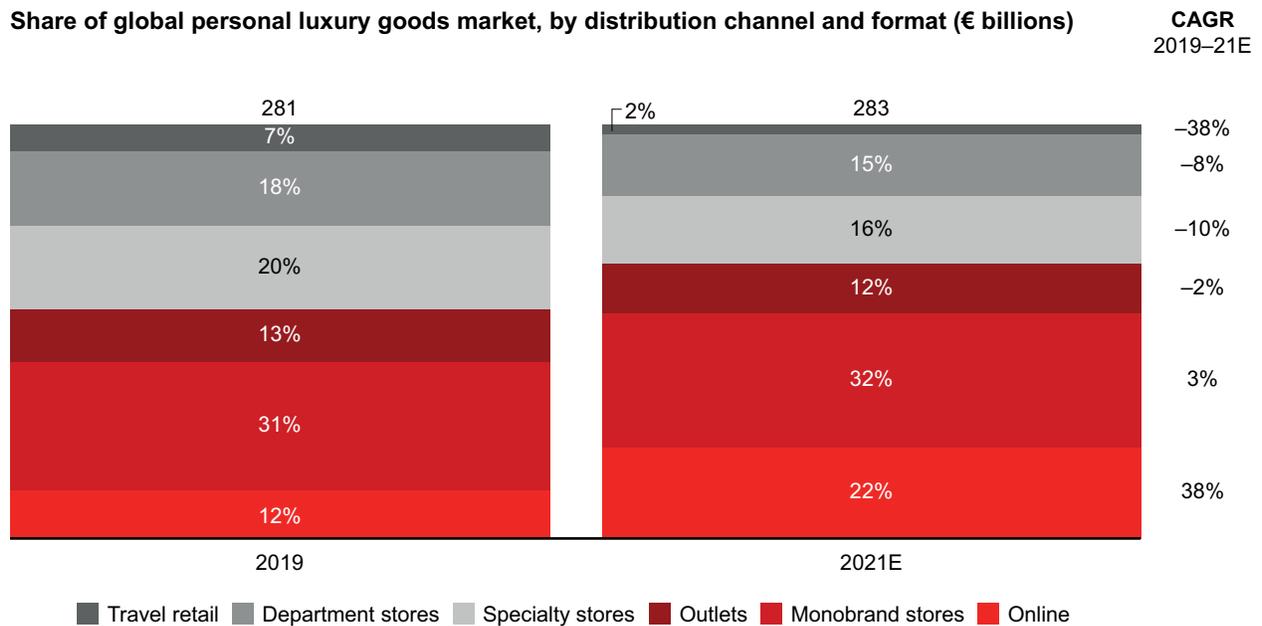
From Surging Recovery to Elegant Advance: The Evolving Future of Luxury

Figure 9: Owned retail gained further ground and is close to overtaking wholesale as the leading distribution model



