RETAILX

RetailX

Europe Luxury

2023

In partnership with:

TEALIUM®

Introduction

Unlike with many sectors, the pandemic didn't boost online sales in the European luxury sector. In fact, it took until 2022 for the sector to claw its way back to revenues close to its 2019 high. However, the sector has since managed embraced technology and is becoming an outlier for the role of tech in omnichannel, cross-border retail.

Here's what we found...

KEY FINDINGS
The European fashion sector was worth **€83.9bn** in 2022, up significantly on 2021's €79.4bn and slowly getting back on track to where it was pre-pandemic.

The European luxury sector is still highly reliant on physical retail, with as much as **80% of 2022 sales taking place instore**. This belies the role that online and mobile are playing in the shopping journey.

According to the RetailX consumer survey, shoppers are equally browsing online and instore (53.96% and 54.47% respectively), with **38.26% shopping on mobile devices** and 11% using tablets.

Recovery in 2023 has been hampered by **high inflation in Europe**. This impacts domestic luxury sales and is a drag on sales in China and the US.

Inflation is affecting the behaviour of domestic consumers. Research by RetailX finds that **55.8%** of Europe's shoppers see discounts and reduced price as very important when shopping luxury online.

Most luxury ecommerce shoppers in Europe are buying **fashion apparel and accessories**, with 62% buying one or multiple items in 2022. Cosmetics and beauty is shopped by 51%, flowers and gifts by 52%.

Consumer survey data shows that 45.6% of European consumers are already familiar with the **metaverse**, while 24% use it several times a year.

Those who are using the metaverse for shopping tend to be in the lower-income and middle-income brackets. While at odds with the profile of typical luxury shopper, this does point to the metaverse being the **preserve of the young**.

RetailX's consumer survey finds that **77%** of shoppers in Europe are interested in buying **sustainable** luxury products, with 51% of them willing to **pay up to 10% extra** for them.

Data also shows that **54%** are interested in purchasing **second-hand** luxury items, with 47.6% of these shoppers already seeing as much as half of their luxury purchases in 2022 being 'pre-loved'.

All but five of the **Largest 50** luxury brands and retailers in Europe by traffic are based within the continent, with none lying outside Europe or the US.

Those brands winning consumer favour in Europe are focussed on apparel and accessories, with leaders **Tommy Hilfiger**, **Louis Vuitton** and **Ray-Ban** all appearing in the Top 5 most frequently purchased luxury brands in the region. Cosmetics brand Lancôme and affordable luxury jewellery brand Pandora are also top sellers in the region.

Contents

Market context

Although luxury sales in Europe are struggling to recover from the pandemic, embracing mobile and relocating may yet change the sector's fortunes

The European luxury sector took quite a hit during the pandemic and, while there has been significant recovery since, the market still finds itself shy of where it was in 2019.
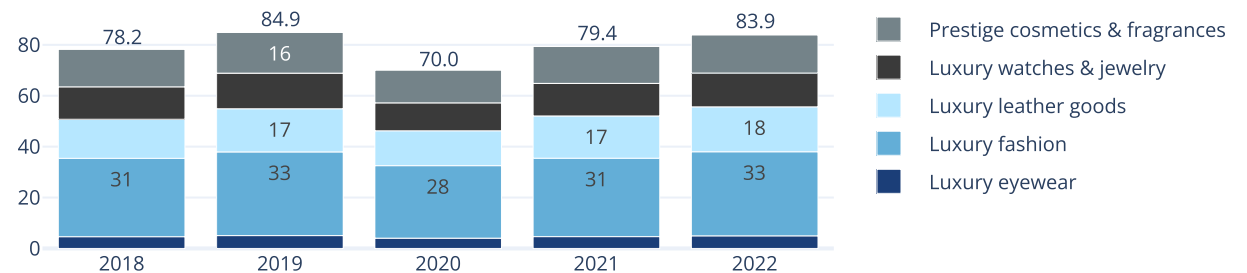
Pre-pandemic, the luxury sector worldwide saw strong growth, especially in Asia, with Europe managing to match the rate of growth, if not the actual revenues, seen across the Far East. However, the pandemic hit the European luxury market hard due to a downturn in spending seen as a result of restricted travel. Additionally, the European region has been hit harder by inflation and cost-of-living price rises. Inflation has proven to be a particular problem for this sector, dampening spending from the domestic European market so that sales have remained largely flat post-pandemic.

Spending from overseas shoppers has also been impacted. Traditionally, luxury goods have been anything up to 50% cheaper to buy in Europe than in mainland China due to a strong dollar and large markups to cover import duties and taxes keeping prices of European luxury artificially high outside Europe. This price difference has been a key driver for tourist luxury spend.

Post-pandemic, European luxury brands are establishing presence in Asia and, to a lesser extent, the US, to try and capitalise on local demand while sidestepping currency and inflation issues.

Sales in Eastern Europe have been hit more directly by the fallout from Russia's invasion of Ukraine. Waves of sanctions have cut off lucrative sales in Russia itself, while the proximity to hostilities has affected the cost of living and luxury spending within those countries neighbouring Ukraine and Russia.
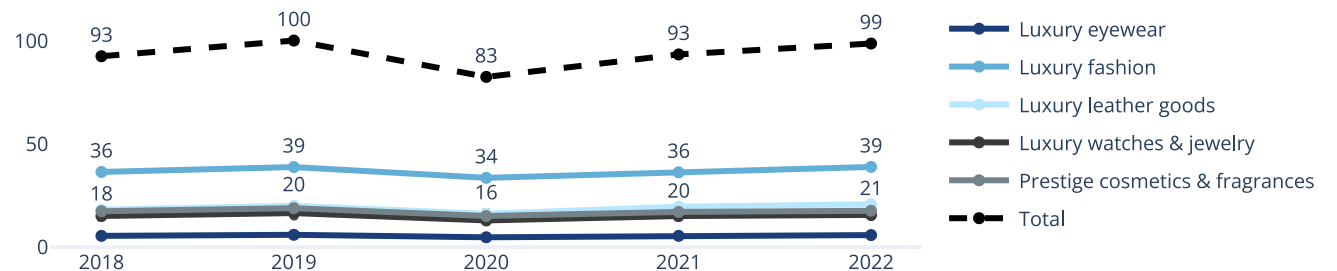
Annual revenue for the Luxury market (€bn), Europe, 2018-22

Legend:
- Prestige cosmetics & fragrances
- Luxury watches & jewelry
- Luxury leather goods
- Luxury fashion
- Luxury eyewear

Source: Statista Market Insights

RetailX 2023
RXSLXEU23RP-1-v3

Average spending of the Luxury shopper by segment (€), Europe, 2018-22

Legend:
- Luxury eyewear
- Luxury fashion
- Luxury leather goods
- Luxury watches & jewelry
- Prestige cosmetics & fragrances
- Total

Source: Statista Market Insights

RetailX 2023
RXSLXEU23RP-3-v2

CHANNELS AND DEVICES

The reliance on tourists is clearly demonstrated by the reliance on physical retail in the European luxury sector, with store sales still accounting for 81% of all luxury shopping in the region in 2022. While this reliance on stores reduced year-on-year across the pandemic – falling from just 11% of sales taking place online in 2019 to 19% in 2022 – stores are still the place where luxury buying occurs.

The store's role in luxury retail is two-fold. First, it is driving sales at airports and other travel hubs, where travellers are shopping European luxury to take advantage of foreign exchange benefits wherever possible for personal use as well as for gifts.

Secondly, stores play a greater role in the 'theatre' associated with the luxury shopping experience, with consumers wanting to have an instore experience that goes beyond just looking, feeling or trying on goods and encompasses a more personalised shopping model, often in a luxurious environment.

Online has a growing role to play, however. As younger, digital native shoppers get older, so they are shopping for luxury and looking to do so online, ideally via their smartphone. Of the growing number of digital luxury purchases being made, almost half are now coming from these devices, with younger, high-end shoppers increasingly using mobile as part of their research, inspiration and purchase journey.

The rise in 'affordable luxury' is also seeing these shoppers not only purchase more in the sector but also using their devices to do so. For luxury retailers and brands, this means that attention to online and app user experience is now increasingly essential and will become more central going forwards.
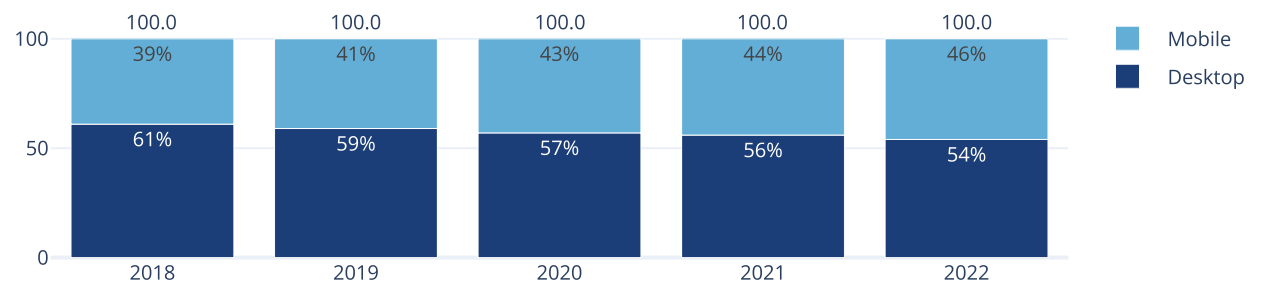
Revenue by channel for Luxury shopping, Europe, 2018-22
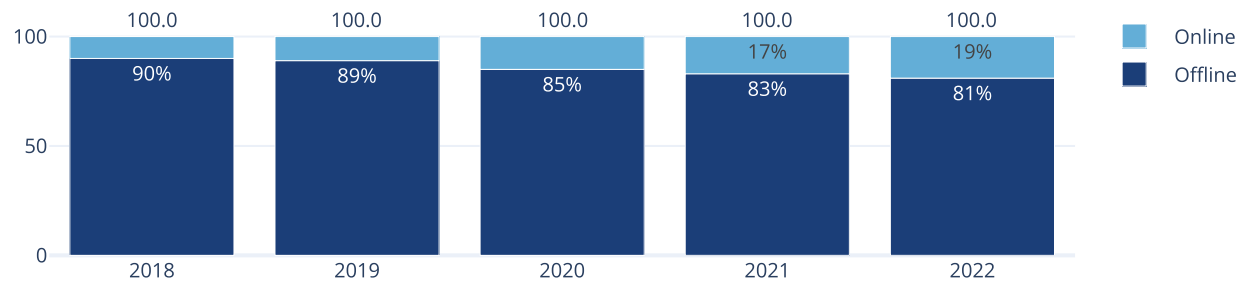
Source: Statista Market Insights

RetailX 2023
RXSLXEU23RP-4-v5

Revenue by device for Luxury shopping, Europe, 2018-22

Source: Statista Market Insights

RetailX 2023
RXSLXEU23RP-5-v4

Consumer behaviour

Europe's luxury consumers are increasingly looking online to bag bargains in a trend driven by an ever-younger demographic of shopper

EUROPEAN ONLINE SHOPPING BEHAVIOUR
Consumer research conducted across Europe by RetailX finds that Europeans are not only becoming increasingly avid users of ecommerce, they are also increasing their overall spend.

Data shows that 87% of them spend between €12 and €600 a month online, with 49% spending up to €120 each month via ecommerce. Shoppers who spend smaller amounts online are driven primarily by fast delivery and convenience. Many are also encouraged online by more competitive pricing. These are not the customers of primary interest to the luxury sector.
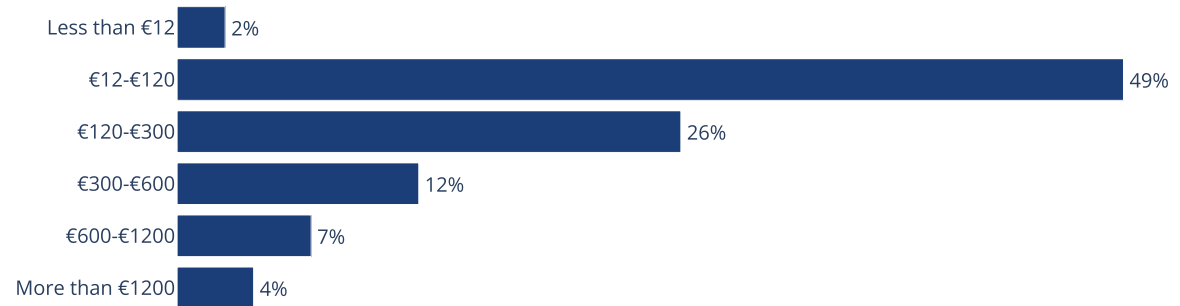
Rather, it is the 11% who spend upwards of €500 each month that are the most significant to luxury brands. These consumers are the natural target of those selling high-value goods. While this cohort may not be of particular importance to mass-market retailers, they are crucial to luxury retailers, indicative as they are of how a growing number of shoppers for luxury goods are willing to purchase online.

It is also worth considering the other 12% who spend between €300 and €600. These customers represent the target audience for 'affordable luxury' brands and

retailers looking to offer the quality of luxury but at a more affordable price point. This not only opens up this 12% mid-tier spending segment to luxury

brands, but also enables them to prime younger shoppers for more lucrative luxury spending as these consumers grow older (and potentially richer).

Monthly online shopping expense, Europe, 2023

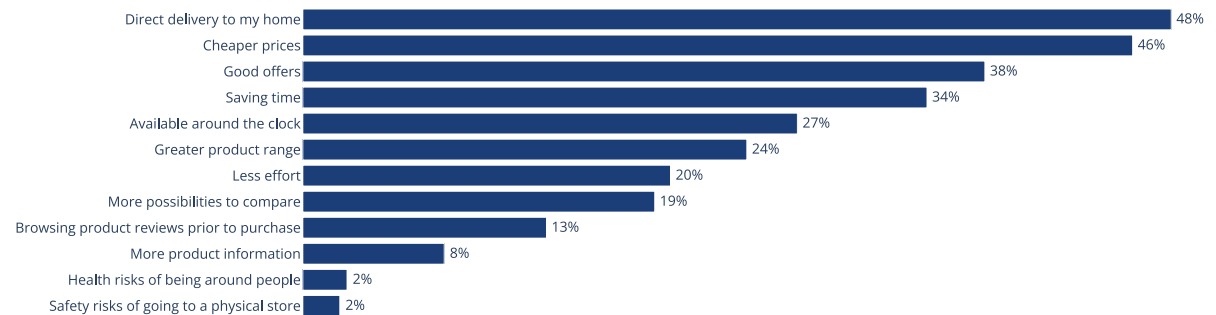| Category	Value
Less than €12	2%
€12-€120	49%
€120-€300	26%
€300-€600	12%
€600-€1200	7%
More than €1200	4%

Based on 3210 individuals in Europe, aged 16-83, Mar 2023. Question: "In the last 12 months, how much have you spent on average per month on online shopping?". Results have been stratified by age and gender

Source: RetailX Consumer Observatory

RetailX 2023
RXSLXEU23RP-CS-16-v4

Reasons for shopping online, Europe, 2023

Reason	Value
Direct delivery to my home	48%
Cheaper prices	46%
Good offers	38%
Saving time	34%
Available around the clock	27%
Greater product range	24%
Less effort	20%
More possibilities to compare	19%
Browsing product reviews prior to purchase	13%
More product information	8%
Health risks of being around people	2%
Safety risks of going to a physical store	2%

Based on 3206 individuals in Europe, aged 16-83, Mar 2023. Question: "What are the top three (3) reasons you would choose to buy a product online instead of in-store?". Results have been stratified by age and gender

Source: RetailX Consumer Observatory

RetailX 2023
RXSLXEU23RP-CS-15-v3

DRIVERS OF ONLINE LUXURY

Despite luxury retail being predicated on high-value goods, price is increasingly important to Europe's luxury shoppers. Consumer research by RetailX shows that more than 55.8% see discounts and reduced price as very important when looking to shop luxury online. When added to those who see it as somewhat important, this rises to more than 83% – the vast majority of online luxury shoppers.

