

LUXURY 2020: NEW MARKET DYNAMICS

Club ESSEC Luxe
Paris – December 1st, 2016

BAIN & COMPANY 

BAIN & COMPANY HAS UNRIVALLED EXPERTISE IN LUXURY



- Unparalleled **experience**, working with **all key sector players**
 - Leading global Luxury Groups
 - Major fashion houses
 - Other luxury good producers (jewellery, watches, furniture, etc.)
 - Specialty chains, department stores and luxury distributors
 - Private equity funds
- Unique **market observer and expert**

OBJECTIVES OF THIS PRESENTATION



Quickly share **the latest** on
2016

Present eight **trends** that
will **shape luxury** by **2020**

INCLUDING ALL CATEGORIES, THE LUXURY MARKET EXCEEDED ONE TRILLION EUROS IN 2016

WORLDWIDE LUXURY “MARKET OF THE MARKETS” (2016E|€B)



Growth
'15-16E

-1%

8%

4%

4%

4%

0%

3%

-5%

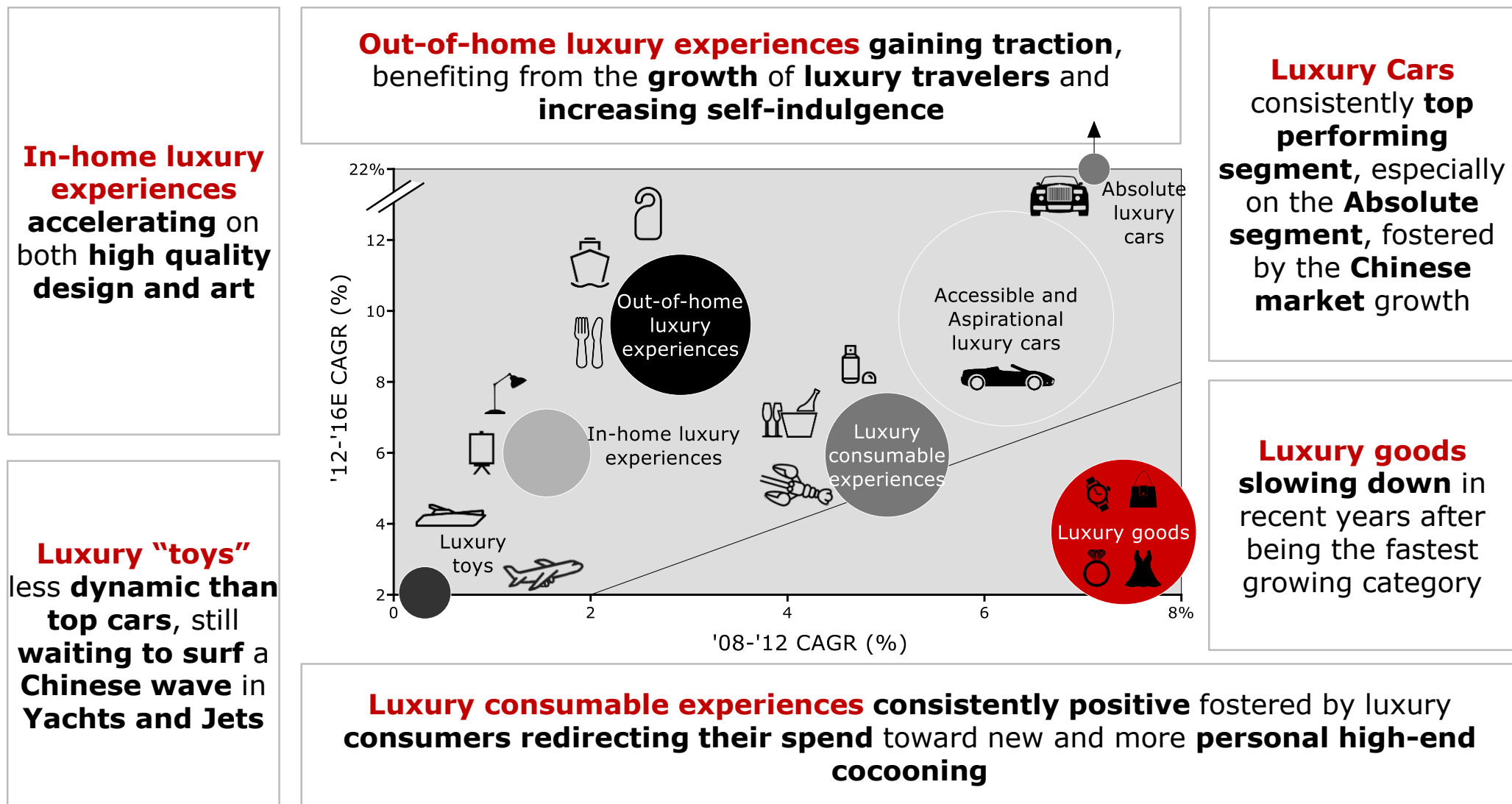
0%

5%

4%

EXPERIENCE GAINING TRACTION OVER PRODUCT IN GLOBAL LUXURY

GLOBAL LUXURY GOODS SEGMENTS (2008-2016E|€B)

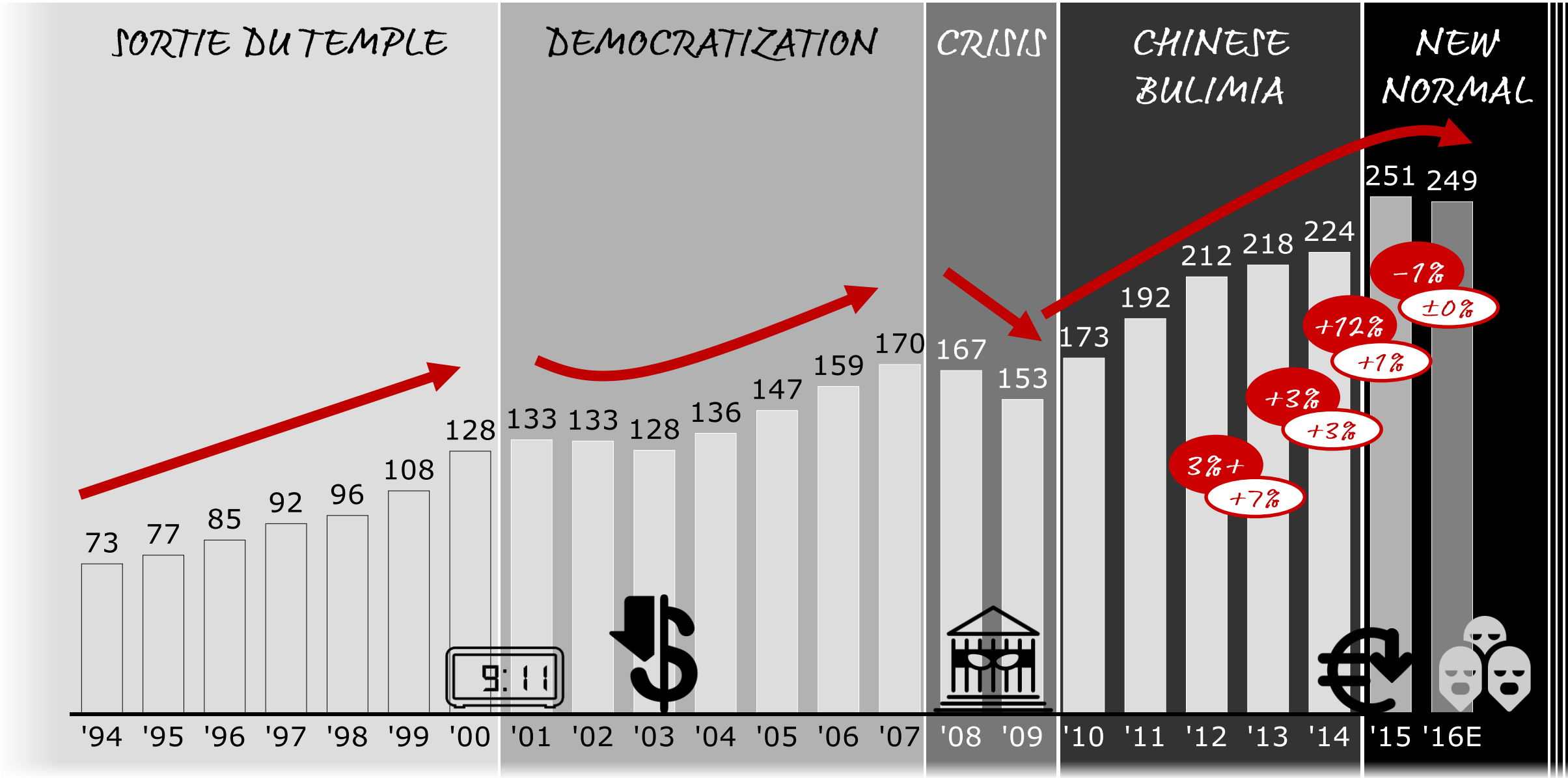


NOTE: Out-of-home luxury experiences include hotels, cruises and restaurants, luxury toys includes private jets & yachts, luxury consumable experiences include beauty, wines & spirits and food & beverage, in-home luxury experiences including high quality design and fine art

