

BAIN-ALTAGAMMA 2020 WORLDWIDE LUXURY MARKET MONITOR

SLOW MOTION BUT FAST FORWARD

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BAIN & COMPANY 

 **ALTAGAMMA**
CREATIVITÀ E CULTURA ITALIANA



Foreword on content and sources

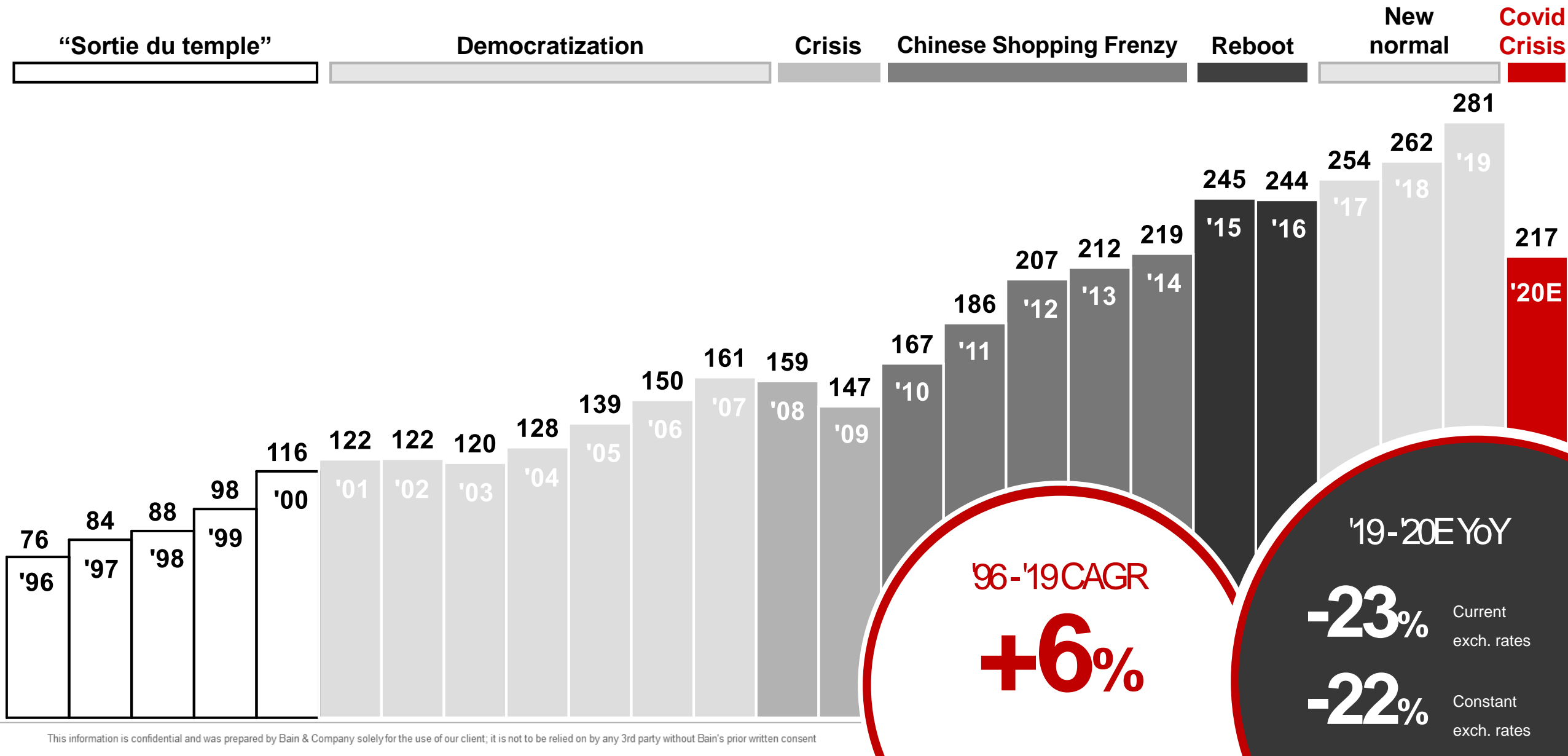
Content of this document

- This document contains **an update** on the **global luxury goods markets**, in particular:
 - An insight on the **performance of the market** for the **first three quarters of 2020** with expectations for the **last quarter**
 - **Estimates** for how the luxury market will evolve **beyond 2020**, with related **macro-trends** emerging
 - Bain **point of view** for how luxury players can **face the current situation** and **succeed in the recovery during the coming years**

Sources for this document

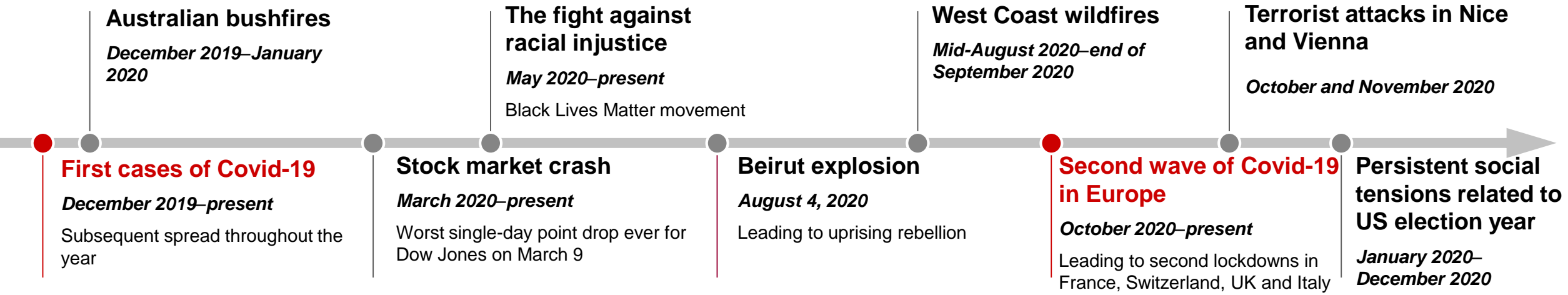
- The **insights** are based on **Bain's** triangulation of **information** and **sources**, available as of **November 12, 2020**, including:
 - Data regarding the **outbreak of Covid-19** and consequential lockdown across countries
 - **Macroeconomic data** (e.g., GDP, consumer confidence index, airflow traffic...) and their latest **forecasts**
 - **Current trading performance** from relevant luxury industry players
 - Annual **reports**, quarterly **results** and analyst reports
 - **Consensus of 100+ expert interviews**
- The scenarios **do not consider disruptive changes** in Covid-19 **status quo beyond 2020** (e.g., other **global waves** of Covid-19 or the sudden **introduction of a vaccine**)

The “new normal” trajectory of the **personal luxury goods market** was interrupted by the rude awakening of 2020, leading to the first decrease in more than 10 years

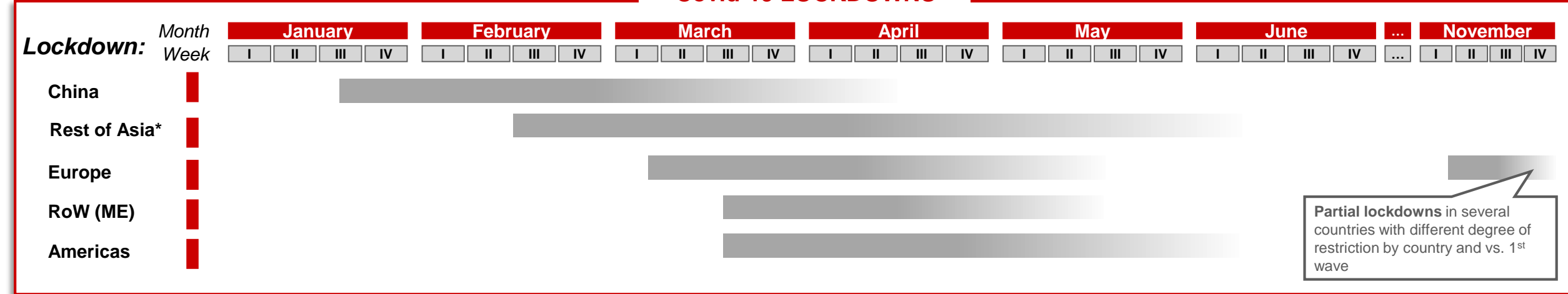


2020: Timeline of a pandemic (and beyond)

2020



Covid-19 LOCKDOWNS

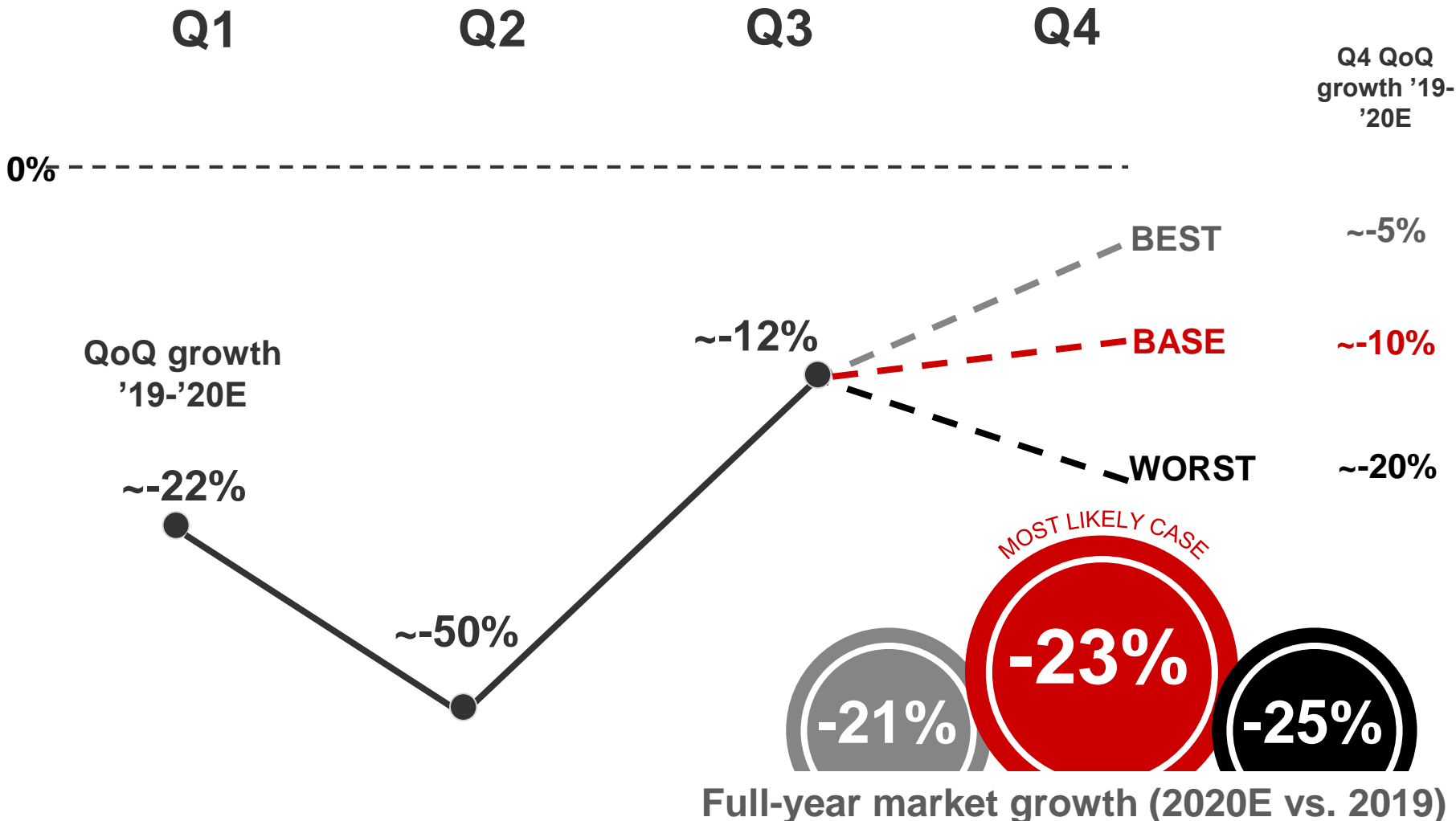


Note: (*) including Japan and South Korea did not adopt a full lockdown but several guidelines / restrictions | Source: Press Search

After Q2, the worst quarter ever for luxury market, and good signs of recovery in Q3, **uncertainty is still the keyword for holiday season**

2020

Personal luxury goods market evolution per quarter 2020E (% | 2019 vs. 2020E QoQ)



- Market performance in Q4 expected at **different pace**
 - **China** at full speed, while Asia in **recovery**
 - **Americas** sluggish (though on the right track), while **Europe** still struggling
- Variation in Q4 performance driven by:
 - Performance during **holiday season**
 - Evolution of **Covid-19** and **associated additional restrictions/lockdowns** (especially in Europe/Americas)
 - Possible **additional socio-economic tensions** (e.g., post-US elections, for government measures in Europe...)
 - **Macroeconomic evolution**