While the practical appeal of ecommerce – speedy delivery, availability, easy returns and reliability – applies equally to luxury shopping, this focus on lower prices and discounts suggests that Europe's luxury shoppers are either turning to ecommerce as a means of finding luxury items for less, or that the shift to online-first luxury is itself driving prices down.

Both seem to be true. Younger, online-first shoppers are looking to luxury as an alternative to fast fashion and are prepared to spend more on a single, higher quality piece. Since they are on a budget , they are also looking to maximise their luxury spend. Other demographics, too, are looking to shop luxury but at a bargain price, often opting to buy last season's luxury at a discount rather than the newest fashion. The role of online in luxury ably facilitates this and online sites such as Secret Sales have emerged to service this need.

The move towards more affordable luxury has driven growth additional in second-hand luxury, again being serviced by a range of sites such as Vintd and Vestiaire Collective. This is reflected in the level of spending the RetailX survey uncovered. Typical expense per luxury item bought online in Europe lies

in the €100 to €500 range, with 45% sitting in this spending bracket. Further analysis shows that 83% lie in the less than €500 range, showing that online luxury spending is no longer just about very high-value items. That said, 12% of shoppers do spend

between €500 and €1,000 per item when shopping luxury, showing that there is a still a dedicated set of luxury shoppers who are shopping at the high end and generating more than enough revenue to sustain established brands and retailers.

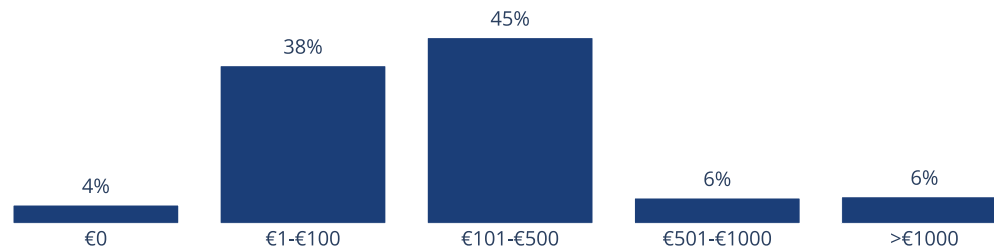### Drivers of online luxury purchase, Europe, 2023
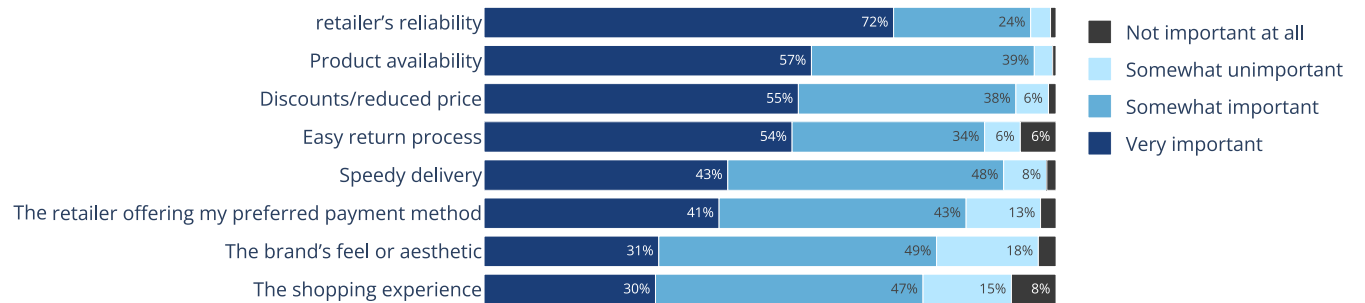
Based on 3210 individuals in Europe, aged 16-83, Mar 2023. Question: "How important to you are the following factors when purchasing luxury items online?". Results have been stratified by age and gender

Source: RetailX Consumer Observatory

RetailX 2023
RXSLXEU23RP-CS-3-v3

Expense per luxury item (€), Europe, 2023

Based on 2950 individuals in Europe, aged 16-83, Mar 2023. Question: "On average, how much do you spend on each luxury item you purchase (in EUR, €)?". Results have been stratified by age and gender

Source: RetailX Consumer Observatory

RetailX 2023
RXSLXEU23RP-CS-9-v1

LUXURY SEGMENT SPEND

When it comes to what these shoppers are buying, the bulk of European luxury ecommerce shoppers are shopping for fashion apparel and accessories, with 62% of them buying one or multiple items in the 2022. Cosmetics and beauty is bought by 51%, with flowers and gifts attracting 52%.

While luxury cosmetics and beauty have always been a strong segment of both the luxury sector and the fashion market, the rise of luxury apparel is further evidence that consumers are looking to luxury and affordable luxury as a replacement for, or even an antidote to, fast fashion. Younger shoppers are regarding luxury – and its spin-off sector, affordable luxury – as a source of high-quality but also more one-off items that stand apart from the widespread 'high street' look. They are also attracted to the idea of owning something less ephemeral that has built-in sustainability credentials as well as a resale value.

Add to this a growing sense that, showing off and protecting the environment aside, buying luxury is a well-deserved treat. This comes from the growing consumer desire for experiences and novelty in all that they do. While luxury brands and retailers pride themselves on their products, they also come with a theatrical instore experience or a dramatic unboxing online and a whole interaction that is memorable and, perhaps most importantly, Instagram-able.

This has given rise, in part, to the birth of the 'affordable luxury' sub-sector of the market, with brands and sellers springing up that can offer luxury items – end-of-line new or second-hand – at a more affordable price. It has also led other brands, for

example, Apple, to look at how to add touches of 'luxury personalisation' to its products, with many Apple accessories now coming with free engraving.

Such moves see the mores of the luxury sector spreading back along the retail chain and bringing many of the core unique selling points of luxury to a much wider audience.
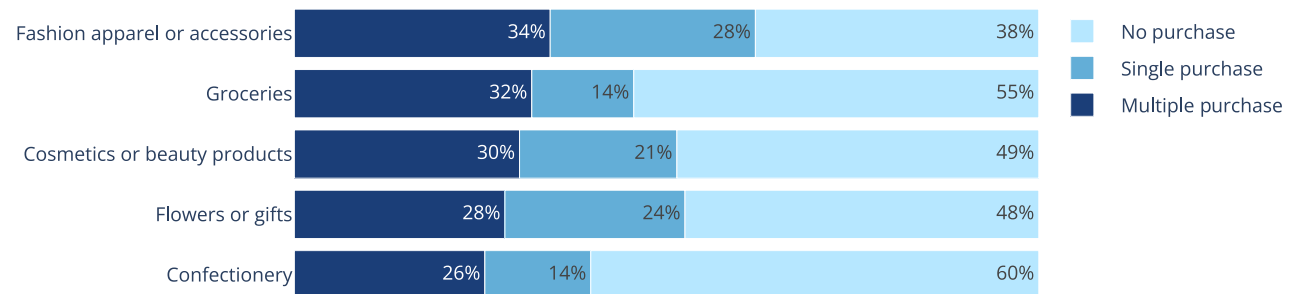
LUXURY FOOD AND DRINK

Interestingly, luxury groceries are shopped by 45% and confectionery by 40% of Europe's luxury shoppers (Figure 9). Global demand for luxury food has been rising since 2020, with the pandemic and lockdowns seeing more people looking to create luxury and dining experiences within their homes.

This trend has continued post-pandemic, with sales of luxury meat such as Wagyu and Kobe beef, along with exotic fruit and luxury desserts, all increasing among more affluent shoppers. While this has been particularly notable in Mexico and Canada, in Europe, Spain, the UK and Poland are all keen importers of luxury foods[1].

The prevalence of online marketplaces and airfreight have facilitated the growth of this segment within the luxury market, while the reopening of travel has seen more people travel, try new food experiences, then look to recreate them once back at home.

[1] https://business.yougov.com/content/7978-global-luxury-foods-goods-poll-2023

Frequency of luxury brand purchase by category, Europe, 2023

Category	Multiple purchase	Single purchase	No purchase
Fashion apparel or accessories	34%	28%	38%
Groceries	32%	14%	55%
Cosmetics or beauty products	30%	21%	49%
Flowers or gifts	28%	24%	48%
Confectionery	26%	14%	60%

Based on 3210 individuals in Europe, aged 16-83, Mar 2023. Question: "In the last 12 months, in which of the following categories have you purchased a luxury brand?". Results have been stratified by age and gender

Source: RetailX Consumer Observatory

RetailX 2023
RXSLXEU23RP-CS-17-v7

Consumer channels

Europe's luxury shoppers are increasingly omnichannel, reflecting their love of instore experience along with access to high-tech gadgets

The European luxury consumer is an omnichannel shopper. According to the RetailX consumer survey, shoppers are equally shopping online and instore (53.96% and 54.47% respectively), with 38.26% shopping on mobile devices and 11% using tablets.

Luxury consumers are keen users of tech – itself often seen as a luxury item – which is partly responsible for the high showing of digital in the survey. However, this split offers an interesting insight into how shoppers use available channels to buy luxury and points to there being a complex path to purchase for many, often involving multiple channels.

This belies some more subtle changes that have occurred post-pandemic. While there is still a propensity to shop online, digital channels have become part of a complex path to purchase that takes in online research, visits to stores, social media and, as we shall see overleaf, even the metaverse.

This has been driven by customer behaviour in the first instance but has been accelerated by the luxury brands and retailers themselves, many of which invested heavily in digital during the pandemic. As a result, these businesses have become leaders in the field of connected, hybrid and omnichannel retailing. This consumer love of tech along with retailers that offer a joined-up experience can act as an exemplar to the rest of retail.

YOUNG AND MOBILE

Young people are increasingly using mobile as a means to seek inspiration and to track down rare goods and bargains. The digital-first generations between the ages of 18 and 39 are reliant on digital tech for every facet of their lives and it increasing will become a transactional, as well as inspirational, channel for this age group as they get older.

Meeting the demands of this mobile consumer base is important to the luxury sector as these young shoppers, those who are getting a taste for luxury and affordable luxury items today, will make up the consumer base for these brands tomorrow.

INCREASINGLY SOCIAL

The growing propensity for luxury shoppers to use mobile over desktop where they are buying digitally also points to the wider use of mobile in the shopping journey. Social media, which is predominantly a mobile pursuit among consumers, especially digital natives, is playing a growing role in driving the growth of luxury.

Luxury fashion, accessories and cosmetics are all aspirational purchases, and nothing drives aspiration more effectively than social media influencers and social marketing.

A look at the leading brands on Instagram in 2022 shows that they are dominated by fashion sellers with Zara out in front, but with luxury brands Gucci, Dior, Louis Vuitton and Prada making up nearly half of the leaders in this category.

Channels used for luxury purchase in the past year, Europe, 2023

Channel	Percentage
In a physical store	54%
Online-Computer	54%
Online-Mobile	38%
Online-Tablet	11%

Based on 3210 individuals in Europe, aged 16-83, Mar 2023. Question: "In the last 12 months, through which channels have you purchased luxury brands?". Results have been stratified by age and gender

Source: RetailX Consumer Observatory

RetailX 2023
RXSLXEU23RP-CS-2-v3

Consumers and the metaverse

As European luxury producers lead the way into the metaverse, their highly tech-savvy customers are starting to take note

Luxury brands have become among the first to explore the use of the putative metaverse to engage consumers and, in many cases, sell digital and real world goods. The timing of this seems prescient, since consumer data shows a growing interest in this new way to interact with the internet.

Firstly, what do we mean by the metaverse? The official definition is that it is a decentralised 3D version of the web, facilitated by the use of virtual reality (VR) headsets and augmented reality (AR) screens. In reality, though, it is currently embracing a host of technologies that aim to create virtual worlds to create a simulacrum of the real world.

For luxury retailers and brands that have made forays into the metaverse – Louis Vuitton, Burberry, Gucci, Dolce & Gabbana and Tommy Hilfiger to name just a few – it has allowed them to create virtual fashion shows and events in order to sell digital and real world goods. These digital goods are typically fashion items for users' virtual world avatars and are often unique, non-fungible tokens (NFTs) that can be swapped and traded. Many also offer, for a single price, an NFT digital version alongside a real-world version of the luxury item being purchased.

Aside from retail, the main purpose of the metaverse for luxury brands has been to raise profile and add a new level of engagement with younger consumers, grooming them as the next wave of luxury shoppers. Consumers seem open to this, with data showing that 45.6% of European consumers are already familiar with the metaverse, while 24% have used it at least a few times.

As with mobile and online technology, luxury users are typically ahead of the curve. The 15% who use it more than once a week are likely to contain a significant number of younger luxury shoppers, which is why so many luxury brands continue to test the metaverse waters.

WHO SHOPS IN THE METAVERSE?
Interestingly, those who are using the metaverse for retail tend to be those in the lower-income and middle-income brackets (see page 10). While at odds

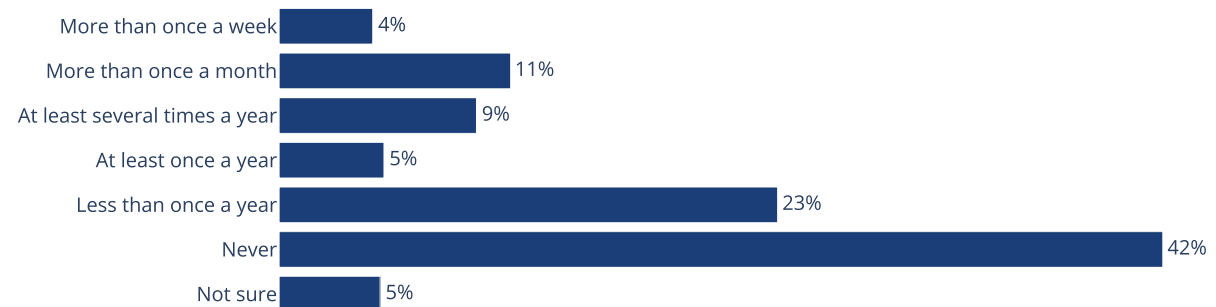Familiarity with the metaverse, Europe, 2023

Yes 45.6%

No 54.6%
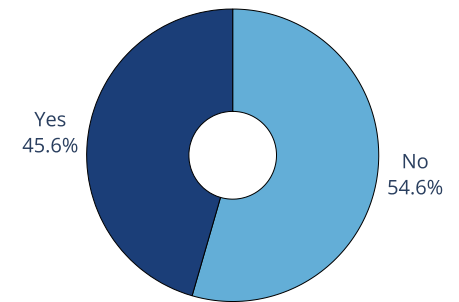
Based on 3210 individuals in Europe, aged 16-83, Mar 2023. Question: "Are you familiar with the Metaverse?". Results have been stratified by age and gender

Source: RetailX Consumer Observatory

RetailX 2023
RXSLXEU23RP-CS-10-v3

Frequency of metaverse usage for retail purposes, Europe, 2023

More than once a week	4%
More than once a month	11%
At least several times a year	9%
At least once a year	5%
Less than once a year	23%
Never	42%
Not sure	5%

Based on 1773 individuals in Europe, aged 16-80, Mar 2023. Question: "Do you use the Metaverse to buy products or interact with brands whose products you might buy?". Results have been stratified by age and gender

Source: RetailX Consumer Observatory

RetailX 2023
RXSLXEU23RP-CS-11-v3

with the profile of typical luxury shoppers, this does point to the metaverse being the preserve of the young. Indeed, we can see that it is Millennials and an increasing number of Gen Z users – those aged between 11 and 42 – who are more regular uses of the metaverse for retail purposes.

