2019 True-Luxury Global Consumer Insight

6th Edition

Milano, April 17th 2019

BCG-Altagamma True-Luxury Global Consumer Insight 2019 study: 6th Edition

Sixth Ed. 2019

12,000+
Respondents[1]

~€39K
Average spend[2]

10
Largest worldwide luxury Markets[1] covering ~85% of Total luxury sales value

Fifth Ed. 2018

12,000+
- +1,000 in China
- +1,000 in US

~€37K
Average spend

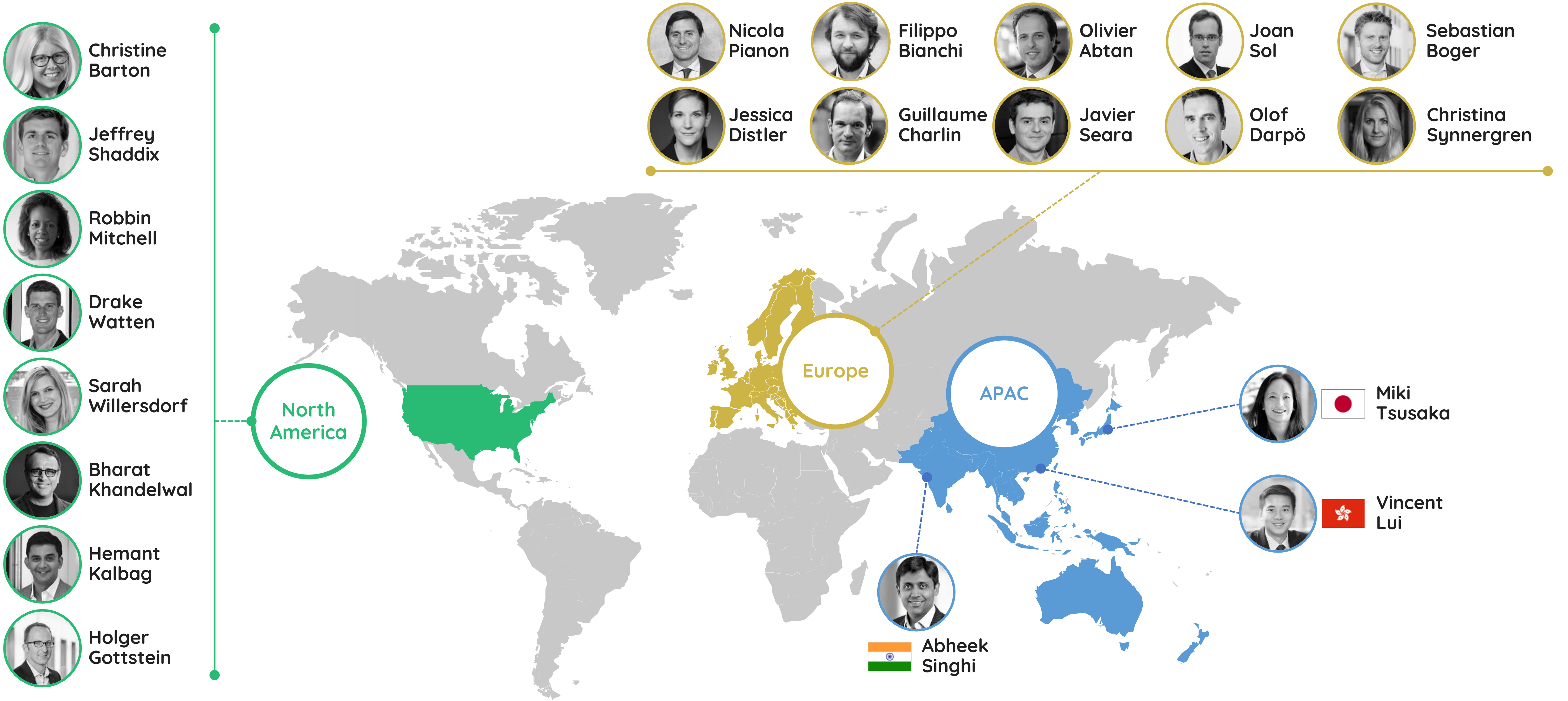
Fourth Ed. 2017

12,000+
- +1,000 in China
- +1,000 in US

~€36K
Average spend

1. Begun monitoring Indian consumers (1,000) 2. Includes personal and experiential luxury, excluding cars, yachts, smartphones and smartwatches
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

BCG expert partner network ready to discuss in every large market the outcomes of True-Luxury Global Consumer Insight 2019



Luxury market has reached ~920 B€ in 2018, with 4-5% annual expected growth until 2025

Category

Personal luxury reached 330 B€ in 2018 expected to grow in 2018-2025 at ~3%, driven by accessories and cosmetics

Experiential luxury reached 590 B€ in 2018, expected to grow faster at ~5%

Generation

Millennials predicted to grow from ~32% to ~50% of personal luxury market by 2025. 130% of 2018-25 market growth expected to come from Millennials

Gen Z represents today only ~4% of personal luxury, but have a clearly different set of behaviors & values that brands should better monitor and understand (i.e. Buy > collaborations, > influenced by sustainability, …)

Nationality

China continues to be the driving force, making up ~33% of the market and expected to rise to ~40% by 2025

75% of the 2018-25 market growth expected to come from Chinese True-Luxury consumers

True-Luxury Consumers

True-Luxury consumers, the focus of BCG-Altagamma study, generate ~30% of global luxury market, or 278 B€ and expected to reach 395 B€ by 2025

Largest contribution to growth coming from Status Seeker, Little Prince and Fashionista segments, seeking extravagance, fun and new form of creativity in products & brands

Megacitiers, expression of the global millennial tribe, continue to grow

Source: BCG Luxury Market Model

Gen Z

have a unique set of behaviors and values, and brands should start understanding them better

Purpose collaborations

67% purchase items from collaborations
- vs. 60% Millennials
- vs. 50% overall True-Luxury consumers

Growth lever for 2nd-hand

57% consider resale value when purchasing luxury goods
- vs. 50% Millennials
- vs. 44% overall True-Luxury consumers

Influenced by sustainability

64% influenced by sustainability when making purchases
- vs. 64% Millennials
- vs. 59% overall True-Luxury consumers

High social media interaction

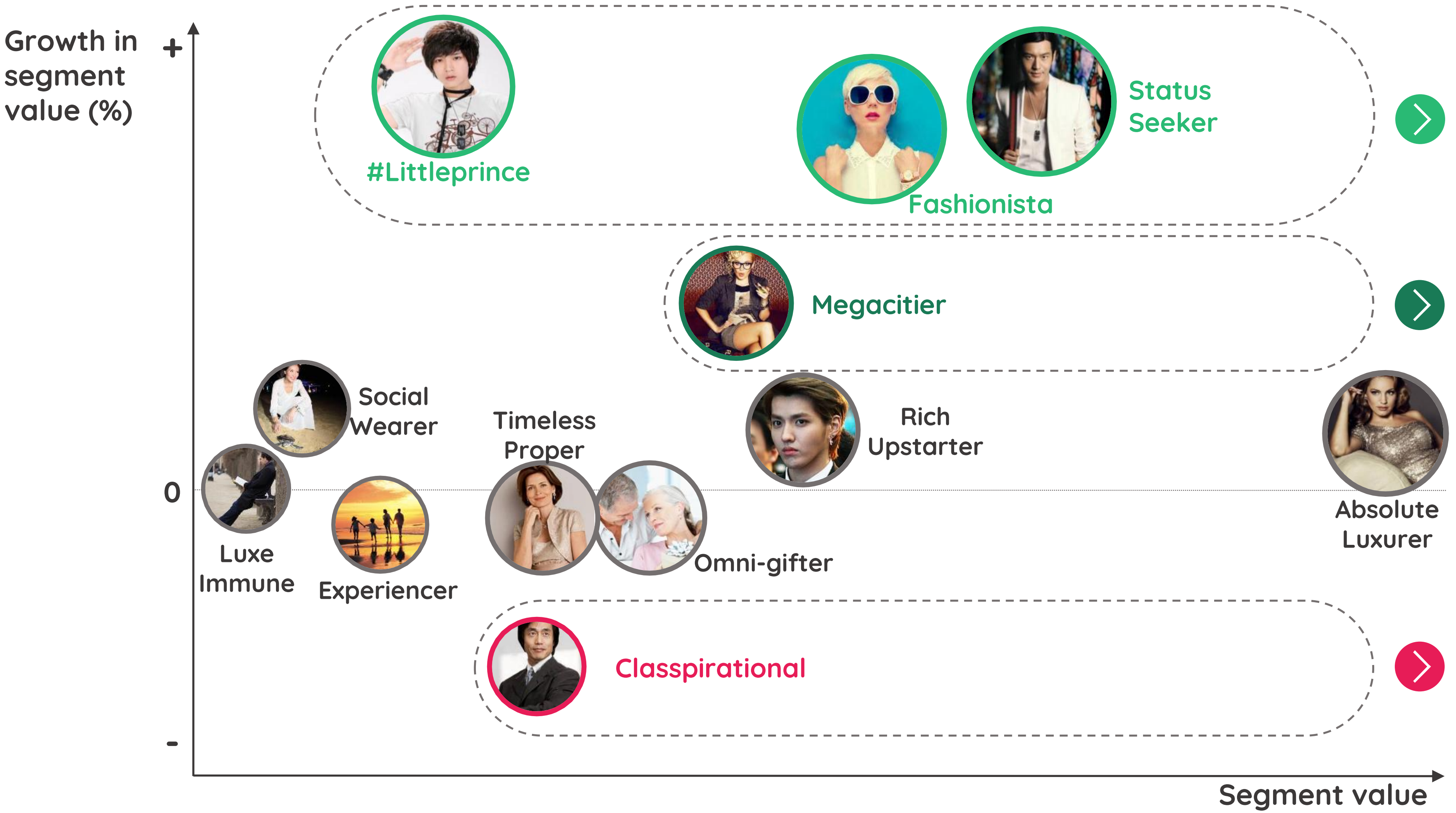
95% use social media to interact with luxury brands, bloggers or social media peers regarding luxury brands and products
- vs. 92 % Millennials
- vs. 81% overall True-Luxury consumers

Embrace mix & match

56% have partially shifted spending from traditional luxury brands to premium, fast fashion, niche or sports brands
- vs. 52% Millennials
- vs. 46% overall True-Luxury consumers

Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19

Today's True-Luxury consumers characterized by 12 behavioral segments, with greatest growth in #Littleprince, Status Seeker and Fashionista



True-Luxury consumers seeking extravagance, fun and new creativity (new-wave luxury values) showing the highest growth, driven by Chinese

The Global, millennial tribe continues to grow, sharing their behaviors across mega cities

In emerging markets, True-Luxury consumers becoming less unsure and more sophisticated, reflected by a shrinking Classpirational segment

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

True-Luxury Global Consumer Insight 2019 Edition: the 12 key trends

New and Emerging

1. Collaborations
2. Second-hand

Keeps Growing

3. Sustainability
4. Luxury Casualwear
5. Influencers
6. Social Media
7. Online

Stabilizing

8. Omnichannel
9. Mono-Brand Stores
10. Made-in
11. Mix & Match
12. Customization

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

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Reached 7% of personal luxury market value and is growing 12% per year

Out of True-Luxury consumers, 34% sell 2nd-hand products, while 26% buy

80% of 2nd-hand market participants use online channels to get informed and to trade

True-Luxury Global Consumer Insight 2019 Edition: the 12 key trends

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

Stabilizing

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4 **Luxury Casualwear**

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Stabilizing

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

True-Luxury Global Consumer Insight 2019 Edition: the 12 key trends

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

True-Luxury Global Consumer Insight 2019 Edition: the 12 key trends

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

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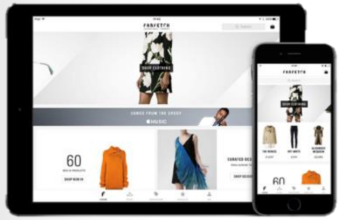
7. **Online**