THE MARKET FOR PERSONAL LUXURY GOODS HAS TRIPLED OVER THE PAST 20 YEARS

GLOBAL PERSONAL LUXURY GOODS MARKET TREND (1994-2016E|€B)

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2016 AT A GLANCE

Stable market in both **nominal** and **real terms**

Geopolitical tension impacting consumer confidence, **touristic flows** and consumption trends

Still a **Western market**, but **dependent** on **global tourists**

US continuous struggle, **Europe** losing touristic support, the revitalization of **China**

A growing impact of **currency fluctuations**

LUXURY 2020: 8 THEMES THAT WILL RESHAPE THE SECTOR

The persistent
dominance
of Western markets



The importance
of megacities



The critical role of
Chinese globe-
trotters



The unstoppable rise
of alternative
channels



The great
generational change



A truly omnichannel
world



Green as the new
black

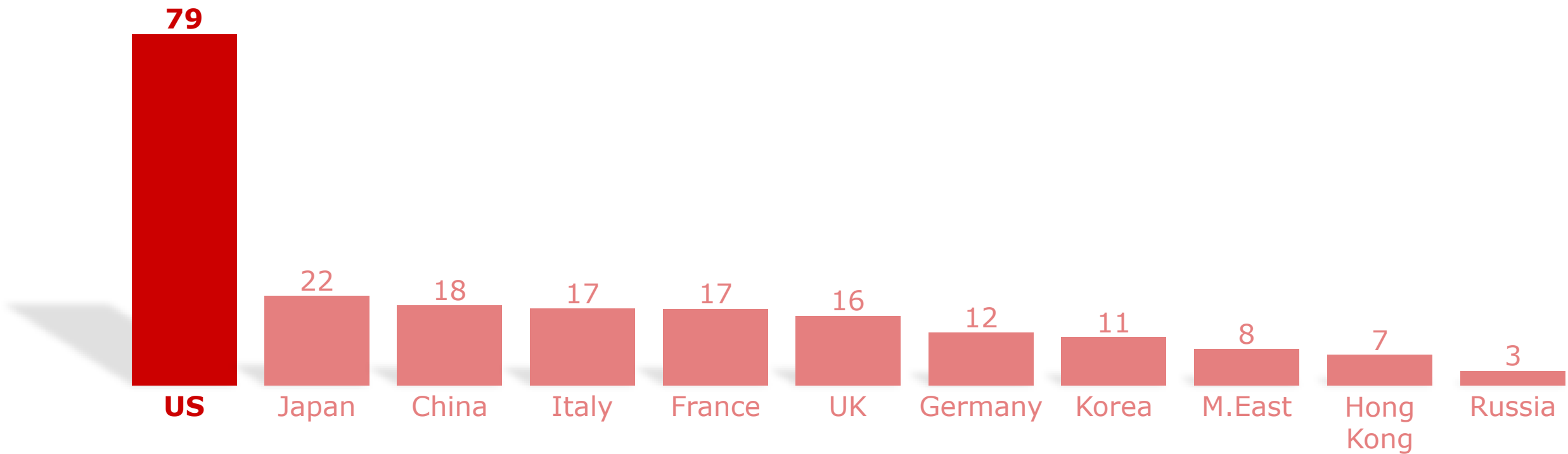


The next frontier of
technology



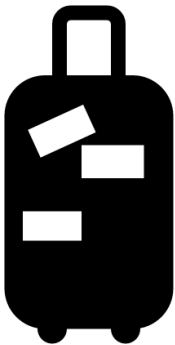
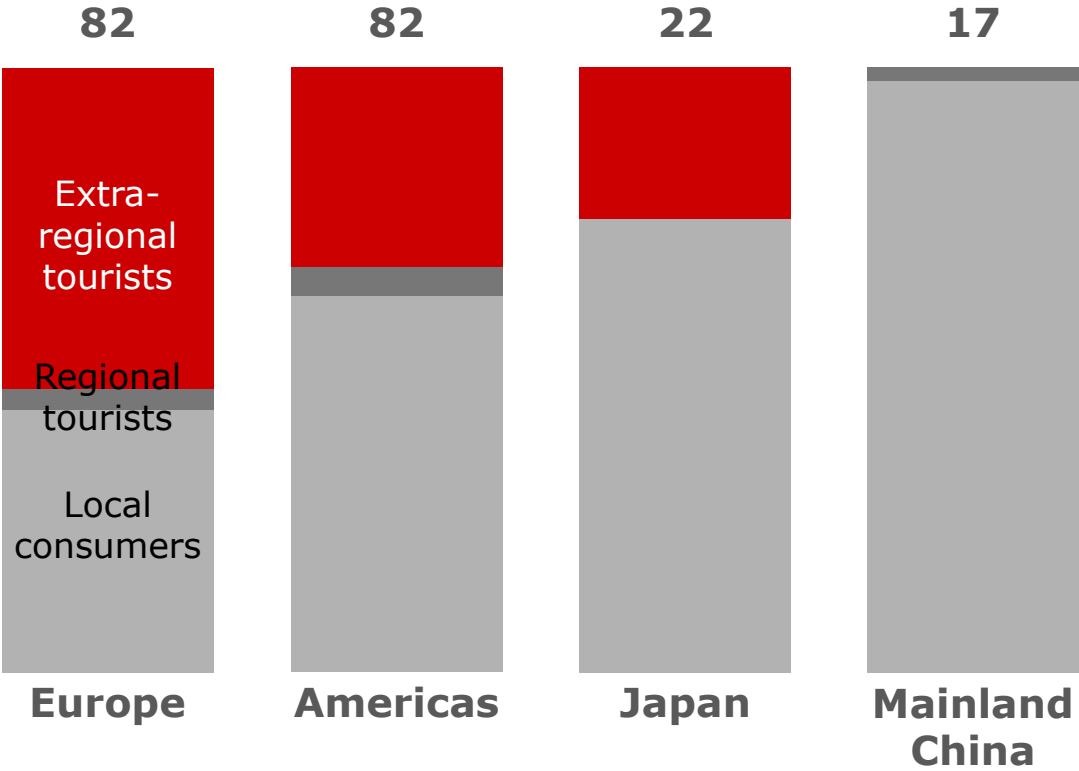
THE PERSISTENT DOMINANCE OF WESTERN MARKETS IN GLOBAL LUXURY...STARTING WITH THE US

Personal luxury goods, top countries, 2015 (€B)