2021: The year of (partial) recovery

BEYOND 2020

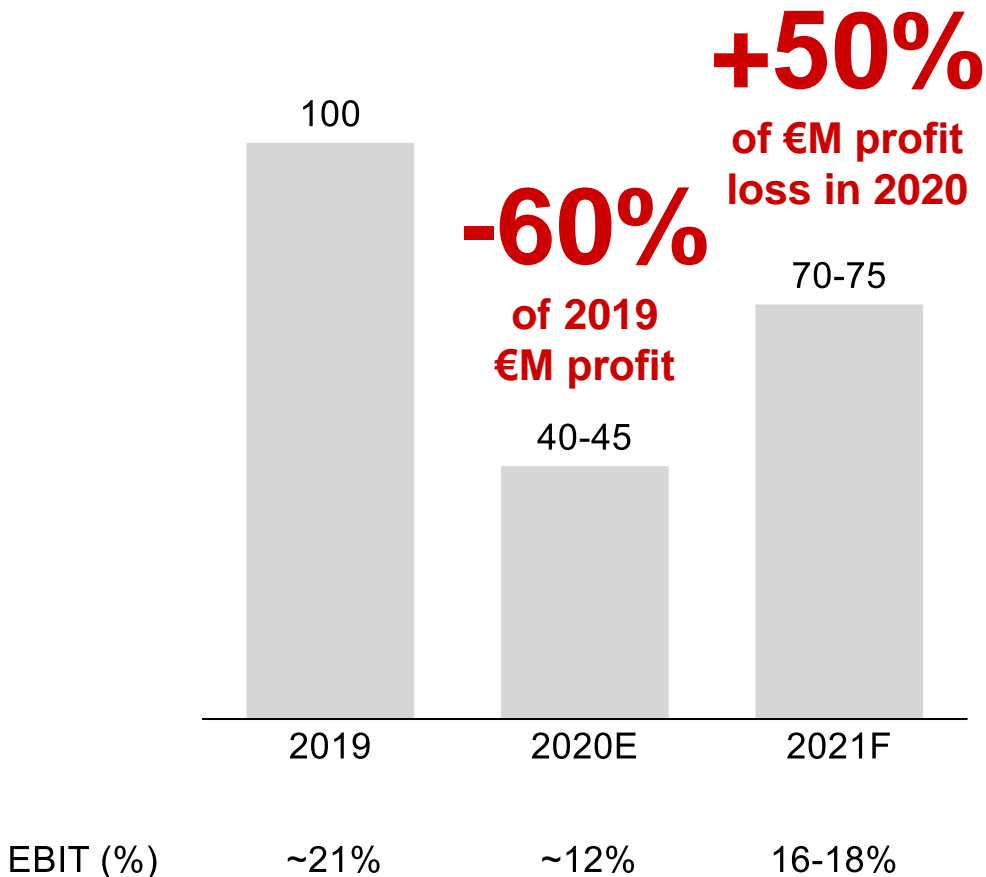
	Macro-economics	Local customers	Tourists	YoY '20E-'21F	2021F market (indexed 2019=100)
Fast recovery	<ul style="list-style-type: none"> Positive recovery of macroeconomic fundamentals (e.g., GDP) according to latest estimates available, differentiated by area <ul style="list-style-type: none"> APAC, led by China, with highest real GDP growth EMEA bouncing back with a higher growth rate (but hit harder in 2020) vs. North America 	<ul style="list-style-type: none"> Full recovery of lost sales in 2020 due to store closures across all regions Strength of recovery differs depending on possible restrictive measures and local economies' trends 	<ul style="list-style-type: none"> Half of 2019 tourist spend is back <ul style="list-style-type: none"> Lower repatriation of spend in Asia (especially China) 	+17/ +19%	91-92
Paced recovery			<ul style="list-style-type: none"> Only 30-45% of 2019 tourist spend is back <ul style="list-style-type: none"> Higher repatriation of spend in Asia (especially China) 	+13/ +15%	87-89
Slower come-back			<ul style="list-style-type: none"> Only 25-40% of 2019 tourist spend is back <ul style="list-style-type: none"> Higher repatriation of spend in Asia (especially China) 	+10/ +12%	85-87

Top-line drop impacts **profits** more than proportionally: nearly **60% reduction vs. 2019**, of which potentially 50% to be recovered in 2021

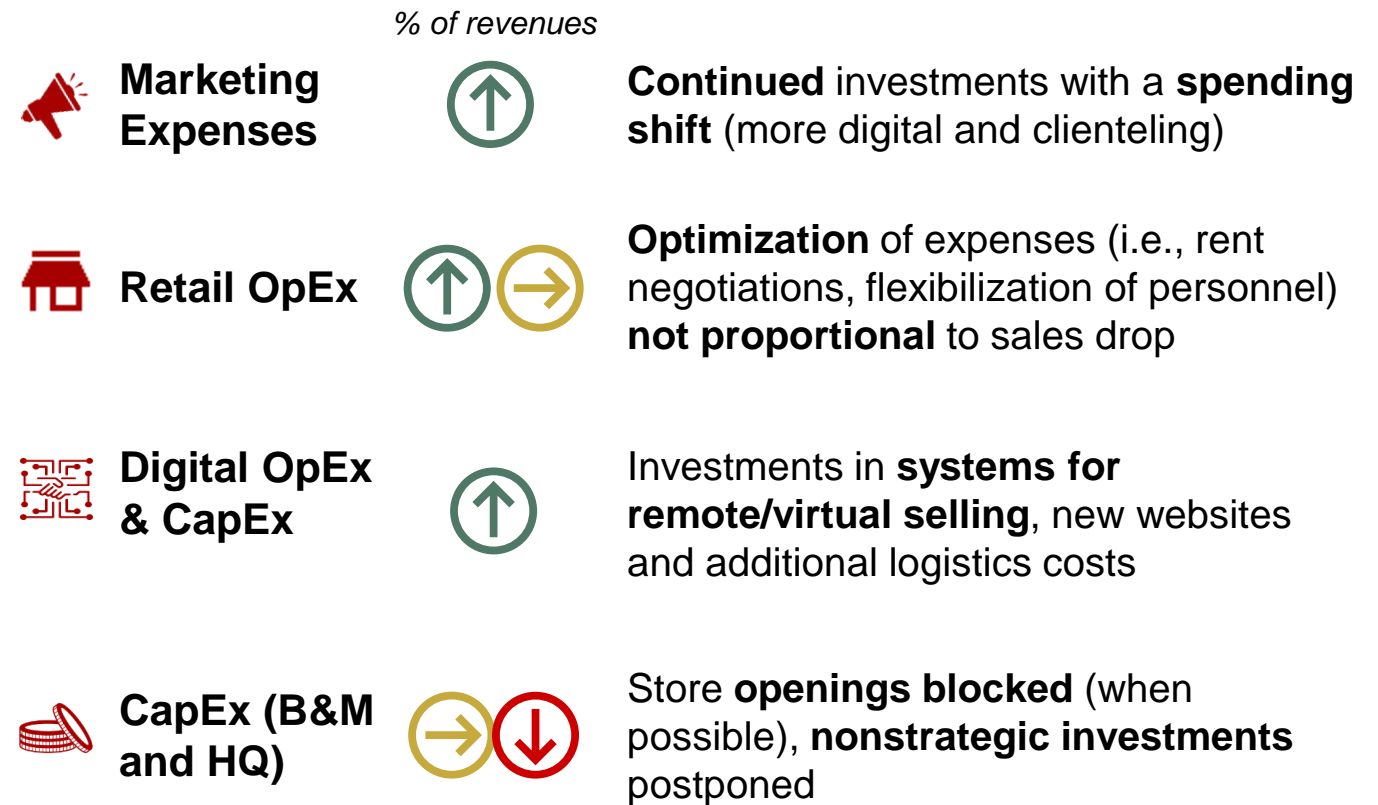
BEYOND 2020

/ BASE CASE 2020/2021

Evolution of EBIT of personal luxury goods market (indexed 2019=100 | 2019–2021F)



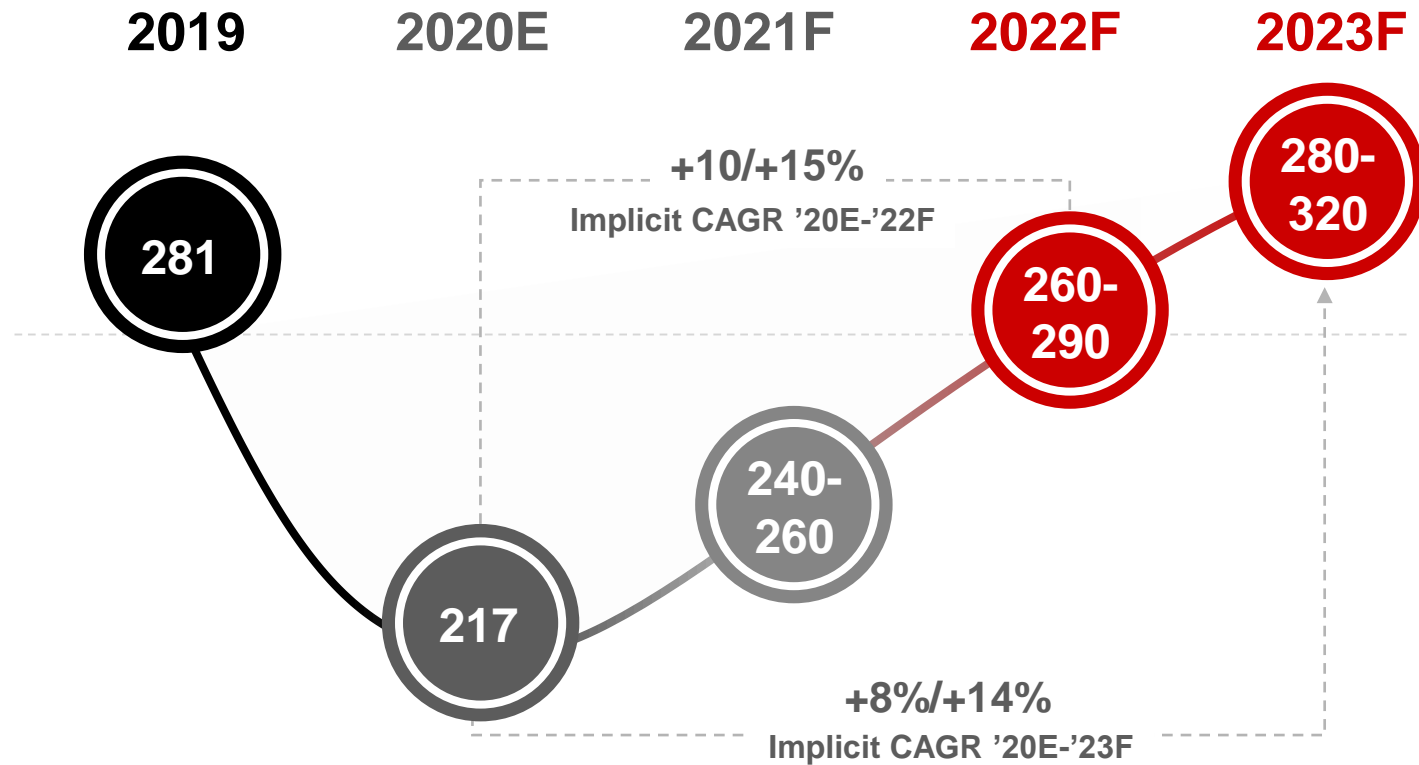
2020 spending direction per key cost bucket



#Throwback to 2019 depends on numerous market drivers and is likely to occur between end of 2022 and 1H2023

BEYOND 2020

Personal luxury goods market (€B | 2019–2023F)



- **Recovery** of the market to pre-Covid-19 levels will likely happen **between 2022** and **2023**, depending on:



Real economy trends



Consumer confidence in response to the sanitary crisis, recession, socio-political turmoil



Tourism flows

Q: When do you expect revenues to recover to the same level as 2019?