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

Stabilizing

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

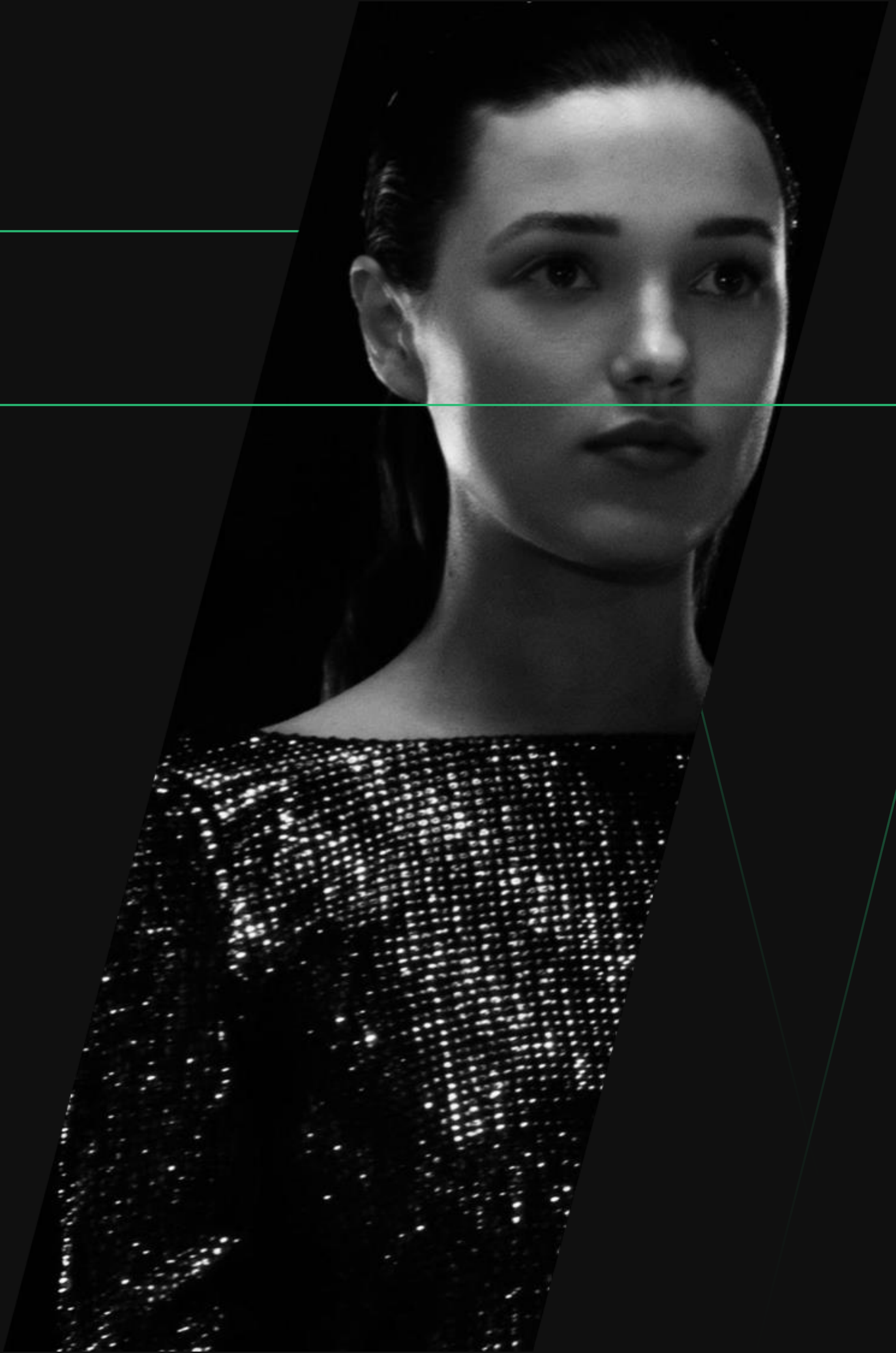
Mono-Brand Stores – Appear to have stabilized in True-Luxury consumers' minds, no longer decreasing in a significant way, except for China

Made-in – Made-in Italy continues to strengthen its global lead among True-Luxury consumers and among Millennials, and reconquered leadership among Chinese vs Made-in France. Made-in China growing among Chinese (+11pp vs 2014)

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

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

Collaborations



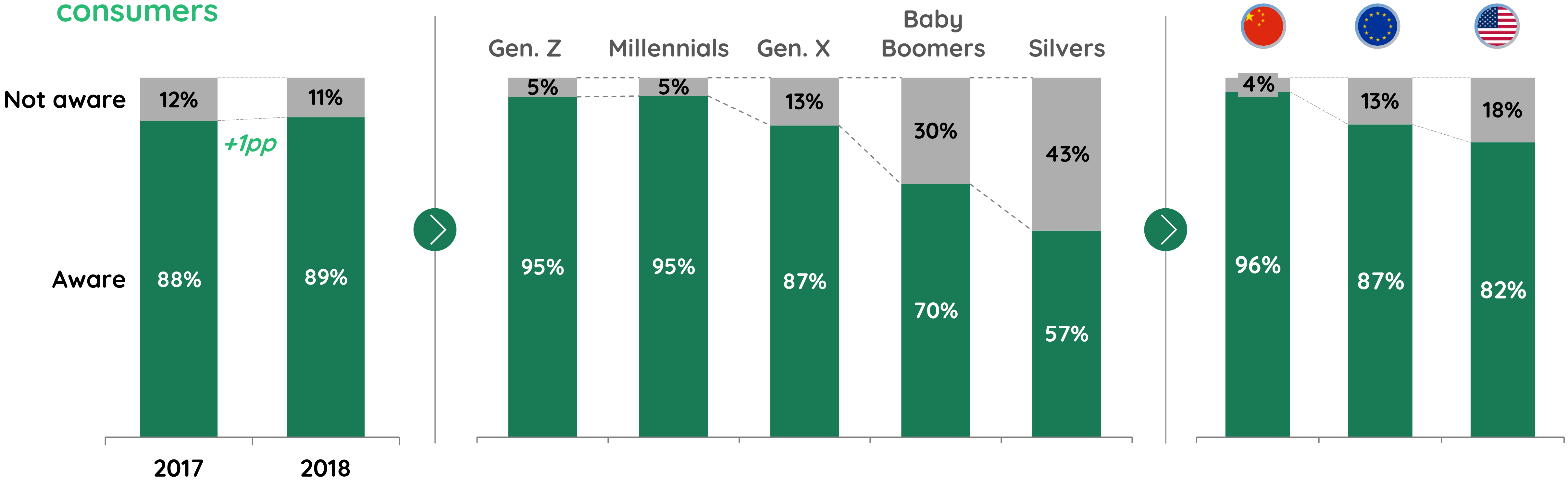
Collaborations' importance confirmed, with awareness reaching ~90% of True-Luxury consumers

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

Overall True-Luxury consumers

Driven by younger generations…

…and Chinese

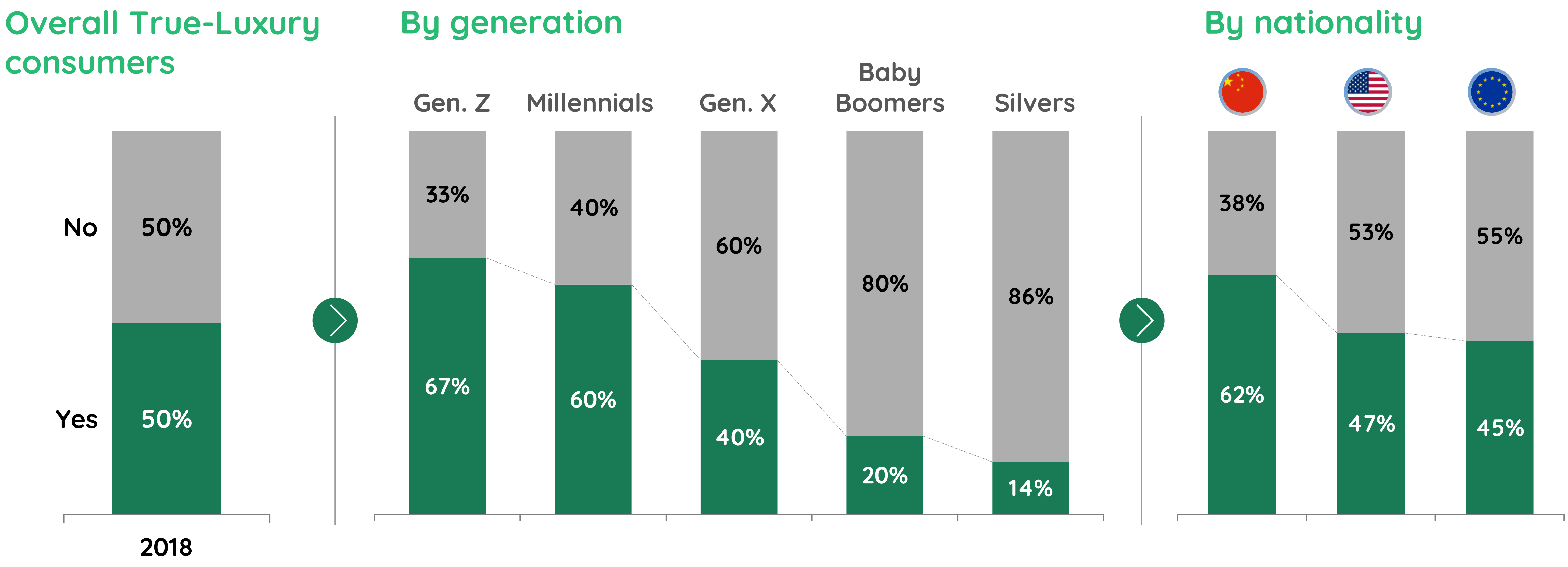


Note: Limited responses available for Silvers

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

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

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



Note: Limited responses available for Silvers

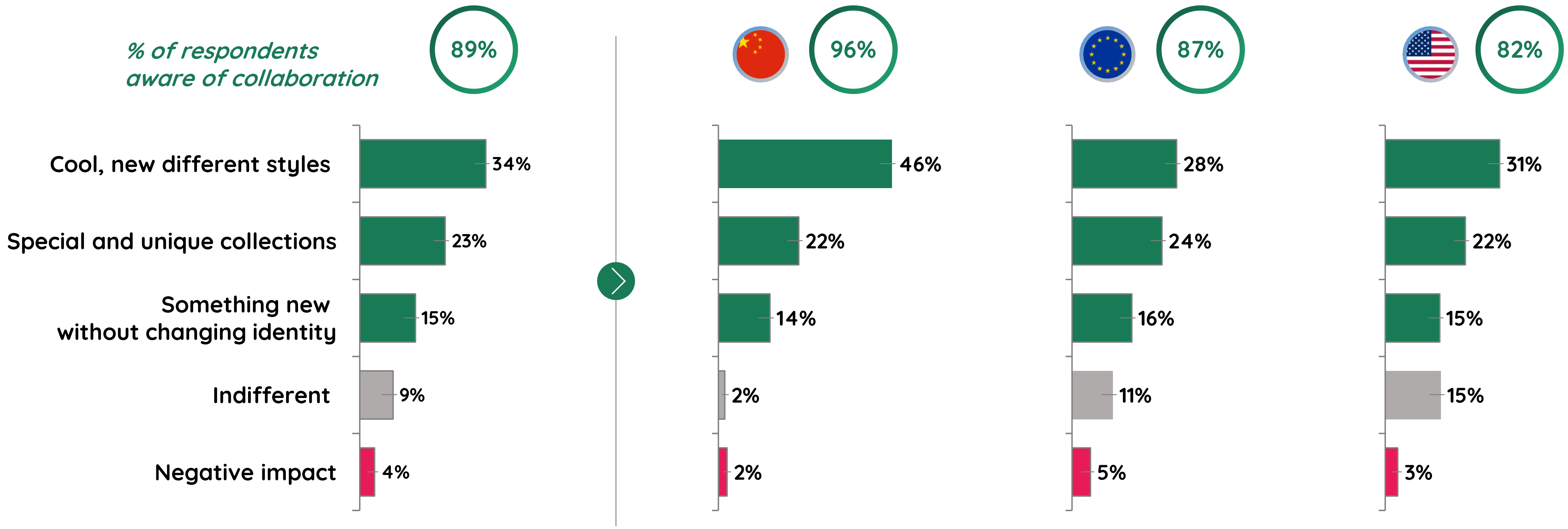
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

Chinese consumers strongly attracted to collaborations, as they seek cool and different styles

Thinking about special editions realized in collaboration with different brands / artists, which of the following statements best apply to you?

Overall True-Luxury consumers

By nationality



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

Handbags and sneakers dominate collaborations and special edition purchases

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

Top-purchased product categories among collaborations and special editions

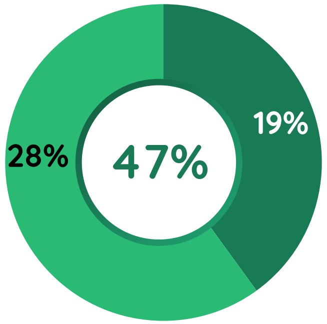
1. Handbags

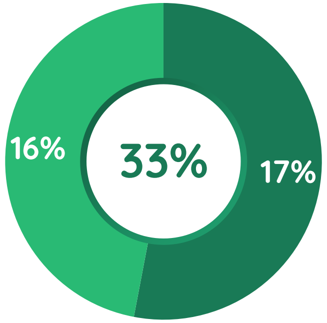
2. Sneakers

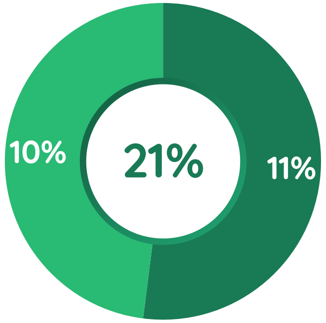
3. Formal shoes

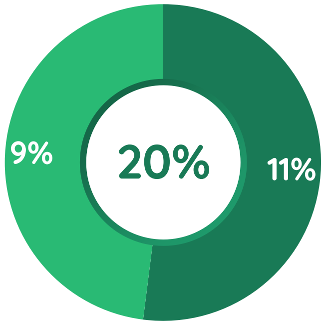
4. Backpacks

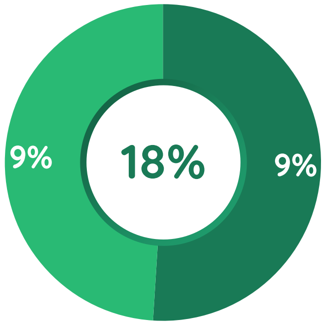
5. T-shirts











% of special edtion's buyers

Female *Male*

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

Top-purchased collaborations relatively consistent across geographies

> *Thinking about special editions created by brands in collaboration with different artistis/brands, which collection did you ever purchased?*

Top-purchased collaborations

Overall

#1 Louis Vuitton & Supreme


#2 Adidas & Yeezy


#3 Chanel & Pharrell


#4 Nike & Off-white


#5 Fendi & Fila


#6 Louis Vuitton & J. Koons


By nationality

#1	Louis Vuitton & Supreme	Louis Vuitton & Supreme	Louis Vuitton & Supreme
#2	Chanel & Pharrell	Chanel & Pharrell	Adidas & Yeezy
#3	Adidas & Yeezy	Gucci & Dapper Dan	Fendi & Fila
#4	Nike & Off-white	Adidas & Yeezy	Gucci & Gucci Ghost
#5	LV & Jeff Koons	Fendi & Fila	Moschino & H&M
#6	Burberry & G. Rubchinskiy	Gucci & Gucci Ghost	Chanel & Pharrell