Note: Growth shown at current exchange rates
Source: Bain & Company

Figure 10: Online and monobrand stores were the star channels of 2021

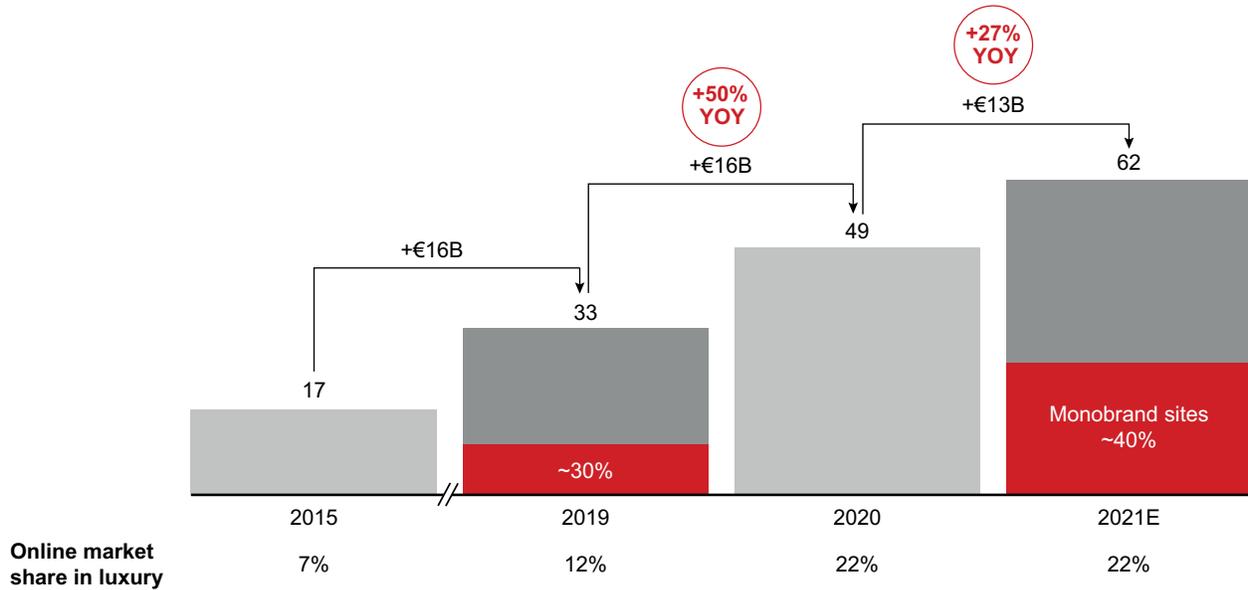


Note: Segments may not add up to 100% due to rounding
Source: Bain & Company

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Figure 11: The online luxury market size and share nearly doubled in two years; monobrand websites are gaining share

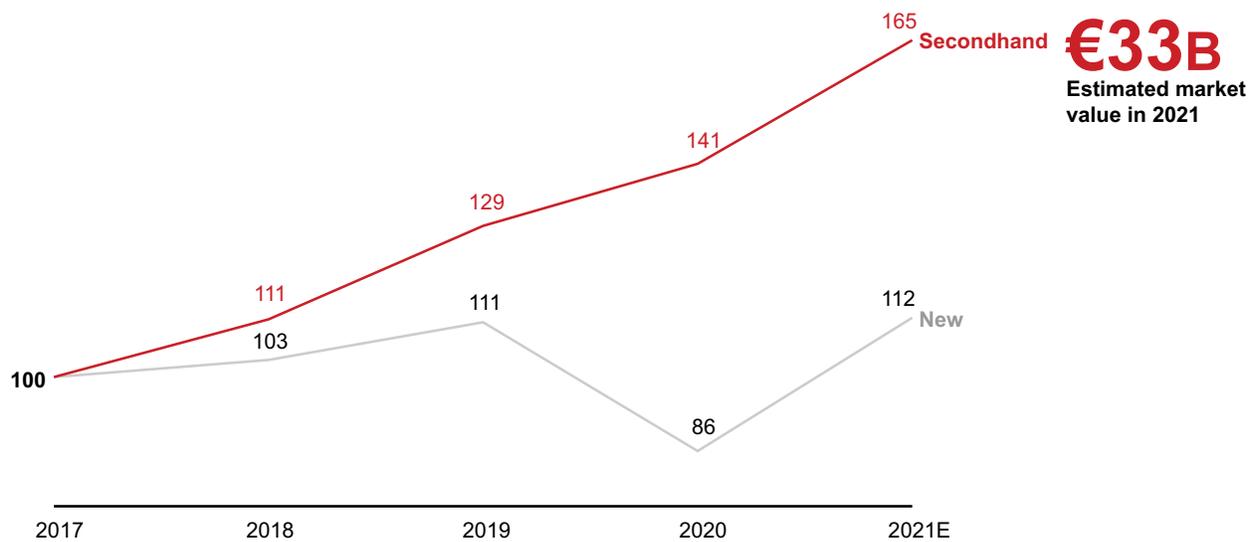
Global online personal luxury goods market (€ billions)



Source: Bain & Company

Figure 12: The secondhand market accelerated in 2021

Secondhand vs. new luxury goods market (indexed to 100 in 2017)