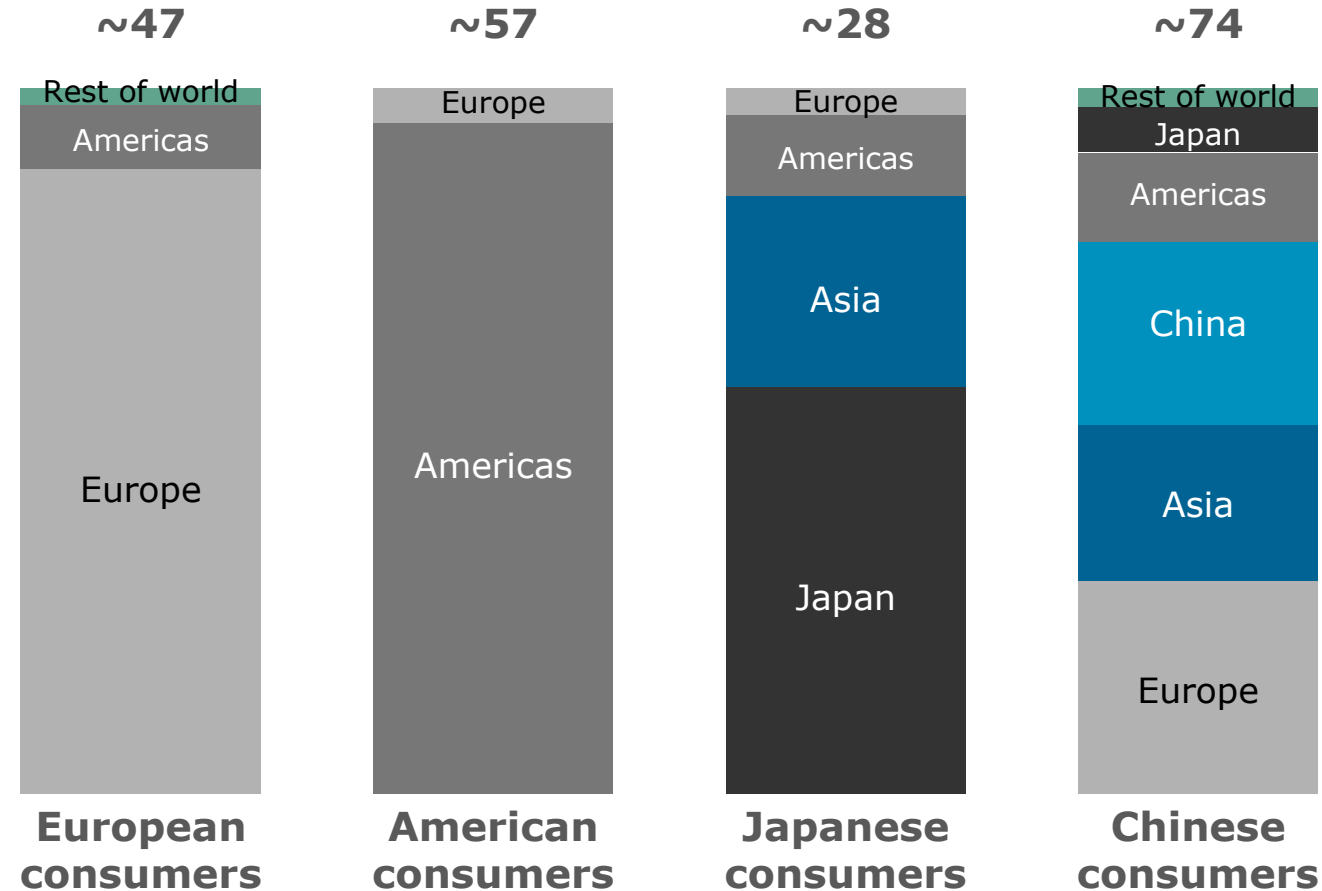
THE US AND EUROPE ARE LARGELY SUPPORTED BY TOURISTS

Personal luxury goods spending by local consumers
vs. tourists, by region, 2016E, €B



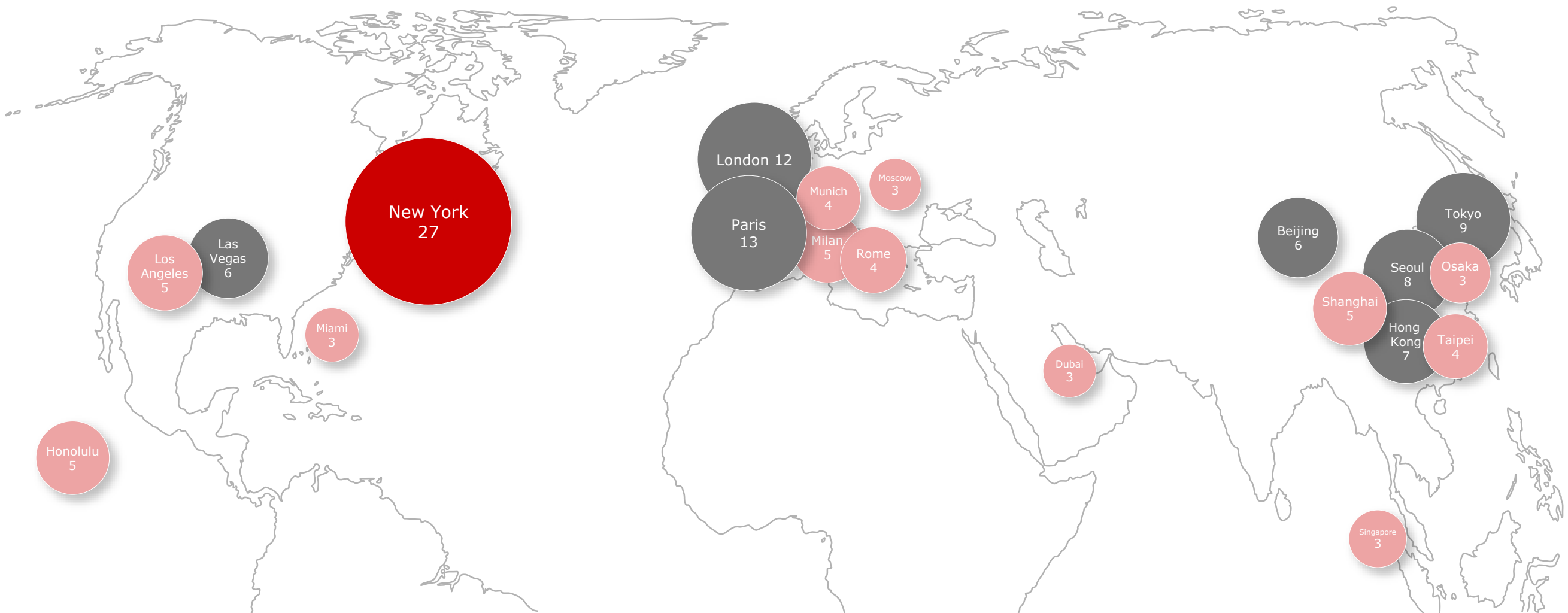
BUT US AND EUROPEAN CONSUMERS PRIMARILY BUY IN THEIR DOMESTIC MARKETS

Where consumers shop for personal luxury goods, by nationality, 2016E, €B



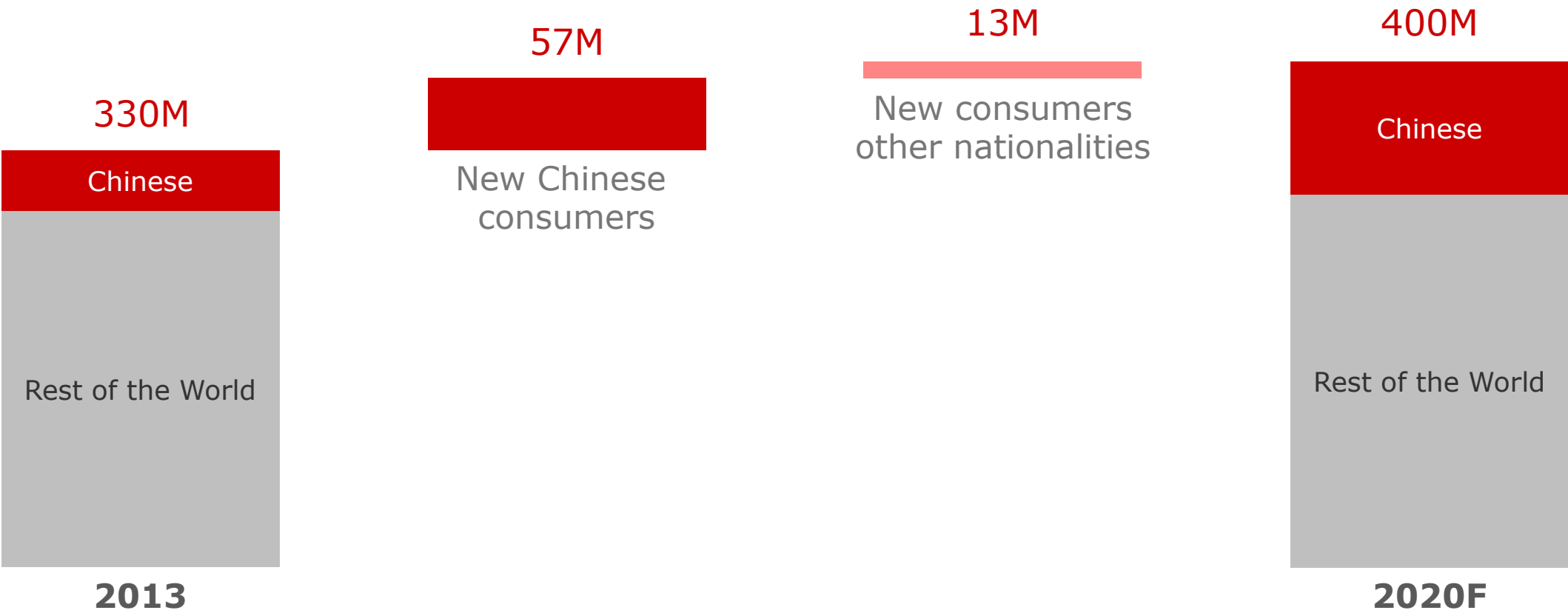
MEGACITIES: THE TOP 20 CITIES ACCOUNT FOR 60% OF THE GLOBAL PERSONAL LUXURY GOODS MARKET