Not in global top 6

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

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Fendi & Fila

Adidas & Yeezy

Gucci & Gucci Ghost

LV & Supreme

LV & Jeff Koons

Chanel & Pharrel

Burberry & Rubchinskiy

Nike & Off-white

Gucci & Dapper Dan

Some examples of the most purchased collaborations among True-Luxury consumers

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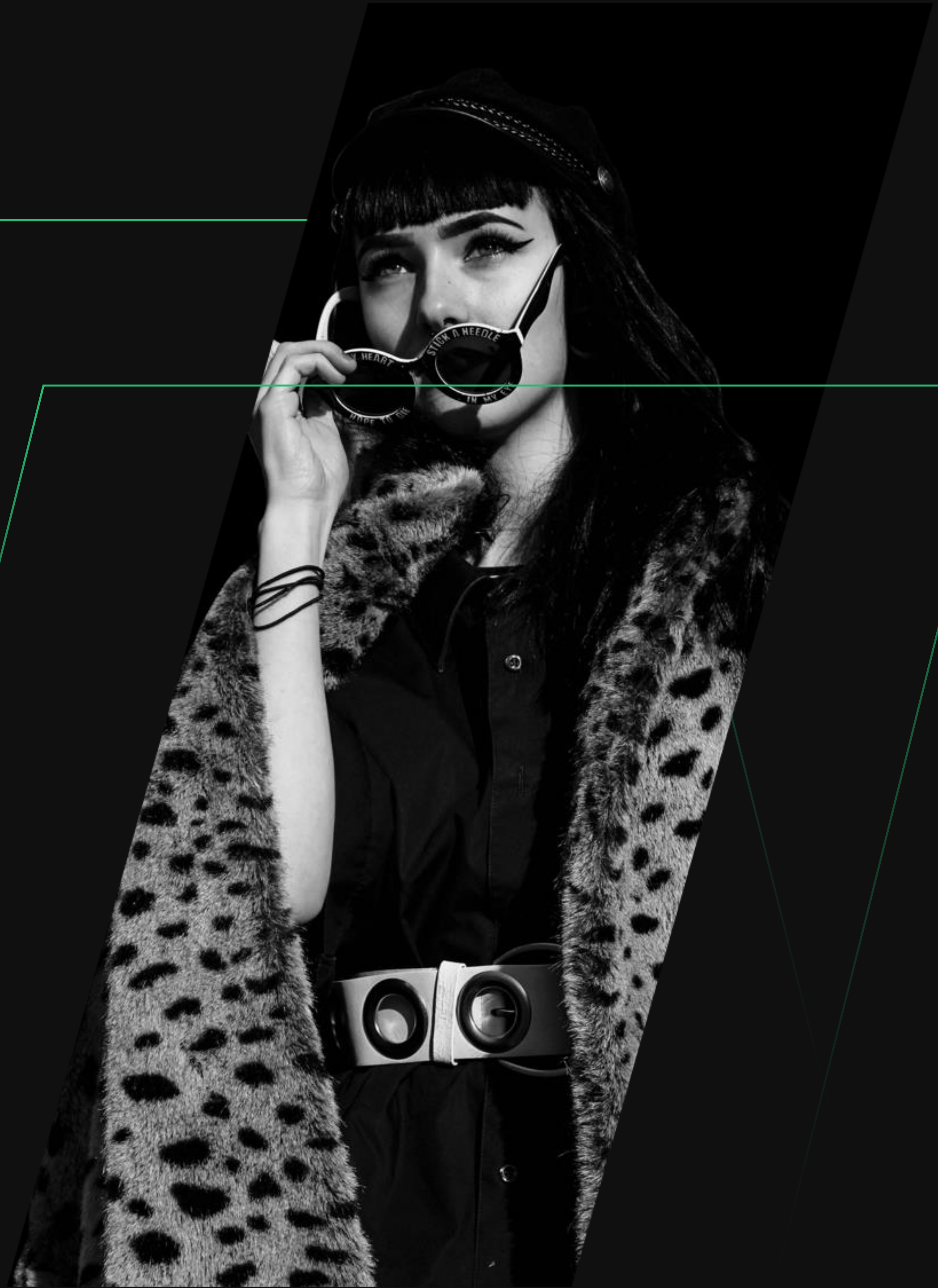
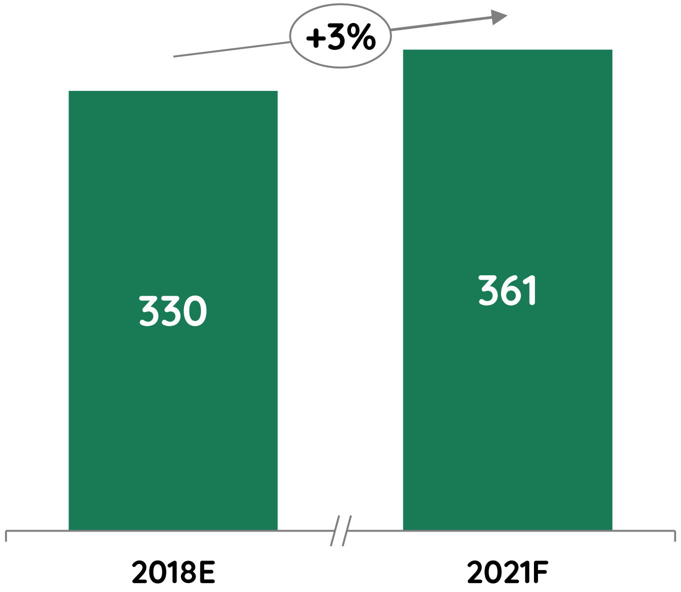
Second-hand luxury

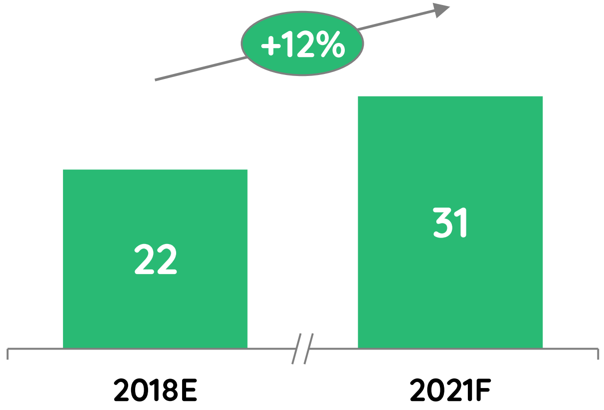


Luxury 2nd-hand market estimated at 22 B€ and growing faster than overall personal luxury...

Total personal luxury market size (B€)



2nd-hand luxury market size (B€)



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

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

1. Second-hand personal luxury sales as share of total personal luxury market size
Source: BCG True-Luxury Market Model; Analyst reports; Expert interviews; BCG analysis

…fueled by four drivers

Professionalization of the trade channels

Digital platforms replacing consignment shops, and now providing seamless end-to-end experience that guarantees authenticity and quality

Consumer preferences for shorter ownership and sustainability

Luxury consumers exposed to constant flux of styles through social media, not willing to own products forever, and more concerned about sustainability than ever before

Broader access to iconic, scarce products

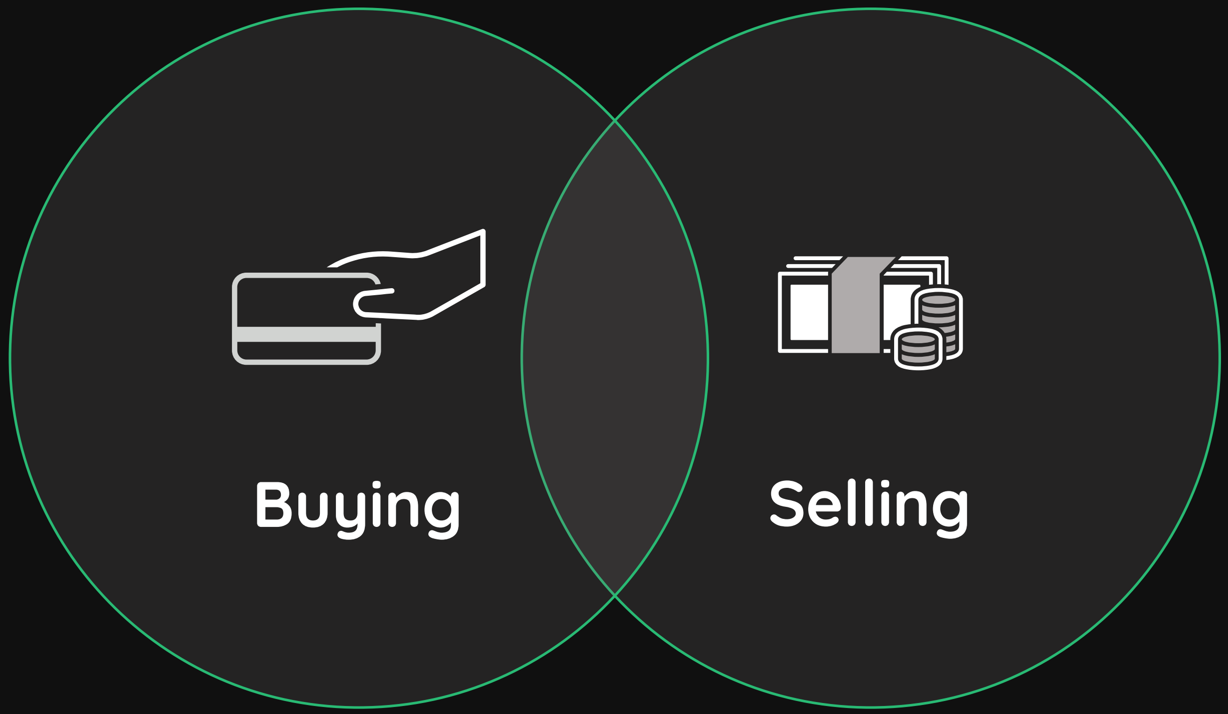
Scarce luxury products, both iconic products or special capsules, can be readily located on 2nd-hand digital marketplaces, which benefit from a far wider reach of suppliers than bricks-and-mortar consignment shops

Access to luxury products at better price/quality ratio

Participation in the 2nd-hand market provides lower purchase prices along with an income opportunity.
Younger consumers spending less on products and more on experiences.

Source: BCG-Altagamma True-Luxury Global Consumer Insight 2019; Analyst reports; Expert interviews; BCG analysis

Second-hand luxury



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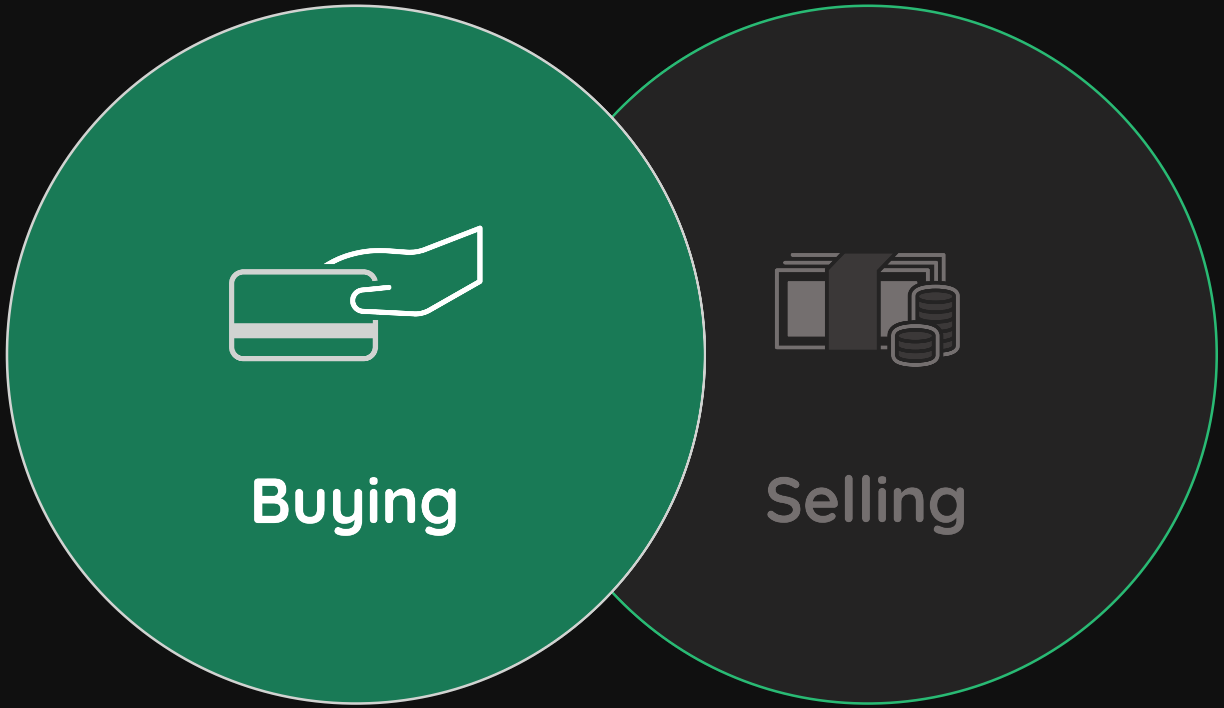
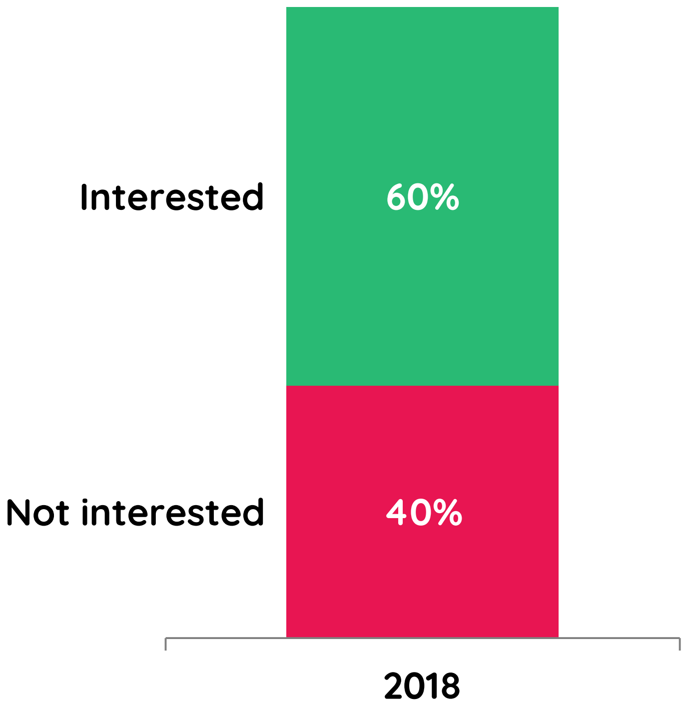