Source: Bain & Company

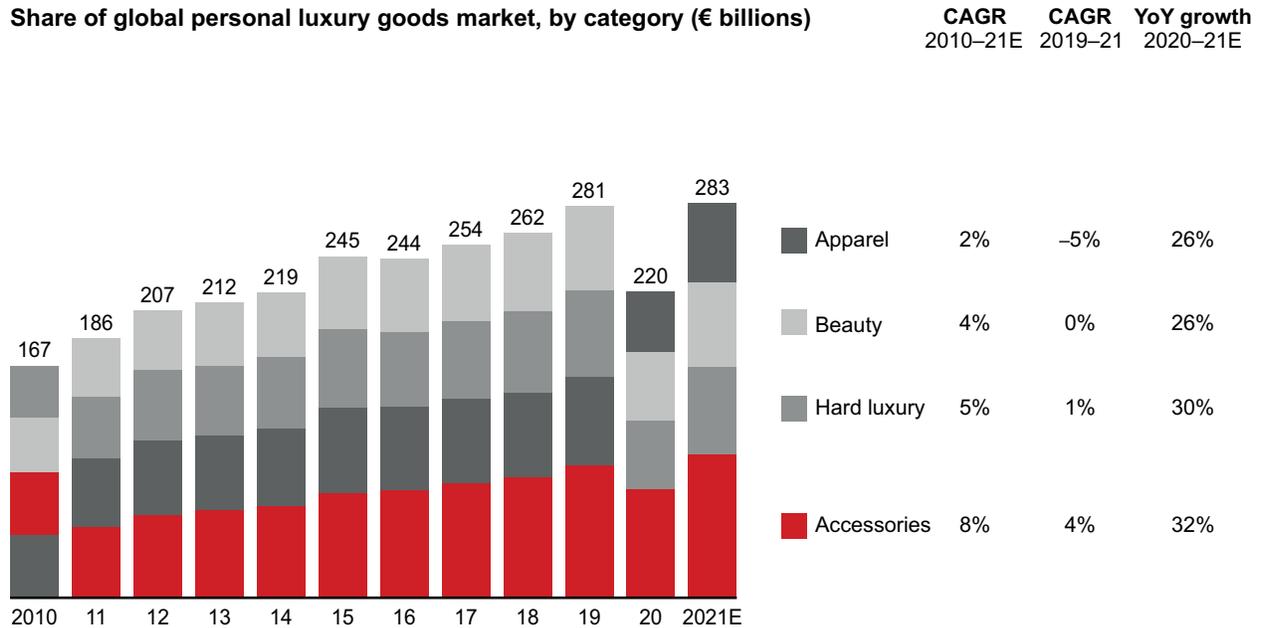


Individual category performance

- ▶ Shoes, accessories, and jewelry were the product categories that advanced most during the pandemic. They should all surpass their 2019 levels this year.
- ▶ According to our forecasts, shoes grew by 11%, compared with 2019, to reach €23 billion amid a continued switch from formal shoes to sneakers, boots, and other casual footwear, especially for men. Women's occasion shoes also accelerated.
- ▶ Accessories remained the largest personal luxury goods category in 2021 and grew by 8% relative to 2019, to reach €62 billion, with iconic product ranges and new must-haves showing strong momentum. Logos were back in favor, primarily in connection with brand heritage.
- ▶ Jewelry reached €22 billion, up 7% from 2019, as the appeal of branded luxury jewelry continued to grow in traditionally noncore markets. Unisex jewels became popular, and the online channel played a key role for entry-level-priced goods and custom pieces.
- ▶ Watches and beauty grew back to their 2019 levels. The luxury watch market regained its record €40 billion valuation, reflecting solid demand for "über-luxury" and iconic pieces, as well as genderless watches. Beauty recovered to €60 billion, just 1% below its 2019 level. Skin care was boosted by a persistent self-indulgence trend, while demand for makeup and fragrances remained constrained. The weak performance of travel retail is still affecting the entire category.
- ▶ The apparel category grew in 2021, but not sufficiently to close the gap with 2019. Womenswear grew faster than menswear, in large part due to the recent acceleration of occasionwear. Comfortwear is now normalized, but formalwear has not recovered. As in accessories, logos are back in fashion.
- ▶ Across product categories, traditional price-led segmentation models have lost relevance. Most brands are now covering multiple price points to respond to different customer segments and needs.