Source: Consensus of 100+ luxury executives

10%

By Q4 2021

70%

H2 2022 / H1 2023

20%

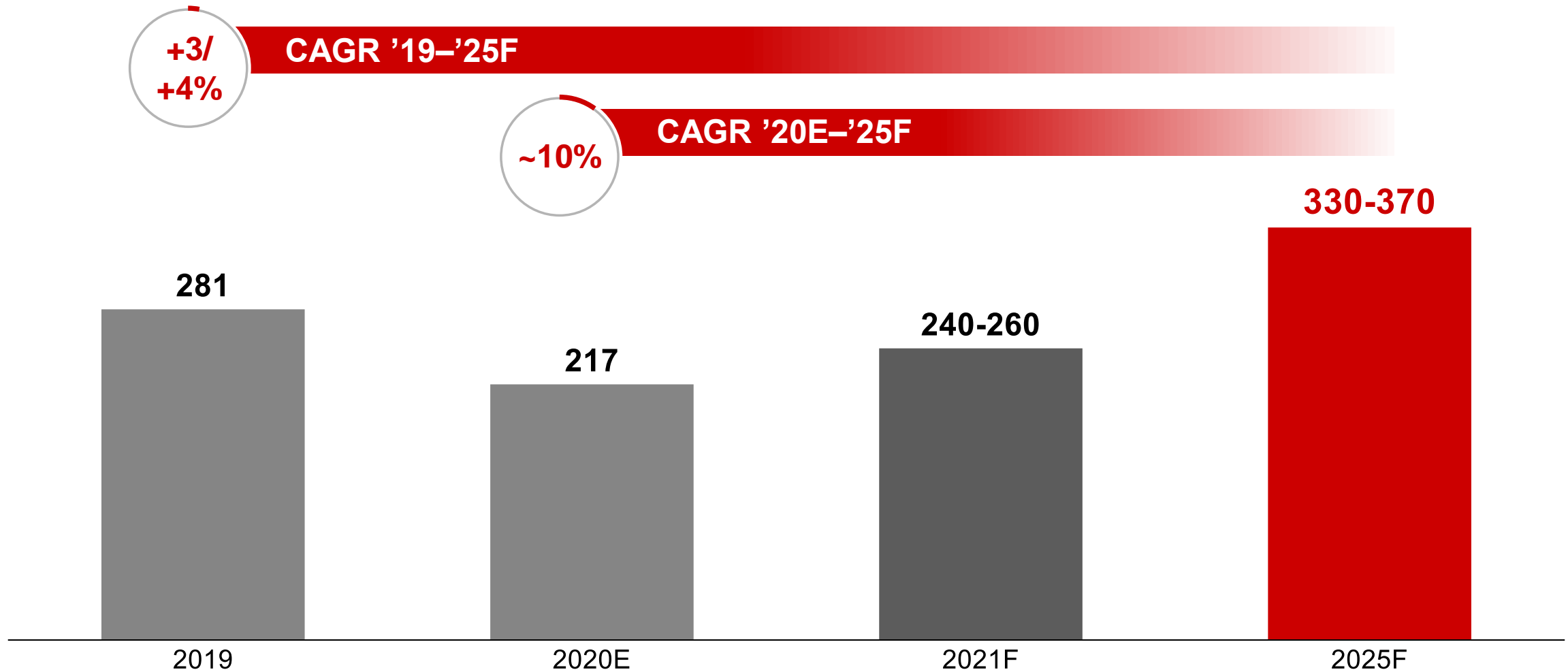
By Q4 2023

Luxury brands' **ability to win** will be correlated to their capability of **foreseeing customer needs** in a timely manner and thus **retooling** their **value proposition**, **route-to-market** and **business model**

Even though times are troubled, the luxury market will flourish again as companies take a front seat in transforming the industry on behalf of the customer

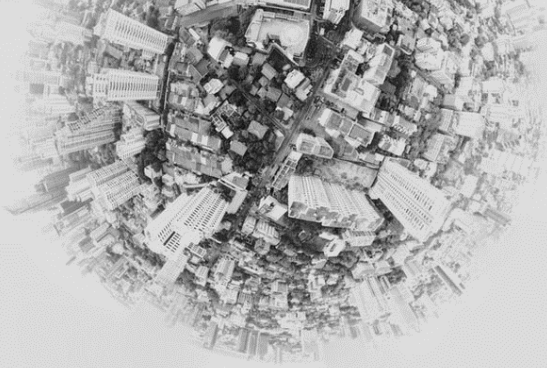
BEYOND 2020

Personal luxury goods market evolution (€B | 2019–2025F)



Covid-19, despite hitting the brakes on the market, has fast-forwarded important dynamics which are reshaping this industry

LOCAL CUSTOMERS EVERYWHERE



GENERATIONAL SHIFT



DIGITAL BLAST



DISTRIBUTION ECOSYSTEM TRANSFORMATION



"SAME" PRODUCT AUGMENTED CONTENT LARGE BROADCASTING



Covid-19, despite hitting the brakes on the market, has fast-forwarded important dynamics which are reshaping this industry

LOCAL CUSTOMERS EVERYWHERE

With **quasi-frozen touristic** flows in 2020, the **burden** of future short-/mid-term growth will be on **local customers**: Chinese in China, Europeans in Europe and Americans in America

GENERATIONAL SHIFT

Accelerated shift of spending power from **parents** to **children**: younger customers **more resilient** during 2020. **GenZ** increasingly positioning itself as the **“new” luxury customers**: promoting new cultures/subcultures, first to be back to stores, driving the rebound

DIGITAL BLAST

Online channel **skyrocketing** in 2020, growing at a pace equivalent to **five years of growth** in a single year. Magnification to continue up to **2025**, when online reaches **1/3** of total market value, leveraging a truly **omnichannel** environment

2020 drastically **hit** the **Brick and mortar** channels (-21% in retail; -40% in wholesale), accelerating the **shifting** of the distribution ecosystem. **DOS** network to be reengineered around **customers** (new role, footprint, experiential content and ergonomics). Within **wholesale**, the contraction in **perimeter**, the **polarization** in performance and the fiercer **competition** will lead luxury brands to **increase control** over the channel

In 2020, **high-low** performing categories: shoes, accessories and jewelry performing better than market, while watches and apparel hit the hardest; **entry prices** increasingly **relevant**; rules of the game and business models rapidly changing **accessible luxury** as we knew it. Current crisis accelerated **shift in brand's role**: from **producers** to **broadcasters**

DISTRIBUTION ECOSYSTEM TRANSFORMATION

“SAME” PRODUCT AUGMENTED CONTENT LARGE BROADCASTING

China vs. Europe, flip sides of the same coin

Americas showing faster-than-expected recovery given the complex year

LOCAL CUSTOMERS EVERYWHERE

M. China

- Roaring local consumption across **channels, categories, price points and generations**
- Travel retail with a resounding echo thanks to **Hainan**

+45%

@K: +48%

RoW

- **Middle East less impacted** thanks to **shorter lockdown** and **repatriation of Middle Eastern spending**, yet with **contrasting trends** among countries (**UAE most impacted**)
- **Australia** contracted **earlier** due to **wildfires**, then worsened by **decline in tourism**

'20E vs. '19 (%)

-20%

-21%

€9B

Japan

- Japanese customers **withholding from spend** during crisis
- **Polarized** performance among brands and products, with **higher resilience** for those deemed **timeless** and seen as **long-term investment**

-25%

-24%

€18B

Americas

- **Despite lockdown and political uncertainty**, good signs of restart in Q3 thanks to stimulus
- Consumption moved from city centers to **unusual destinations: new luxury map in US?**
- Department stores at **point of no comeback**
- **Brazil** showing **good resilience**

-26%

-27%

€62B

Asia

- **Hong Kong and Macau worst performers** globally
- **South Korea** showing **good resilience** and **big appetite** for luxury consumption, yet slumping duty-free market
- **Southeast Asia: small and developing local customer base** not offsetting tourist collapse

-34%

-35%

€27B

Europe

- **Frozen in Q2** (worst performing region): **zero tourism, lockdowns** and **low consumer confidence**
- **Local consumption moving to wealthy areas** and **online** (biggest shift globally)
- **Russia best performing** country (yet small local consumption)

-36%

-36%

€57B

2020E (€B)

€44B

Note: RoW = Rest of the World

@K: Growth at constant exchange rates

China: The best performing country, the most affected customer (not travelling)

Europe: The most affected region, the best performing customer (locally)

LOCAL CUSTOMERS EVERYWHERE

Personal luxury goods market by country and nationality (% | 2019-2020E)

China



Outstanding local market rebound, constantly accelerating week after week

Chinese customers



Deepest tourist consumption drop (-70%+), far from fully recovered based on local consumption

Europe



Tourism halt (international and intra-regional) drastically **driving down** region performance

European customers

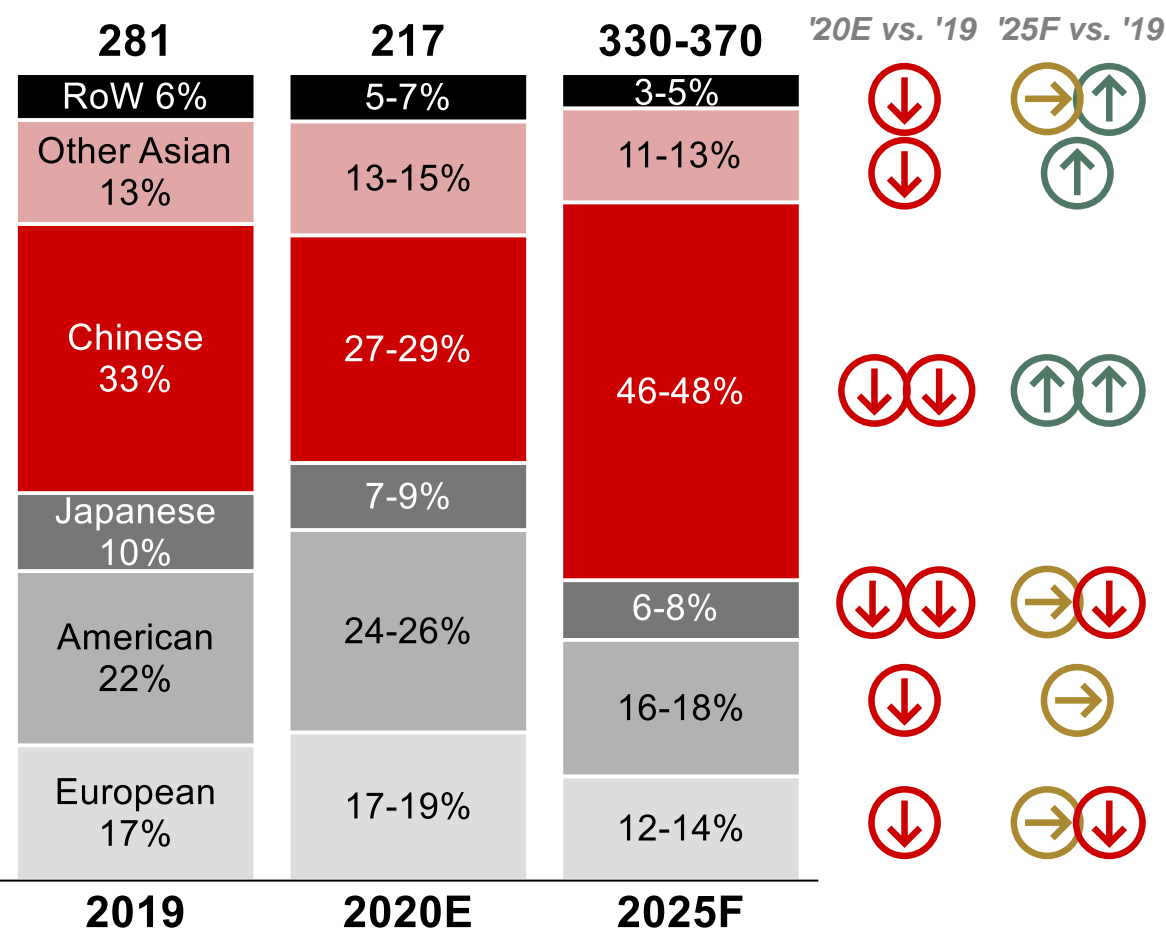


The most resilient customer (together with Americans) despite physical (and psychological) brakes throughout the year

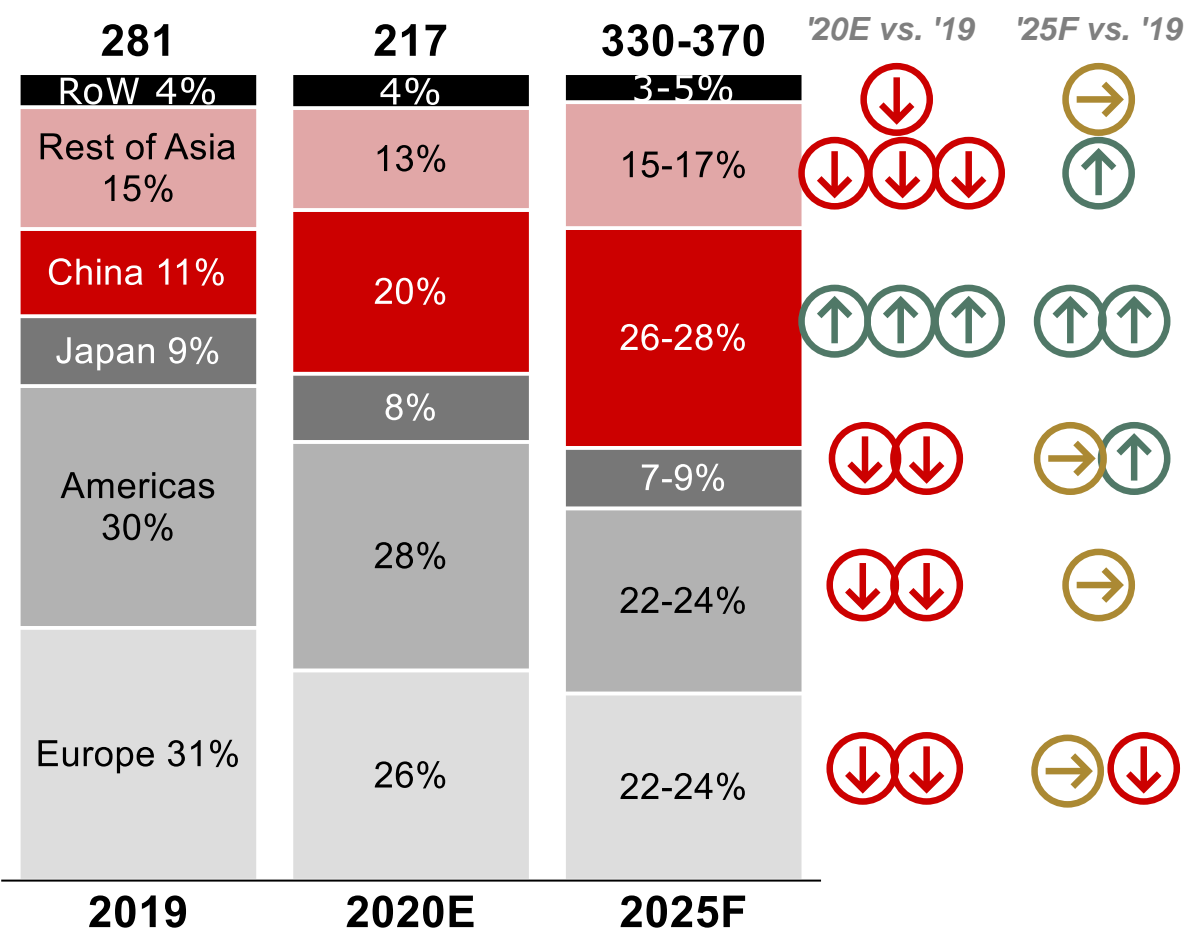
2020 boosted **China's path toward biggest market by 2025**; Chinese consumers will make up close to 50% of luxury purchases globally