Most True-Luxury consumers interested in purchasing luxury 2nd-hand products

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

60% are interested in purchasing pre-owned luxury items



Driven by

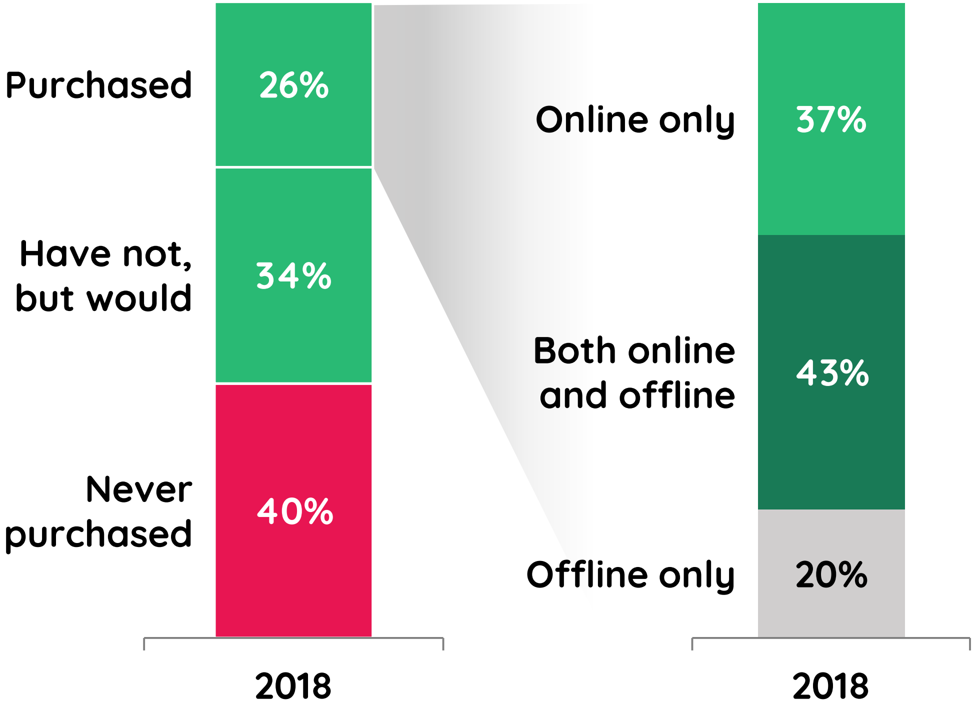
- **32%** Perceived price-quality ratio
- **19%** Look for sold out/ limited edition/ vintage items
- **17%** Thanks to online platforms, there is more transparency on price and authenticity of 2nd-hand market
- **35%** Not interested / would never buy pre-owned
- **34%** Do not trust resellers and afraid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

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

Online the king of 2nd-hand purchase channels

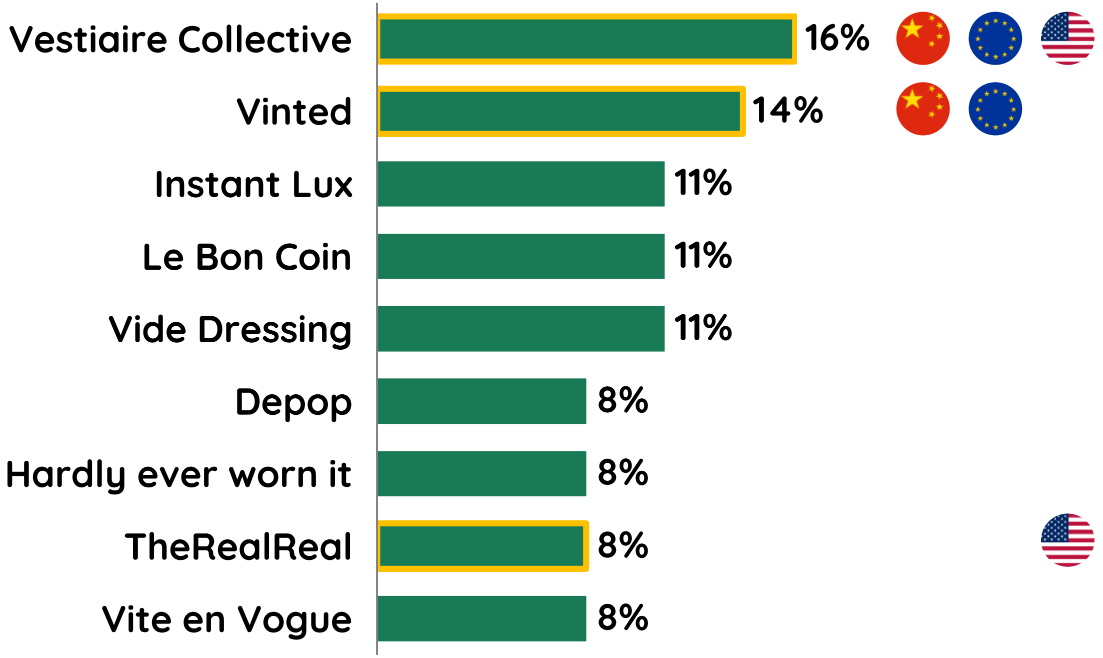
"Where do you purchase second-hand luxury goods? Which online platforms do you use?

80% purchase pre-owned luxury items online



Most commonly used specialist online platforms

Leading platforms by geography



Note: Selected highest-ranked platforms, percentage is number of responses per platform as fraction of total online platform users
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

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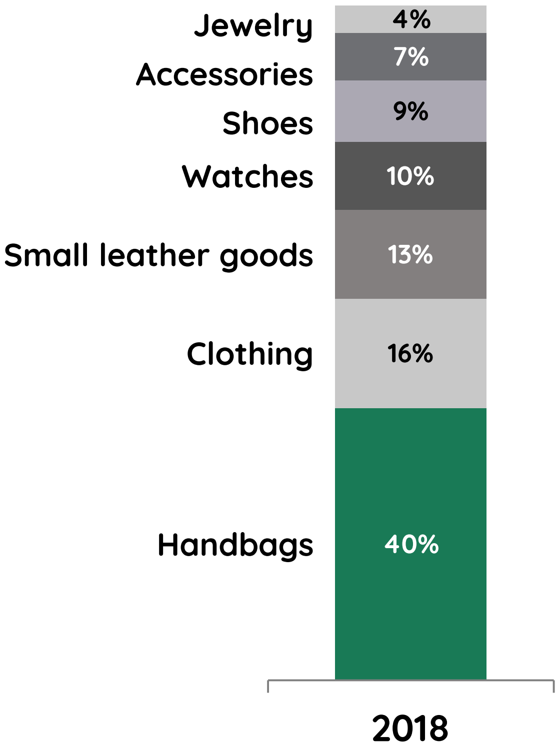
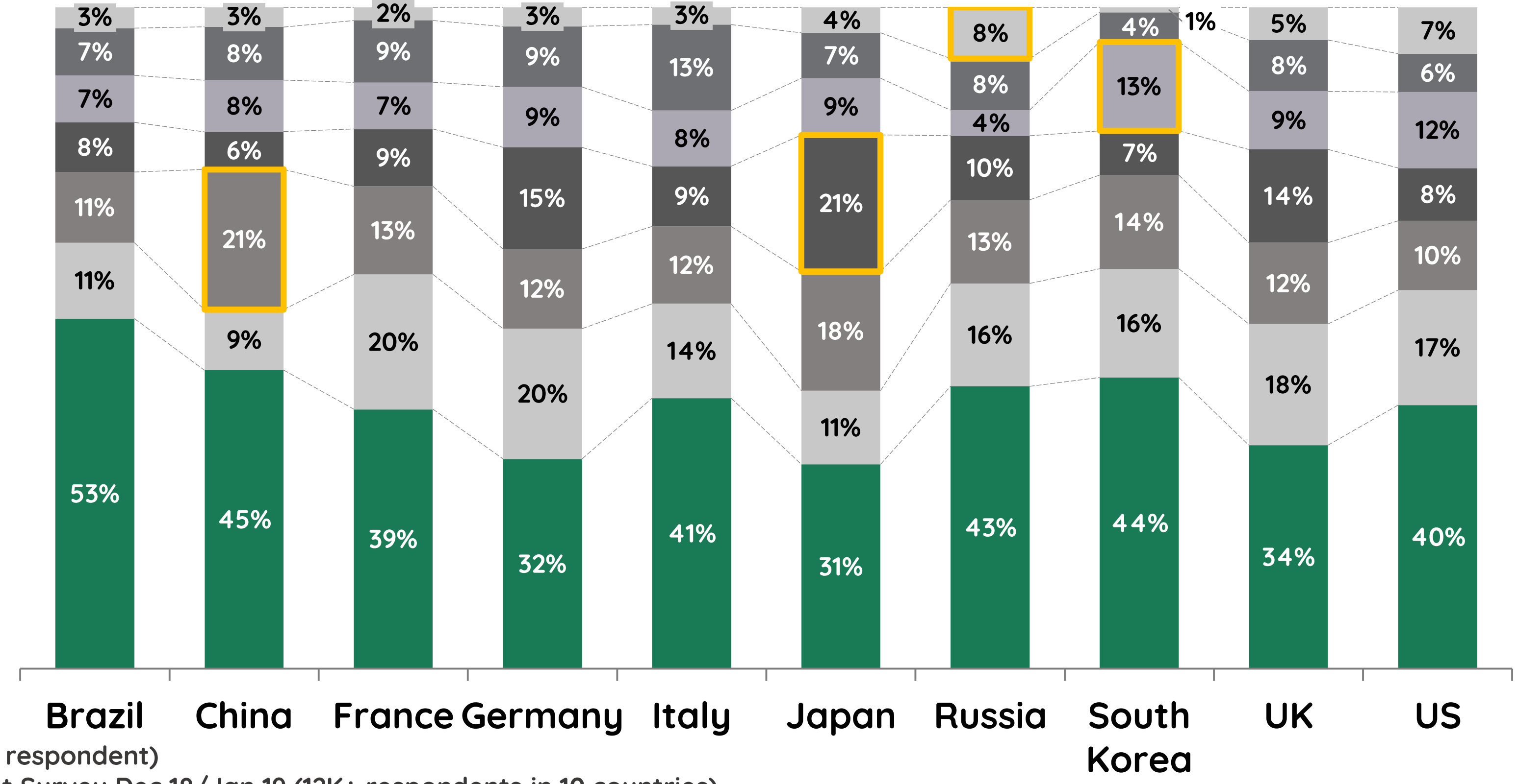
Handbags the queen among True-Luxury second-hand purchases, APAC countries developing an appetite also for SLG and watches

You told us that you buy second-hand luxury goods, which category do you mostly purchase?

40% of all pre-owned purchases were handbags…



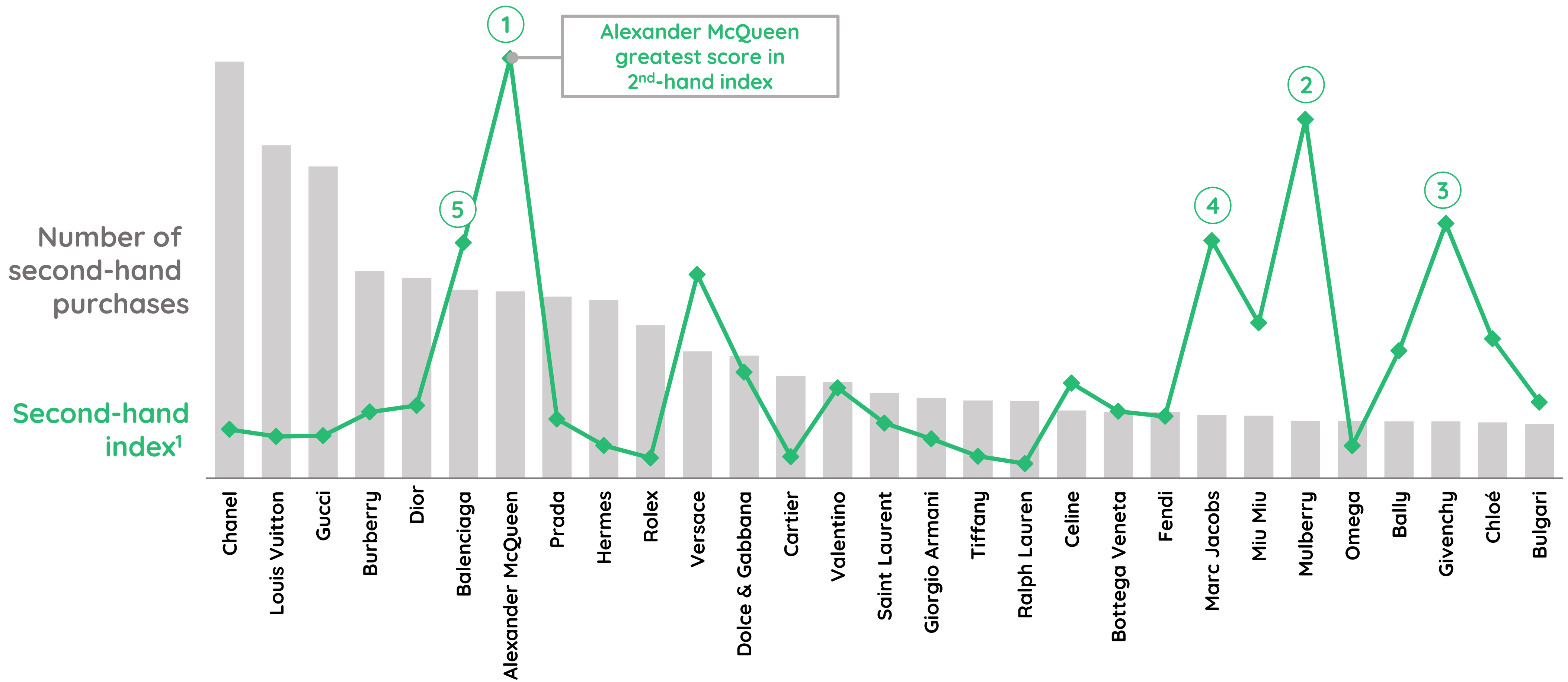
…followed by clothing, with the exception of China and Japan