Typically, those aged between 42 and 58 are less likely to regularly use the metaverse for retail. However, the proportion of users in this older age group is not insignificant, showing how the metaverse is attracting quite a lot of retail attention.
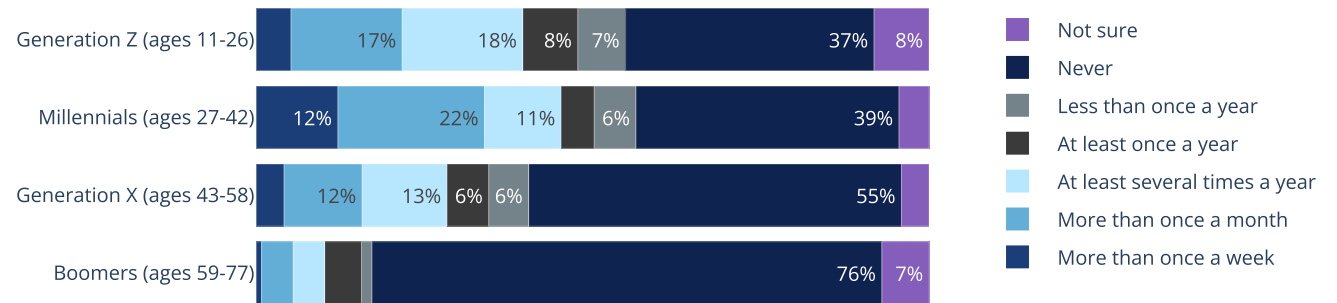
For luxury retailers, this shows that a strategy to target a younger audience through new channels such as the metaverse is the right one. However, the goods they are selling need to be priced much more towards the affordable luxury end of the market.

This – along with the very use of the metaverse and its targeting of younger shoppers – puts the luxury sector in more direct competition with the higher and mid-market parts of the mainstream fashion sector, which are also keen users of the metaverse.

While the metaverse is opening up new ways for the luxury sector to engage with a younger audience, it is also forcing it in the short-term to be more competitive in the lower echelons of the affordable luxury market.

The caveat is that by the end of the decade, the more affluent of these younger shoppers may well be using the metaverse to shop higher-end 'proper' luxury, making today's forays into the metaverse a canny investment in the future of their businesses.

Frequency of metaverse usage for retail purposes by generation, Europe, 2023

Legend:
- Not sure
- Never
- Less than once a year
- At least once a year
- At least several times a year
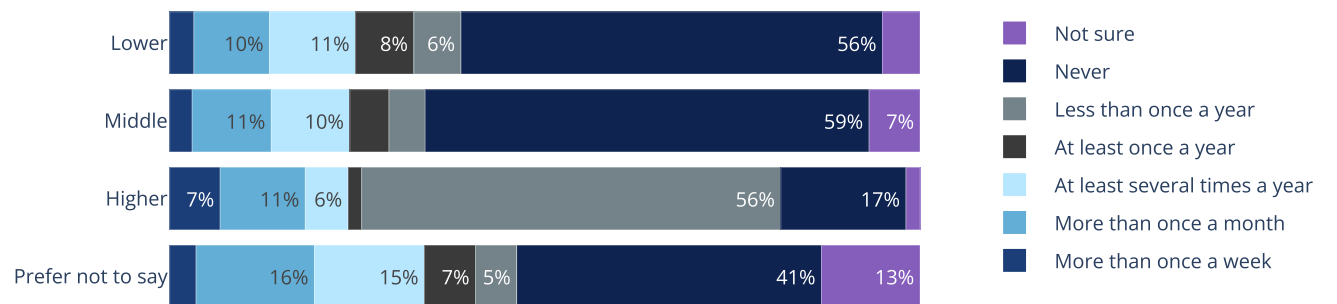- More than once a month
- More than once a week

Based on 1773 individuals in Europe, aged 16-80, Mar 2023. Question: "Do you use the Metaverse to buy products or interact with brands whose products you might buy?". Results have been stratified by age and gender

Source: RetailX Consumer Observatory

RetailX 2023
RXSLXEU23RP-CS-GEN-10-v4

Frequency of metaverse usage for retail purposes by income, Europe, 2023

Legend:
- Not sure
- Never
- Less than once a year
- At least once a year
- At least several times a year
- More than once a month
- More than once a week

Based on 1773 individuals in Europe, aged 16-80, Mar 2023. Question: "Do you use the Metaverse to buy products or interact with brands whose products you might buy?". Results have been stratified by age and gender

Source: RetailX Consumer Observatory

RetailX 2023
RXSLXEU23RP-CS-INC-42-v4

Sustainability

Sustainability is increasingly driving the purchase choices of consumers and, for luxury, is creating new business models

Consumers in Europe have been slowly turning to ethical and sustainable purchases across retai. For the luxury sector in particular, this has generated something of an upswing in sales, especially among younger shoppers. Those under 40, for example, are turning away from fast fashion and targeting one-off luxury purchases as an investment in a piece of clothing that has longevity, as well as being an antidote to the ubiquity of high street fashion.

The pandemic also gave shoppers pause to consider their environmental impact. Together, these factors resulted in a burgeoning interest in sustainability among Europe's shoppers across 2020 and 2021.

While cost-of-living pressures have eroded this strong pandemic interest in more sustainable living, data from RetailX's consumer survey finds that 77% of shoppers in Europe are interested in buying sustainable luxury products, with 51% of them willing to pay up to 10% extra for luxury items if they were sustainably made and/or shipped. A not insignificant 8% would even be willing pay up to 25% extra.

Europe's luxury shoppers are, on the whole, drawn to purchasing locally made luxury products – the preference for 61% of the sample. This is relatively easy in the European luxury sector, with 17 of the top 20 luxury brands globally being based

Agreement with sustainable luxury statements, Europe, 2023

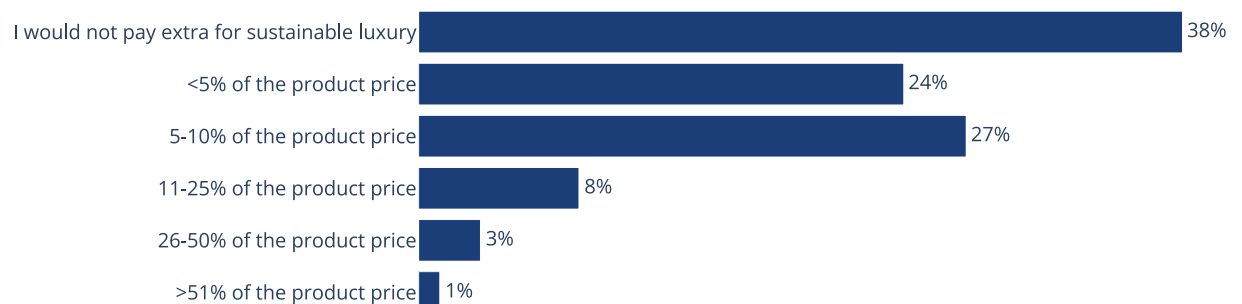|	I don't know
	Strongly disagree
	Disagree
	Agree
	Strongly agree
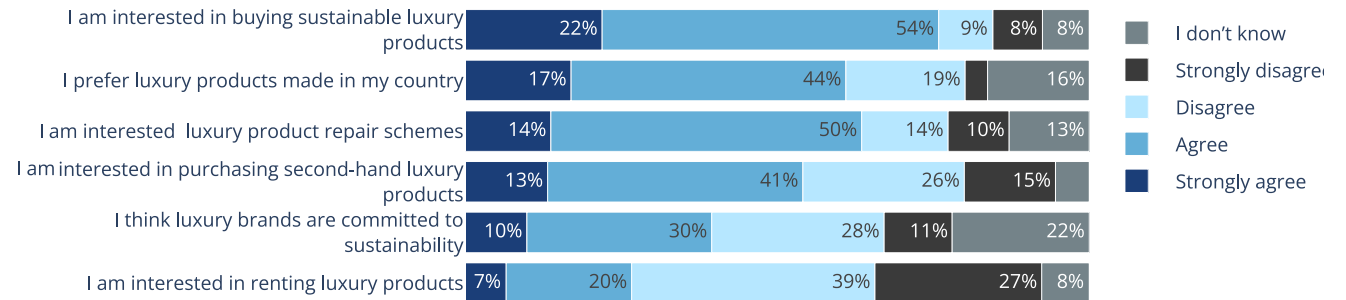
Based on 3210 individuals in Europe, aged 16-83, Mar 2023. Question: "Regarding your luxury purchases, which of these statements do you agree with?". Results have been stratified by age and gender

Source: RetailX Consumer Observatory

RetailX 2023
RXSLXEU23RP-CS-5-v1

Willingness to pay extra for sustainable luxury products, Europe, 2023

I would not pay extra for sustainable luxury	38%
<5% of the product price	24%
5-10% of the product price	27%
11-25% of the product price	8%
26-50% of the product price	3%
>51% of the product price	1%

Based on 3210 individuals in Europe, aged 16-83, Mar 2023. Question: "How much extra would you be willing to pay for sustainable luxury products? (Products produced and transported in ways that avoid harm to the environment)". Results have been stratified by age and gender

Source: RetailX Consumer Observatory

RetailX 2023
RXSLXEU23RP-CS-7-v3

in Europe[1]. This helps assure shoppers for whom more ethical production practices are important.It also helps reduce shipping distances.

SECOND-HAND AND PRE-LOVED LUXURY
This sustainability play among consumers is not limited just to looking at paying more for sustainable goods. There is also a groundswell of interest in looking at purchasing second-hand and refurbished goods, a demand that is in turn driving changes in shopping habits.

Second-hand purchases are garnering significant interest, reflecting both the longevity of luxury items, as well as the inherent resale value that these garments offer. European consumer data shows that 54% are interested in purchasing second-hand luxury items, with 47.6% of these shoppers already seeing as much as half of their luxury purchases in 2022 made up of second-hand luxury items.

Many consumers see second-hand luxury as an affordable and sustainable way to shop for fashion in particular, giving them high-quality goods at an affordable price, while also offering something unique and often vintage. For those buying new luxury, the allure of its eventual resale value on the second-hand market is also proving attractive.

This surge in second-hand purchases of luxury, while significant, is not the only change to the retail model in the sector. Repair of luxury items, as well as rental of goods, are also developing into significant business channels in the European luxury market. Already, 64% of European consumers say that they are interested in luxury repair schemes,
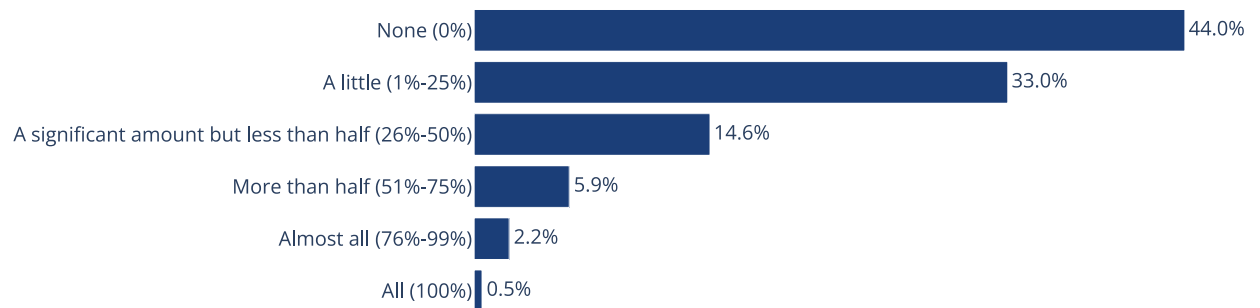
with many seeing this as a means to extend the life of their items – and thus protecting their initial investment in the goods – as well as using such schemes to repair second-hand goods, either on purchase or as part of resale.

Luxury rental schemes are also coming into their own, with 27% of European users looking to enjoy luxury items when they are required for a fee, rather than to own them outright. This is segment of the market is more niche but offers a significant slice of users nonetheless.

While it is more often found in the accessories side of the luxury market, luxury clothing and apparel is also starting to leverage this route to market.

[1] https://internetretailing.net/report-hub/global-luxury-report-2023

Share of second-hand luxury product purchases, Europe, 2023

Category	Percentage
None (0%)	44.0%
A little (1%-25%)	33.0%
A significant amount but less than half (26%-50%)	14.6%
More than half (51%-75%)	5.9%
Almost all (76%-99%)	2.2%
All (100%)	0.5%

Based on 3210 individuals in Europe, aged 16-83, Mar 2023. Question: "What proportion of your luxury product purchases are second-hand?". Results have been stratified by age and gender

Source: RetailX Consumer Observatory

RetailX 2023
RXSLXEU23RP-CS-6-v4

Expert insight

Heidi Bullock

CMO, at Tealium

Lessons learned from some of retails most iconic brands

The EU luxury market has always been a strong sector, with a dedicated cohort of consumers from within Europe – alongside a burgeoning number of shoppers from across the world – all keen to express themselves through the kudos of owning some of fashion's most iconic brands.

The pandemic, however, hit the sector hard. Travel disruption and economic uncertainty required these European brands, reliant on physical retail, to rapidly realign themselves digitally.

This switch was as impressive as it was swift and, as the world has reopened post-pandemic, these brands find themselves at the forefront of omnichannel retail, elegantly combining their new-found cutting-edge digital offerings with their traditional, opulent instore experience. The result is a sector that is now a leader in using tech and style to deliver the ultimate customer experience and one that retailers in all sectors can learn some valuable lessons from.

Underpinning this, of course, are data and personalisation. These work hand-in-hand in luxury brands to deliver the ultimate customer experience, regardless of the channel used. They are the bedrock of everything retailers do, from what to display on their site and the offers they send via email, to the way the store is laid out and even what they look like in the metaverse.

So, what does the process of collecting and leveraging data to deliver the kind of experience that luxury shoppers demand look like? There are three main steps:

1. The process starts with understanding customer preferences. Collecting and understanding the way in which luxury shoppers shop is vital to shape the strategic approach to omnichannel retail. It is also, with today's near real-time, AI-driven data analytics, key to a more tactical approach to each consumer's shopping habits, allowing the retailer to react to each consumer regardless of how they choose to interact with the brand.

2. This strategic and tactical understanding of the customer can be leveraged to create personalisation for the consumer... at scale. Collecting and collating all the data across multiple channels and interactions is just the start. Understanding what that data tells you and then acting on it are the key considerations for retailers. From this flows, the marketing outreach, the offers, the curation and the feel-good customer service – all on the right channel at the right moment – make the customer feel that your brand is talking just to them. And of course you are, but at huge scale. To do this relies on high-powered data management and analysis tools, machine learning algorithms and AI.

3. Personalisation is just the start, however. From this personal interaction stems a customer journey that needs to continue this personalisation, making for an optimised interaction at all points along the way. This needs to extend the reach of the customer data and its management to also create a seamless customer journey that is intuitive, efficient and engaging. Here, customer data needs to be combined with the insights the brand has into what happens at each customer touchpoint, squaring that with the individual's data to build a picture not just of the customer's preferences and more, but also how they shop in an omnichannel world.