From Surging Recovery to Elegant Advance: The Evolving Future of Luxury

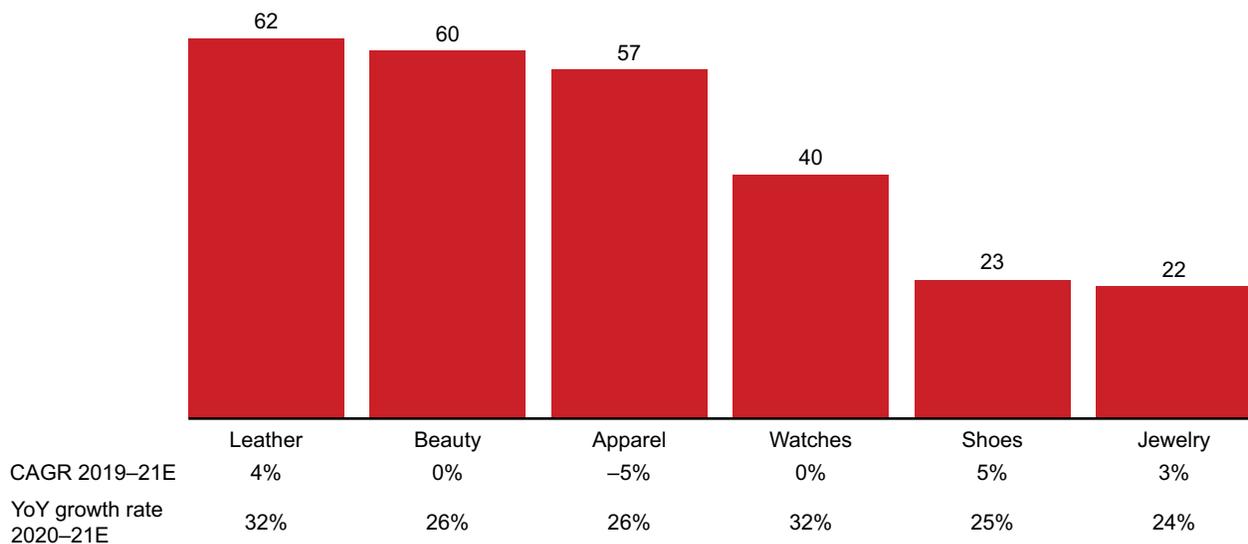
Figure 13: Accessories remained the largest personal luxury goods category and was also the fastest-growing



Notes: Growth shown at current exchange rates; hard luxury combines the jewelry and watches categories
Source: Bain & Company

Figure 14: Leather, shoes, and jewelry have beaten their historical highs; watches and beauty have closed the gap with 2019, but apparel is still lagging behind

Global personal luxury goods market, by product category (€ billions, 2021E)



Note: Growth shown at current exchange rates
Source: Bain & Company



Outlook for the future

- ▶ Over the last 20 years, leading brands have grown both their share of the market (now reaching close to 33%, vs. 17% in 2000) and scale advantage over other players; they are now up to 18 times bigger than the average brand, compared with only seven times 20 years ago.
- ▶ That said, there is still a place for “rising stars” in the industry. These small brands (less than €200 million in retail sales value) make up 2% of the market but are growing twice as fast as the broader industry by appealing to fast-moving consumer trends.
- ▶ Luxury brands have faced two years of tremendous turbulence, but the industry comes out of the crisis with more strength, resilience, and agility than before. Profitability has already recovered to pre-Covid levels: We forecast that a typical brand’s earnings before interest and taxes margin nearly doubled in 2021 to 21%, up from 12% in 2020. This turbocharged recovery was enabled by profit-hunting programs rapidly launched during the crisis and by a sales rebound that favored higher-margin direct channels.
- ▶ The prompt 2021 rebound suggests that growth will be healthy for the personal luxury goods market in the medium term. We expect the sales recovery to continue over the next four years, with the personal luxury goods market reverting to annual growth rates between 6% and 8% until 2025.
- ▶ As we move ahead, we anticipate that four growth trends will profoundly reshape the luxury market by 2025. First, Chinese consumers are set to become the dominant nationality for luxury, growing to represent between 40% to 45% of global purchases. Second, mainland China is on a path to overcome the Americas and Europe to become the biggest luxury market globally. Third, online is set to become the leading channel for luxury purchases. Fourth, younger cohorts (Generations Y and Z) should become more demographically dominant in luxury, representing 70% of global purchases.