Note: Category purchased most often is shown (ranked #1 by respondent)
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

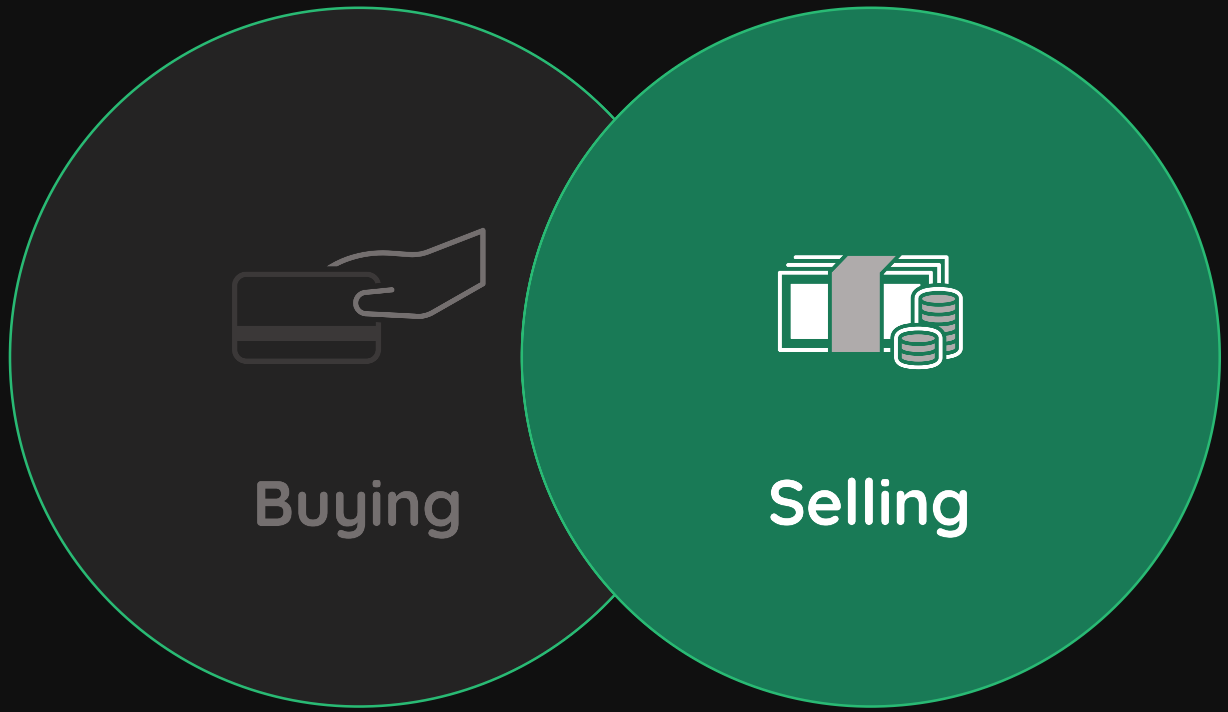
Popularity of brands in 2nd-hand market disproportionate to share of 1st-hand sales

You told us that you buy second-hand luxury goods, which brand(s) do you usually purchase in second-hand



1. Share of 2nd-hand purchases divided by brand's share of estimated revenues, for brands with most 2nd-hand purchases
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

Second-hand luxury

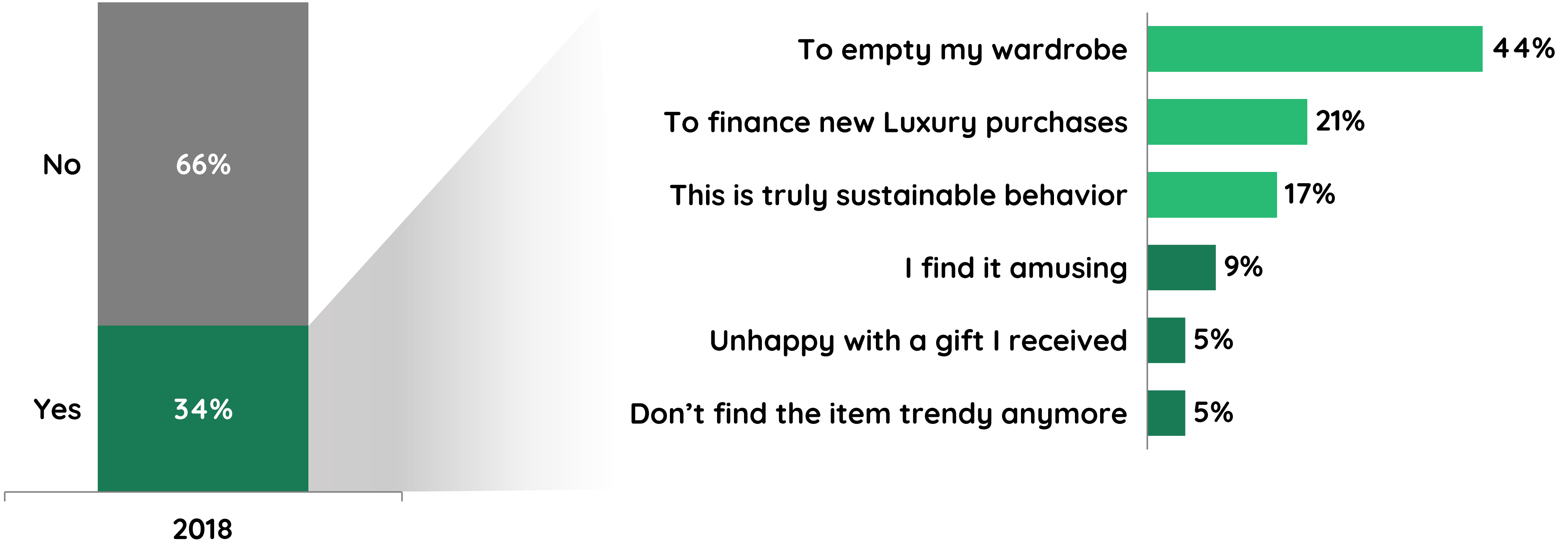


One-third of True-Luxury respondents sell luxury items, to primarily empty wardrobe and finance new luxury purchases

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

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

Reasons why

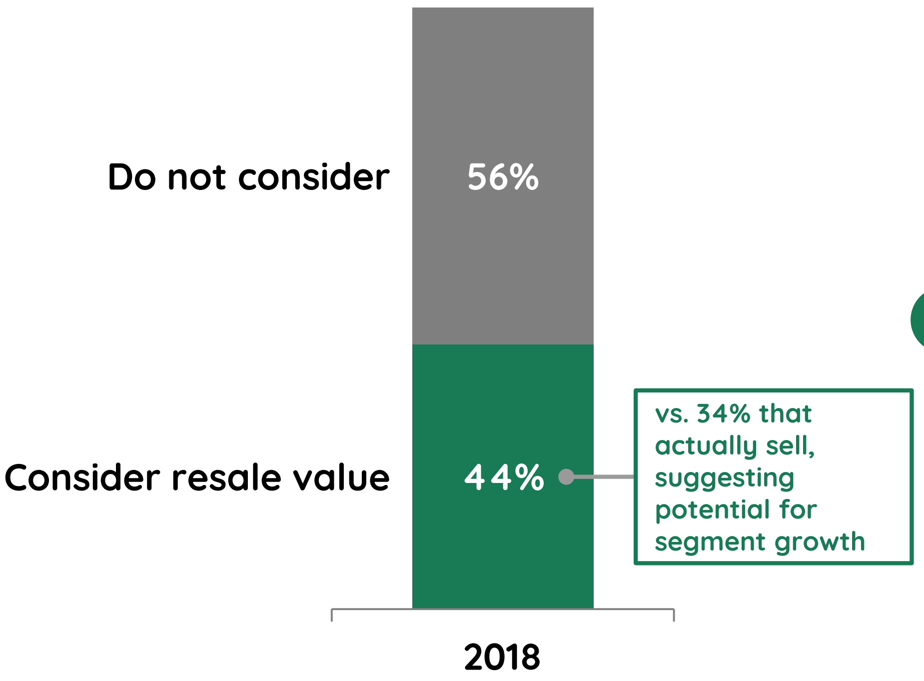


Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

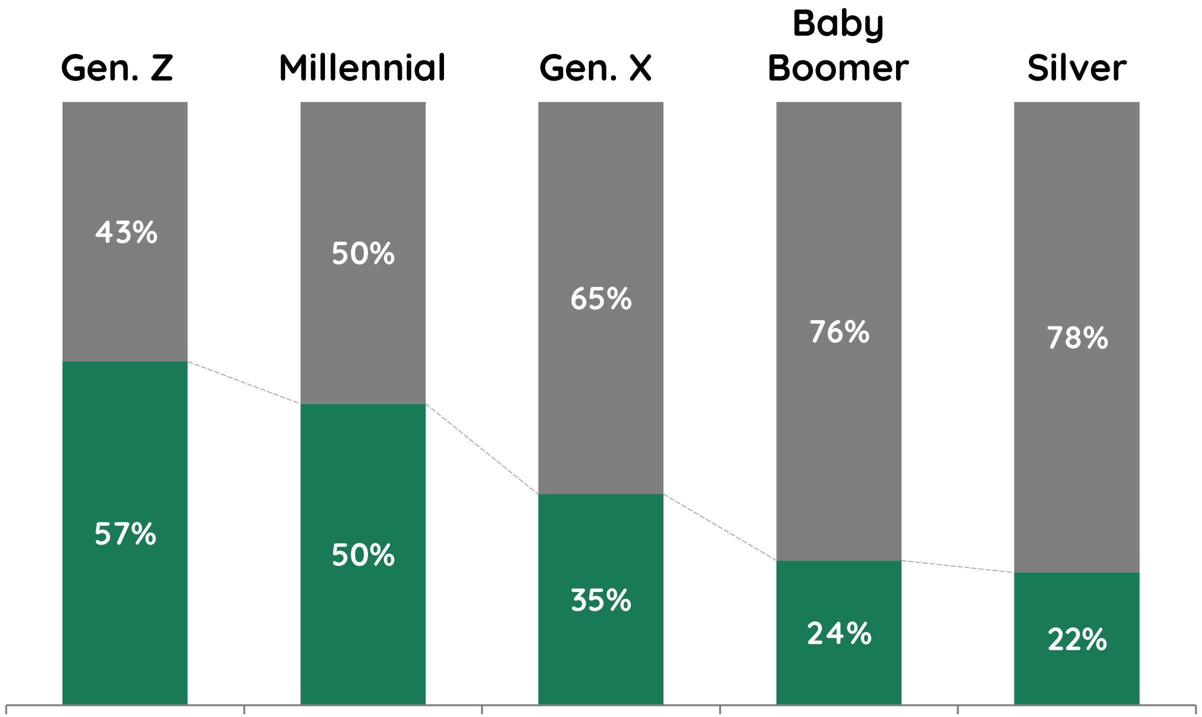
True-Luxury younger generations very interested in potential resale value when purchasing new luxury items

During your luxury purchases, do you ever think about / take into consideration in your purchasing behavior the resell value of the goods you are about to buy