LOCAL CUSTOMERS EVERYWHERE

Personal luxury goods market by consumer nationality (€B | 2019–2025F)



Personal luxury goods market by region (€B | 2019–2025F)

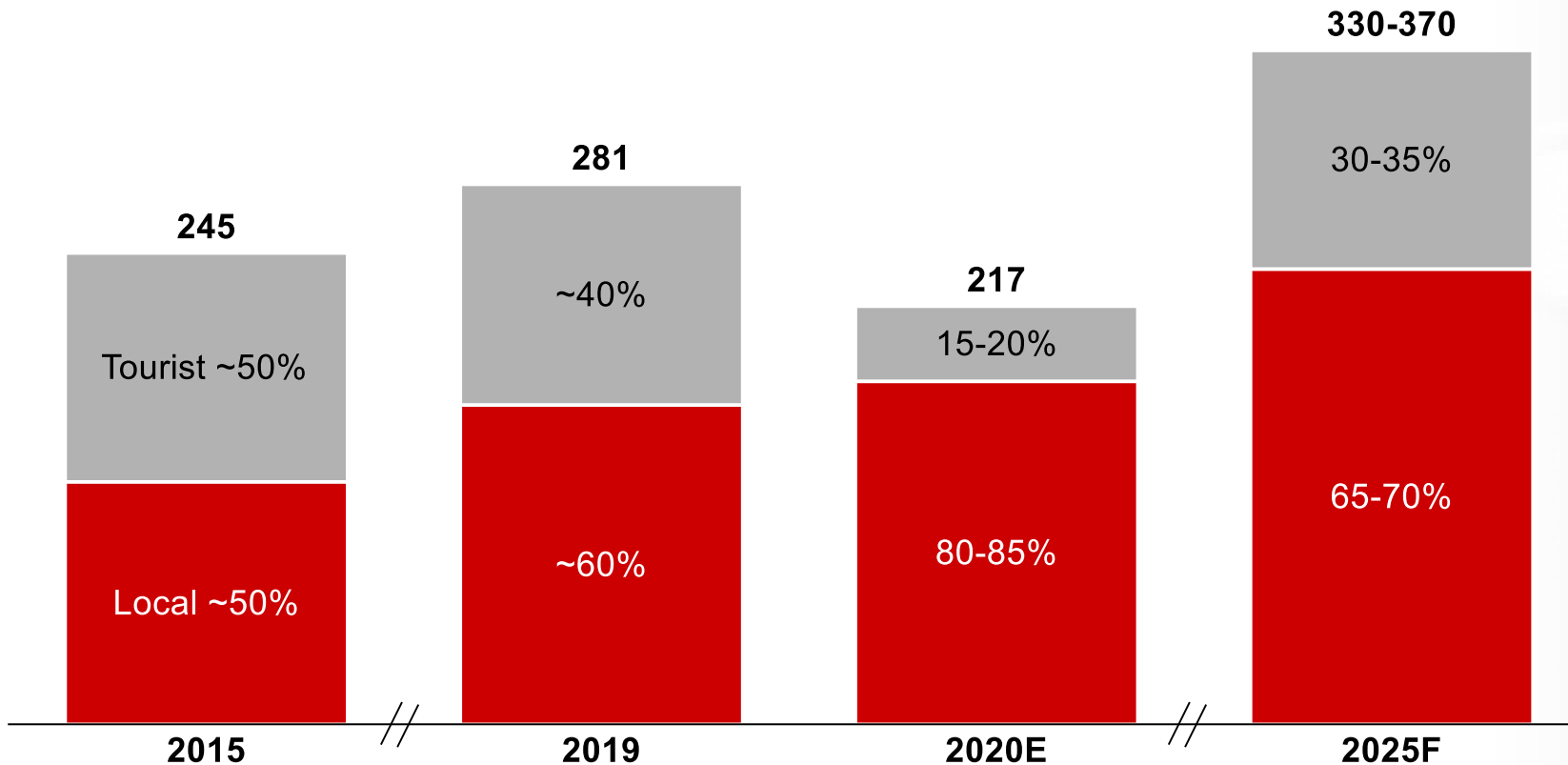


Note: RoW = Rest of the World

The luxury market, traditionally tourist-driven, will consolidate its **local nature globally in the coming years**

LOCAL CUSTOMERS EVERYWHERE

Personal luxury goods market – Local vs. tourist (€B | 2019–2025F)



- Covid-19 crisis has forced luxury spending to shift from “**when travelling**” to “**at home**”
- By **2025**, despite a progressive **recovery** in **tourism, domestic purchases** will gain higher relevance vs. precrisis levels
 - **Repatriation** of spending will occur primarily **in Asia** (China first) vs. more mature countries, increasingly moving the **barycenter** of the luxury market from **West** to **East**

During 2020, **GenZ increasingly emerging** through distinctive traits and habits, setting their relevance as luxury consumers

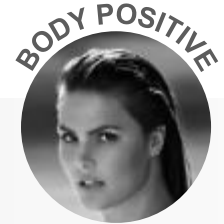
GENERATIONAL SHIFT

Gen Z



PROMOTING CULTURES & SUBCULTURES

In 2020 younger generations strongly contributed to the **rising importance** of **new cultures** and **subcultures**, creating new «**personae**» complementing the traditional luxury consumers

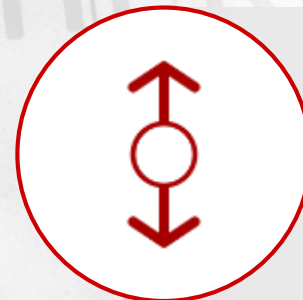


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DRIVING THE REBOUND

GenZ showed **resilience** and **overindulgence** toward luxury purchases during/after Covid-19 crisis, through both **online** and **physical channels**, being the first to **reenter the stores** after the lockdowns



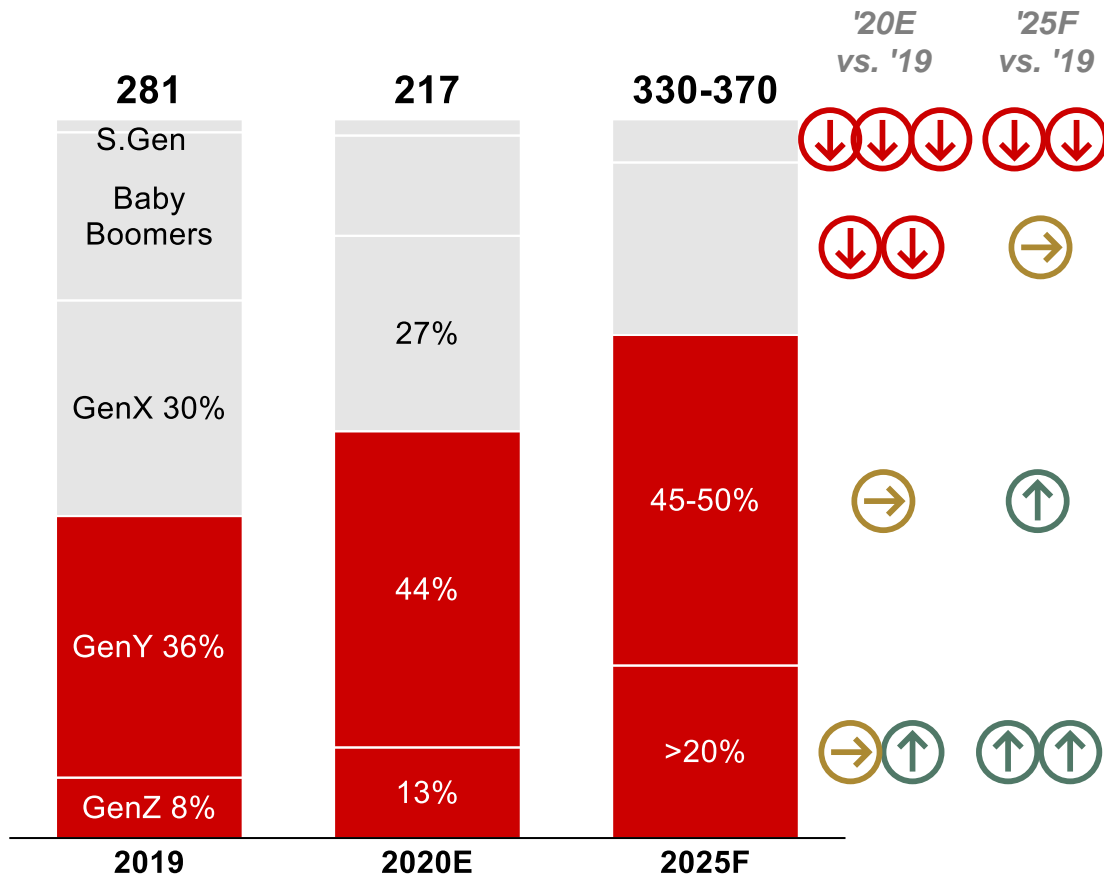
DIVERSELY PURCHASING

GenZ luxury purchases showed **different attitudes** in terms of **spending** according to **geographies**: focus on **entry creative offer** in **Europe** and **US**, with spread from **entry-to-top** in **China**

Generational shift accelerated in 2020: GenZ and GenY will contribute 180% of market growth up to 2025, making up ~2/3 of the market

GENERATIONAL SHIFT

Personal luxury goods market by generation (€B | 2019-2025F)



~180%

GenY and GenZ expected to contribute ~180% of the total growth from 2019 to 2025F

Z

- **Effect of 2020 strongly accelerated growth of GenZ** with earlier onset of **wealth shift**

Y

- **GenY expansion path also dynamized by the effects of 2020**, accounting for nearly **half of the market** in 2025

OTHER

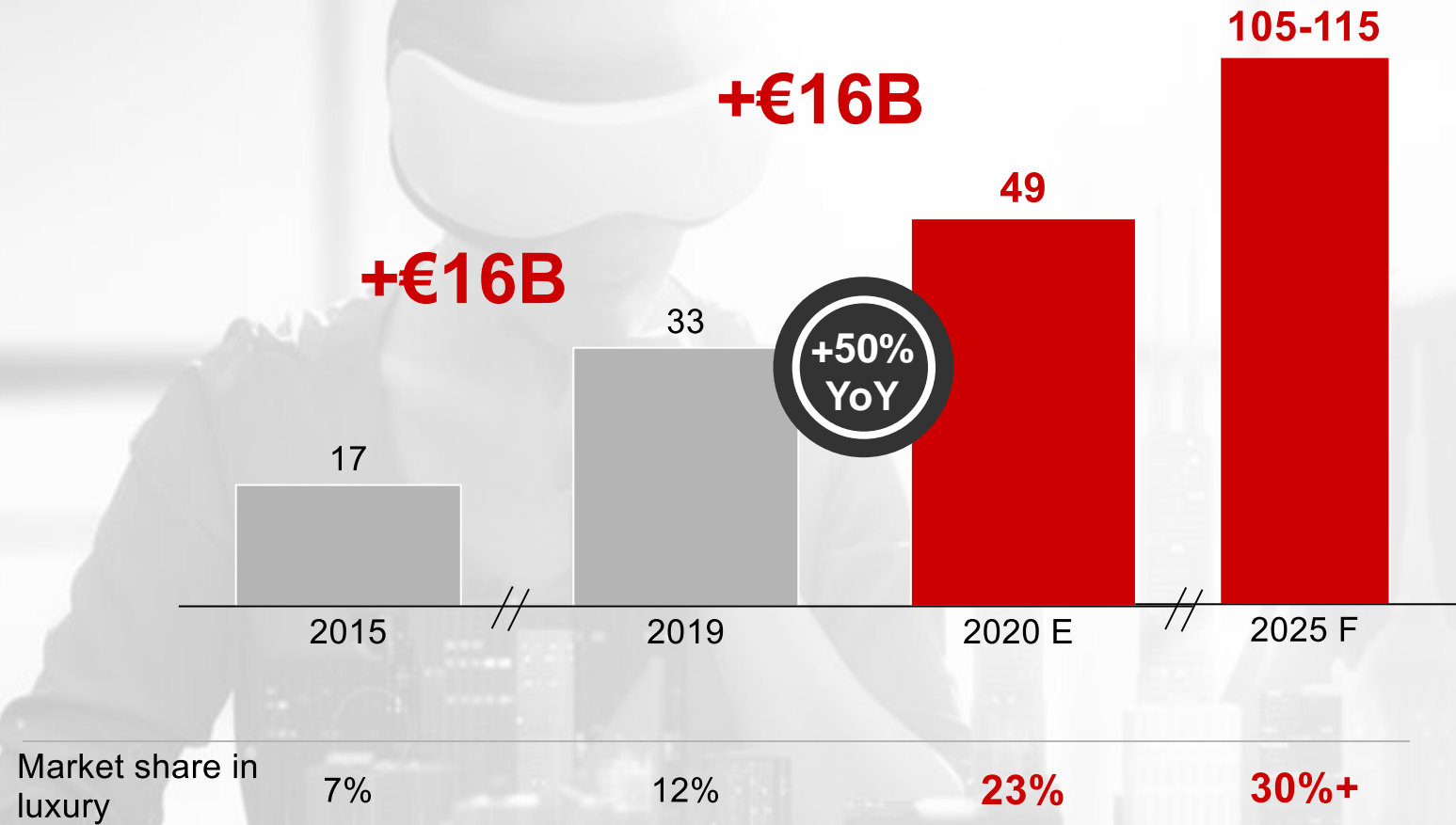
- **GenX showing lower resilience to the ecosystem transformation**, being directly hit by socioeconomic uncertainties in Europe and US
- **Baby Boomers, an ageing population still holding a significant portion of wealth**, will account for a smaller share of the market