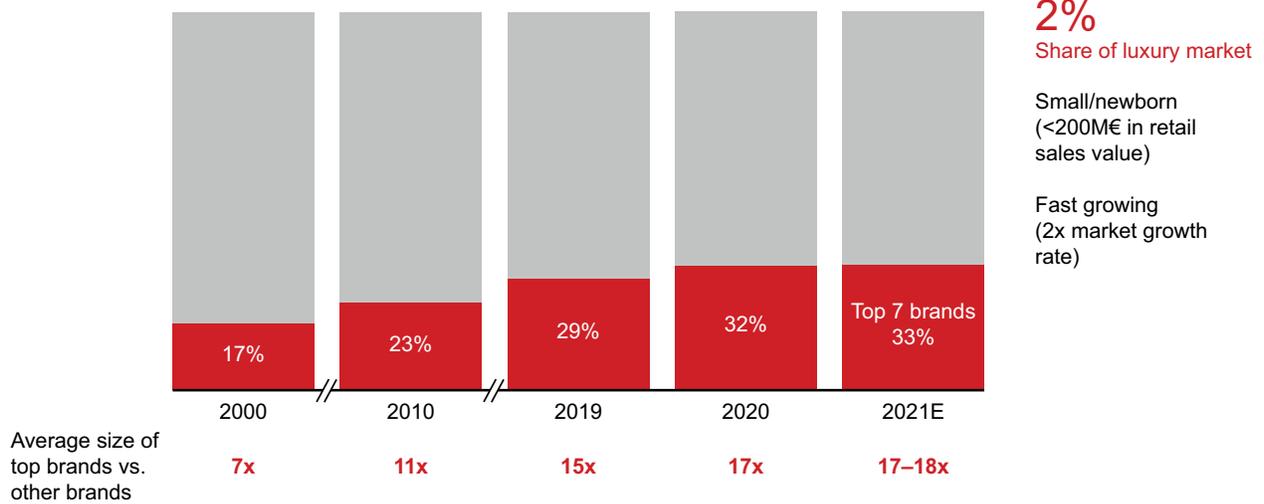
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Figure 15: The market is concentrating, and the top brands are increasingly larger, yet there is still space for some dynamic rising stars

Top brands

Rising stars

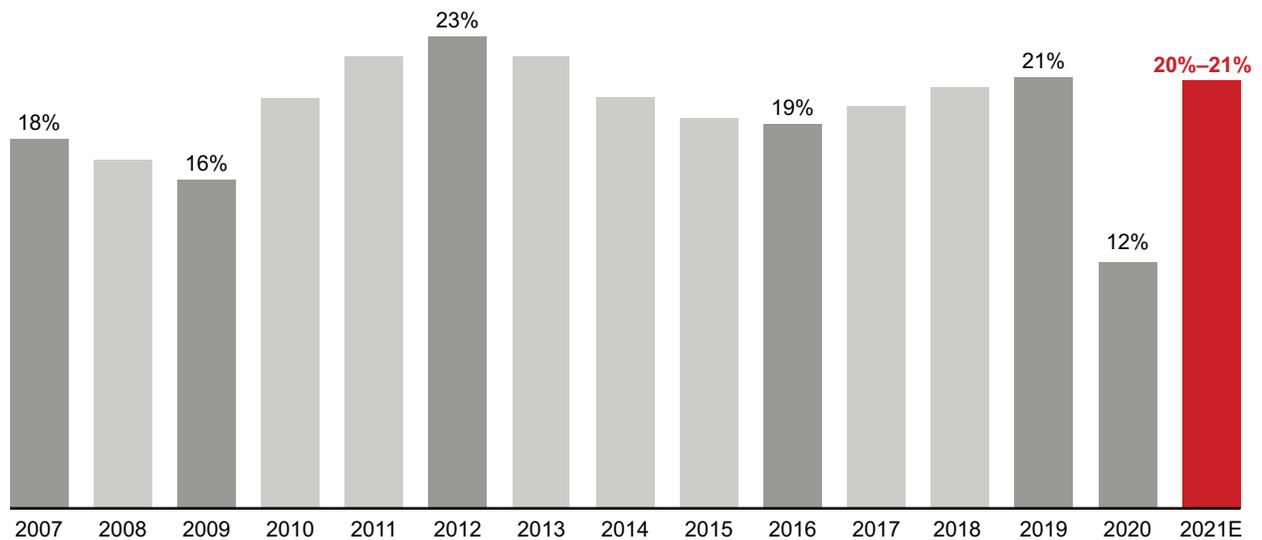
Market share in personal luxury goods* market (% , 2000–2021E)