44% consider resale value when purchasing luxury



Attention to resale value decreases with age



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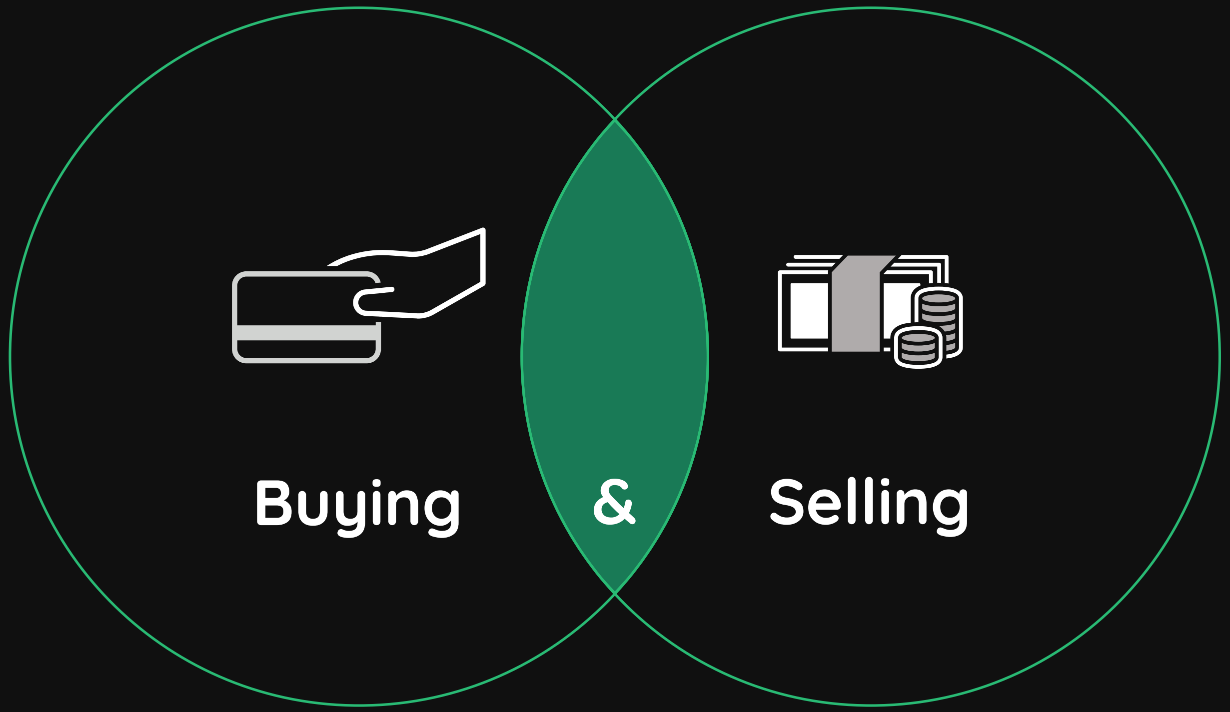
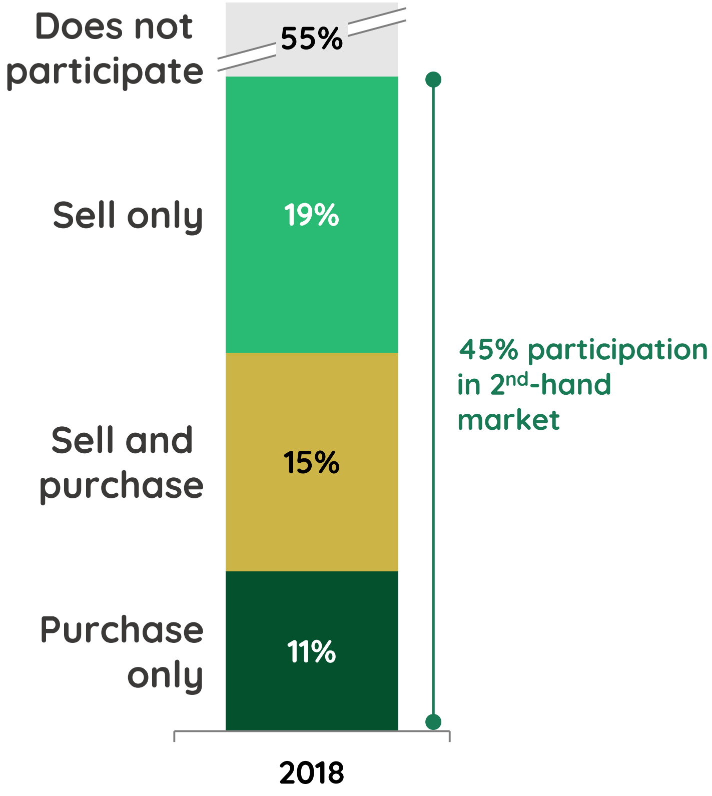
Second-hand luxury

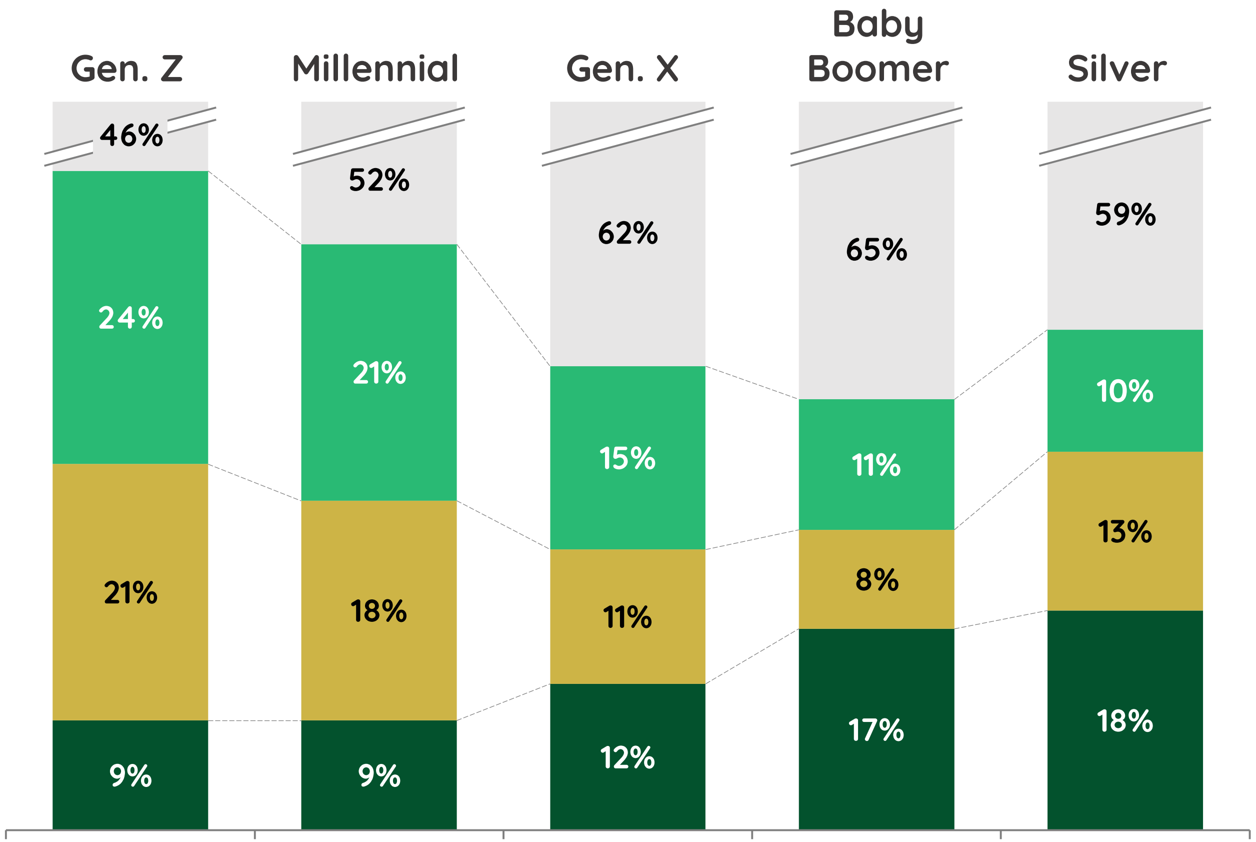


Younger True-Luxury consumers largest participants in 2nd-hand, with supply driven by younger generations and demand driven by older

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

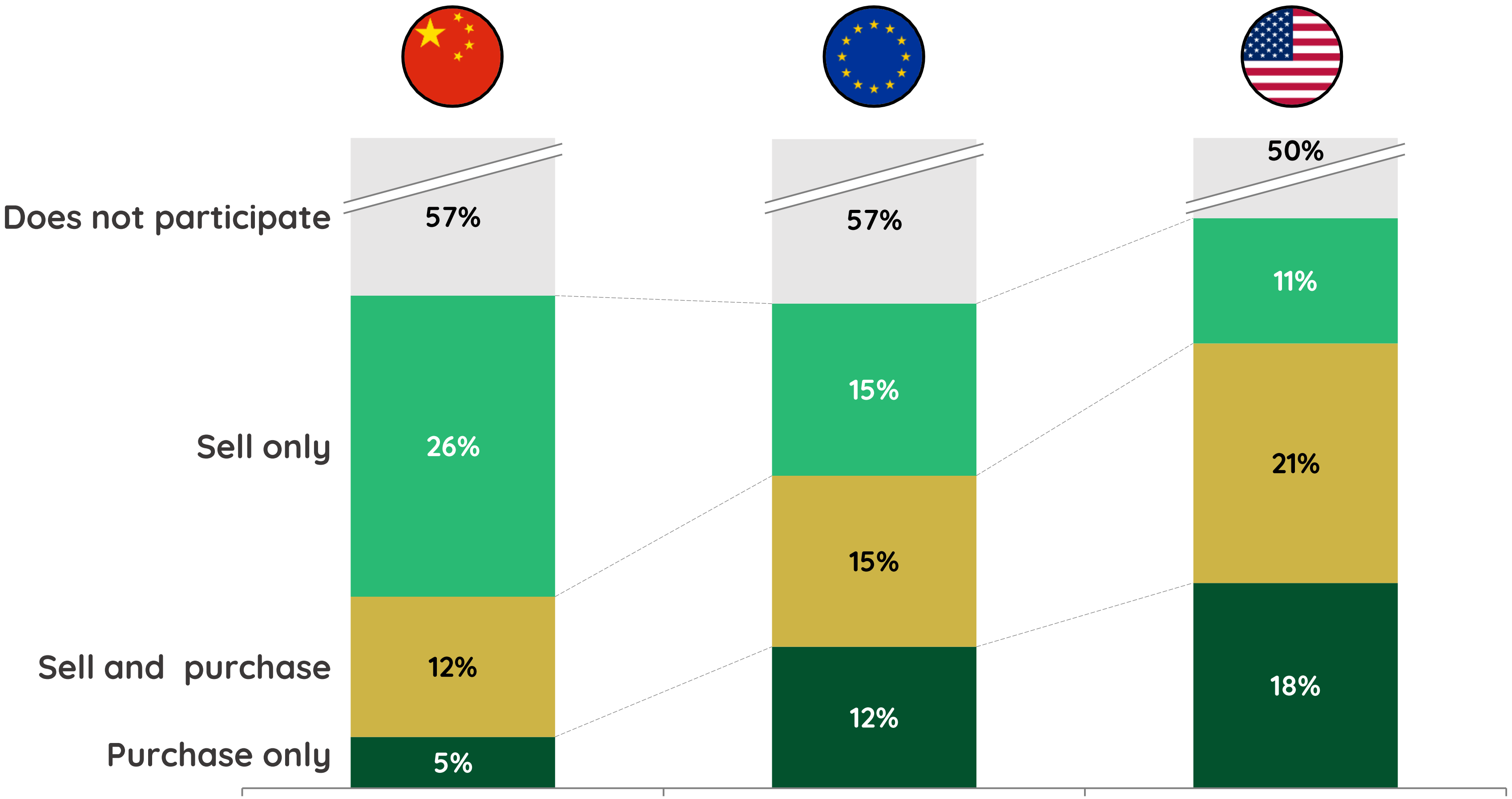


Younger generations bigger sellers, older generations bigger buyers



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

Chinese True-Luxury consumers biased to selling 2nd-hand luxury, while US biased to purchasing



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

Why could certified 2nd-hand be relevant for luxury players?

Mainly for brands:

A marketing & consumer understanding tool

A new recruiting channel for consumers and advocates

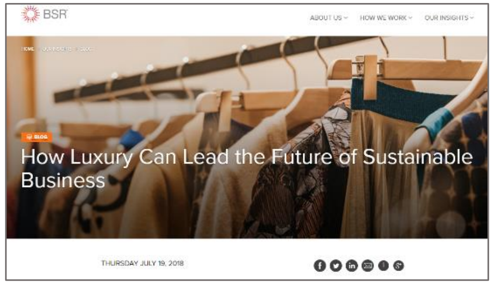
A way to monitor and mitigate brand reputational risk

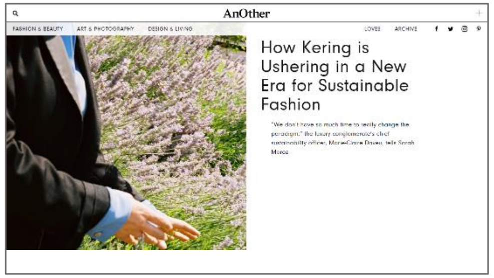
Mainly for retailers:

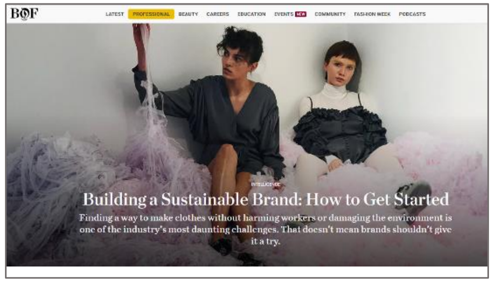
A new profitable source of business

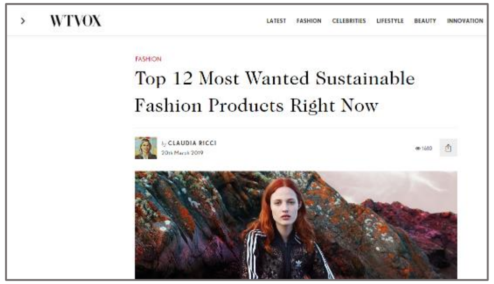
Sustainability in luxury

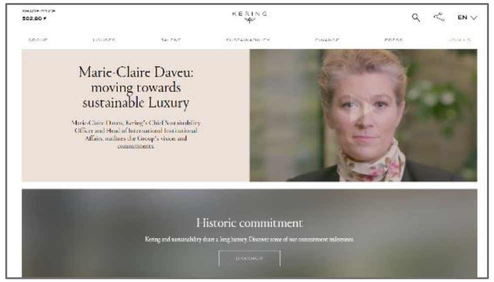
Sustainability continues to be a hot topic in luxury