Personal luxury goods, top countries,
2015E €B



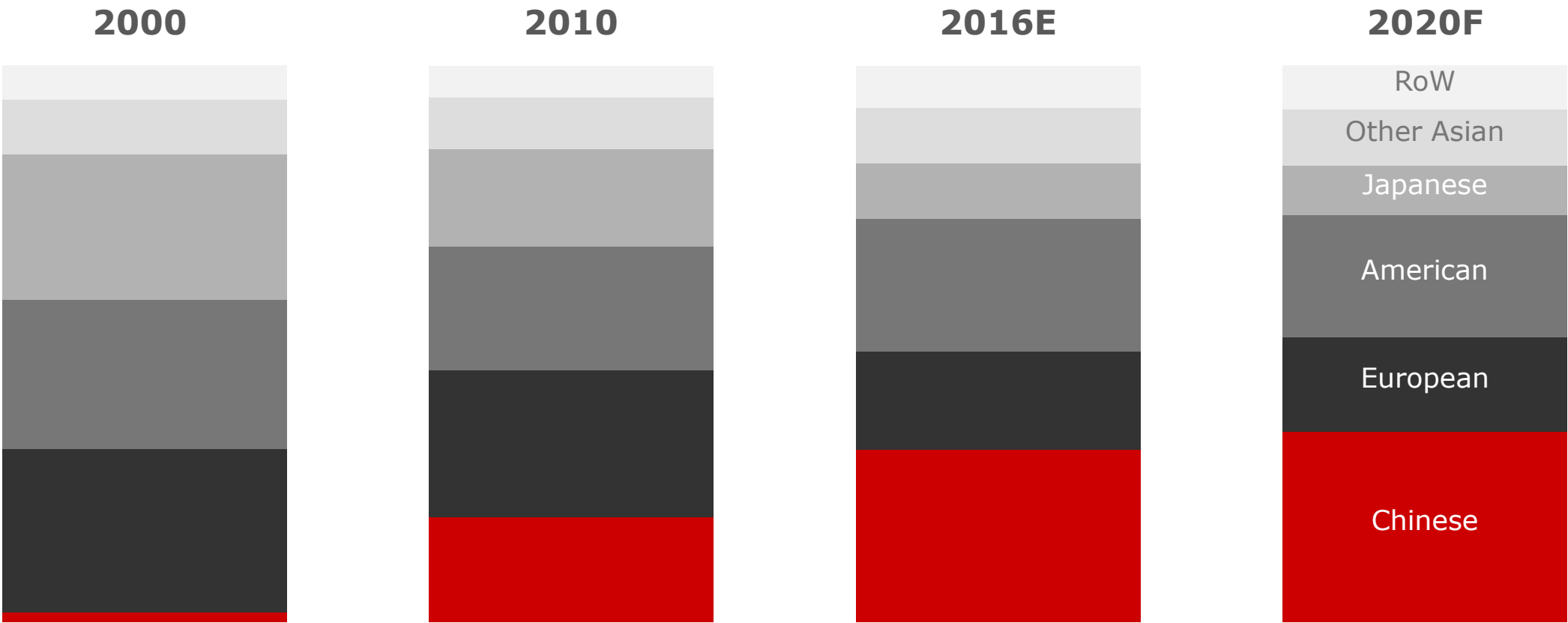
BY 2020, CHINA SHOULD CONTRIBUTE 80% OF NEW LUXURY CONSUMERS GLOBALLY

Number of global luxury consumers,
2013 – 2020F



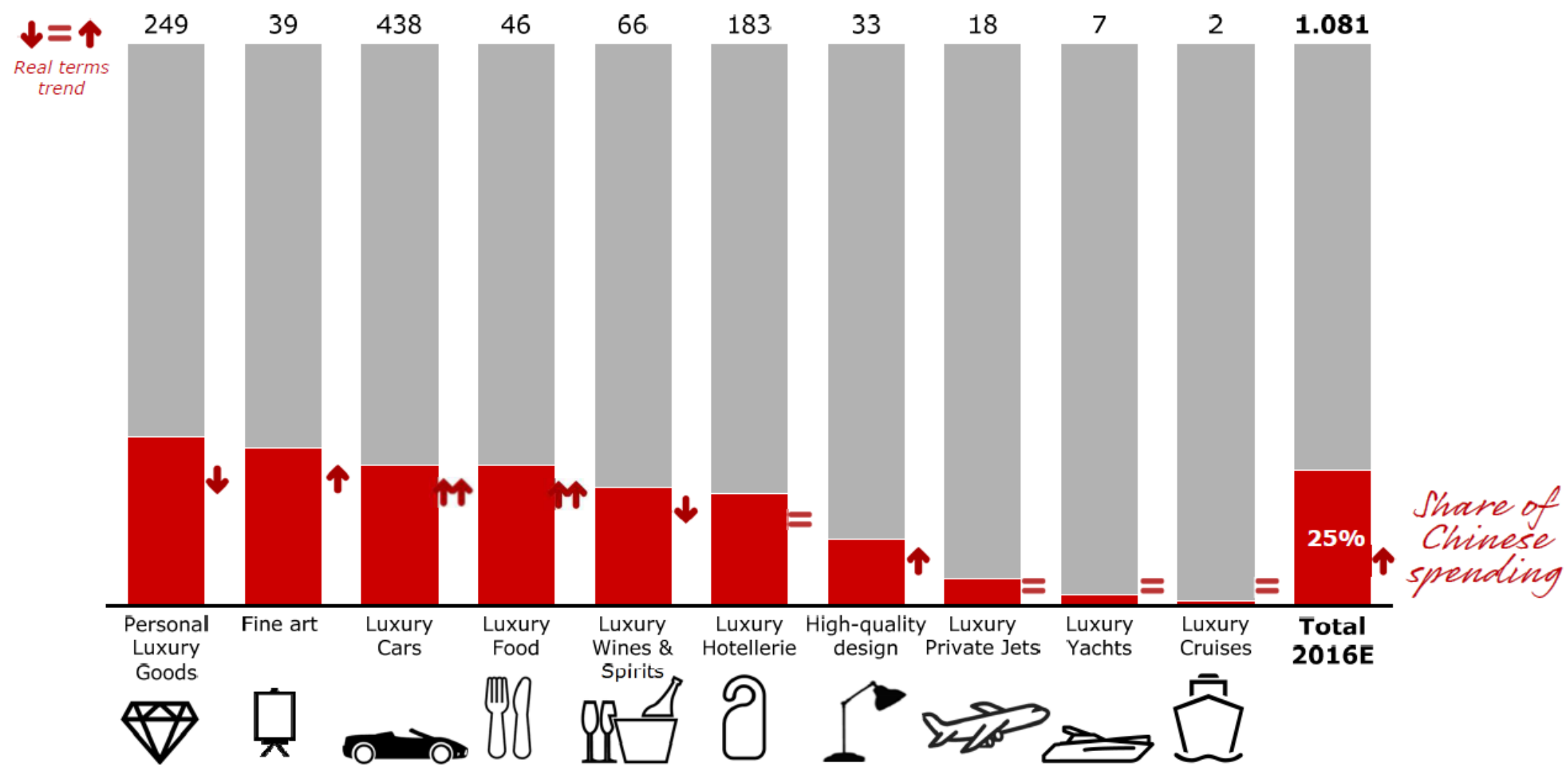
THE SHARE OF CHINESE CONSUMERS IN GLOBAL LUXURY SPEND IS CONTINUOUSLY GROWING

Global luxury goods market by consumer nationalities,
2000 – 2020F, €billions



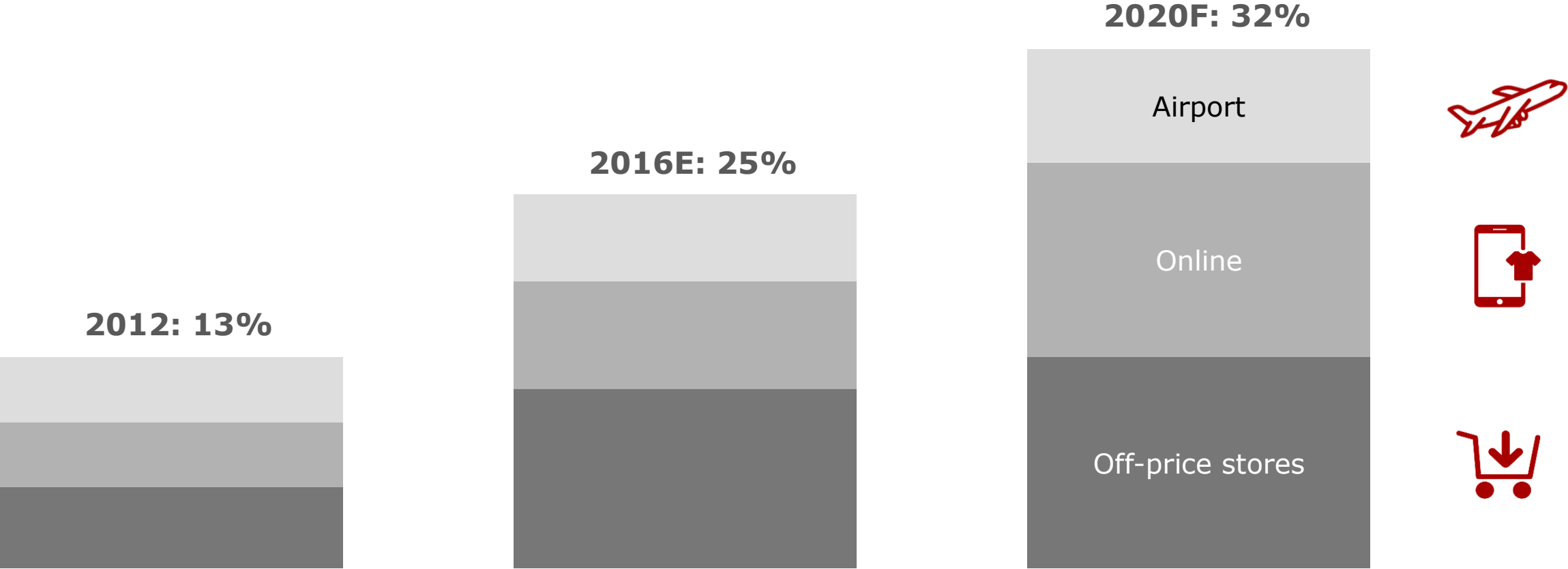
CHINESE CONSUMERS ARE ALSO BROADENING THE SPECTRUM OF THEIR LUXURY CONSUMPTION

CHINESE PENETRATION OF GLOBAL LUXURY GOODS MARKETS (2016E|€B)