↑ → ↓ **REAL TERM TREND '19-20E & '19-25F**

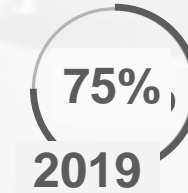
Online luxury doubled its weight in the total market in 2020, a skyrocketing performance worth five years of growth; clear road to 2025

DIGITAL BLAST

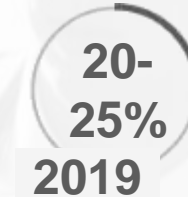
Evolution of the online personal luxury goods market (€B | 2015–2025F)



ONLINE INFLUENCED PURCHASES



DIGITALLY ENABLED PURCHASES



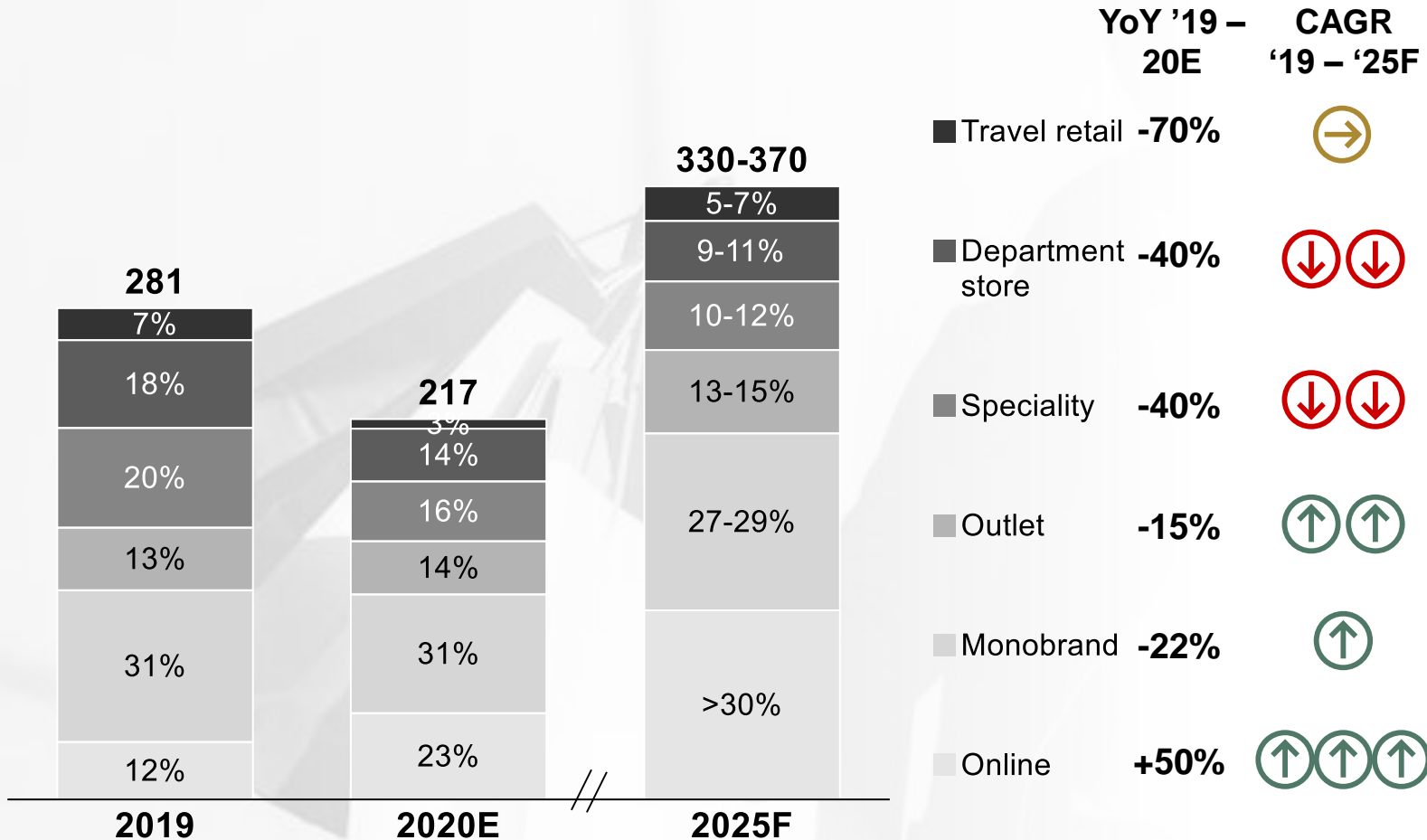
What happened in 2020:

- “**Brand.com**” flourishing (+80% growth vs. 2019) as brands **increase investments**
- **Asia (China)** with the **steepest growth** (~1,5x the average 2020 online market growth), although Europe & Americas also shook up
- **Stellar performance** for **accessories** (shoes) and **beauty** (mainly skin care) increasing by ~60%
 - Digital is cracked for the first time for most players/categories (including hard luxury)

All brick-and-mortar channels dramatically hit in 2020, leading to a distribution eco-system transformation

DISTRIBUTION ECOSYSTEM TRANSFORMATION

Personal luxury goods market by channel | (2019–2025F | €B)



2020 ...

- **Monobrand stores & outlets** suffered due to closures
- **Department stores and specialty stores:** survival of the fittest
 - **European** department stores also deteriorated due to lack of tourism
- **Travel retail** heavily impacted from world travel freeze

... and beyond

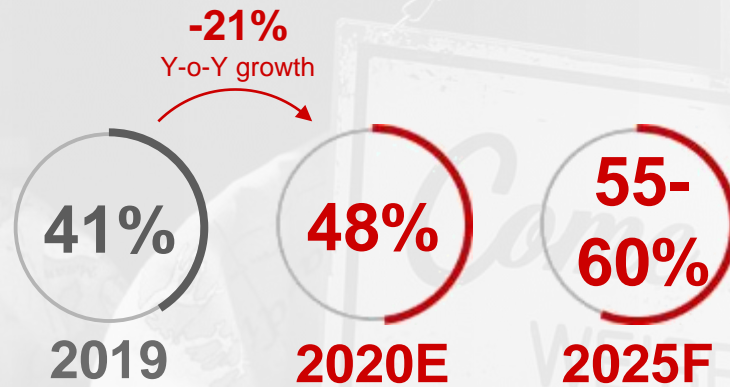
- **Online** to become **#1 channel**, fueling **omnichannel** transformation
- **Outlet** weight increase given **value-driven purchases** and spur from **Chinese middle class**
- **Monobrand stores** to be reinvented as a **g-local touchpoint** with a **new role of the store**
 - Physical networks disruption (i.e. resized footprint & format)
 - Integration of **digital in the physical**
- **Department and specialty stores** losing relevance (and surface) in ecosystems
 - Winners vs. losers game: **sharp opinion, new calendar and updated business model** key to thrive
- **Travel retail** expected to **recover** to historical levels

Retail networks will need to be redesigned around customers: store role, global and local footprint, experiential customer experience and ergonomics

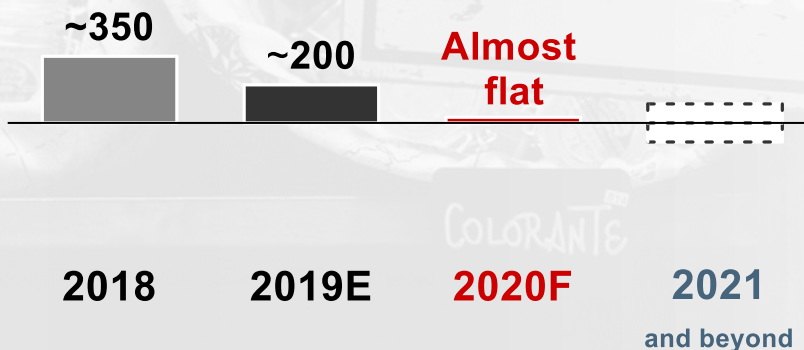
DISTRIBUTION ECOSYSTEM TRANSFORMATION

RETAIL

DOS weight on total market* (%)



DOS yearly net openings (#)



Note: (*) Excluding online. DOS = Directly Operated Stores.



Evolve the **role**

One size **DOES NOT** fit all:
evolve role of the store according to
specific **business objectives** and
target customers

From **BOUTIQUES** to
CUSTOMER-TAILORED SPACES



Adjust the **footprint**

Revise the footprint to intercept wealth
ruralization trends and **changing**
shopping habits (intimate at-home
shopping)

From **MEGACITY** to
WEALTHY SUBURBS
and **"MY PLACE"**



Rethink the **ergonomics**

Rethink **store spaces** to power the
interaction with customers based on
their **individual needs** (virtual sales
rooms, VIP lounge, storage/logistic
spaces,...)

From **DISPLAY SPACE** to
RIGHT-SIZED SPACE



Maximize the **experience**

Redesign the customer journey to **satisfy**,
stupefy, **engage** them, leveraging
operational **digital excellence** and
upgraded **sales plays**

From **TRANSACTION** to
EMOTION

Wholesale channel faces opposing forces: perimeter and relevance contraction, performance polarization, entry of new players, increased control from brands

DISTRIBUTION ECOSYSTEM TRANSFORMATION

WHOLESALE

Physical wholesale on total market* (%)

2019

59%

-40%
Y-o-Y growth

2020E

52%

2025F

40-45%

Contraction



- Reduction of physical footprint
- Digital accelerating and eliminating the need of proximity

Polarization



- Wholesale polarization with clear winners and losers
 - Among channels (dept. store and specialty vs. e-tailers)
 - Within channels (“champions” vs. “mid-tail”)

New entrants & new models



- New “disruptors” and accelerating champions
- Old players converting to new models (e.g., B2B, “scale franchisee”)

Brands increasing control



- Stepping in to preserve key doors
- Brand increasing their level of control and integrations across channels with different degrees of intervention

Note: (*) Excluding online

High-low performing categories in 2020: from Shoes and Accessories to Jewelry; Watches and Apparel the hardest hit ones, still showing a good resilience

"SAME" PRODUCT, AUGMENTED CONTENT, LARGE BROADCASTING

Shoes

- Decrease in shoes purchases mainly in terms of **formal/classic offer**, while **casual** (including sports/functional items) and **sneakers** experienced a smaller contraction, **driving the rebound in H2**

Jewelry

- Relatively **lower decrease** vs. market thanks to **sustained growth** in **APAC** (mainly China) and acceleration in **online**
- High-low** relevance across nationalities and generations: **high jewelry** and **iconic entry prices** leading the recovery

Leather

- Despite negative performance, **rebound driven** by both **entry items** (supported also by **e-commerce**) and **icons**, key **"destination" products** for **high-spending consumers** (particularly in Asia)