Pulling all this together, through the gathering and proper understanding of the data any omnichannel brand or retailer has of its customers, is already starting to serve luxury retailers in Europe well and has been one of the key drivers for the sector's post-pandemic growth spurt. Lessons learned here are applicable across the retail world and are vital for the changing market that we find ourselves in. It is time to leverage data and the specialists at Tealium are here to help you make it happen for you.

Largest 50

The European luxury industry is highly localised, with world-renowned brands dominating the Largest 50

All but five of the Largest 50 luxury brands and retailers in Europe by traffic are based within the continent, with none lying outside Europe or the US and many of these US companies having significantly sized operations and regional HQs in Europe.

This localisation of the sector is in large part down to history, with luxury brands having long been established in what were once the great courts of Europe – in France, Italy, Spain and the UK. This has translated into these European countries being home to some of the best-known brands in fashion, as well as luxury.

Switzerland has cemented its place in the luxury watch and jewellery segment of the market, thanks to the country having a history of watch-making and clock-making dating back several centuries.

SEGMENTS OF THE MARKET
The bulk of the brands in the list are sellers of fashion apparel and accessories, the two dominant segments of the luxury market. Together, these account for around 70% of total luxury goods sales by revenue, a similar proportion as seen in the mainstream fashion sector in Europe[1].

Apparel is driven by fashion, with a growing number of consumers now turning away from fast fashion

COMPANY NAME	HQ	WEB TRAFFIC	SECTOR
FARFETCH	UNITED KINGDOM	3,920,000,000	FASHION APPAREL OR ACCESSORIES SHOP
PANDORA (JEWELLERY)	DENMARK	2,180,000,000	JEWELLER
LYST	UNITED KINGDOM	2,090,000,000	FASHION APPAREL OR ACCESSORIES SHOP
VESTIAIRE COLLECTIVE	FRANCE	2,060,000,000	FASHION APPAREL OR ACCESSORIES SHOP
TOMMY HILFIGER	NETHERLANDS	1,930,000,000	FASHION APPAREL OR ACCESSORIES SHOP
MYTHERESA	GERMANY	1,320,000,000	FASHION APPAREL OR ACCESSORIES SHOP
LOUIS VUITTON	FRANCE	1,180,000,000	FASHION APPAREL OR ACCESSORIES SHOP
HUGO BOSS	GERMANY	1,040,000,000	FASHION APPAREL OR ACCESSORIES SHOP
GUCCI	ITALY	9,600,369	FASHION APPAREL OR ACCESSORIES SHOP
DIOR	FRANCE	9,358,866	FASHION APPAREL OR ACCESSORIES SHOP
LACOSTE	FRANCE	8,764,797	FASHION APPAREL OR ACCESSORIES SHOP
RALPH LAUREN	UNITED STATES OF AMERICA	8,179,774	FASHION APPAREL OR ACCESSORIES SHOP
CALVIN KLEIN	UNITED STATES OF AMERICA	7,832,098	FASHION APPAREL OR ACCESSORIES SHOP
SWAROVSKI	AUSTRIA	7,633,976	JEWELLER
MATCHES FASHION	UNITED KINGDOM	7,482,298	FASHION APPAREL OR ACCESSORIES SHOP
TED BAKER	UNITED KINGDOM	7,357,649	FASHION APPAREL OR ACCESSORIES SHOP
HERMES	FRANCE	7,027,774	FASHION APPAREL OR ACCESSORIES SHOP
HARRODS	UNITED KINGDOM	6,698,371	FASHION APPAREL OR ACCESSORIES SHOP
ROLEX	SWITZERLAND	6,527,012	JEWELLER
CHANEL	UNITED KINGDOM	6,427,969	FASHION APPAREL OR ACCESSORIES SHOP
RAY-BAN	ITALY	6,311,078	FASHION APPAREL OR ACCESSORIES SHOP
MICHAEL KORS	UNITED STATES OF AMERICA	6,100,479	FASHION APPAREL OR ACCESSORIES SHOP
OMEGA	SWITZERLAND	4,521,333	JEWELLER
BURBERRY	UNITED KINGDOM	3,674,609	FASHION APPAREL OR ACCESSORIES SHOP

and towards unique, aspirational luxury brands. This is particularly true for younger shoppers, who also value the sustainability aspects of having fewer, longer-lasting garments. The resale value of luxury apparel is also a driver here.

European luxury apparel brands have done well out of ecommerce because it allows young, aspirational shoppers from around the world to buy from them. This is particularly apparent in China, which has seen its luxury market expand rapidly in the 2020s, driven by increasing availability of European brands to the market via online channels.

The rise of affordable luxury has helped the luxury apparel segment, with a variety of mid-priced, high-quality brands entering the market.

Jewellery, which includes luxury precision watches, is strongly represented. Watches are an interesting segment of the market because they offer a true investment opportunity for buyers. While many are initially drawn to luxury designer watches as a means of signalling their status and success, they are also one of the few retail items that go up in value post-purchase. For example, exports of Swiss watches in 2022 to markets in Europe, the US and China totalled some €2.4bn[2]. The market for watches has been further enhanced by the range of online marketplaces and sellers dedicated to the space, which has increased demand and added competition to the market.

Finally, luxury cosmetics make a strong showing among the Top 50, driven by a rising demand among European consumers for high-quality, natural

CARTIER	FRANCE	3,550,573	JEWELLER
PRADA	ITALY	3,436,807	FASHION APPAREL OR ACCESSORIES SHOP
YVESSAINTLAURENT	FRANCE	2,932,007	FASHION APPAREL OR ACCESSORIES SHOP
ARMANI	ITALY	2,726,751	FASHION APPAREL OR ACCESSORIES SHOP
VERSACE	ITALY	2,615,169	FASHION APPAREL OR ACCESSORIES SHOP
BALENCIAGA	FRANCE	2,613,189	FASHION APPAREL OR ACCESSORIES SHOP
TIFFANY & CO.	UNITED STATES OF AMERICA	2,330,379	JEWELLER
WATCHFINDER & CO.	UNITED KINGDOM	2,288,302	JEWELLER
TISSOT	SWITZERLAND	2,251,441	JEWELLER
BARBOUR	UNITED KINGDOM	2,168,449	FASHION APPAREL OR ACCESSORIES SHOP
MONT BLANC	GERMANY	1,933,408	FASHION APPAREL OR ACCESSORIES SHOP
FENDI	ITALY	1,797,056	FASHION APPAREL OR ACCESSORIES SHOP
LONGCHAMP	FRANCE	1,771,255	FASHION APPAREL OR ACCESSORIES SHOP
TAG HEUER	SWITZERLAND	1,713,716	JEWELLER
MONCLER	ITALY	1,697,940	FASHION APPAREL OR ACCESSORIES SHOP
CHRISTIAN LOUBOUTIN	FRANCE	1,684,952	FASHION APPAREL OR ACCESSORIES SHOP
CELINE	FRANCE	1,581,452	FASHION APPAREL OR ACCESSORIES SHOP
VALENTINO	ITALY	1,227,585	FASHION APPAREL OR ACCESSORIES SHOP
ADOLFO DOMINGUEZ	SPAIN	1,201,438	FASHION APPAREL OR ACCESSORIES SHOP
VIVIENNE WESTWOOD	UNITED KINGDOM	1,126,884	FASHION APPAREL OR ACCESSORIES SHOP
DOLCE & GABBANA	ITALY	1,080,095	FASHION APPAREL OR ACCESSORIES SHOP
THE REALREAL	UNITED STATES OF AMERICA	953,733	FASHION APPAREL OR ACCESSORIES SHOP
LANCÔME	FRANCE	929,925	COSMETICS SHOP
LOEWE	SPAIN	926,126	FASHION APPAREL OR ACCESSORIES SHOP
JIMMY CHOO	UNITED KINGDOM	920,288	FASHION APPAREL OR ACCESSORIES SHOP
BOTTEGA VENETA	ITALY	875,034	FASHION APPAREL OR ACCESSORIES SHOP

products to apply to their bodies. An increased awareness of the environment, nature, sustainability and personal protection instilled during the pandemic has driven more users to look at spending more on better cosmetic products, thus driving growth in this segment.
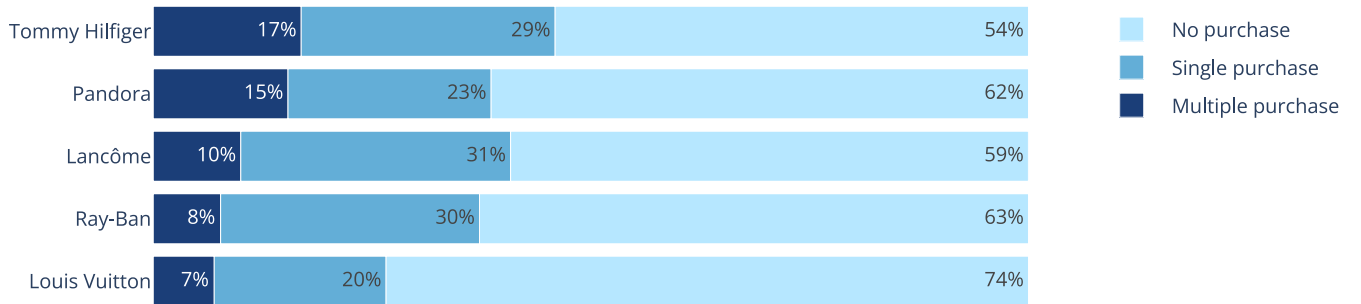
BRANDS
The brands that are winning consumer favour in Europe are again focussed on apparel and accessories, with leaders Tommy Hilfiger, Louis Vuitton and Ray-Ban all appearing in the Top Five most frequently purchased luxury brands in the region. This Top Five does also, however, feature luxury cosmetics brands Lancôme and affordable luxury jewellery brands Pandora as top sellers in the region.

When asked why they buy luxury items from these brands, European luxury consumers say they typically buy these goods as gifts, or for the pure pleasure of it. The effects of social media, email marketing and instore service drive around one-quarter each of respondents.

This implies that the real draw of luxury brands is that they are a treat, either for the user themselves or for a family member or friend for a special occasion. This sets the sector apart from almost all other sectors in retail, which are driven to a much larger extent by necessity of purchase. This changes the dynamic of how luxury brands operate and, to some extent, sees the rules of retail that apply to all other sellers apply less to these brands.

[1] https://internetretailing.net/reports/retailx-sector-reports/2023-european-fashion-sector-report/
[2] www.mordorintelligence.com/industry-reports/luxury-watch-market/market-trends

Frequency of purchase from selected luxury brands in the past three years, Europe, 2023

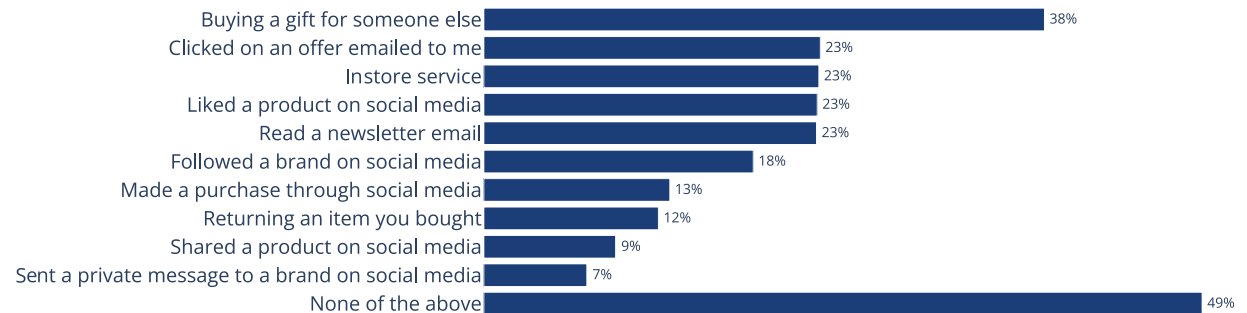| Brand	Multiple purchase	Single purchase	No purchase
Tommy Hilfiger	17%	29%	54%
Pandora	15%	23%	62%
Lancôme	10%	31%	59%
Ray-Ban	8%	30%	63%
Louis Vuitton	7%	20%	74%

Based on 3210 individuals in Europe, aged 16-83, Mar 2023. Question: "From which of the following luxury brands have you purchased in the past three years?". Results have been stratified by age and gender

Source: RetailX Consumer Observatory

RetailX 2023
RXSLXEU23RP-CS-8-v5

Luxury brand contact in the past year, Europe, 2023

Activity	%
Buying a gift for someone else	38%
Clicked on an offer emailed to me	23%
Instore service	23%
Liked a product on social media	23%
Read a newsletter email	23%
Followed a brand on social media	18%
Made a purchase through social media	13%
Returning an item you bought	12%
Shared a product on social media	9%
Sent a private message to a brand on social media	7%
None of the above	49%

Based on 3210 individuals in Europe, aged 16-83, Mar 2023. Question: "In the last 12 months, have you had contact with a luxury brand through the following activities?". Results have been stratified by age and gender

Source: RetailX Consumer Observatory

RetailX 2023
RXSLXEU23RP-CS-4-v3

FARFETCH

FarFetch at a glance

|	
Company:	FarFetch
HQ:	London, UK
Founded:	2007
Employees:	5,500
Revenues 2022:	€2.4bn
Luxury segments:	Clothes, shoes, accessories, jewellery, designer cosmetics and perfumes
Brands:	FarFetch is a marketplace that sells items from more than 1,400 brands, stores and boutiques from all over the world

FarFetch

FarFetch has established itself as one of new breed of fashion marketplaces catering to the luxury end of the market. It has tapped into the growing ecosystem of younger luxury shoppers by building its business on providing an ecommerce platform for small luxury brands, boutiques and designers.

The company now has more than 1,400 such sellers on its platform and is constantly reaching out to brand owners with the offer of hosting their wares on its site. This direct approach gives smaller players a chance to leap into ecommerce with minimal outlay and the model has, so far, been very successful. Being online-focused, the company saw a boom

Annual growth of European web traffic to Farfetch (%), 2018-22
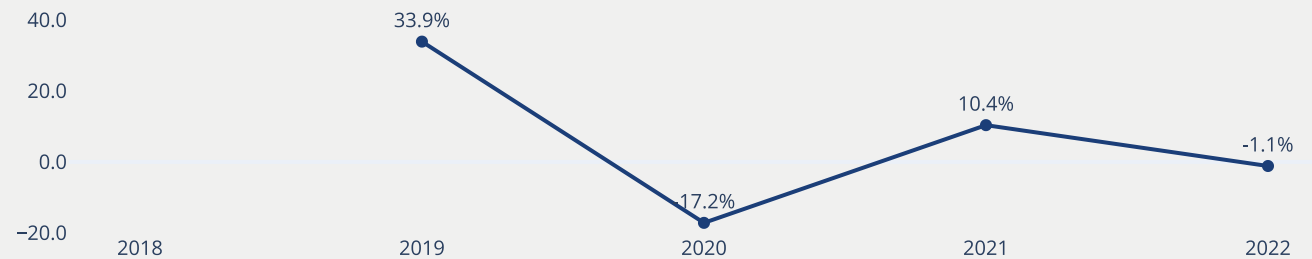
Note: Web traffic growth calculated using Q1 data

Source: RetailX, drawing on data from SimilarWeb

RetailX 2023
RXSLXEU23RP-FN-8-v4

in sales and traffic across 2019 and 2020, during pandemic lockdowns. While this growth tailed off to some degree as the market has normalised, dropping 18% in 2021, the site continues to look at new ways to service its customer base.