* excluding beauty
Source: Bain & Company

Figure 16: Profits are already back to 2019 levels

EBIT of selected personal luxury goods brands (% , 2007–21E)



Note: EBIT is earnings before interest and taxes
Source: Bain & Company

From Surging Recovery to Elegant Advance: The Evolving Future of Luxury

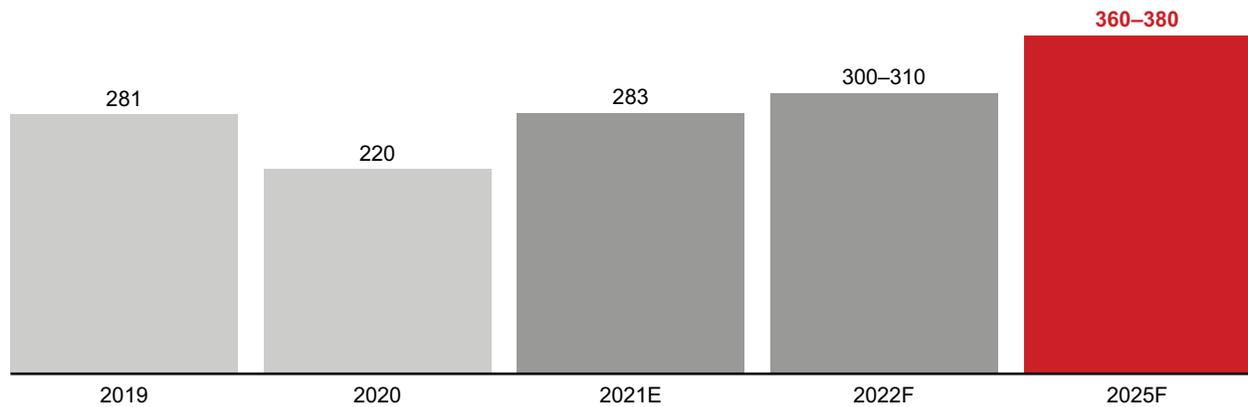
Figure 17: The prompt 2021 rebound acts as a predictor of healthy growth for the personal luxury goods market in the midterm

Global personal luxury goods market (€ billions)