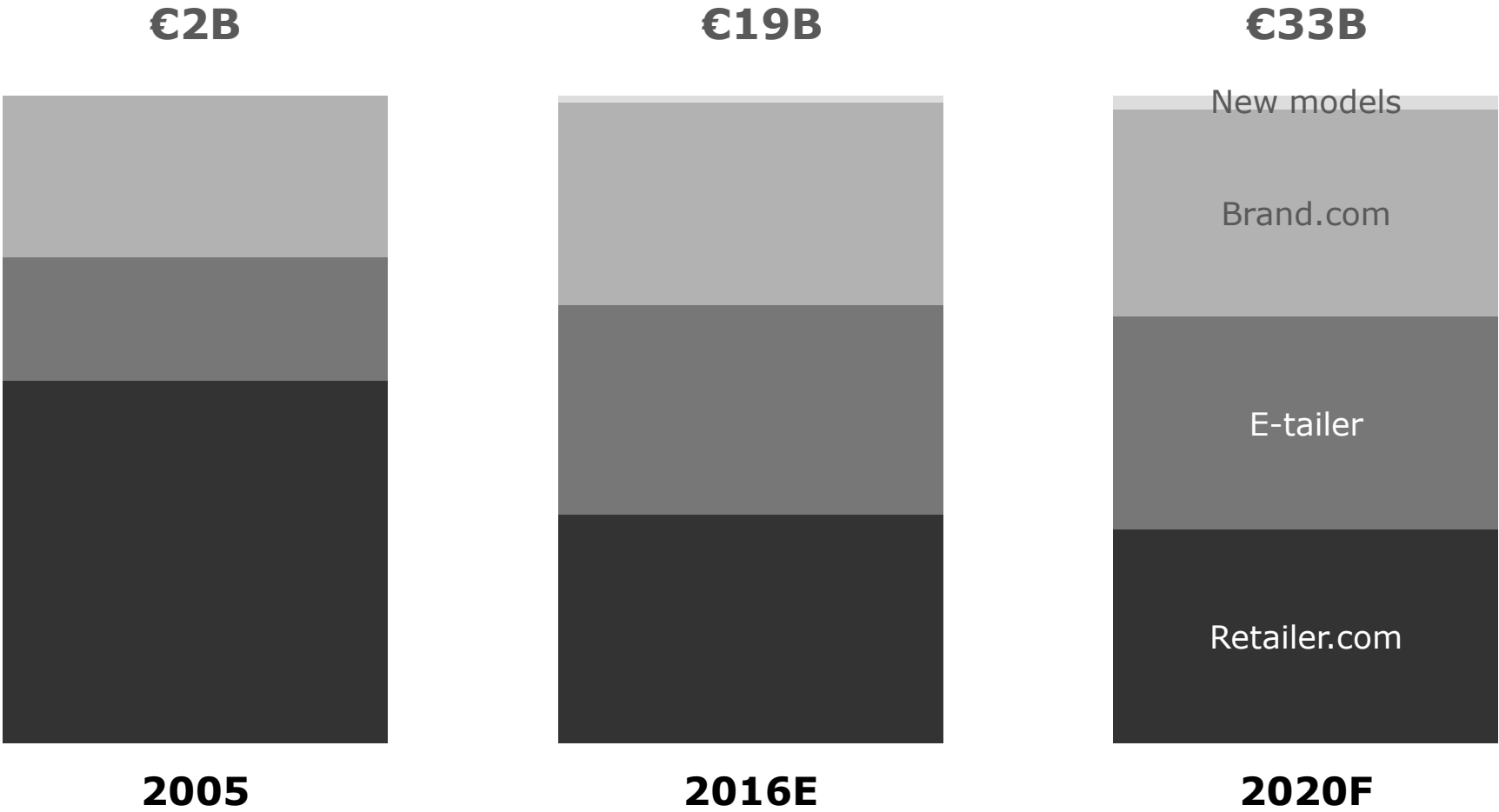
THE UNSTOPPABLE RISE OF ALTERNATIVE CHANNELS

Share of global personal luxury goods market,
2012 – 2020F, %



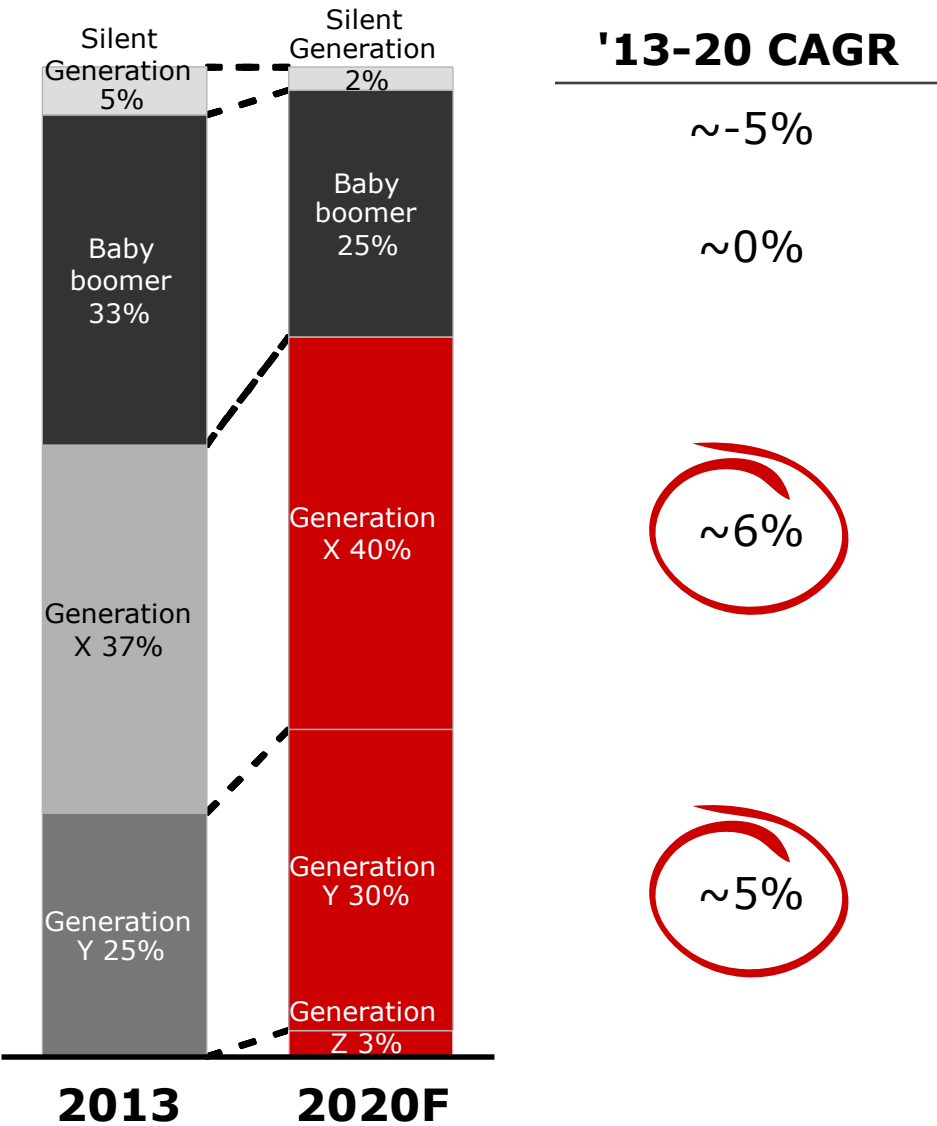
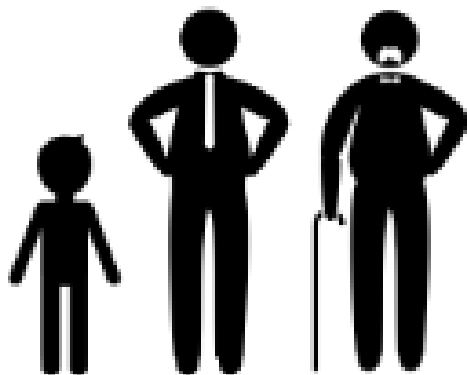
LUXURY ONLINE IS REACHING A NEW EQUILIBRUM

Luxury online channel Market evolution
2005-2020F, B€



GENERATIONAL CHANGE: LUXURY MARKET GROWTH WILL BE MAINLY BOOSTED BY GENERATIONS X AND Y

Global personal luxury goods market by consumer generation 2013-2020F, B€



A TRULY OMNICHANNEL WORLD: CONSUMERS EXPECTING A TOTALLY SEAMLESS EXPERIENCE ACROSS CHANNELS

DISCOVERY
&