Having signed up most of the boutiques and designers it can find, the company has shifted to a plan of expansion through acquisition and deals. In January 2022, it bought leading luxury beauty marketplace Violet Grey, adding an array of beauty and cosmetic products to its luxury fashion business. This move opens up the site to the burgeoning luxury beauty market, estimated to be worth $69bn globally each year, as well as adding a swathe of new products and content to help drive site traffic.

The company has looked to generate further growth by embedding itself and its luxury marketplace

model into the wider luxury sector. In mid-2022, it effectively partnered with luxury giant Richemont, buying a 47.5% stake in YOOX Net-a-Porter (YNAP), a hybrid of luxury clearance seller and shoppable digital magazine. The move is designed, in the words of Richemont chairman Johann Rupert, as a step towards his ambition of an "independent neutral online platform for the luxury industry" that would attract both high-end brands and their customers.

Yet the deal has attracted the attention of the UK's Competition and Mergers Authority (CMA), which deems it to be effectively a merger. At the time of writing, the deal had still not been ratified. Should it go through, it will see Richemont use Farfetch's technology to take its brands towards a new way of selling through a marketplace model, while giving FarFetch access to many more luxury brands and products.

FENDI
ROMA

Fendi at a glance

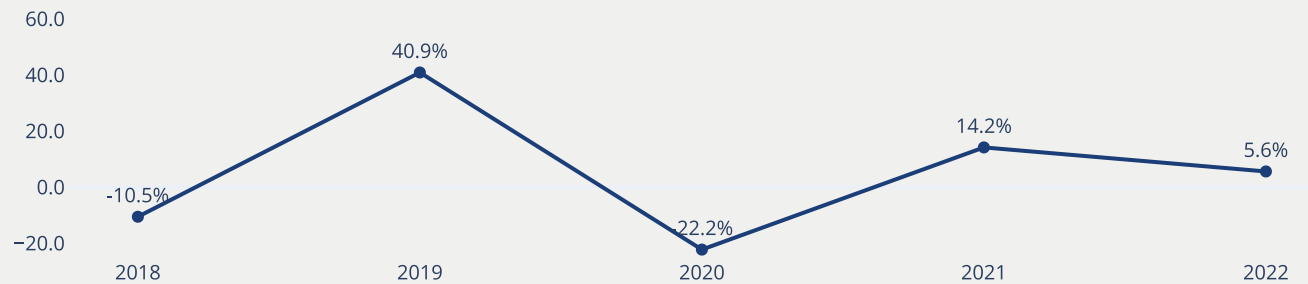|	
Company: Fendi	
HQ: Rome, Italy	
Founded: 1925	
Employees: 1,326	
Revenues 2022: €1.5bn	
Luxury segments: Fur, ready-to-wear apparel, leather goods, shoes, fragrances, eyewear, timepieces and accessories	
Brands: Fendi	

Annual growth of European web traffic to Fendi (%), 2018-22

Note: Web traffic growth calculated using Q1 data

Source: RetailX, drawing on data from SimilarWeb

RetailX 2023
RXSLXEU23RP-FN-7-v3

Fendi

Now owned by luxury mega-group LVMH, Italian luxury fashion brand Fendi made its name as a furrier, specialising in fur coats and stoles, along with a range of leather goods. From a humble boutique in Rome, the family owned business gained notoriety by selling furs to tourists, cementing its international reputation early on.

In 1965, a then relatively unknown fashion designer called Karl Lagerfeld took over as creative director at the company, creating a host of seminal designs in fur, expanding the business's ready-to-wear women's clothing range and creating the company's now distinctive 'double F' logo.

Fendi has long been at the forefront of developing not only new styles, but also using technology and exploring new business models. In 2014, for example, it was one of the first companies to use drones at a fashion show, while in 2016, the brand signed a €2.8mn annual lease on the modernist architectural marvel Palazzo della Civiltà Italiana – also known as the Square Colosseum. Here, it set up its new global HQ, as well as turning part of the building into a luxury, Fendi-branded five star hotel – one of the earliest forays into a broader lifestyle business made by a luxury brand.

Fendi again took its future into its own hands in 2017, when it partnered with online luxury marketplace FarFetch to offer users a made-to-order handbag design service.

Tipping its hat to the growing interest among its younger clientele in sustainability, the company has more recently begun to champion the fact that all its products have always been made from natural products – typically leather and fur – which it emphasises have been ethically sourced.

Fendi has also started to leverage its army of craftsmen to make its business more circular by offering repair and rebuild services that both extend the life of some products while refreshing others for resale. The company says it has remodelled around 50 fur pieces each year, while much of the material leftovers from production of all its garments are upcycled into the next year's collections.

LANCÔME
PARIS

Lancôme at a glance

Lancôme at a glance	
Company:	Lancôme (owned by L'Oréal)
HQ:	Paris, France
Founded:	1935
Employees:	28,526
Revenues 2022:	€23mn
Luxury segments:	
Perfume, cosmetics, skin care, makeup	
Brands:	Lancôme

Annual growth of European web traffic to Lancôme (%), 2018-22

Note: Web traffic growth calculated using Q1 data

Source: RetailX, drawing on data from SimilarWeb

RetailX 2023
RXSLXEU23RP-FN-12-v3

Lancôme

Founded in 1935 by pioneering perfumer Armand Petitjean, Lancôme – named after the forest of Lancosme in central France, famous for its roses and the inspiration for Lancôme's golden rose logo – started life a luxury fragrance house, but has since morphed into a leading perfumer, maker of cosmetics, quasi-scientific skin care and makeup.

In 2017, Lancôme was one of the first luxury businesses to delve into the then nascent world of augmented reality (AR). Working with Perfect Corp and its YouCam AR tech, the luxury company integrated many of its leading makeup products into the app, allowing the consumer to virtually 'apply' various looks to their face on the screen.

To deliver an immersive beauty experience, YouCam Makeup and Lancôme offer in-app product purchases for the '*Je Ne Sais Quoi*' looks on the site, helping users bring unique styles to life. This seamless consumer shopping experience makes Lancôme beauty accessible with any mobile device.

Around this service, the Lancôme app has run livestreamed makeup tutorials since 2017, again marking the company out as a leader in utilising technology in new ways to interact with consumers and generate additional revenue.

The brand expanded on this in 2021, with the launch of an online pop-up shop offering what it calls, "an interactive ecommerce experience". Shoppers can virtually 'walk through' the site – which is designed to mimic a bricks-and-mortar space – and add real-

world products to their shopping basket as they go. First launched in Australia during February 2021, this technology-driven pop-up was created in partnership with ByondXR in an attempt to engage new as well as existing customers.

Unlike traditional online shops, visitors can also participate in games to unlock promotional offers, as well as engage with beauty influencers and gain professional skin care advice in one-to-one sessions.

The results have been impressive, with web traffic growing significantly in the run-up to the pandemic and continuing to new heights in 2022.
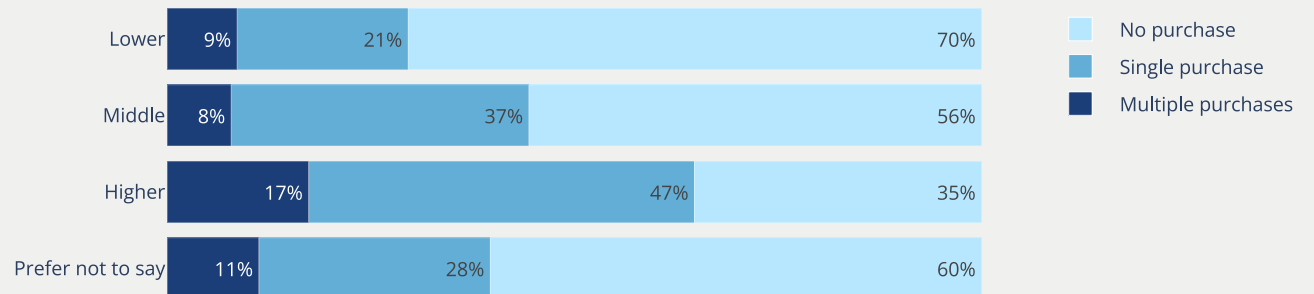
WHO SHOPS LANCÔME?

RetailX customer data shows that the main audience for Lancôme lies among higher earning Millennials. Looking at purchases made in the past three years, 64% of European consumers in the higher income bracket – those earning more than €88,000 per annum – have made one of more purchases from Lancôme. A further 44% of middle income – €44,000 to €87,900 income per annum – have made more than one purchase in the past three years from the site. One-fifth of lower income consumers on €44,000 or less income per annum have made one purchase.

These shoppers tend to be younger shoppers, with 51% of Millennials – those aged 27 to 42 – purchasing Lancôme at least once in the past three years. A further 39% of 11 to 26 year old Gen Z-ers purchase at least once, while Gen X and Boomers account for 42% and 34% respectively.

These demographics demonstrate to some degree that makeup is perhaps more the preserve of younger professionals, looking to upgrade their makeup from those brands typically favoured by teens. The Gen Z figures also suggest that there is a growing number of very young users turning to high-end cosmetics as first-time purchases. This bears out the conjecture that these younger shoppers are targeting higher-value cosmetics products for both their high quality and natural ingredients, as well as their sustainability credentials. It also points to Lancôme's particular focus on AR, livestreaming and virtual pop-up shops as paying dividends among this group of shoppers.

Number of purchases from Lancôme in the past three years by income, Europe, 2023

Income	Multiple purchases	Single purchase	No purchase
Lower	9%	21%	70%
Middle	8%	37%	56%
Higher	17%	47%	35%
Prefer not to say	11%	28%	60%

Legend: No purchase / Single purchase / Multiple purchases

Based on 3210 individuals in Europe, aged 16-83, Mar 2023. Question: "From which of the following luxury brands have you purchased in the past three years?-Lancôme". Results have been stratified by age and gender

Source: RetailX Consumer Observatory

RetailX 2023
RXSLXEU23RP-CS-INC-25-v4

Number of purchases from Lancôme in the past three years by generation, Europe, 2023
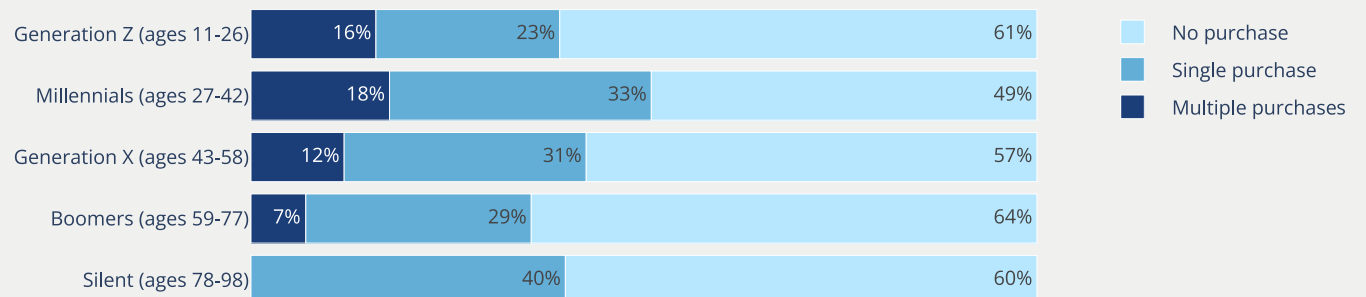
Generation	Multiple purchases	Single purchase	No purchase
Generation Z (ages 11-26)	16%	23%	61%
Millennials (ages 27-42)	18%	33%	49%
Generation X (ages 43-58)	12%	31%	57%
Boomers (ages 59-77)	7%	29%	64%
Silent (ages 78-98)		40%	60%

Legend: No purchase / Single purchase / Multiple purchases

Based on 3210 individuals in Europe, aged 16-83, Mar 2023. Question: "From which of the following luxury brands have you purchased in the past three years?-Lancôme". Results have been stratified by age and gender

Source: RetailX Consumer Observatory

RetailX 2023
RXSLXEU23RP-CS-GEN-3-v3

LOUIS VUITTON

Louis Vuitton at a glance

Company:	Louis Vuitton (owned by LVMH Group)
HQ:	Paris, France
Founded:	1854
Employees:	19,000
Revenues 2022:	€79bn for entire LVMH Group

Luxury segments:
Luxury bags and leather goods, to ready-to-wear apparel, footwear, perfumes, watches, jewellery, accessories, sunglasses and books
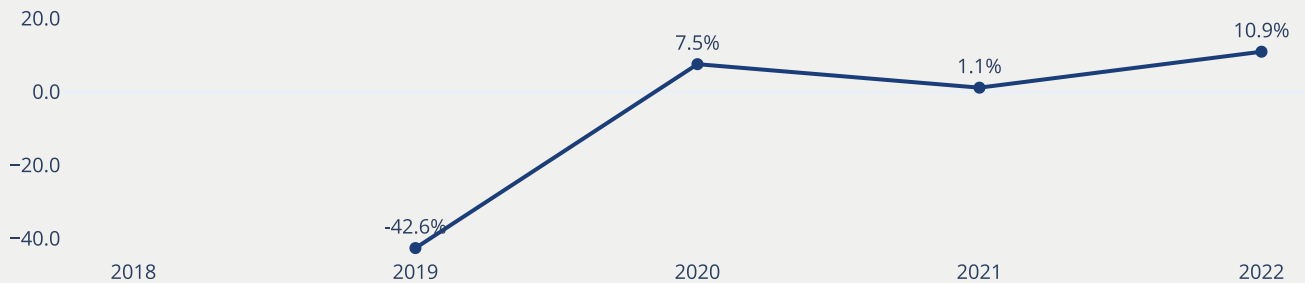Brands: Louis Vuitton

Annual growth of European web traffic to Louis Vuitton (%), 2018-22

Note: Web traffic growth calculated using Q1 data

Source: RetailX, drawing on data from SimilarWeb

RetailX 2023
RXSLXEU23RP-FN-4-v6

Louis Vuitton

Louis Vuitton is the 'LV' in giant luxury conglomerate LVMH Moët Hennessy Louis Vuitton – the 'M' being famous vintner and champagne maker Moët, and the 'H' cognac distiller Hennessy.

In the mid-1980s, French investor Bernard Arnault had the idea to create a group of luxury brands. He worked with Alain Chevalier, then CEO of Moët Hennessy, and Henry Racamier, president of Louis Vuitton, to form LVMH. As a result, the LVMH Group has seen immense growth across the past three decades, expanding globally and bucking the industry trend by seeing strong revenue growth even in 2021, when it rose 49% to hit a staggering $76bn – way above its pre-pandemic high of $60bn in 2019.

Louis Vuitton's contribution to this has been immense. The company has seen its web traffic rocket in 2022, building on substantial gains made in 2020 as a result of the brand treading a fine line between tradition and innovation. The company prides itself on offering the ultimate in handmade quality, yet has managed to adopt a highly personalised approach, even in the digital age.

The luxury brand trades on the use of top talent across its designers, models and the celebrity endorsements it curates. Top names in the fashion industry such as Helmut Lang, Azzedine Alaïa, Sybilla, Manolo Blahnik, Vivienne Westwood, Isaac Mizrahi, Stephen Sprouse and Romeo Gigli have all been involved with LV, as have models including Emmy

Rappe and Xavier Dolan. Celebrity endorsements arguably have the most influence and the brand has worked with Jennifer Lopez, Uma Thurman, Angelina Jolie, Sean Connery, Mikhail Gorbachev and Pharrell Williams, to name just a few. Like many brands, it has distanced itself from Kanye West, though.