CAGR 2019–25F **+4%/+5%**

CAGR 2020E–25F **+10%/+12%**

CAGR 2021E–25F **+6%/+8%**

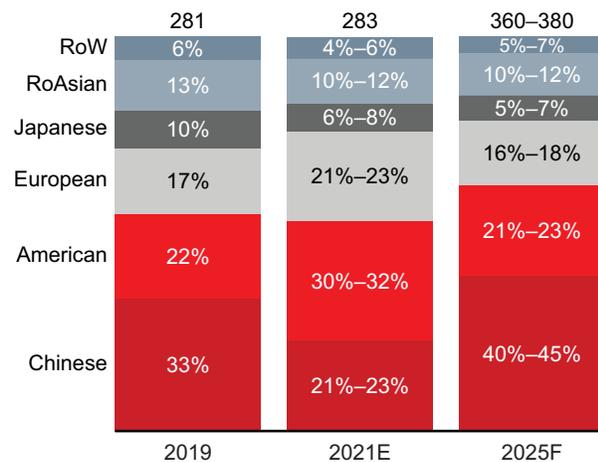


Note: F indicates forecasted growth
Source: Bain & Company

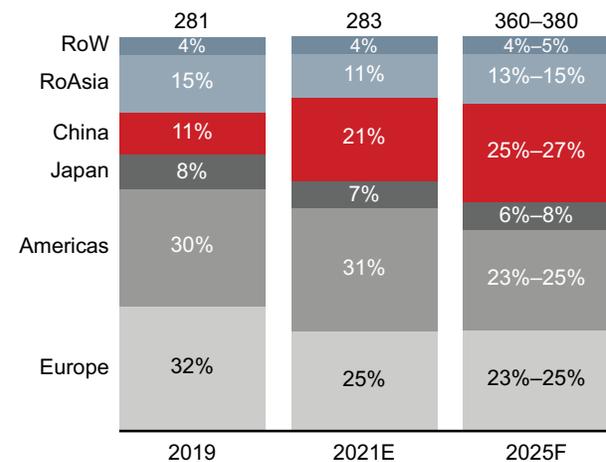
Figure 18a: By 2025 Chinese consumers will become the top clients, China the biggest market

Share of global personal luxury goods market (€ billions | 2019–25F)

Nationality



Region

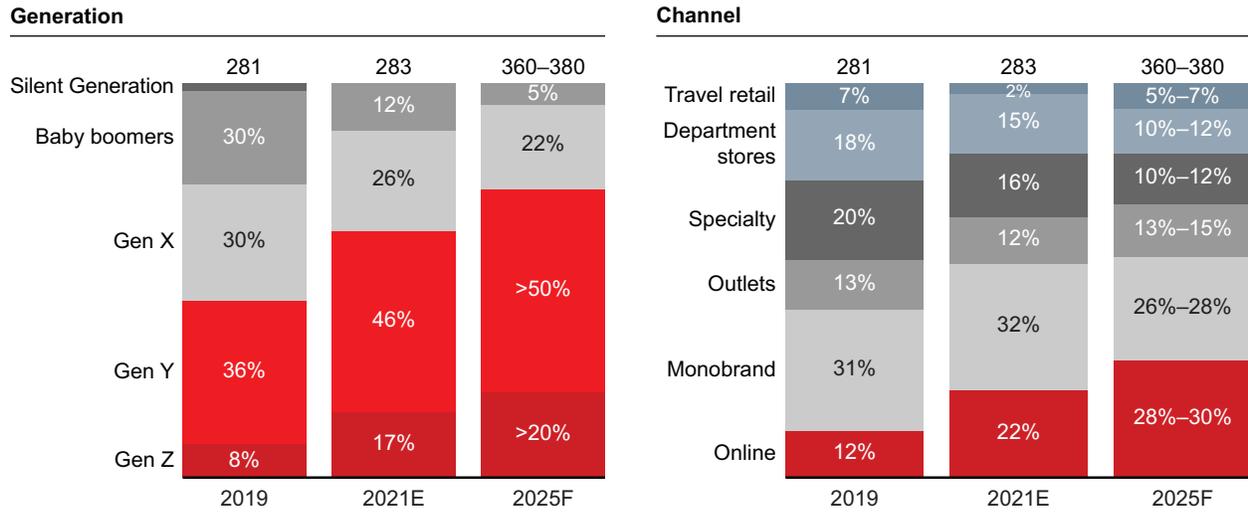


Notes: Segments may not add up to 100% due to rounding; F indicates forecasted growth; RoW is rest of the world; RoAsian is rest of Asian nationalities
Source: Bain & Company

From Surging Recovery to Elegant Advance: The Evolving Future of Luxury

Figure 18b: By 2025, Generation Y should account for more than half the market; online will become the leading channel

Share of global personal luxury goods market (€ billions | 2019–25F)