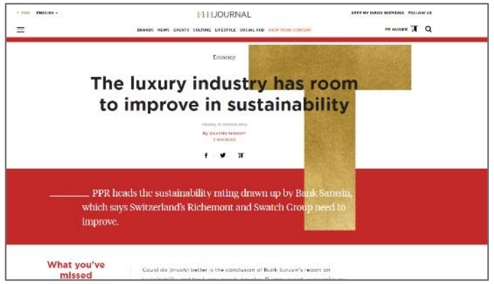












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Several aspects of True-Luxury consumer behaviors impacted by Sustainability

Influences purchasing behavior

59% of True-Luxury consumers' purchasing behaviors are influenced by sustainability

Increases 2nd-hand buying

17% of True-Luxury consumers in the 2nd-hand market purchase pre-owned because it is 'truly sustainable behavior'

Drives shift toward niche brands

13% of True-Luxury consumers that shifted spending from traditional to niche luxury brands attributed their shift to sustainability

Re-defining luxury values

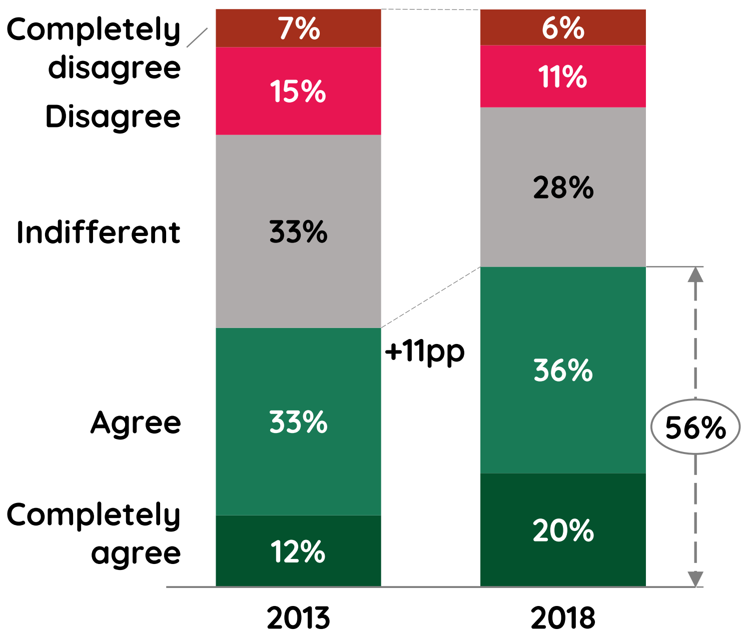
10% of True-Luxury consumers consider Sustainability a top 3 value when asked to define luxury (+ 1 pp vs 2017)

Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19

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

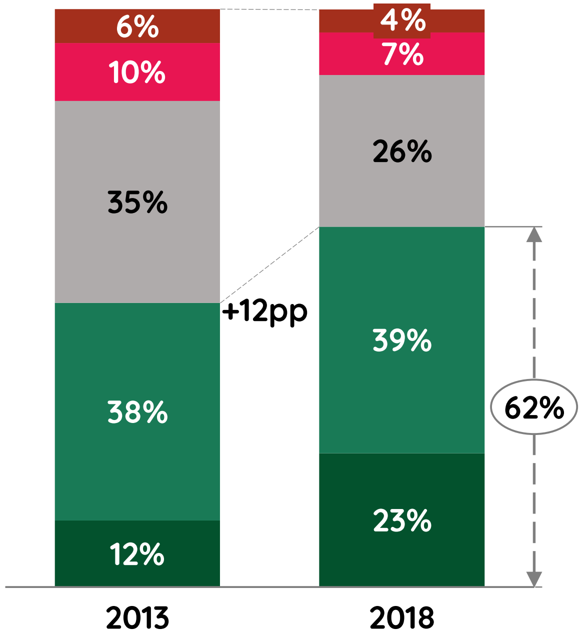
56% of consumers investigate a brand's social responsibility

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

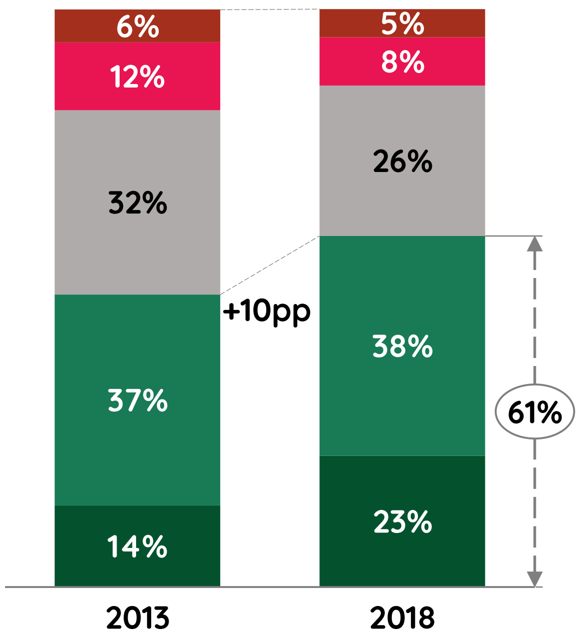


For a given item, over 60% would purchase from the more sustainable brand

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



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



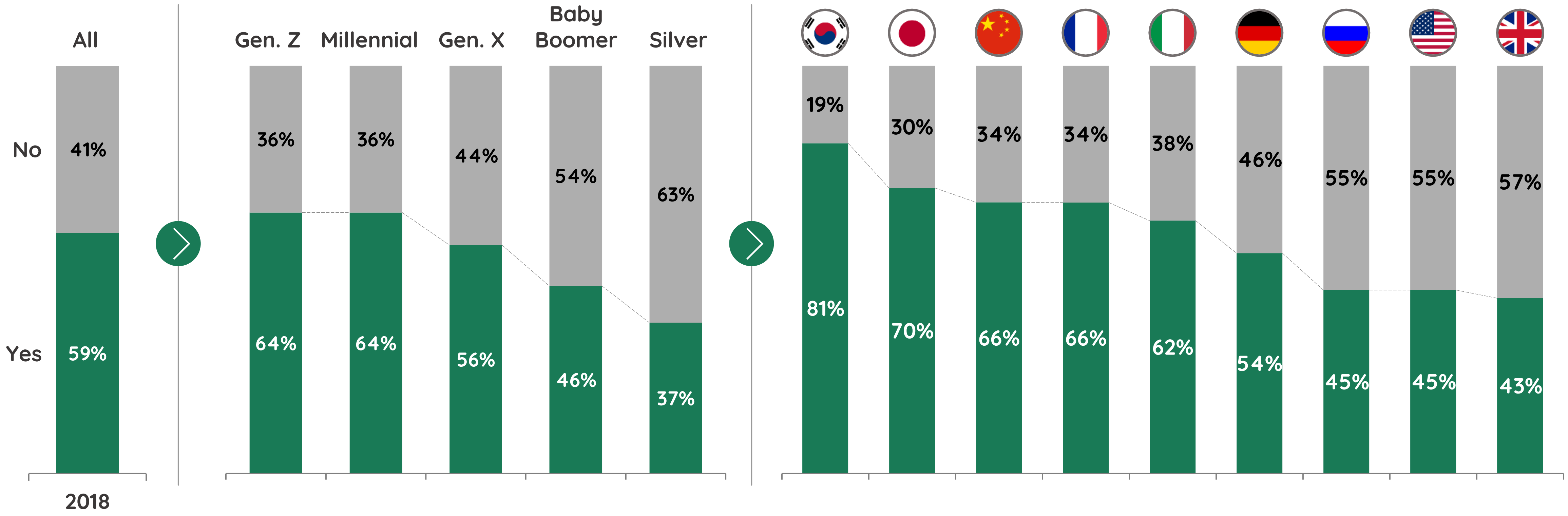
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

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

Does the Sustainability topic influence your purchasing behavior?

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

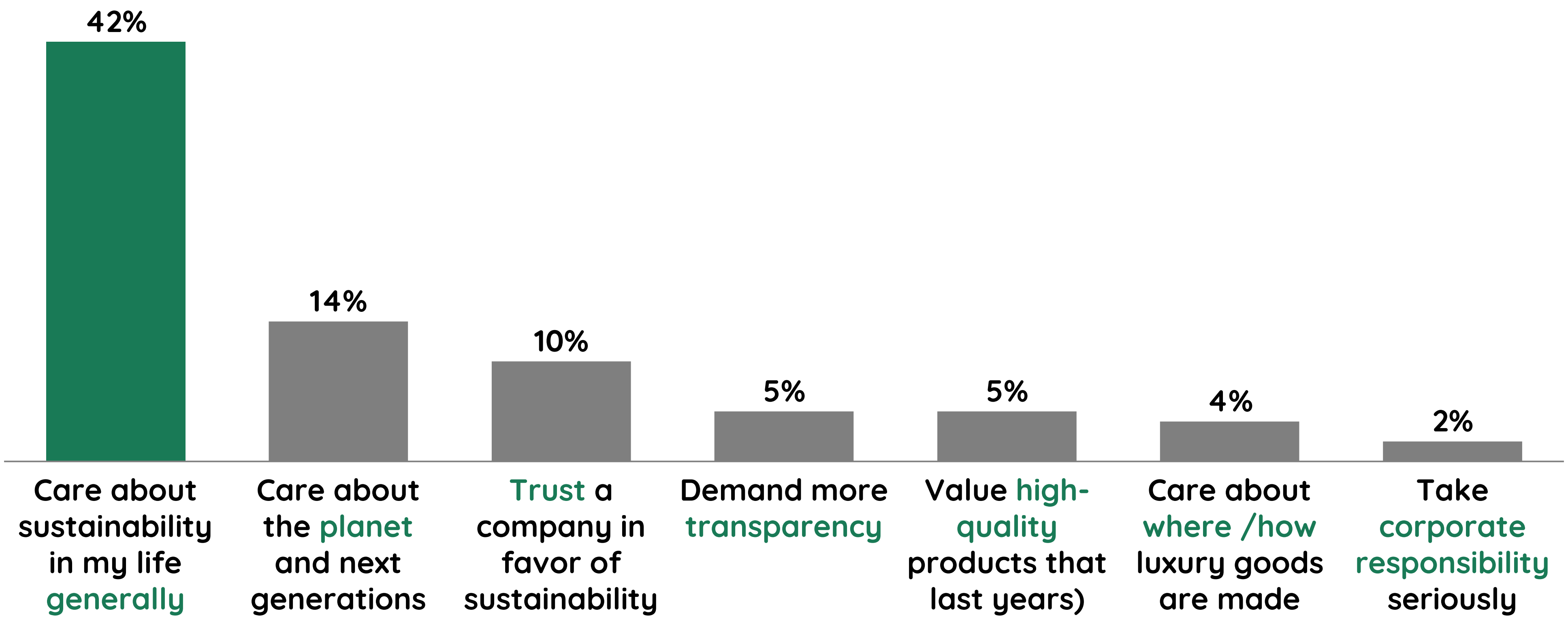
…and from 81% of South Koreans to less than 50% of UK and US



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

Sustainable approach to life responsible for 42% of sustainable purchase behaviors…

Why is sustainability important to you when it comes to luxury goods?

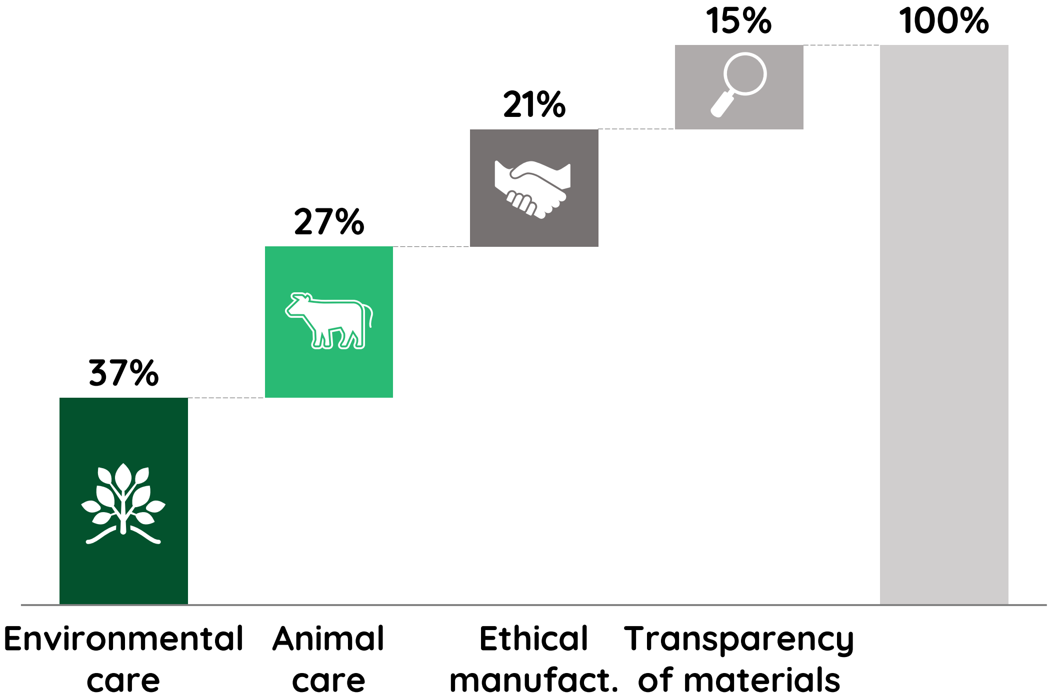


Note: Selected responses shown
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