WHO SHOPS LOUIS VUITTON?
From a consumer point of view, LV is very much the preserve of the high-value shopper, with two-thirds (63%) of its customers earning above €88,000 per annum (see page 23). LV does make a small showing among lower earners, with around 40% of sales coming from the other brackets. Interestingly, around 4% of both lower income shoppers earning below €44,000 per annum and those earning up

to €88,000 per annum also shop LV on rare occasions, marking the brand out as one that is truly aspirational.
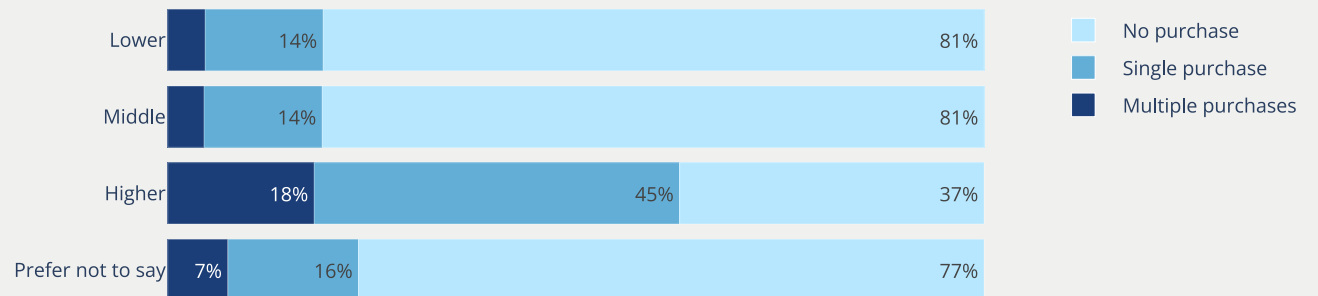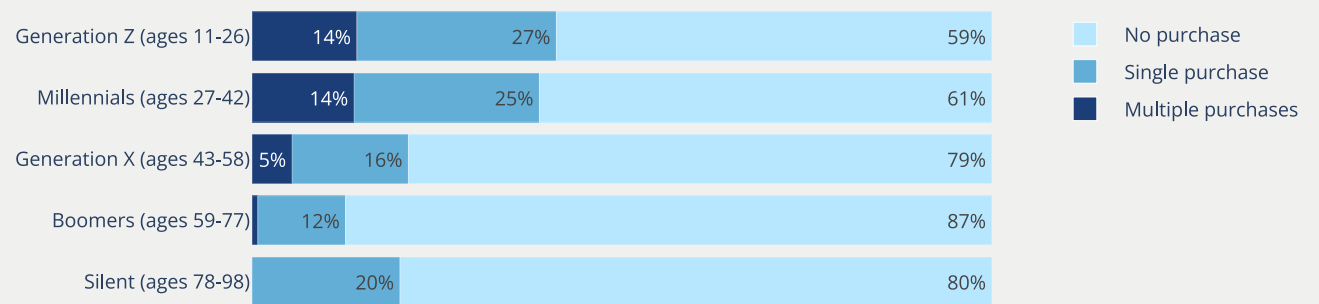
LV is shopped by younger shoppers, with one-quarter (27%) of those under 42 making regular purchases from the brand and almost 50% of this same cohort doing so occasionally. 41% of Gen Z are buying LV, with this young, affluent group of shoppers forming a foundation for the company for at least the next generation to come.

Creating and cultivating this younger customer base is vital for the continued longevity of luxury brands, which tend to rely on long-term customer relationships for sustained business. The downside of this reliance is that the older ones eventually die. Having a mass of younger shoppers already engaged is therefore vital.

LV has clearly managed this – a feat all the more remarkable given the more traditional bent of its goods. To do this, the company has used a range of celebrity influencers, as well as some interesting cross-brand tie ups. For example, LV was the first luxury brand to partner with an eSports team, while for the US National Basketball Association (NBA), it designed a trophy cover and co-branding to reach a younger, US audience. Similarly, the brand has targeted top soccer stars Cristiano Ronaldo and Lionel Messi for promotion and endorsement.

This move into sports – both real and virtual – is seen as a key part of LV's push to grow its audience and, on the face of the data, it seems to be working.

Number of purchases from Louis Vuitton in the past three years by income, Europe, 2023

Income	Multiple purchases	Single purchase	No purchase
Lower		14%	81%
Middle		14%	81%
Higher	18%	45%	37%
Prefer not to say	7%	16%	77%

Based on 3210 individuals in Europe, aged 16-83, Mar 2023. Question: "From which of the following luxury brands have you purchased in the past three years?-Louis Vuitton". Results have been stratified by age and gender

Source: RetailX Consumer Observatory

RetailX 2023
RXSLXEU23RP-CS-INC-27-v4

Number of purchases from Louis Vuitton in the past three years by generation, Europe, 2023

Generation	Multiple purchases	Single purchase	No purchase
Generation Z (ages 11-26)	14%	27%	59%
Millennials (ages 27-42)	14%	25%	61%
Generation X (ages 43-58)	5%	16%	79%
Boomers (ages 59-77)		12%	87%
Silent (ages 78-98)		20%	80%

Based on 3210 individuals in Europe, aged 16-83, Mar 2023. Question: "From which of the following luxury brands have you purchased in the past three years?-Louis Vuitton". Results have been stratified by age and gender

Source: RetailX Consumer Observatory

RetailX 2023
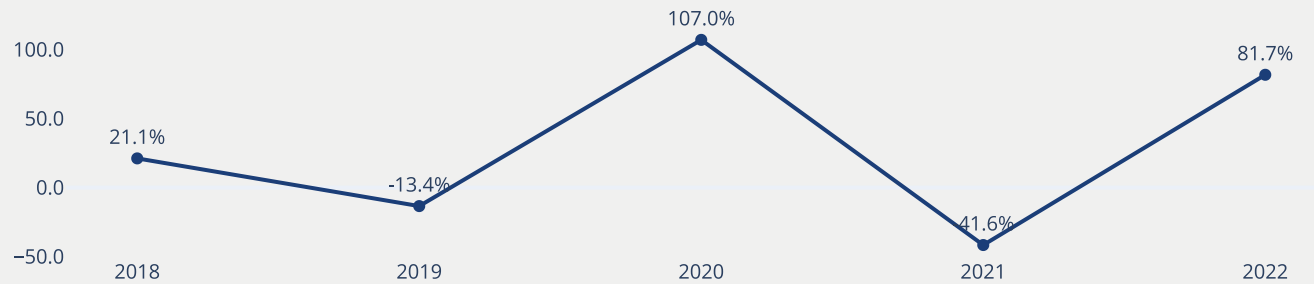RXSLXEU23RP-CS-GEN-4-v3

PANDORA

Pandora at a glance

Company: Pandora	
HQ: Copenhagen, Denmark	
Founded: 1982	
Employees: 26,000	
Revenues 2021: €30bn	
Web visits 2021: 18.2mn	
Luxury segments: Jewellery and accessories	
Brands: Pandora	

Annual growth of European web traffic to Pandora (%), 2018-22

Note: Web traffic growth calculated using Q1 data

Source: RetailX, drawing on data from SimilarWeb

RetailX 2023
RXSLXEU23RP-FN-2-v7

Pandora

The third-largest jewellery company behind Cartier and Tiffany & Co, Denmark's Pandora is marked out as being one of a new breed producing affordable luxury, desirable, mid-market jewellery that commands some considered purchase, but which isn't out of the reach of the many. This is exemplified by its charm bracelet with addable charms, which was first marketed in 2000 and protected by a patent.

Since its formation in 1982, Pandora's collection has grown to include an assortment of rings, necklaces, earrings and, for a time, watches. By 2011, a Pandora item was sold somewhere in the world every second of every day, making it one of the biggest players in the affordable luxury accessory market not just in Europe, but globally.

As of 2022, 21% of the brand's revenues came from its online presence, just shy of the 28% garnered from third-party and wholesale distribution. The company's 6,500 stores worldwide brought in the remaining 51% of sales.

What marks the company out as a business is its extremely cost-efficient design and production model. Centred around a production facility in Gemopolis in Thailand which employs 13,200 of the company's 26,000 employees, it has low production costs and an efficient supply chain. From this, Pandora has been able to expand to sell in more than 100 countries on six continents, through approximately 6,700 points of sale, including approximately 2,400 concept stores. With 90% of its sales taking place in Europe and the US, the company is now looking to target China.

Pandora consistently generates around €3bn in revenues each year and has, since the onset of the pandemic, grown its online presence considerably.

Launching into ecommerce in 2011, the brand has more recently instigated a company-wide programme – its Phoenix Strategy – built around the four pillars of brand, design, personalisation and core markets. This will see it offer global customers a seamless omnichannel experience between online and instore research and purchase.

In May 2021, Pandora announced the company would phase out mined diamonds in favour of gems manufactured in a laboratory. This new diamond jewellery was first sold in the UK before being rolled out globally during 2022.

WHO SHOPS PANDORA?

Pandora has created its business around the idea of mass market, affordable luxury yet interestingly, it is the preserve of higher earners, with 21% of those with a household income in excess of €88,000 per annum making multiple purchases from the company. However, the mass-market appeal is demonstrated by the 28% of those earning below €88,000 per annum who also regularly buy from the brands. These customers include 14% of regular shoppers in the lower income bracket.

Aside from the more affordable luxury tag, this can also be explained by the brand's appeal to a more youthful market. 60% of Gen Z shoppers under the age of 26 and 67% of Millennials under 42 buy the brand, while no one over 78 does.

This approach of offering affordable luxury is a natural fit with a larger swathe of the European shopping public but it is the perceived luxury afforded by the individuality of the company's core charm bracelet that is real interest. The bracelet is obviously a mass-produced offering at odds with luxury's traditionally hand-crafted approach. Yet the personalised nature of the charms gives the impression of a much more luxurious experience. The model is particularly appealing to younger shoppers since it offers a more affordable way to personalise higher-end jewellery.

This again cements the brand's identity with younger shoppers, who subsequently buy Pandora's more expensive items as they get older. This is likely to see the Gen X cohort grow as Pandora's millennial customers age.

Number of purchases from Pandora in the past three years by income, Europe, 2023
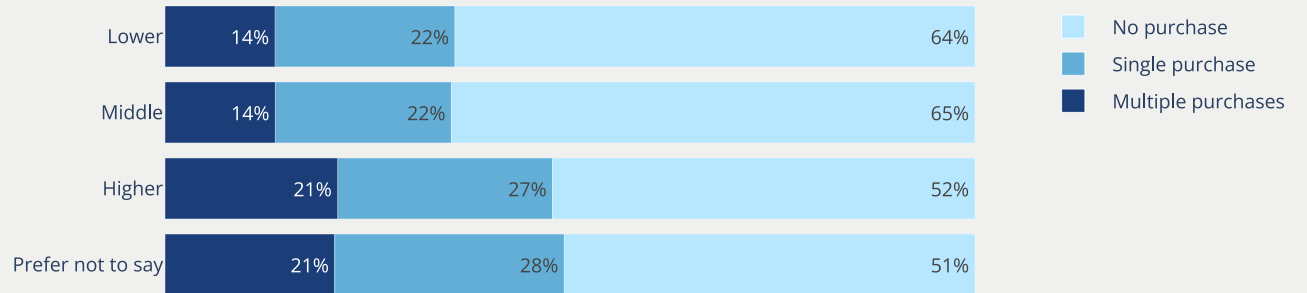
Based on 3210 individuals in Europe, aged 16-83, Mar 2023. Question: "From which of the following luxury brands have you purchased in the past three years?-Pandora". Results have been stratified by age and gender

Source: RetailX Consumer Observatory

RetailX 2023
RXSLXEU23RP-CS-INC-31-v4

Number of purchases from Pandora in the past three years by generation, Europe, 2023
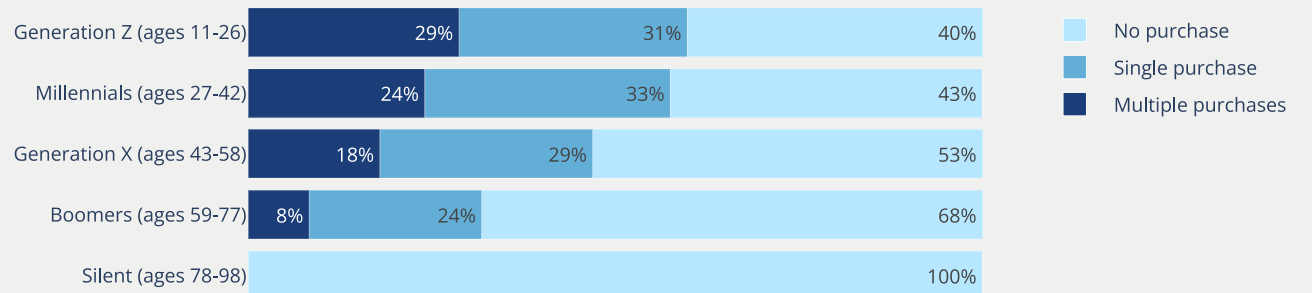
Based on 3210 individuals in Europe, aged 16-83, Mar 2023. Question: "From which of the following luxury brands have you purchased in the past three years?-Pandora". Results have been stratified by age and gender

Source: RetailX Consumer Observatory

RetailX 2023
RXSLXEU23RP-CS-GEN-5-v3

Ray-Ban at a glance

Company: Ray-Ban (owned by EssilorLuxottica)	
HQ: Milan, Italy	
Founded: 1936	
Employees: 10,000+	
Revenues 2021: €5.6bn (total EssilorLuxottica)	
Luxury segments: Sunglasses and eyewear	
Brands: Ray-Ban (parent company EssilorLuxottica also owns Oakley)	

Annual growth of European web traffic to Ray-Ban (%), 2018-22

Note: Web traffic growth calculated using Q1 data

Source: RetailX, drawing on data from SimilarWeb

RetailX 2023
RXSLXEU23RP-FN-14-v3

Ray-Ban

Popularised by Peter Fonda in the 1969 classic *Easy Rider*, Ray-Ban Wayfarer sunglasses are the epitome of studied cool. So too are the firm's Aviators, worn by countless movie stars – including 'Top Gun' himself, Tom Cruise – and originally sported by General Douglas MacArthur during World War Two.

In fact, it was aviation that created the company. In 1929, US Army Air Corp colonel John A Macready teamed up with medical equipment maker Bausch & Lomb in Rochester, New York, to create a pair of 'aviator' sunglasses that would reduce the distracting glare of the bright blue sky and white clouds when flying. Macready had learned from bitter experience that goggles fog up at high altitude, so he thought open-sided glasses would work better. The 1936

prototype, featuring a patented anti-glare coating on green lenses and plastic frames – which feel less cold against the skin at high altitude – was born. The name, Ray-Ban, was derived from the coating.

The company, which hit its fashion zenith in the 1980s, was sold to Italian sunglasses and eyewear company Luxottica in 2010, which itself was bought by French lens maker Essilor in 2017 for €22.8bn. These aggregations created one of Europe's largest eyewear and sunglasses makers.

However, the group was dogged by problems, with much of the management, R&D and marketing of Essilor and Luxottica operating in parallel within the same organisation, leading to conflicting marketing and huge operating costs. It wasn't until 2021 that Luxottica founder Leonardo Del Vecchio agreed to

share power with the board of Essilor and thus end years of spats between the two. This move unlocked some €300mn of annual cost savings and set the company up to make more of the 20% of the global eyewear business that the group current owns.