Notes: Segments may not add up to 100% due to rounding; F indicates forecasted growth; generations by range of birth year: Silent Generation, 1928–45; baby boomers, 1946–64; Generation X, 1965–80; Generation Y, 1981–1995; Generation Z, 1996–2015
Source: Bain & Company

Appendix

About the Bain Luxury Goods Worldwide Market Study

Bain & Company analyzes for Fondazione Altagamma the market and financial performance of more than 280 leading luxury goods companies and brands. This database, known as the Luxury Goods Worldwide Market Observatory, has become a leading and much-studied source in the international luxury goods industry. Bain has published its annual findings in the Luxury Goods Worldwide Market Study since 2000. The study's lead author is Claudia D'Arpizio, a Bain partner in Milan. Fondazione Altagamma is led by Matteo Lunelli, who was named chairman in 2020.

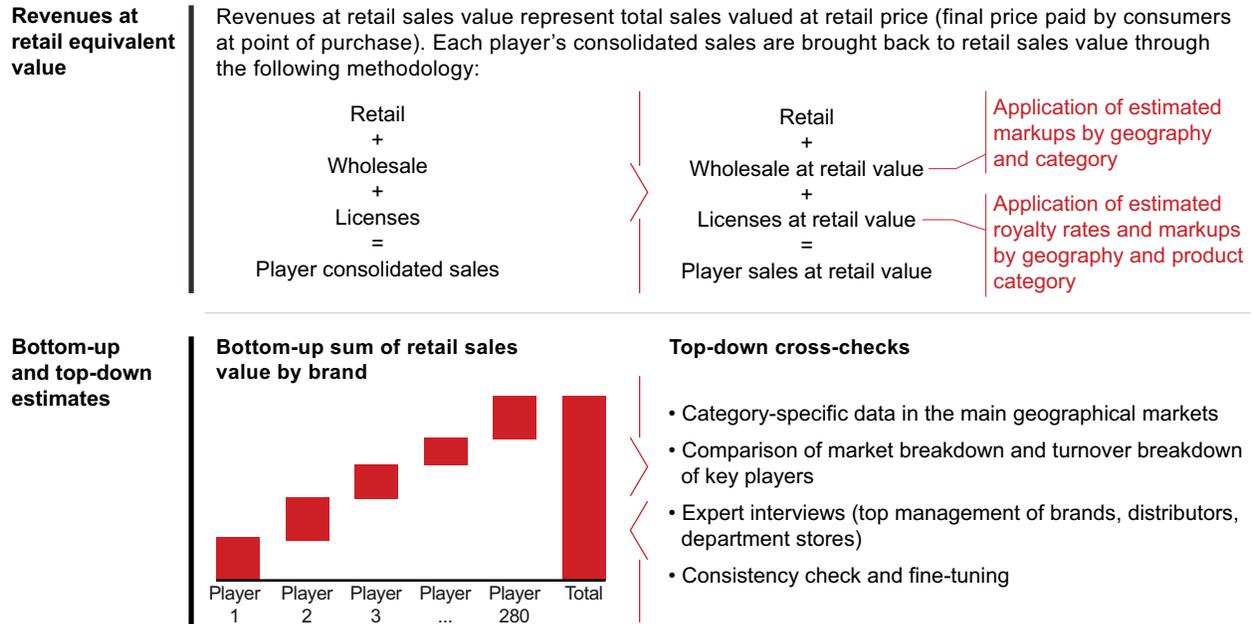
Bain's insights are based on triangulating information and sources available as of November 5, 2021, including the following:

- Data regarding the outbreak of Covid-19 and consequential lockdowns across countries
- Macroeconomic data (e.g., GDP, consumer confidence index) and latest forecasts
- Current trading performance from relevant luxury industry players
- Annual reports, quarterly results, and analyst reports
- Consensus of 100-plus expert interviews

The scenarios do not consider disruptive changes in Covid-19 status quo (e.g., potential future waves of Covid-19 related to variations of the virus).

From Surging Recovery to Elegant Advance: The Evolving Future of Luxury

Figure 19: Methodology of the study



Source: Bain & Company

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