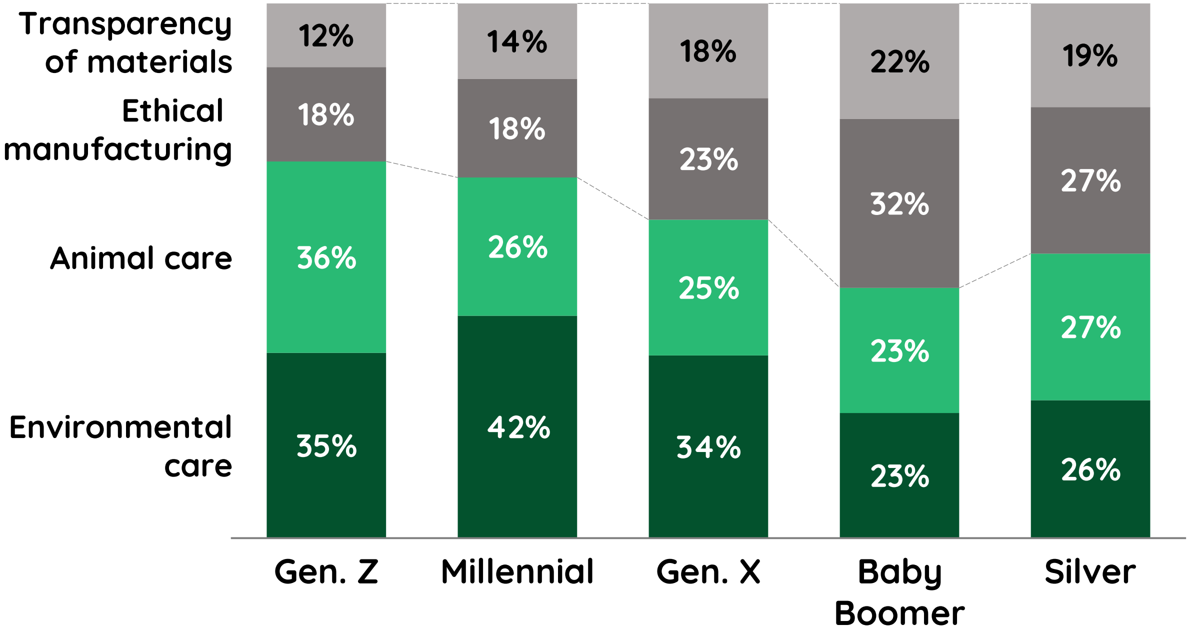
…with Environmental and Animal criteria most valued when purchasing luxury goods, driven by younger generations

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

Environment and Animal concerns dominate sustainability criteria…



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



Note: 12 personal sustainability criteria grouped into above four categories. Limited responses available for Silver which may affect generational trend
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

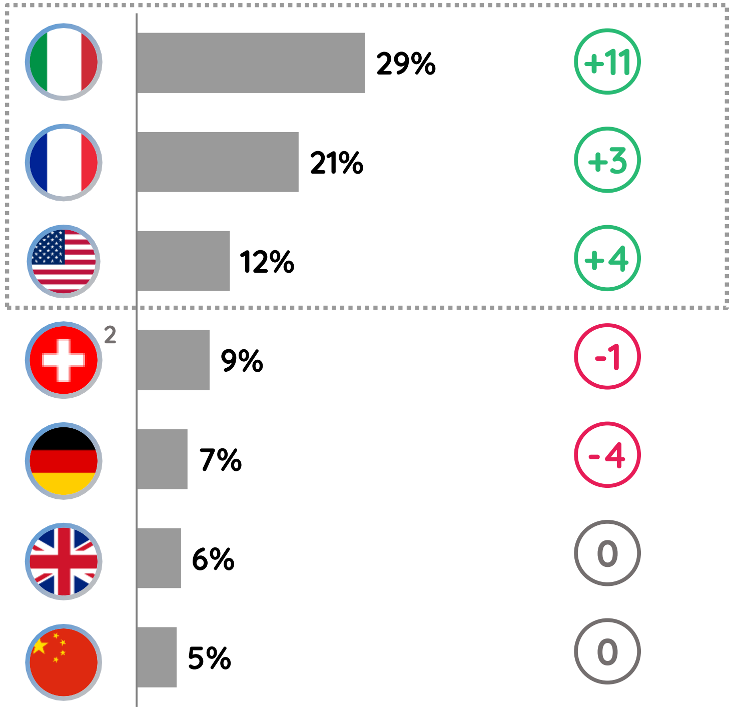
Made-in

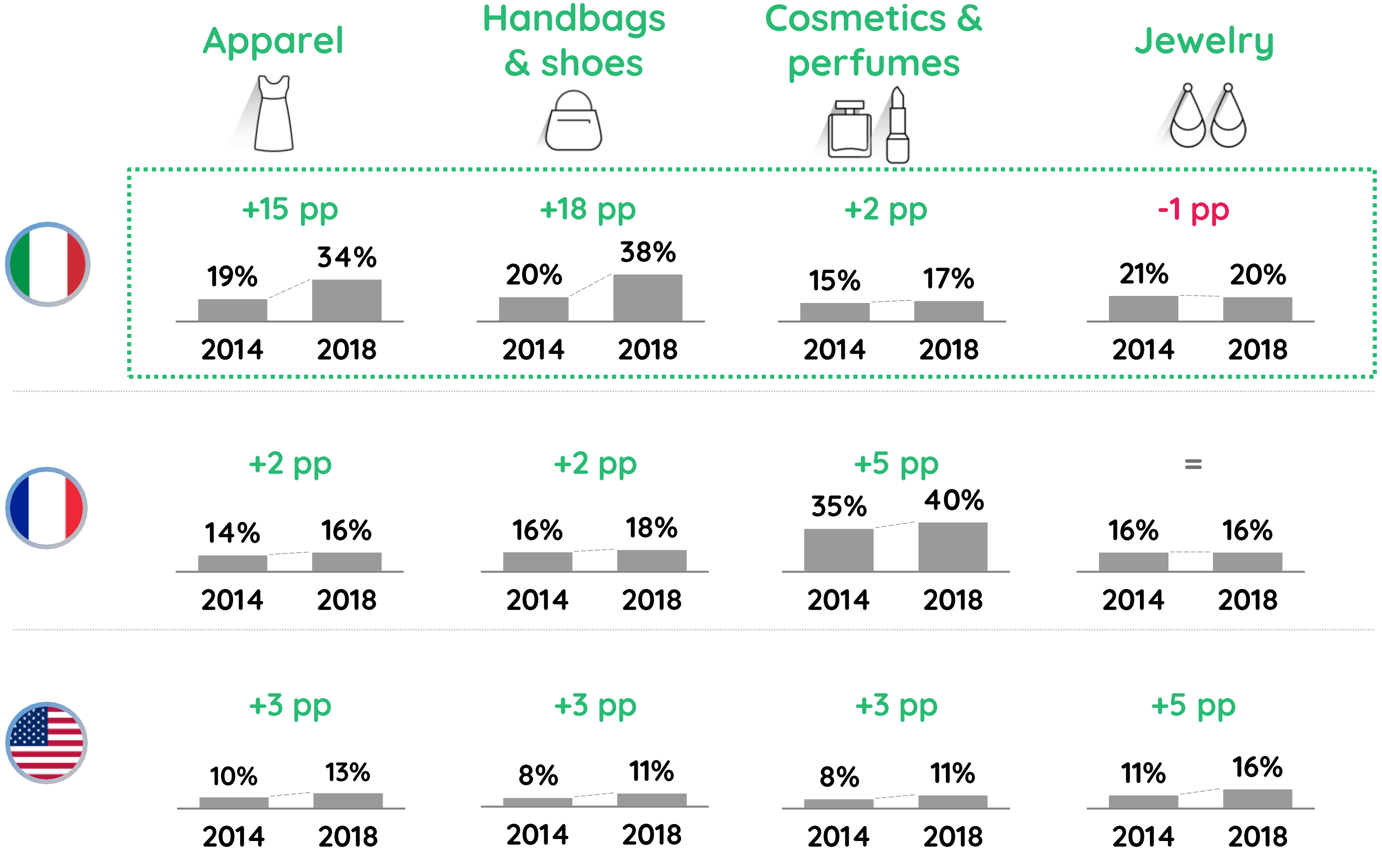
Made-in Italy strengthens its overall lead driven by apparel, handbags and shoes

Which country of manufacturing do you consider the best for luxury brands?

Overall preferences for made-in[1] (%)

Δ 2014–2018 (pp)



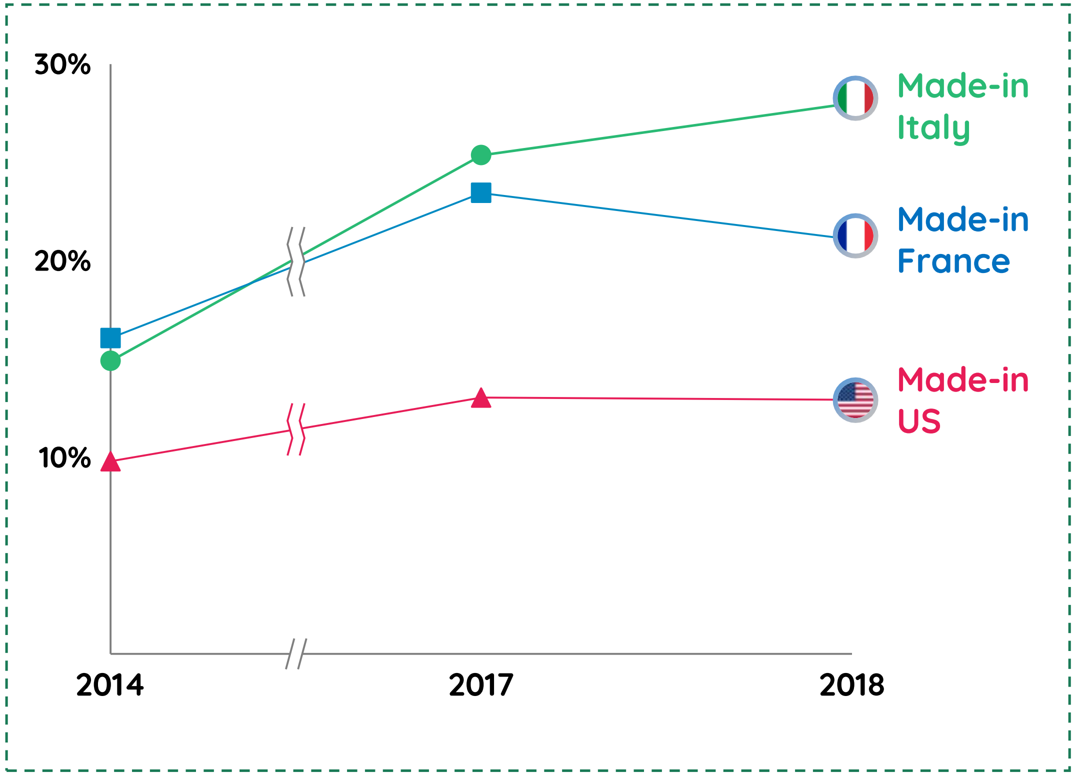


1. Focus on personal luxury (excluding cars, luxury yachts, design and lighting) 2. 57% of True-Luxury consumers show preference for watches made-in Switzerland

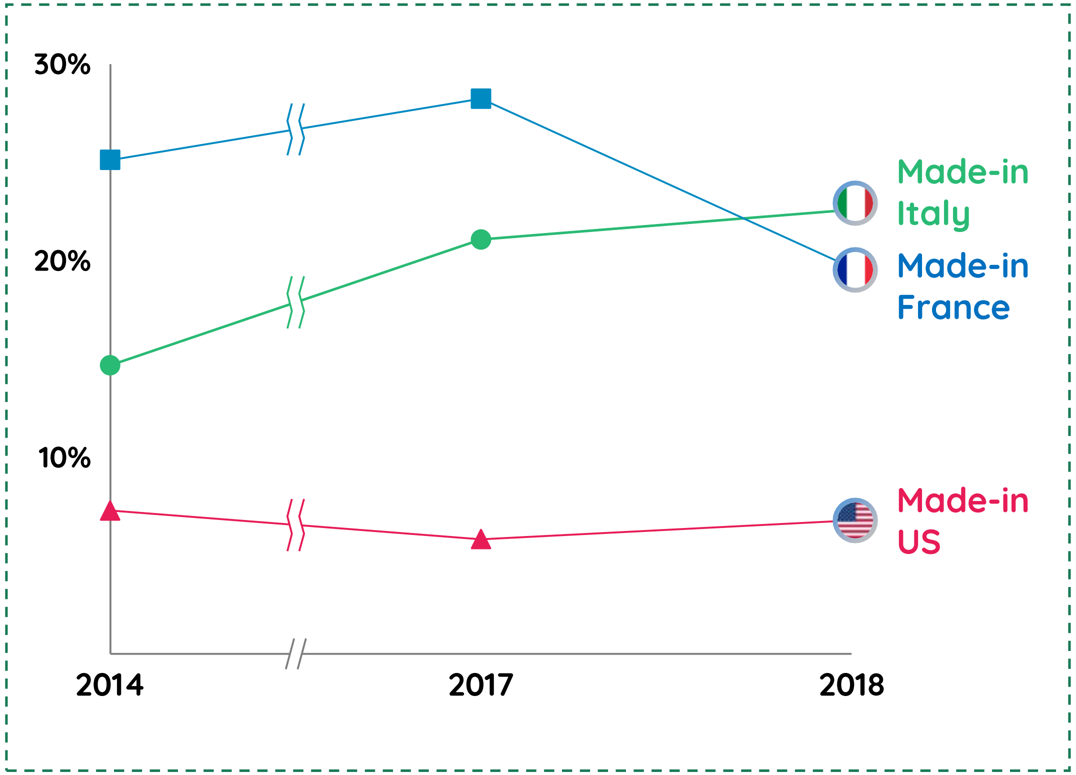
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

Made-in Italy increasingly valued by True-Luxury consumers, improving appreciation among Millennial and Chinese consumers

Increasing the gap vs. Made-in France among Millennials



Striking back to leadership on Chinese



Note: Focus on personal luxury (excluding cars, luxury yachts, design and lighting)
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

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THANK YOU