Beauty

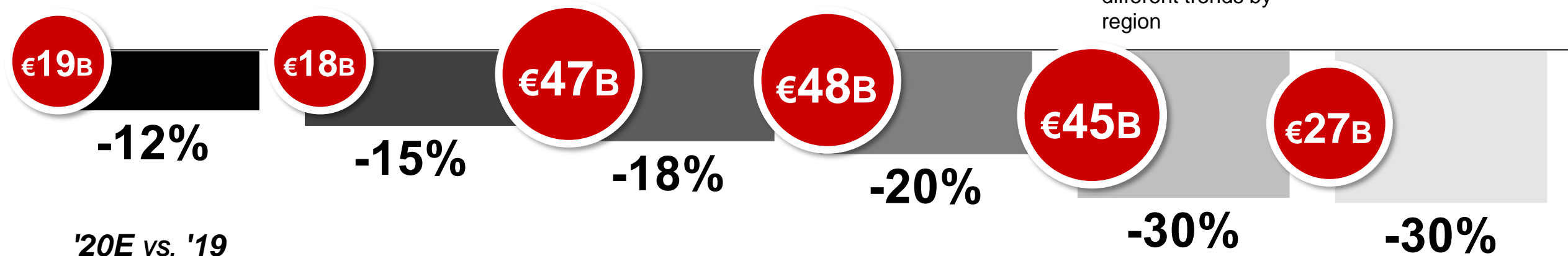
- Strongly affected by the **shutdown** of **dedicated physical distribution** and **travel retail**; online (and APAC) only **"lung" growth**
- Cosmetics** (and skin care in particular) relatively over-performing vs. fragrances

Apparel

- Formal** taking a **strong hit**, while **streetwear/ athleisure** have a better "surviving" mechanism thanks to more time "at home" and **online channel boost**
- Strong **competition** from **DTC brands with values**
- Aligned decline men vs. women**, despite different trends by region

Watches

- Covid-19 crisis worsening the **already critical secular consumption pattern** shifts from the category
- Poor performance **mitigated** by sound **resilience of online, China** and **most iconic brands/ models**



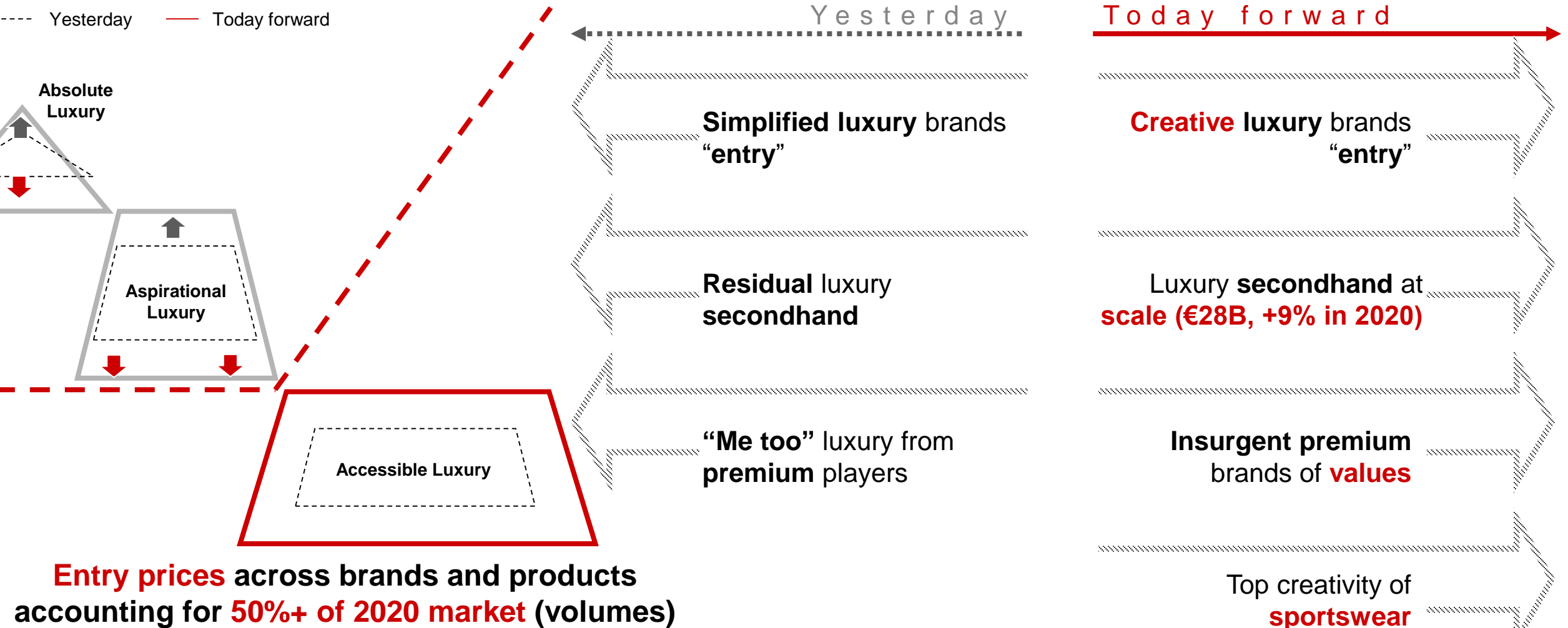
Entry-prices get the lion's share in 2020: In the pricing relevance quest, rules of the game and business models are **rapidly changing accessible luxury as we knew it**

"SAME" PRODUCT, AUGMENTED CONTENT, LARGE BROADCASTING

Pricing relevance being enacted
across positioning ...

... especially in accessible,
where rules of the game are also changing

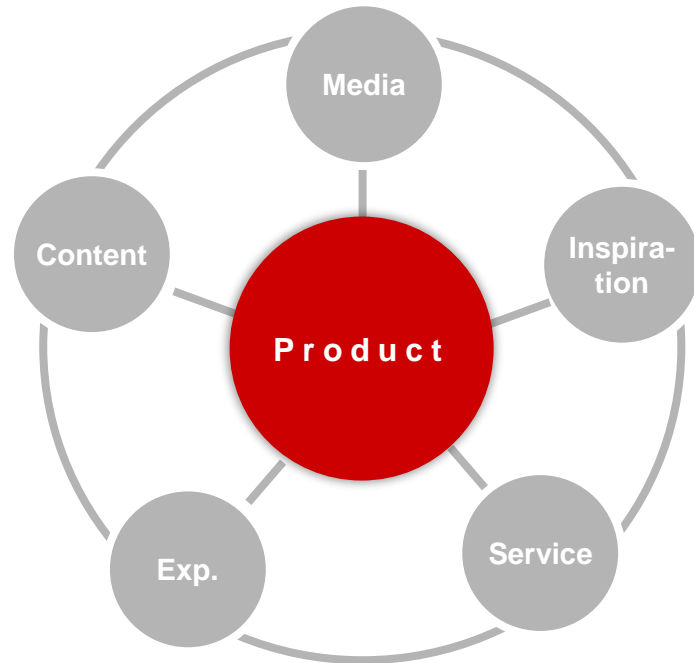
----- Yesterday ——— Today forward



2020 was a disruption (and acceleration) into an ongoing change, transforming the role of **luxury brands from producers to broadcasters**

“ S A M E ” P R O D U C T , A U G M E N T E D C O N T E N T , L A R G E B R O A D C A S T I N G

Traditional product-centric role of luxury brands



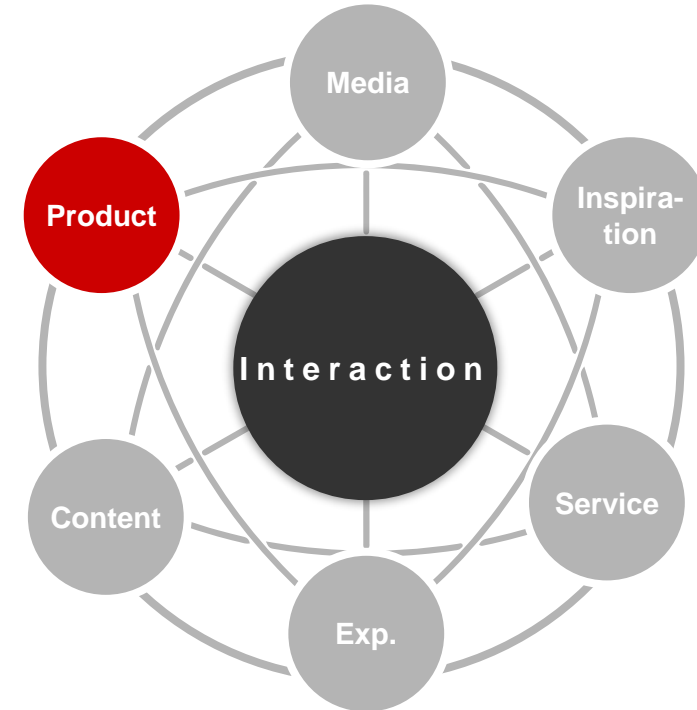
Brand as a **producer**

All levers **serving product**

The **brand speaking** (*my content, my rules*)

Raised podium (*listen to me*)

Evolved and augmented role of luxury brands (**accelerated** by Covid-19)



Brand as a **broadcaster**

All levers (*including product*) **serving interaction**

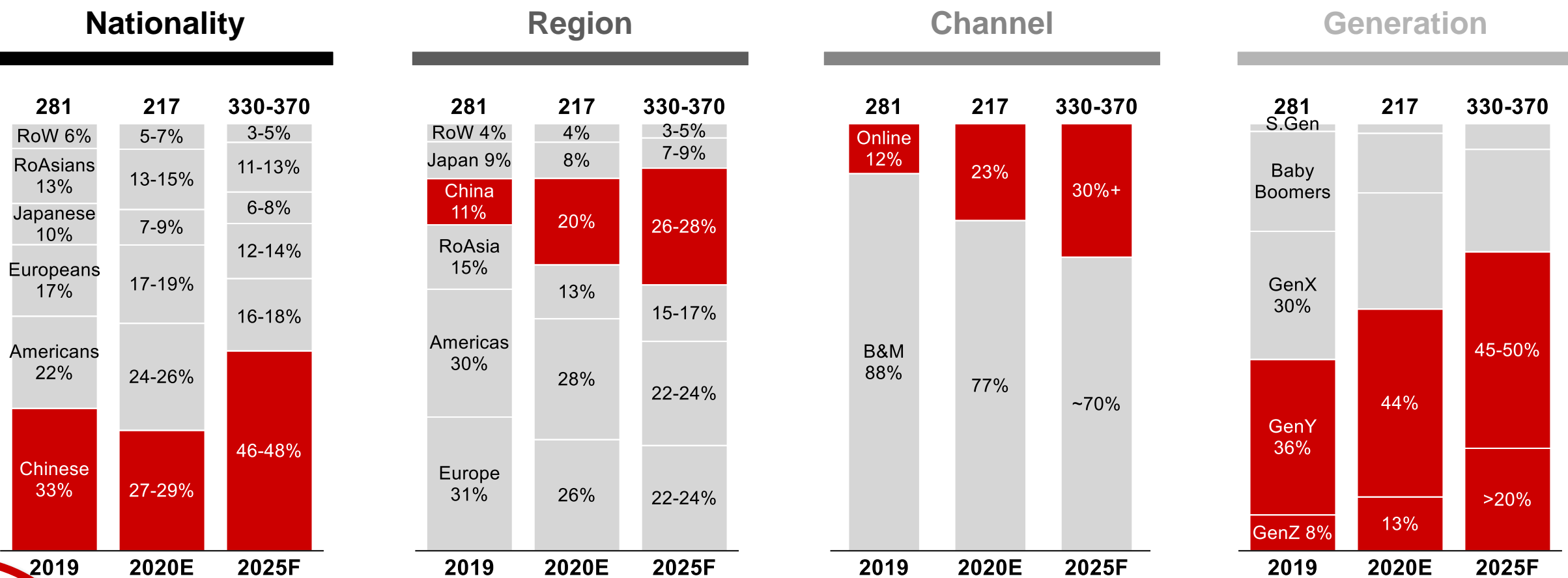
The **brand curating** (*own and third-party content*)

Open platform (*anybody can pitch in*)

Confirmed growth drivers to reach €330-€370 billion in 2025: Chinese consumers (in China), online channel and younger generations

BEYOND 2020

Personal luxury goods market main breakdowns (€B | 2019-2025F)

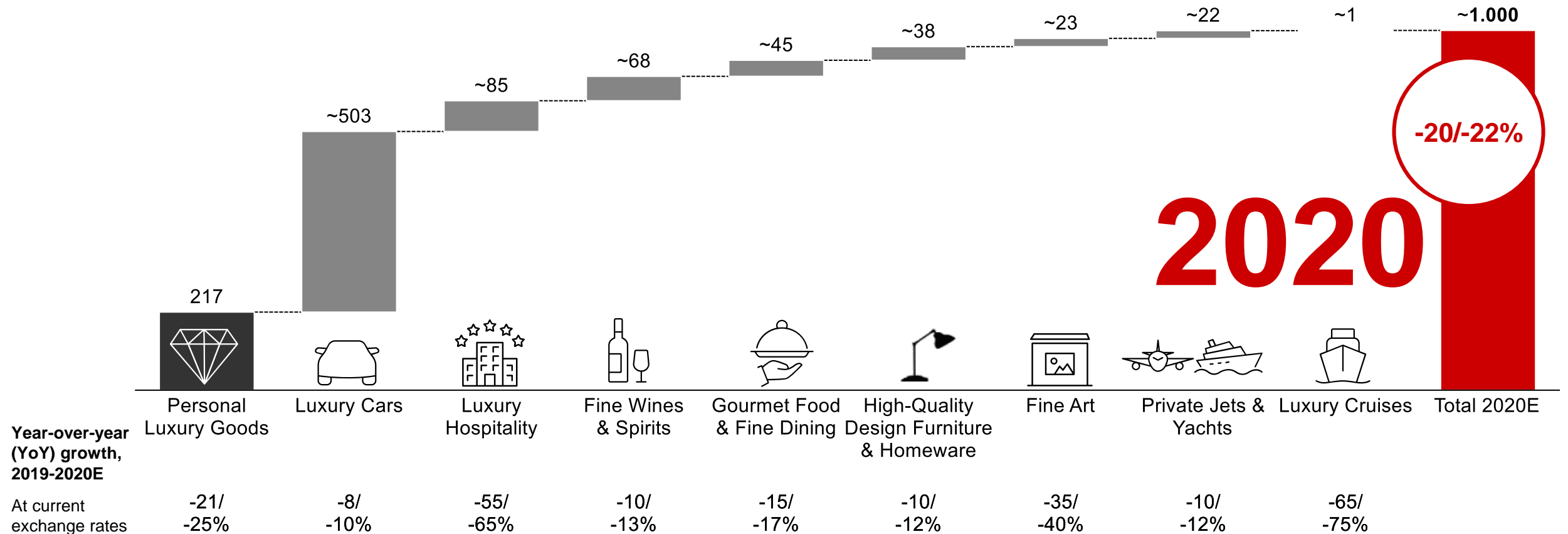


19-25F
CAGR
+3/+4%

Back to the broader perspective, **global luxury markets** contracting to **~€1T**, with **-20/-22% decrease vs. 2019**