ENGAGEMENT

RESEARCH
& TRIAL

PURCHASE

FULFILL

USE &
RETURN

FEEDBACK



BURBERRY



NORDSTROM



A TRULY OMNICHANNEL WORLD: IMPLICATIONS ACROSS THE BUSINESS

ROLE OF STORES AND NETWORK



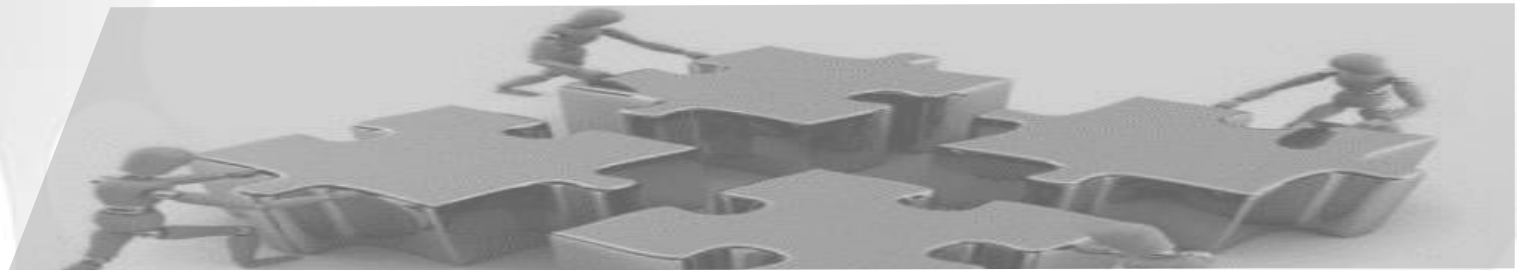
EXPERIENCE-ENHANCING TECHNOLOGY AND
ADVANCED ANALYTICS



SUPPLY CHAIN AND LOGISTICS

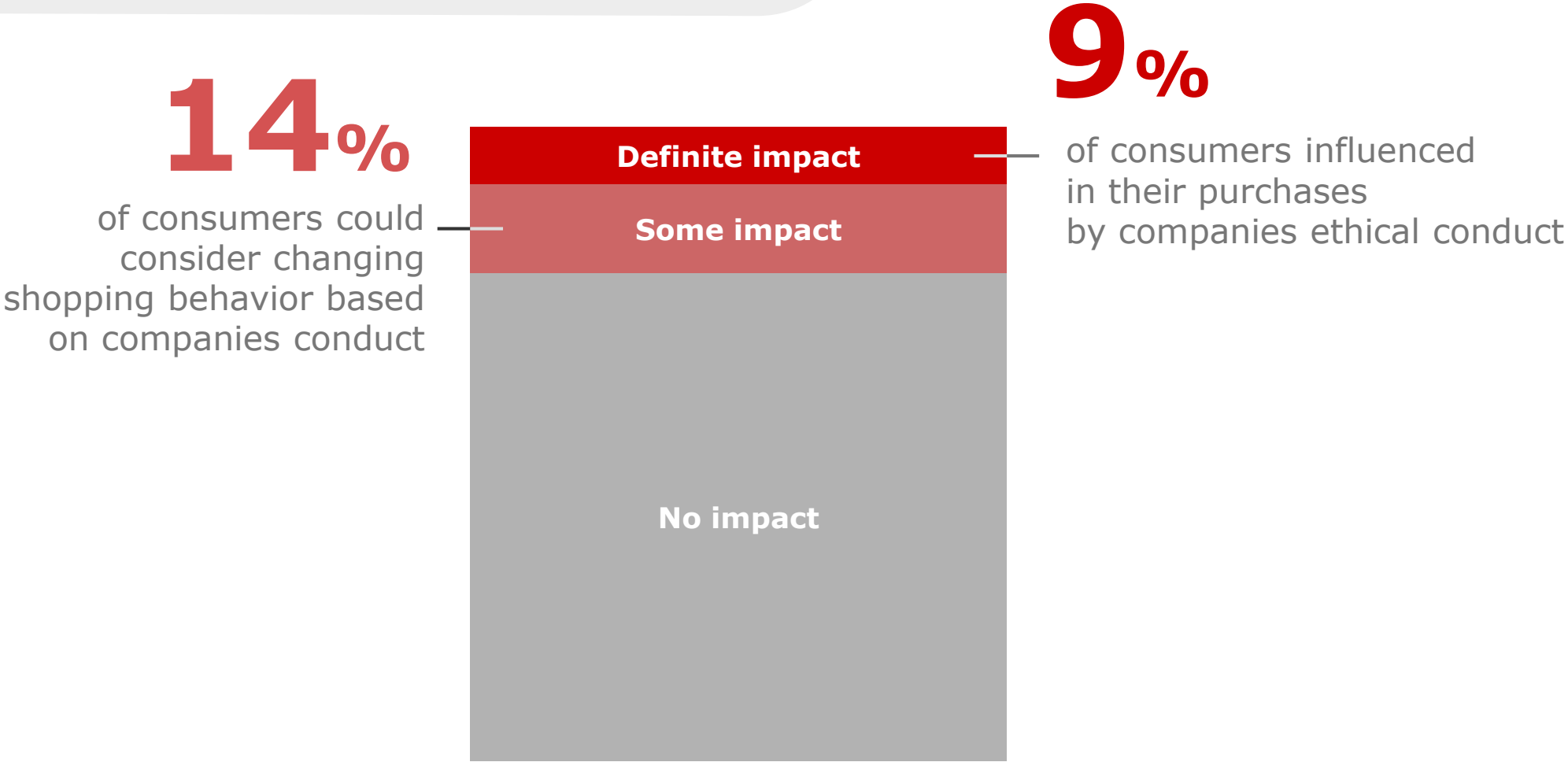


ORGANIZATION AND CAPABILITIES



GREEN IS THE NEW BLACK: FEW CONSUMERS ACTIVELY PURCHASE BASED ON BRAND SUSTAINABILITY YET, THOUGH RATE IS INCREASING

WHAT IMPACT DOES A COMPANY'S SUSTAINABILITY INITIATIVES HAVE ON YOUR CHOICE OF LUXURY BRAND?