For Ray-Ban, this has seen a shift in the business as it looks not only to operate in the lucrative luxury eyewear market, but also to leverage technology to create smart glasses. These new models – based on existing frame styles – feature dual 5MP cameras for hands-free photography, discreet speakers mounted in the arms, voice control via a microphone at the arm hinge, touch control to run the camera and audio playback and a charging case. Working with Facebook owner Meta, the glasses sync with Facebook and use Meta tech to sync with the user's phone.
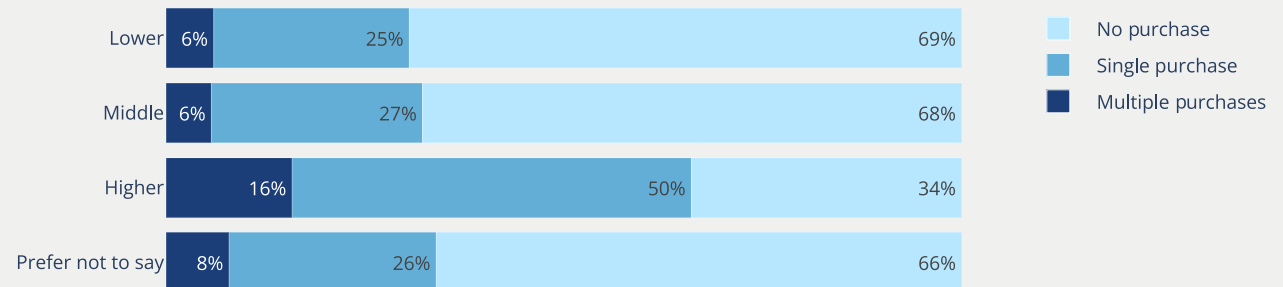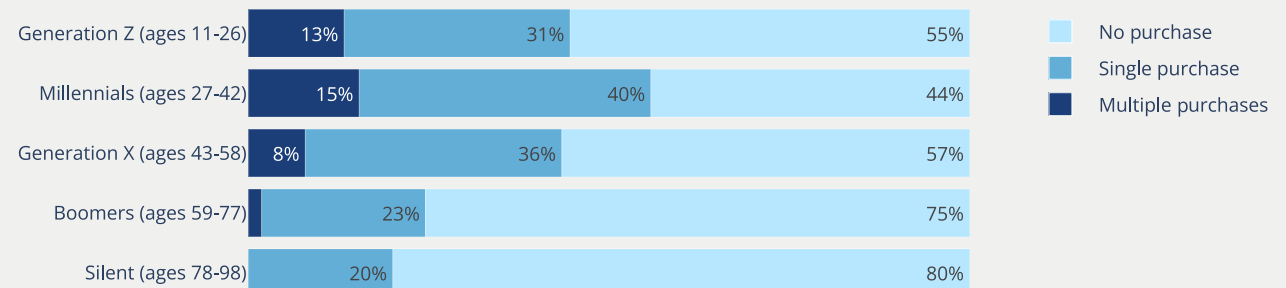
WHO SHOPS RAY-BAN?

Since they aren't the lowest cost sunglasses around Ray-Bans are very much purchased by higher-income shoppers, with 16% of those earning €88,000 and above buying them multiple times. This extends by another 50% of this cohort making one-off purchases.

The nature of sunglasses as a personal fashion purchase makes the one-off spend data more appropriate for analysis, showing that there's interest among all income brackets. 25%, 27% and 26% of low, middle and 'won't say' incomes have bought Ray-Bans in the past three years. There is a similarly wide spread in their age appeal, with 40% of Millennials, 31% of Gen Z, 36% of Gen X and 23% of Boomers buying in the same time.

This shows the enduring, cross-generational appeal of the brand, driven in part by Ray-Bans having remained fashionable across their entire history. Even young people aspire to the distinctive design and while the move into smart glasses is an attempt to stay relevant, with such brand recognition, the need to do this is questionable.

It is also worth noting that smart glasses are something of a gamble, since digitally enabled eyewear has not yet gained much market traction. Google Glass, released almost a decade ago, never took off, while Ray-Bans tech partner, Meta, has struggled with its Oculus VR headset business. Perhaps a move to integrate tech into well-loved Ray-Bans – but leaving it at just basic camera, earphones and integration – could prove to be the fresh approach that 'technical' glasses need?

Number of purchases from RayBan in the past three years by income, Europe, 2023

Income	Multiple purchases	Single purchase	No purchase
Lower	6%	25%	69%
Middle	6%	27%	68%
Higher	16%	50%	34%
Prefer not to say	8%	26%	66%

Legend: No purchase / Single purchase / Multiple purchases

Based on 3210 individuals in Europe, aged 16-83, Mar 2023. Question: "From which of the following luxury brands have you purchased in the past three years?-RayBan". Results have been stratified by age and gender

Source: RetailX Consumer Observatory

RetailX 2023
RXSLXEU23RP-CS-INC-33-v4

Number of purchases from RayBan in the past three years by generation, Europe, 2023

Generation	Multiple purchases	Single purchase	No purchase
Generation Z (ages 11-26)	13%	31%	55%
Millennials (ages 27-42)	15%	40%	44%
Generation X (ages 43-58)	8%	36%	57%
Boomers (ages 59-77)		23%	75%
Silent (ages 78-98)		20%	80%

Legend: No purchase / Single purchase / Multiple purchases

Based on 3210 individuals in Europe, aged 16-83, Mar 2023. Question: "From which of the following luxury brands have you purchased in the past three years?-RayBan". Results have been stratified by age and gender

Source: RetailX Consumer Observatory

RetailX 2023
RXSLXEU23RP-CS-GEN-6-v3

TOMMY ⬛ HILFIGER

### Tommy Hilfiger at a glance

Company: Tommy Hilfiger (owned by Phillips-Van Heasen [PVH] Group)

HQ: Amsterdam, The Netherlands

Founded: 1985

Employees: 16,000+

Revenues 2022: €4.7bn

Luxury segments:
Manufactures and sells apparel, footwear, accessories, fragrances and home furnishings.

Brands: Tommy Hilfiger, Tommy Jeans

Tommy Hilfiger

Tommy Hilfiger in one of the world's best known premium fashion brands that's sold worldwide from department stores and standalone branded shops in more than 100 countries. The US company, with its HQ in the Netherlands, was the eponymous work of its founder, who partnered with Mohan Murjani in New York in 1985 to create a fashion line based on preppy New England chinos and button-down shirts.

Adopting a more baggy look with oversized logos in the 1990s, the brand was quickly embraced by the hip-hop community. When Snoop Dogg appeared on *Saturday Night Live* wearing one of the brand's sweatshirts, it sold out in stores across New York the very next day.

Annual growth of European web traffic to Tommy Hilfiger (%), 2018-22
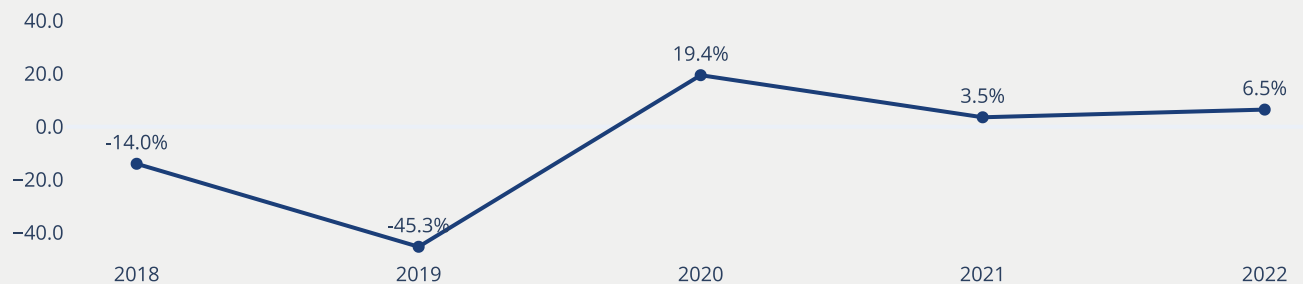
Note: Web traffic growth calculated using Q1 data

Source: RetailX, drawing on data from SimilarWeb

RetailX 2023
RXSLXEU23RP-FN-3-v6

The company has worked with numerous musicians since – including Aaliyah, Sheryl Crow and Britney Spears – firmly cementing its place in pop culture and fashion.

Tommy Hilfiger came late to the web. As recently as 2021, it was only just launching its Tommy.com site in Romania. However, making up for this slow start, the brand has since leapfrogged many other fashion brands and become one of the pioneers of the metaverse, launching a unique multi-metaverse hub creating a virtual presence on a host of metaverse platforms, including *Decentraland, Roblox, Spatial, DressX* and *Ready Player Me*.

This hub, created by tech company Emperia, is set in structures made of the brand's 'TH' monogram, which will appear across all platforms, creating a unified digital brand story and allowing for seamless movement between the retailer's own website and the various metaverses. The aim is to provide an end-to-end shopping journey.

With this first cross-metaverse hub, Emperia said it is blurring the frontiers of Web3, pioneering a new layer for interoperability that enables a connection between the metaverse, ecommerce, entertainment and direct performance. These lofty ambitions are backed by data. Emperia tracks in-hub user activity, allowing a granular insight on user journey and engagement across all metaverse experiences.

The digital hub offers four exclusive selected items, led by the Tommy Hilfiger iconic Varsity Jacket, presented in different aesthetic representations across all platforms. These will also be available for sale in two different forms: physically from Tommy's ecommerce platform and digitally from digital fashion platform, DressX.

WHO SHOPS TOMMY HILFIGER?

As a luxury fashion brand, Tommy Hilfiger goods aren't cheap and so are bought, in the main, by higher earners in the €88,000 per annum income bracket, with 23% making multiple purchases in the last three years. 16% and 14% respectively of middle and lower income shoppers purchased multiple items over the same period.
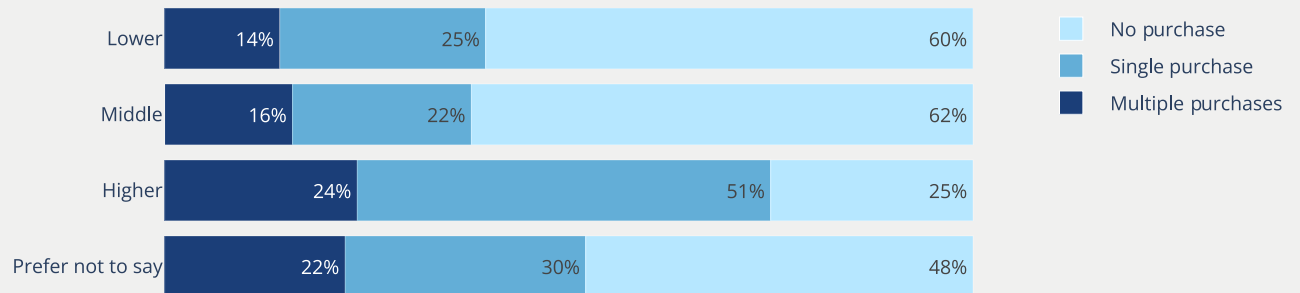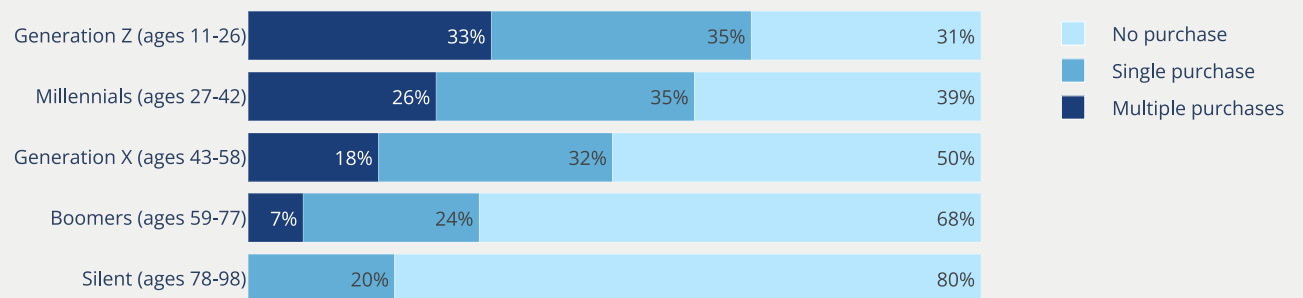
Age-wise, the brand has maintained the youth appeal that saw it attain mass appeal in the 1990s, with a staggering 33% of Gen Z shoppers claiming to have bought multiple items in the past three years and a further 35% making one purchase. Millennials, too, are keen on Tommy Hilfiger, with 26% having bought multiple items and 35% at least one in the past three years.

This youth appeal, which once centred on rap music, now includes not only the metaverse as a means of engaging with Gen Z, but also in linking up with pop stars such as Shawn Mendez. The company is increasingly tapping into Gen Z causes, with its latest Fashion Frontier Challenge Prize going to Koalaa and Moner Bondhu for their innovative concepts supporting those with limb differences.

The brand has also teamed up with 'pre-loved fashion' marketplace Depop to extend the life of Tommy clothes and support its ambitious goal to become fully circular by 2030.

A tie-up with Disney to mark the entertainment company's centenary further extends Tommy's reach into the younger end of the Gen Z market.

Number of purchases from Tommy Hilfiger in the past three years by income, Europe, 2023

Income	Multiple purchases	Single purchase	No purchase
Lower	14%	25%	60%
Middle	16%	22%	62%
Higher	24%	51%	25%
Prefer not to say	22%	30%	48%

Based on 3210 individuals in Europe, aged 16-83, Mar 2023. Question: "From which of the following luxury brands have you purchased in the past three years?-Tommy Hilfiger". Results have been stratified by age and gender

Source: RetailX Consumer Observatory

RetailX 2023
RXSLXEU23RP-CS-INC-37-v4

Number of purchases from Tommy Hilfiger in the past three years by generation, Europe, 2023

Generation	Multiple purchases	Single purchase	No purchase
Generation Z (ages 11-26)	33%	35%	31%
Millennials (ages 27-42)	26%	35%	39%
Generation X (ages 43-58)	18%	32%	50%
Boomers (ages 59-77)	7%	24%	68%
Silent (ages 78-98)		20%	80%

Based on 3210 individuals in Europe, aged 16-83, Mar 2023. Question: "From which of the following luxury brands have you purchased in the past three years?-Tommy Hilfiger". Results have been stratified by age and gender

Source: RetailX Consumer Observatory

RetailX 2023
RXSLXEU23RP-CS-GEN-7-v3

TAG Heuer at a glance

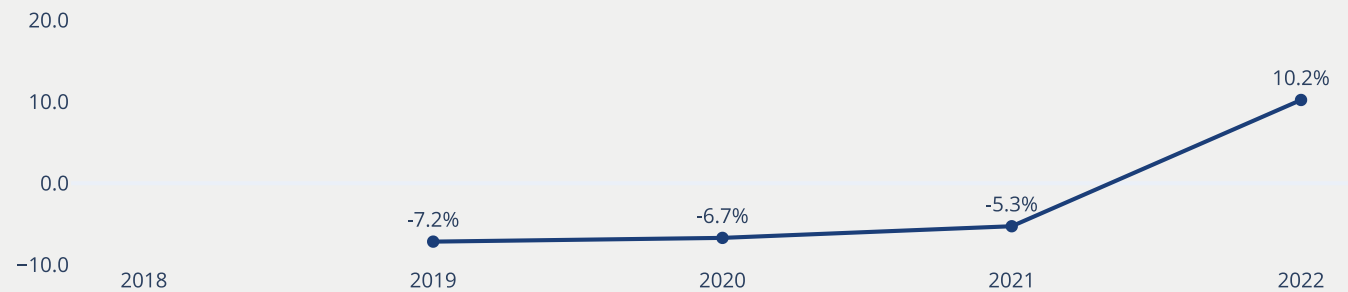|	
Company:	TAG Heuer
HQ:	La Chaux-de-Fonds, Switzerland
Founded:	1860
Employees:	1,600+
Revenues 2022:	€754mn
Luxury segments:	Manufactures and sells luxury watches, accessories, eyewear and mobile phones
Brands:	TAG Heuer

Annual growth of European web traffic to Tag Heuer (%), 2018-22

Note: Web traffic growth calculated using Q1 data

Source: RetailX, drawing on data from SimilarWeb

RetailX 2023
RXSLXEU23RP-FN-6-v3

TAG Heuer

Luxury Swiss watch maker TAG Heuer has come to epitomise the increasing popularity of luxury watches, becoming not only a thing of beauty, form and function, but also an investment.