GLOBAL LUXURY MARKETS

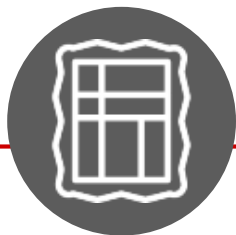
Overall luxury market, globally (2020E | €B)





CARS, YACHTS, JETS

- **Luxury cars** showing nuanced **performance across brands**, with **acceleration** in the transition to **green-powered trains**
- **Luxury yachts** sustained by customers' willingness to secure "**intimate**" **luxury experiences** for upcoming years
- **Private jets** expected to **rebound faster** than previous crisis in order to avoid commercial travel



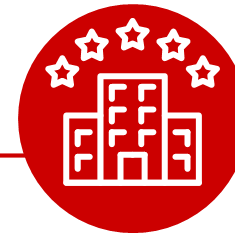
FINE ART & DESIGN FURNITURE

- **Fine art** suffering from **supply shrinkage in light of global uncertainty**, yet with **growing interest toward Black and Latino artists** as personification of social movements
- **High-quality design** sustained by **spending refocus toward personal "cocoon"**, with blur between home/office giving **traction to lighting and functional products**



FOOD & BEVERAGE EXPERIENCES

- **Wine** market **over-impacted in sparkling**, as traditionally linked to **celebratory occasions**; **Spirits** more resilient thanks to historical **higher weight of at-home consumption** (to avoid "drinking and drive" issue)
- "**Locavore**" eating fueling **Gourmet Food**, while **fine restaurants** face **challenging conditions** in light of forced closures, yet experimenting with **innovative ways to keep touch with clients** (e.g., "DIY" kits)



OUT-OF-HOME EXPERIENCES

- **Luxury hotels**, which will have to **win back their clientele** upon travel restart, **experimenting alternative forms of stay** (e.g., "work-from-hotel") to maintain relevance in customers' minds
- **Luxury cruises**, despite forced stop, show **strong order book** for 2021, signalling **continued customer interest**; yet traditional players **challenged by growth of luxury charters**

High-low performing luxury markets in 2020: from **more resilient cars and “at-home” experiences** to sharp impacts on hotel and cruises (1/2)

LUXURY CARS

- **Nuanced impact across segments and brands**, with selected players in **aspirational and absolute** segments performing **significantly better** than market average
- **Acceleration in transition toward green powered-trains** across countries but US, slowed-down by policy-led actions revamping share of fossil-fuels
- Pandemic outbreak **postponing investments** and evolution of **autonomous-drive vehicles**

~€503B

-8/-10%

'20E vs. '19

HIGH QUALITY DESIGN FURNITURE & HOMEWARE

- **Core high quality design** market sustained by **growing role of home** as personal “cocoon”, with rising needs for **personalization, self-expression and functionality**
 - Market trends giving traction to lighting – continuing its functional evolution beyond pure aesthetic – and accessories
- **Acceleration of “resimercial”** trend fueled by **blurring boundaries between living and working spaces**, with comfort increasing relevance among key purchasing criteria alongside pure design
- **Slowdown of contract**, mostly impacted on **hospitality and retail segments**

~€38B

-10/-12%

PRIVATE JETS & YACHTS

- **Luxury yachts** market showing **resilience in deliveries**, with flat trend vs. 2019, favored by **strong order book**, with some shipyards increasing deliveries vs. 2019
 - **Order intake slowing down** affected by global economic uncertainty, yet at **lower paces vs. other luxury segments** sustained by **customer willingness to secure “intimate” luxury experience** for upcoming years
 - **Continue interest toward sustainable** solutions in design
- In **Private Jets**, **nuanced performance across brands** depending on backlog, alongside continue **surge in used jets**
- **UHNWI** expected to sustain the segment as it represents a viable **alternative to commercial travel**

~€22B

-10/-12%

FINE WINES & SPIRITS

- In **Wine**, **super high-end brands** segment resilient than entry-to-luxury as mostly linked to **personal gratification and collection** vs. out-of-home consumption
 - Across categories, **sparkling over-impacted** as consumption is more linked to celebration occasions
- **Spirits** more resilient thanks to **historical higher weight of at-home consumption** (to avoid “drink-and-drive” issue)
 - **Gin still on-trend**, tapping into **new geographies** (e.g., Africa) with rise of local craft brands
- **Sophistication** still **key trend**, as customers prefer quality in both wines, cocktails and sipping spirits over quantity

~€68B

-10/-13%

High-low performing luxury markets in 2020: from more resilient cars and “at-home” experiences to **sharp impacts on hotel and cruises** (2/2)

GOURMET FOOD & FINE DINING

- **Luxury food** market showing significant difference in performance
 - **Fine restaurants** sharply impacted by closures and tourism contraction
 - Conversely, **gourmet food capturing share of out-of-home consumption** albeit not enough to counter-balance
- “**Locavore**” eating strengthening as **key trend for the future**, both “at-home” and to **reshape restaurants’ offering**
- Fine restaurants experimenting **innovative ways to keep touch with clients** (e.g., “DIY” kits)

FINE ART

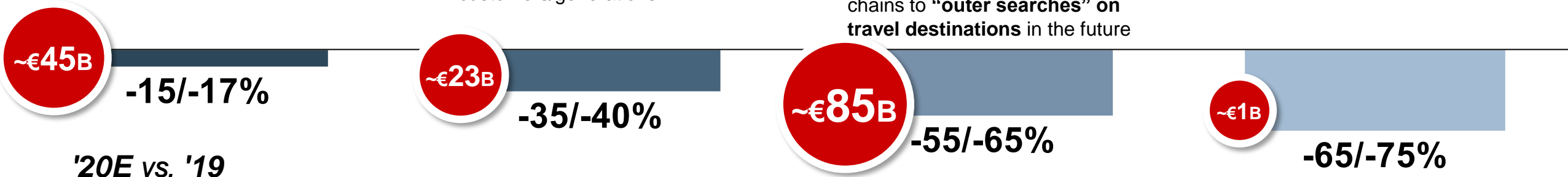
- Sharp impacts on **both auctions and private sales**, as **supply shrinks in light of global uncertainty**
 - Challenging conditions for **small and medium galleries**, lacking the scale to **shift the business online**
 - Proportional higher **impact in the high-price segment**, characterized by **scarcity of available artworks** due to prices drop
- **Growing interest toward Black and Latino artists** as personification of social movements
- Increasing digital penetration enlarging the **spectrum of potential buyers** to new customers/generations

LUXURY HOSPITALITY

- **Luxury Hotel market significantly impacted by lockdowns**, with occupancy rates decreasing by >30 p.p.
 - Hotels fulfilling “medical” function across countries hosting people in quarantine
- **Luxury hotels**, which will have to **win back their clientele** upon travel restart, experimenting **alternative forms of stay** (e.g., “work-from-hotel”) to **maintain relevance** in customers’ minds
 - **Safety-related concerns** fueling **brand role** as quality assurance
- Increasing **role of high-quality intermediation** as **customers expected to shift** from “inner searches” on offer of hotels chains to “**outer searches**” on **travel destinations** in the future

LUXURY CRUISES

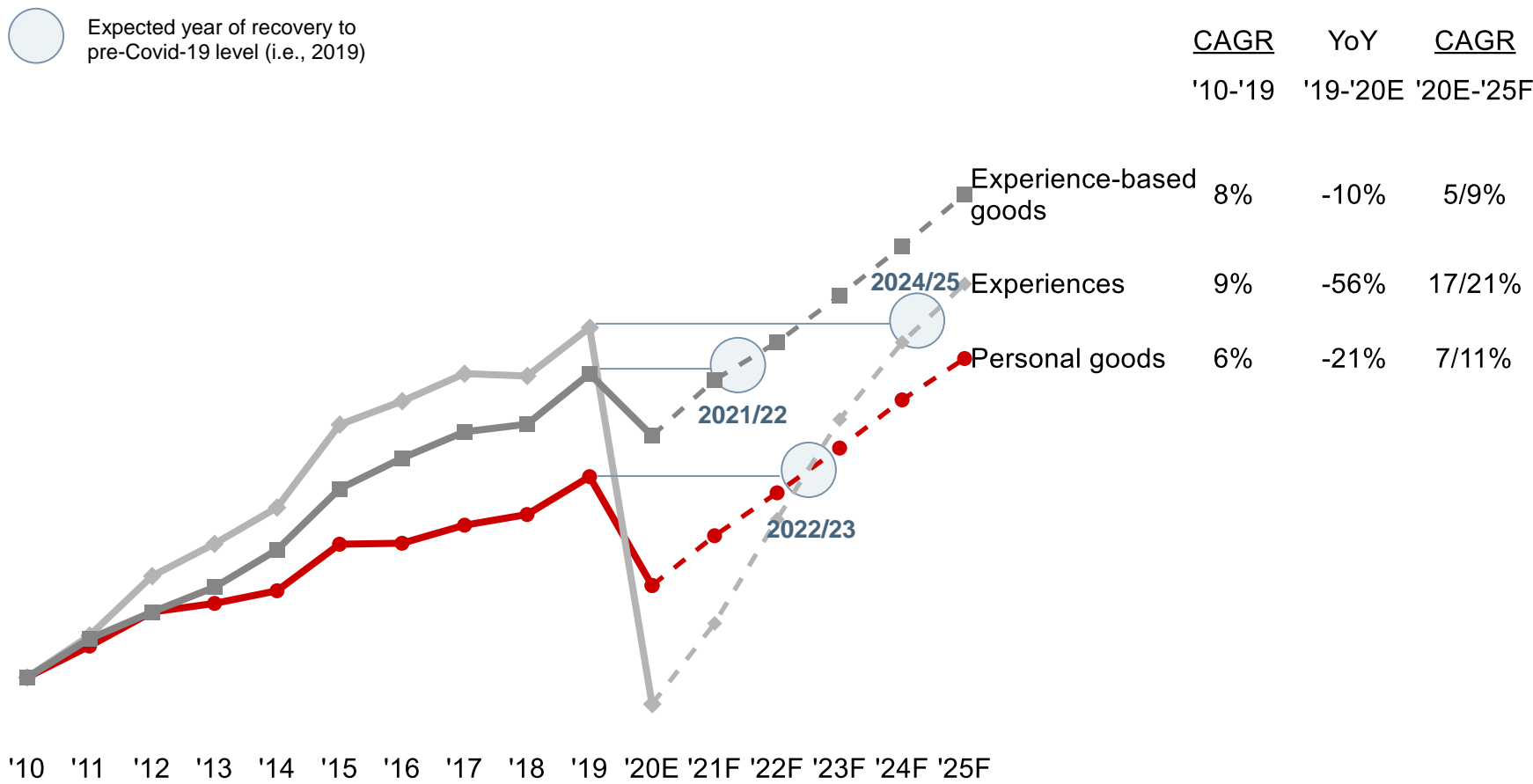
- Cruises market severely impacted by Covid-19, with most of cruising companies **forced to stop travels since mid March**
- Despite **order book for 2021** already above 2019 levels, **several cruise lines has accelerated phase out of ships** previously expected to be sold over ensuing years to **optimize fleet capacity**
- Moreover, relevant **challenge to traditional luxury cruise lines** from luxury charters, **able to offer a more “intimate” luxury experience**



Experience-based goods expected to recover at a faster pace vs. personal luxury goods, while experiences will be the last to recover given reliance on tourism

GLOBAL LUXURY MARKETS

Global luxury markets (2010–2025F | Index = 2010)



- **Experience-based goods** will recover **rapidly from 2020 shock**, favored by positive consumption dynamics across categories
- **Experiences** **disproportionately impacted**, will be last to recover based on dependence from tourist flows and possibility of aggregations
- **Personal goods** expected to recover in three years, thanks to **favorable fundamentals**

Note: 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 & Spirits and Gourmet Food; Experiences include Luxury hospitality, Cruises and Fine dining

Important transversal consumer trends define this market asking for **larger and more purposeful brands**



Self expression



Upgraded **@home**




Hybridization
everywhere



Natural, Organic,
Functional



Cultural
Humanism



Health! Health! Health!