BUT SUSTAINABILITY IS NEVERTHELESS CRITICAL FOR BUSINESS STAKEHOLDERS



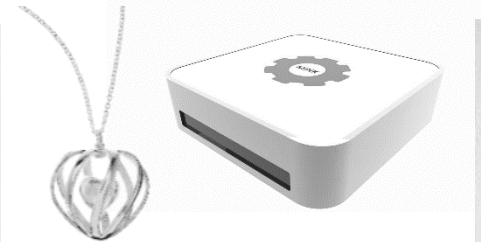
THE NEXT FRONTIER OF TECHNOLOGY: NEW PRODUCTS, NEW PROCESSES

New futuristic products

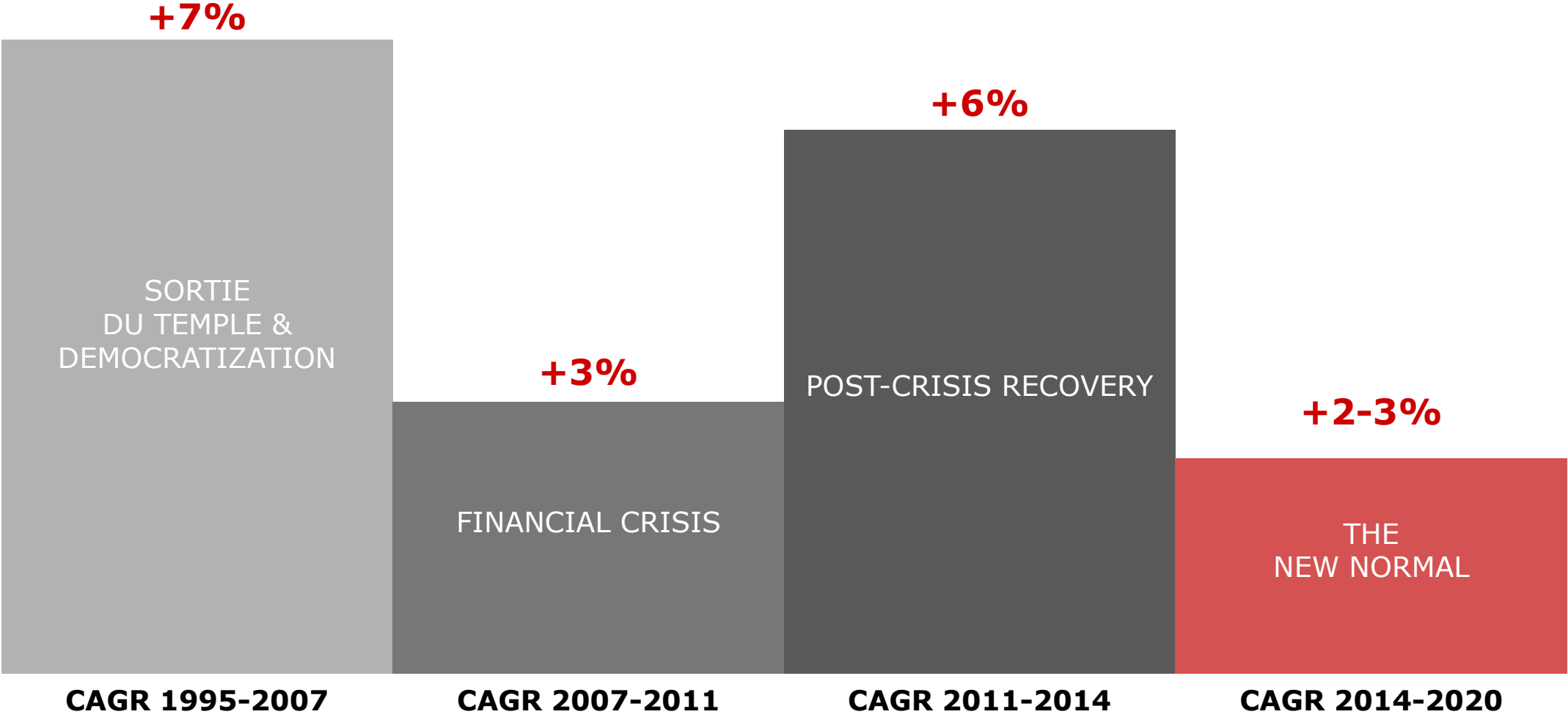


New production processes

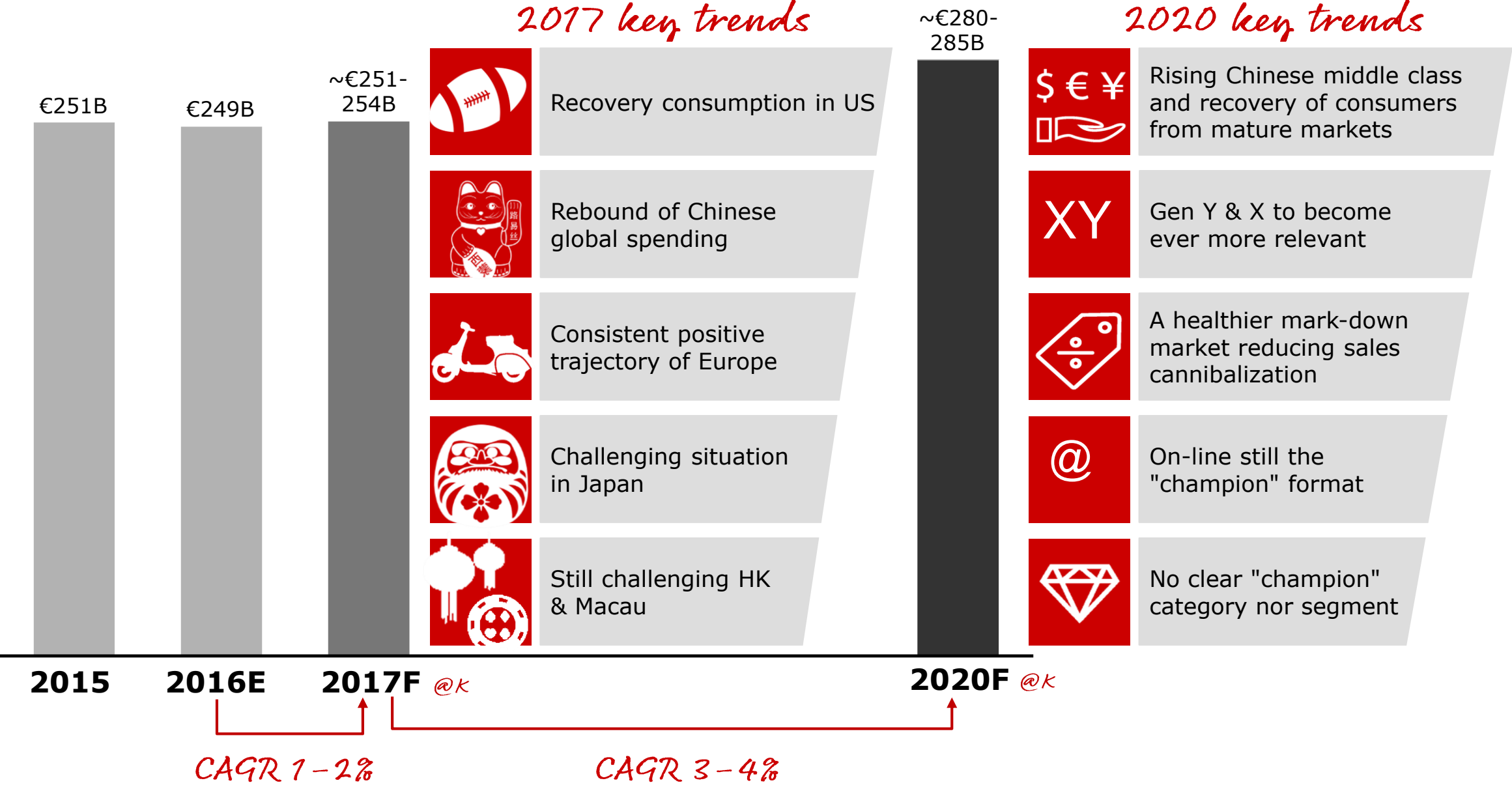
CHANEL



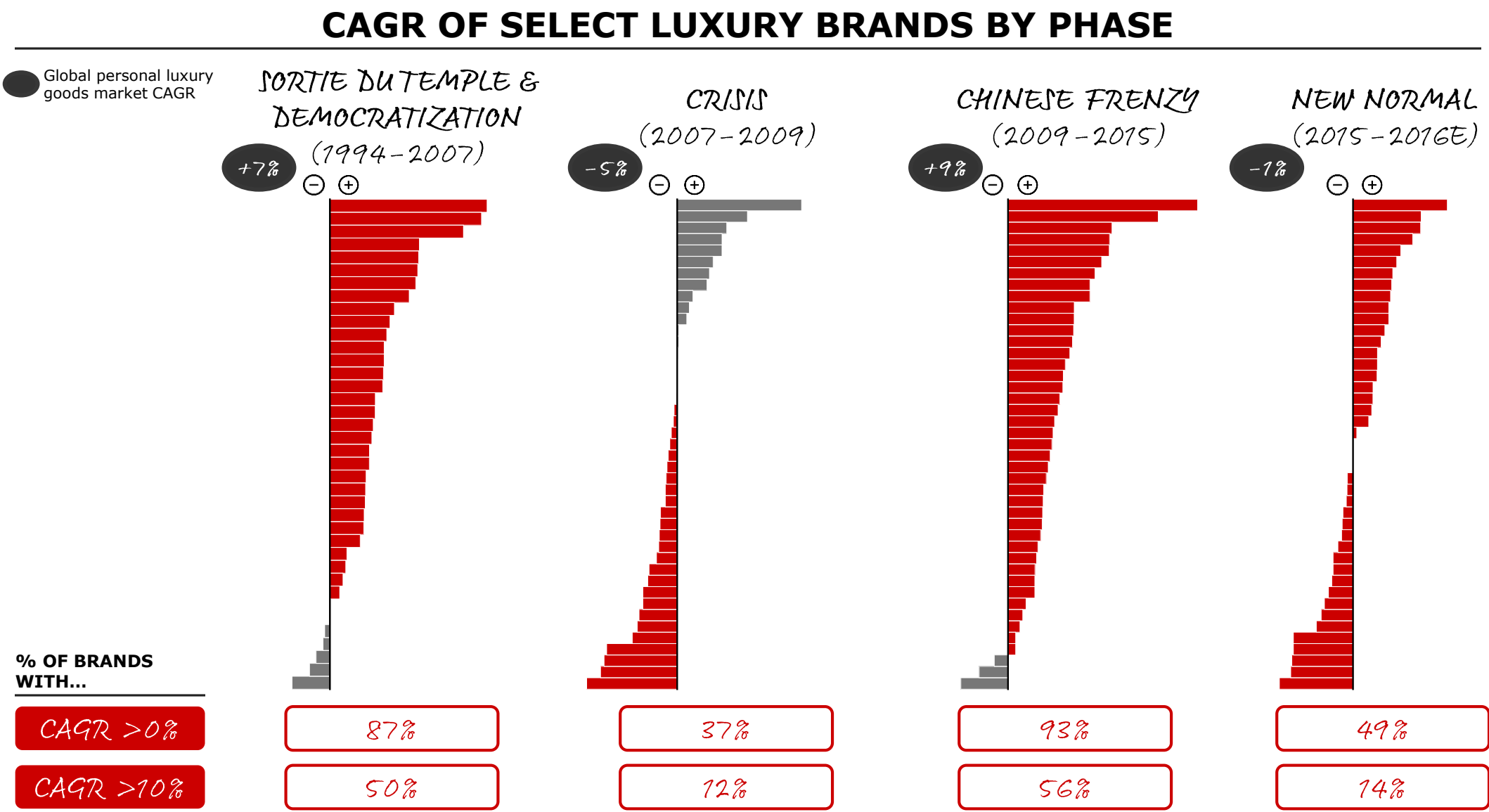
THE “NEW NORMAL” IN PERSONAL LUXURY GOODS: GROWTH SHOULD STRUCTURALLY STABILIZE AROUND 2-3%



THE PERSONAL LUXURY MARKET IS EXPECTED TO REACH €280-285B BY 2020,
A CAGR OF 3-4% OVER 2017

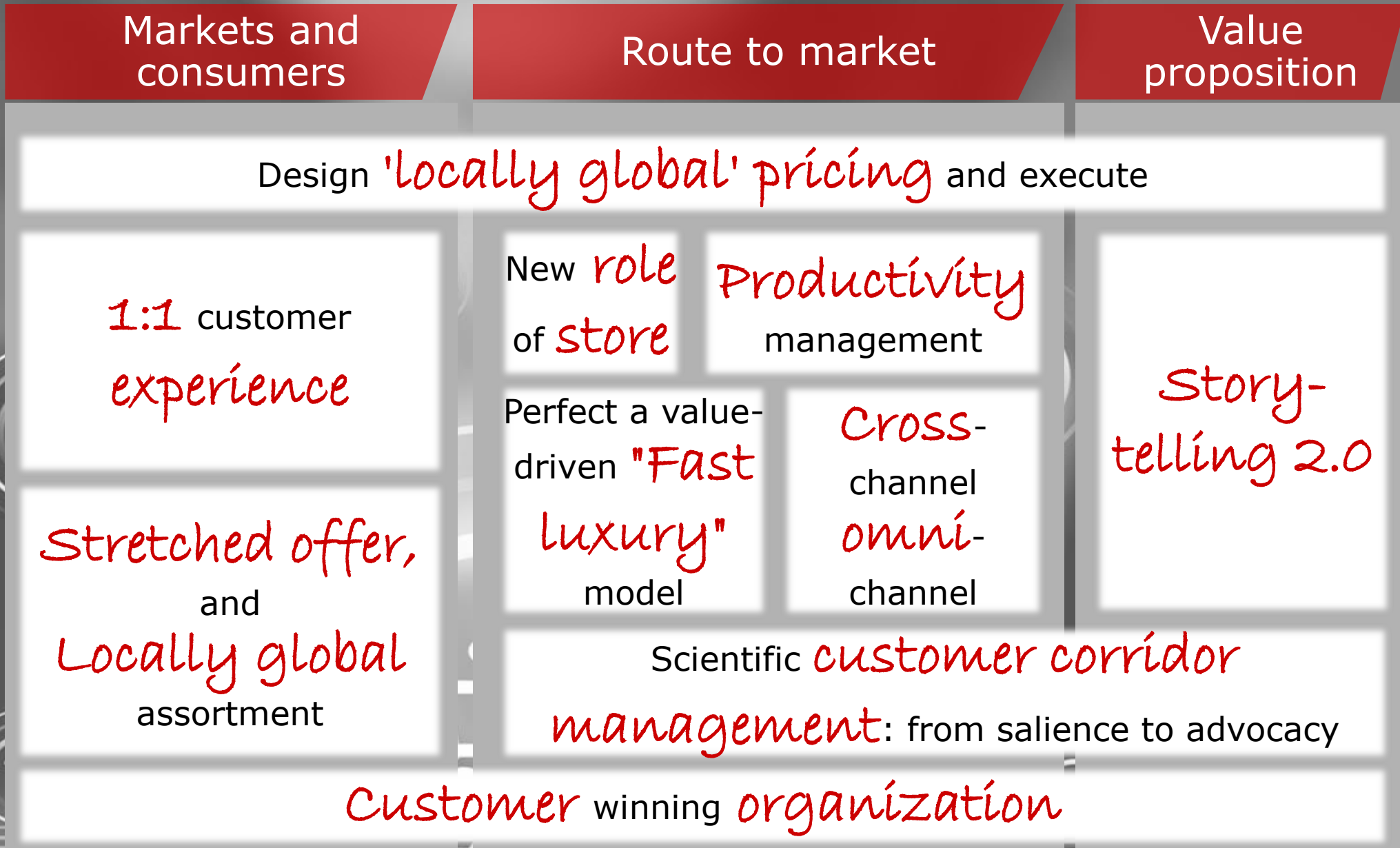


THE NEW NORMAL: FROM "INDUSTRY INDEX" TO "WINNERS AND LOSERS"



Note: based on a subset of soft luxury brands; growth rate calculated on revenues in €

NEW STRATEGIES AND PLAYBOOKS ARE NOW REQUIRED TO WIN IN LUXURY





THANK YOU

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