Polarized
Overindulgence

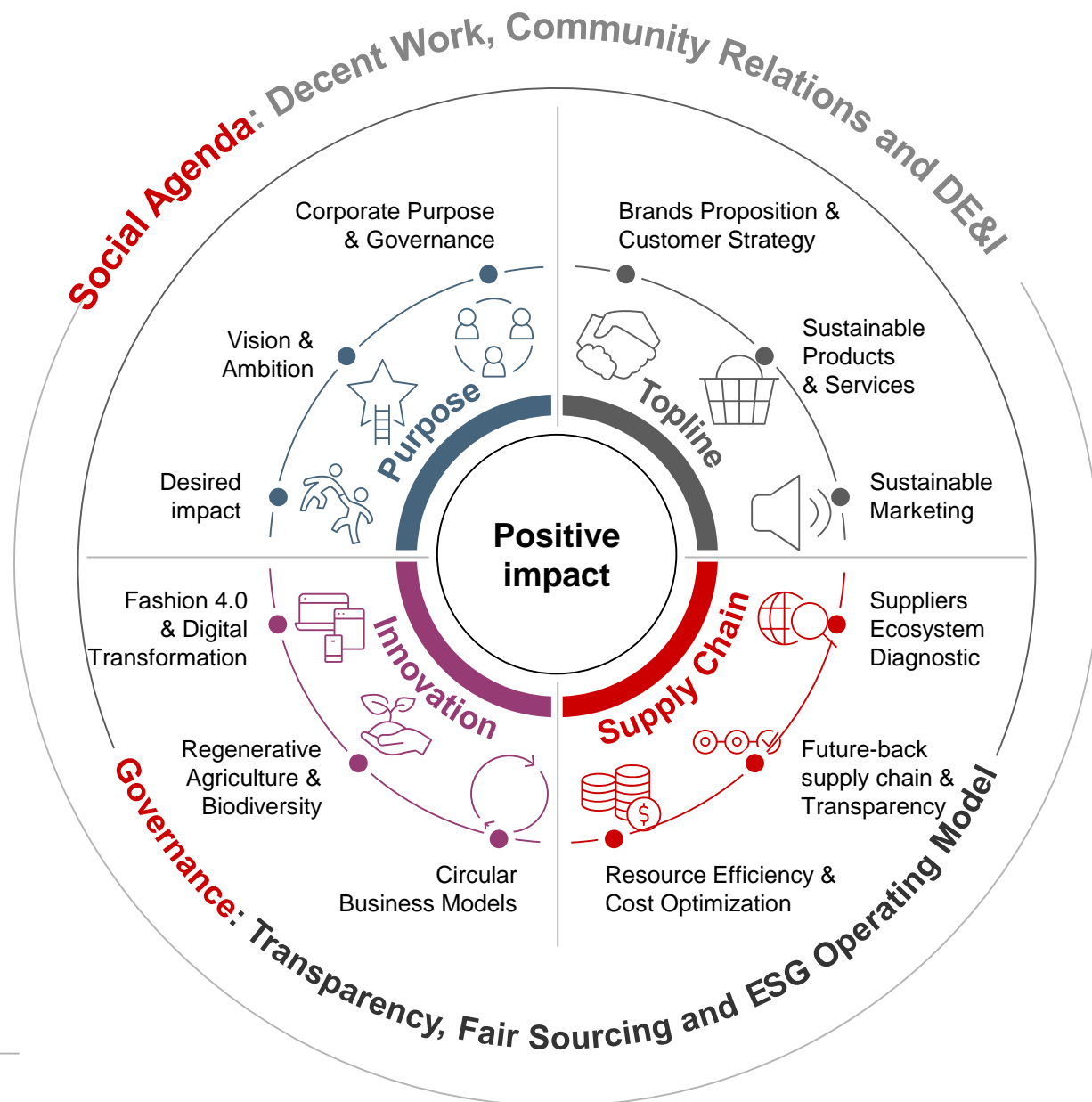


Meaningful
Time & Space



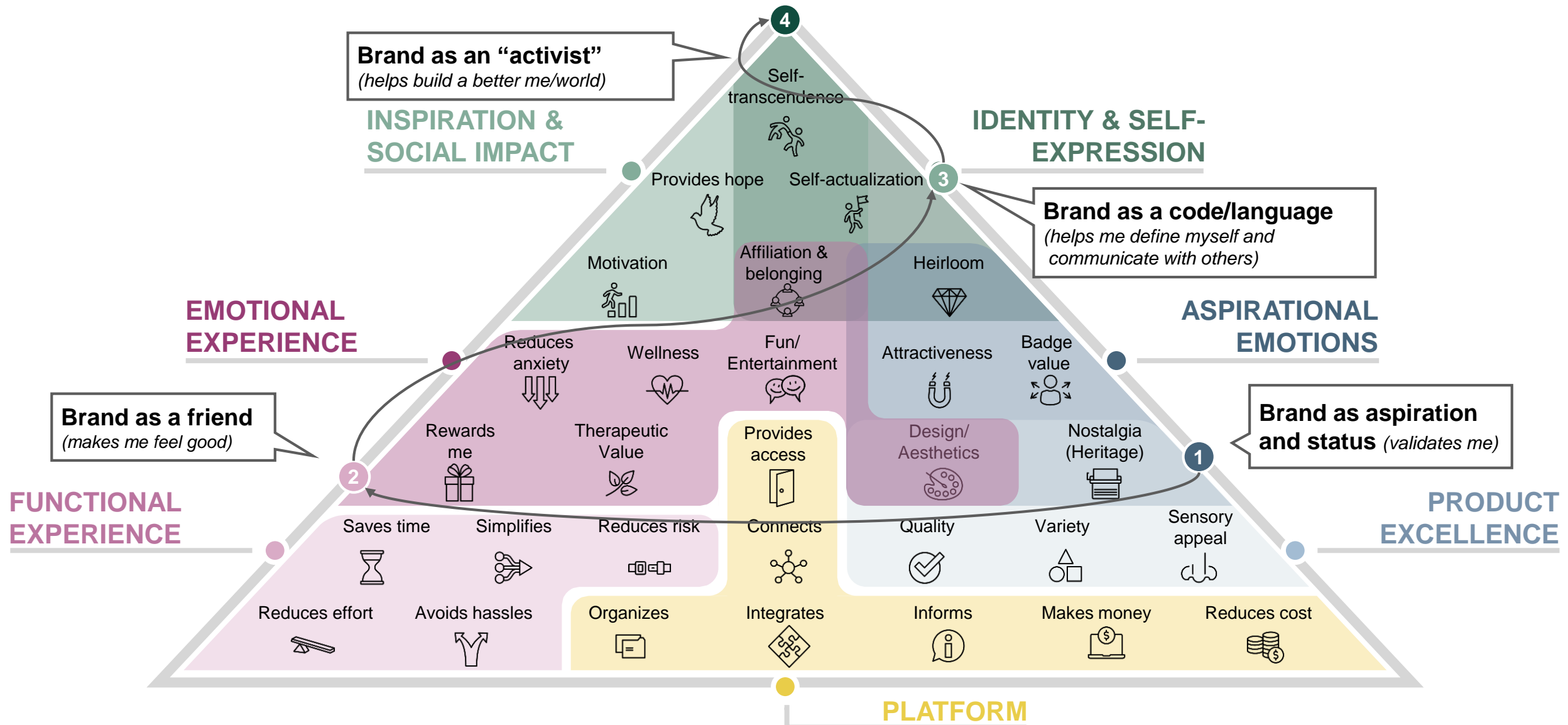
Personal *
(same, same but personal)

In particular, **urgency for social impact is growing**, with younger generations increasingly valuing **diversity, equity and inclusion** when choosing to buy



When it comes to **luxury purchasing**, younger generations (Millennial and GenZ) value **diversity and inclusion** as important as **environmental** issues

Role of (luxury) brands needs to expand from that of «signifier» and «symbol» to include «friend» and «inspiration» while ensuring **excellence** in the basics



Envisioning 2030

From **Luxury** to **Insurgent Cultural and Creative Excellence**

Reaffirm **excellence**



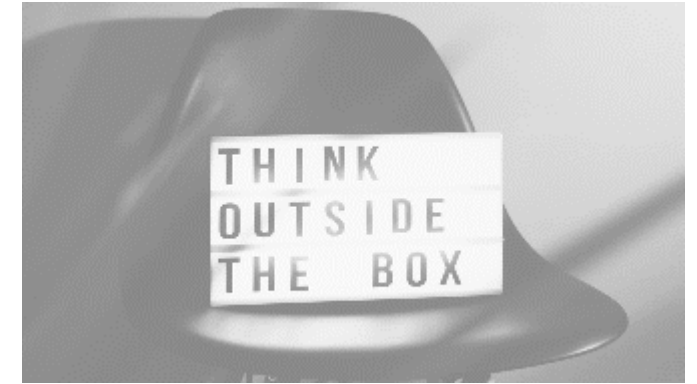
The customer is **present!**
Reaffirm your leadership in
**quality, creativity and
innovation excellence** to win
them

Imagine the **future**



Leverage superior **imagination**
and **innovation**, either ethical,
aesthetical and functional, to
shape our future

Rediscover **insurgency**



Fully **reach** your potential
through competitive advantages:
brand **platforms, networks of
interests and passions**, and
customer obsession

2020

€1T

Luxury Markets

2030

€2T

**The Market of Insurgent Cultural
and Creative Excellence**

From Luxury to Insurgent Cultural and Creative Excellence

CEO Agenda

Insurgency
Diffused creativity
Meaning and Purpose



Culture



Customer obsession
Diversity, Equity
& Inclusion



Brand

Cultural relevance
New Elements of Value
Inspiration
Higher voice



Product

Episodic
Multi-seasonal
Enduring relevance
New icons
Circularity
Personal
Product virtualization
Strategic pricing



Innovation

Signifiers beyond brand/logo
Cultural spillovers (new categories)
Open-source creativity
End-to-End sustainability
Diffused creativity



Marketing

Always on
Conversational
Enriched
Broadcasted
Transmedia
ROI friendly



Customer Experience

Life journey
High-value episodes
Omnichannel Engagement
Wow "in-real-life" experience
Immersion



Distribution

Global and forward-thinking architecture
Local ecosystem
Omni-relevance



Business model

Platform
Network of interests
2nd life

Global Sourcing excellence

Organization and Enablers

Process virtualization

Sustainable, resilient, controlled and connected supply chain

Zeitgeist talent model

Centers of Excellence

Omnichannel logistics

Freedom in shaping one's own rules of the game will be key to win in the
Insurgent Cultural and Creative Excellence of tomorrow

Claudia D'Arpizio, Senior Partner

Bain & Company Luxury Goods vertical



Claudia has spent more than 26 years advising multinational luxury and fashion clients on everything from corporate and BU growth strategy and performance improvement, M&A, brand and marketing and innovation strategy, channels' full potential and operating model re-design.

She is the lead author of the Bain Luxury Study, one of the most cited sources of market information in the luxury industry, and leads the firm's global Fashion and Luxury vertical.

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

In 2020, Claudia joined Bain & Company's global Board of Directors.

Federica Levato, Partner

Bain & Company Luxury Goods vertical



Over the last 16 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 co-author of the Bain Luxury Study, one of the most cited sources of market information in the luxury industry.

Federica leads the firm's Fashion and Luxury vertical at the European level.

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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:

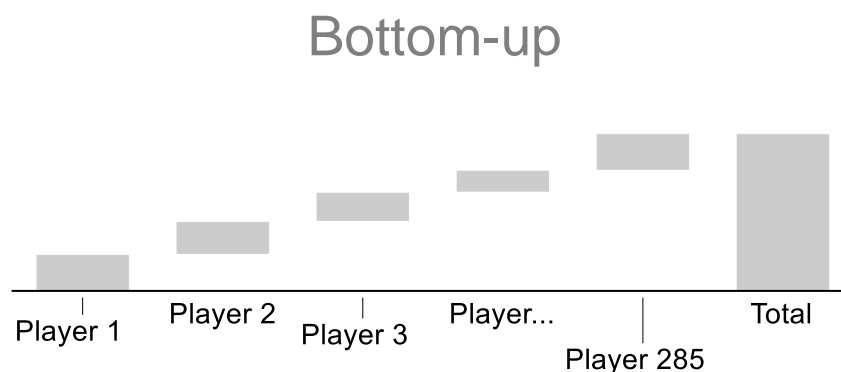
$$\frac{\text{Retail} + \text{Wholesale} + \text{Licenses}}{\text{PLAYER CONSOLIDATED SALES}}$$



$$\frac{\text{Retail} + \text{Wholesale at retail value} + \text{Licenses at retail value}}{\text{PLAYER SALES AT RETAIL VALUE}}$$

- Application of **estimated markups** by geography and category
- Application of **estimated royalty rates and markups** by geography and product category

Bottom-up and top-down estimates



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, ...)
- Consistency check on the data and fine tuning

... we cross-check results