The company was founded in 1860 with a remit to combine precision watchmaking with an avant-garde design ethos. Shortly after its inception, TAG Heuer introduced the Mikrograph – a mechanical chronograph five times more accurate than any other – and became the official timekeeper for sport's most famous competitions. With the arrival of motorsport, TAG Heuer became the first watchmaking brand to sponsor the Formula 1 World Championship.

Its precision has manifested itself not only through branded time-keeping at events, but has also led to many of the world's top motorsport practitioners sporting TAG Heuer watches on their wrists. Such endorsement has helped secure the watchmaker a top place in the aspirational world of luxury.

While trailing behind Rolex, sales at TAG Heuer have grown consistently in the past five years, with online sales starting to spike in 2022. The luxury watch market has become the target of increasingly affluent European Millennial shoppers and many of these are shopping online for collectable time pieces. The avant-garde designs of TAG Heuer have made them particularly attractive to this group.

Increasing sales among younger shoppers have also seen the watchmaker branch out into offering a luxury smart watch. Launched in 2015, TAG Heuer Connected runs on Android Wear and offers a range of smartwatch functions controlled by an app on the user's smartphone. In 2017, the company introduced Connected Modular which allowed the user to switch out digital and mechanical modules on their watch, offering what the company claims is the best of both worlds.

TAG Heuer has built on this image of derring-do racing drivers with the introduction of eyewear, as well as working with French tech company ModeLabs Group to produce a TAG Heuer-branded mobile phone under licence. ModeLabs acquired the license in late 2007 and marketed the first TAG Heuer-branded mobile phone in late 2008.

The company markets an additional line of men's fashion accessories, including wallets, belts, bags, jackets, bracelets and cuff-links.

Vivienne Westwood at a glance

|	
Company:	Vivienne Westwood
HQ:	London, England
Founded:	1971
Employees:	557
Revenues 2022:	€77.74mn
Luxury segments:	Designs and manufactures luxury womenswear, menswear, footwear accessories and homeware
Brands:	Vivienne Westwood

Annual growth of European web traffic to Vivienne Westwood (%), 2018-22

Note: Web traffic growth calculated using Q1 data

Source: RetailX, drawing on data from SimilarWeb

RetailX 2023
RXSLXEU23RP-FN-11-v3

Vivienne Westwood

Vivienne Westwood, the eponymous fashion brand established by one of the pivotal people in the emergence of punk in the 1970s, is one of the last independent fashion brands in the world. Despite the founder's death in December 2022, the brand continues to attract a loyal, esoteric audience for its luxury apparel and homeware.

The company exemplifies a number of the luxury market's characteristics. It designs, manufactures, markets and sells its own clothing, while offering something different from mainstream brands in making not only high-quality garments but also items that have a specific aesthetic and which stand out.
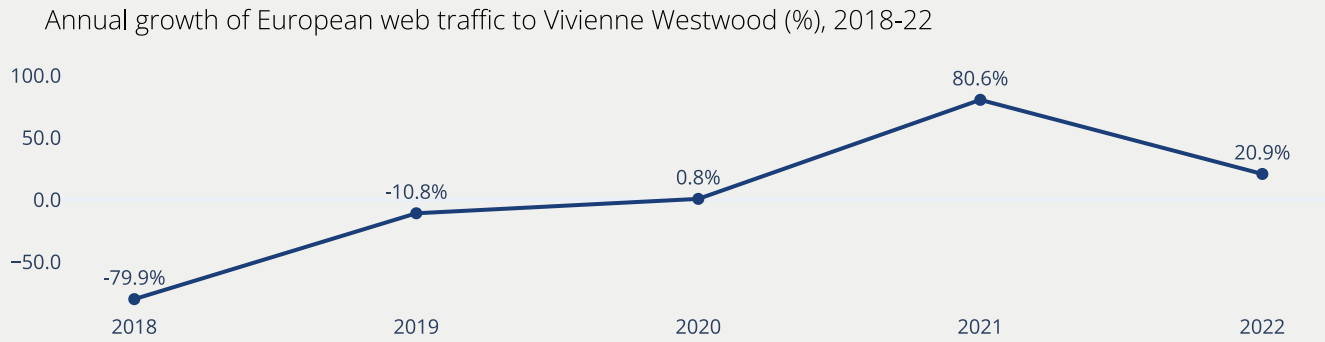
This has seen Vivienne Westwood produce iconic fashion items in recent decades. The company may have started out rehashing teddy boy suits and biker gear in the 1970s but it soon created its own unique clothing, with the invention of the bondage trouser.

This sense of pushing at convention continued long into the 21st century, with one of the founder's final ranges being a range of exercise wear featuring playing card prints, plastic bottle shoes and tights stuffed with rubbish under the 'We Are Motherf****r' name.

Yet despite this rebellious streak, the company has often attempted to break into the mainstream, collaborating with Asics, Vans and Buffalo, as well as working with Eastpak to create a range of environmentally friendly bags and accessories

around the slogan 'Save our oceans'. Always forward thinking, it was also one of luxury fashion's earliest adopters of online and saw online sales rocket during the pandemic years of 2020 to 2022.

Sales have also been driven by a growing interest in unique luxury fashion among younger shoppers. This is part has been driven by a new crop of musicians, including Dua Lipa, wearing Vivienne Westwood in recent times.

The company sells through a range of luxury fashion marketplaces, including Lyst. Its clothing is increasingly popular on luxury fashion resale site Vestiaire Collective, again cementing its position among younger shoppers looking for the uniqueness afforded by luxury and not found in the mainstream world of fast fashion.

Next steps and developments in EU luxury selling

The European luxury sector has become an outlier for embracing technology and change. So what is in store in the sector in the next 24 months?

The European luxury industry was impacted heavily by the pandemic, particularly the effect it had on international travel and how restrictions prevented luxury shoppers from the US and Asia purchasing Europe's luxury goods. However, the industry demonstrated extraordinary vision – not to mention speed of action – when it switched from being a mostly physical business to one that incorporated the latest in online-selling tech.

As the pandemic has waned and physical travel and retail have become the norm again, Europe's luxury sector has done sterling work in combining its new-found tech with its traditional retail model. The resulting model has placed the European luxury industry at the forefront of the hybrid, multichannel, omnichannel retail world – driving forwards not only its own business, but becoming the outlier for new retail platforms such as the metaverse.

This has seen it embrace new tech while also leveraging existing services to create new selling models. This approach has seen the sector attract a whole new audience, priming itself for the future by attracting younger shoppers to the world of luxury. So, what is in store in the coming 12 to 24 months?

CHANGING DEMOGRAPHICS: YOUNG SHOPPERS
Since its inception in the 14th century, the luxury market has been largely targeted at the older end of the market – those with money, style and an eye for longevity. However, this approach has an in-built limit, since old, rich clients eventually pass on to the luxury store in the sky. It also precludes growth, since it relies on shoppers 'growing into' the luxury mould, rather than being cultivated into it from a young age.

Typically, brands outside the traditional luxury space, as well as some startup luxury brands and a host of 'affordable luxury' brands had already identified the potential of this market even before the pandemic. Young, affluent, style-conscious shoppers inevitably want something different to what's on offer on the high street and are prepared to pay for it.

Indeed, a report in 2019 suggested that the ideal target audience for luxury was now the 25 to 44 year old group[1], with younger shoppers from Gen Z coming up alongside Millennials to buy 'affordable luxury' items, defined as high-quality goods that come at a higher, yet still obtainable, price.

This has, in turn, shifted the emphasis of many players in the luxury market to embrace affordable luxury goods and to target younger shoppers via social media, immersive marketing and more. The thinking is that, initially, this attracts new shoppers to luxury brands. Although the items are less valuable, they can sell a lot more of them to more people.

Secondly, affordable luxury acts as an on-ramp to higher-value purchases, particularly in the future as these shopper get older and have more income.

This then delivers the third benefit of helping to cultivate the next generation of luxury shoppers.

While this shift in target age range is shaping the wider mores of the luxury industry – driving sustainability, marketing and technology investment – the industry has a keen eye on an even younger generation of luxury shoppers: Generation Alpha. These are defined as those born between 2010 and 2025 and are, essentially, the children of Millennials and older Gen Z-ers. They are the younger siblings of Gen Y and, by 2025, will outnumber Boomers. Many of them will also live to see the 22nd century[2].

This bunch of youngsters are the most materially endowed generation ever and are totally tech savvy, committed to sustainability and have, even at a young age, access to funds.

While not yet self-determining luxury shoppers, they are learning to see the value in luxury items and to covet them through gifting from their parents and seeing their older siblings and relatives in Gens X, Y and Z embracing affordable luxury.

According to the 2020 Children Economy Insights Report, parents spend between 30% and 50% of their household income on feeding, clothing and entertaining their children. Gen Alpha is also a greater part of the purchase decision process today, directly or indirectly influencing family spending on things like holidays or even the next family car[3].

Undoubtedly, Gen Alpha represents the future of luxury consumers. It will only be a matter of years before they can financially enter the luxury universe, so luxury brands must anticipate this opportunity to build lifelong relationships.

MARKETPLACES, SOCIAL AND 'SUPER APPS'
Consumers are increasingly shopping for everything they want on marketplace sites – from Amazon through[5] to specialised luxury marketplaces such as FarFetch and Secret Sales. This is forcing luxury brands to not only embrace ecommerce, but also to look at how to take the leap into not necessarily owning the customer themselves.

While this comes with a range of brand identity challenges – not least diluting in some instances literally hundreds of years of heritage – it is increasingly the place that younger shoppers are heading to buy luxury. Can luxury brands afford not to be there?

Some brands, such as Kurt Geiger, have approached the issue by creating their own marketplace ranges, while others use them more judiciously to clear last year's stock. Either way, luxury brands have to get to grips with how to work with marketplaces.

The stakes couldn't be higher. While marketplaces may be a problem they are working on, social media sites morphing into quasi-marketplaces perhaps presents an even bigger iteration of the same problem. Gen Alpha may well be the future of luxury sales but they are very much social media animals who will want to buy their luxury goods – and talk about them – on social media sites.

For example, TikTok's 1.2bn active user population covers a full 70% of Gen Z, who currently have $143bn in total spending power. By 2025, Millennials and Gen Z will contribute 130% of the growth in the personal luxury goods market. No business can afford to ignore any of these demographics.

This move towards social media and marketplaces, along with the growing sales of European luxury in China, brings us to the issue of super apps – the apps that do several things at once for consumers. The prime example is China's WeChat. Ostensibly a social media and messaging platform, WeChat also now allows users to shop and pay for things, as well as communicate directly with brands.

Over the Chinese New Year in January 2023, WeChat saw sales on its app of travel, catering, retail and movies increase by 76%, 40%, 32% and 27% respectively, compared to 2022. It also saw a rise of 23% of use of its own payment service on and offline.

This, coupled with the rise of 'Conversational Commerce' – where brands use the messaging elements of platforms such as WeChat to engage consumers in a conversation that leads to a sales – is going to be a strong presence across all ecommerce in 2023 and beyond. With luxury users often at the cutting-edge of tech uptake, it figures that luxury brands are going to not only take on marketplaces and social media but also adapt their operations and attitude towards this new world of engagement-led selling. It may even be where they pioneer the use of ChatGPT's adaptive AI to drive that engagement.

LIVESTREAMING
Livestreaming grew in popularity across the pandemic and has continued to find a niche of interested viewers – which it hopes to turn into buyers – across 2021 and 2022.

Between February and March 2020, Instagram saw a 70% rise in livestream viewership[4], while Facebook data suggests that 800mn people watch live videos every day across Instagram and Facebook[5].

©Shutterstock
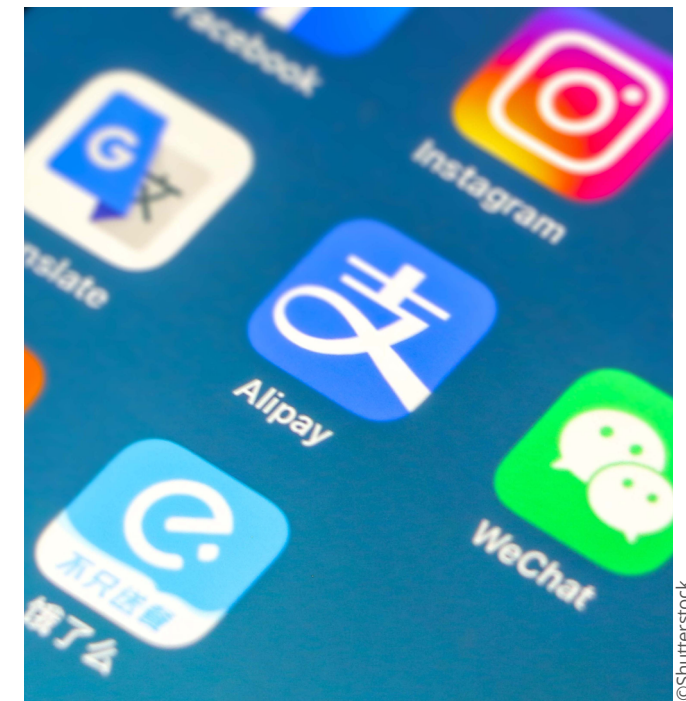
Many luxury brands have been quick to embrace this, swapping out some glossy, high-quality video marketing for more live, advice-based content that taps into the shift in consumer attention to such videos, while also turning towards an increasingly young cohort of shoppers who are getting excited by buying luxury brands.

Research suggests that the livestreaming market will soon be worth $70bn, driven primarily by eSports, but with entertainment services growing in use[6].

When it comes to retail, livestreaming accelerates conversion and improves the appeal of brands, yet it doesn't often cause direct sales... yet. In China, where livestreaming was adopted relatively early by consumers, growth has been rapid and strong, hitting $171bn by 2020, up from $67bn in 2019[7].

In the mainstream retail world, Clarins and Clarks Shoes have both been early adopters of livestreaming, with the former concentrating on skincare expert advice and the latter looking at showcasing shoes. Both have made their video content directly shoppable[8].

Of the luxury brands that have adopted livestreaming, some prime examples are Marc Jacobs, Mulberry and Chanel. Others have started to leverage their other partnerships, such as Fenty running the Fenty Social Club with its brand ambassador Rhianna, while high-end cashmere designer Madeline Thompson has hosted special live sets with DJ Henri – the DJ spinning the wheels of steel while wearing one of Thompson's iconic rainbow-coloured knits.

One of the biggest brands to try livestreaming has been Gucci. In 2020, it livestreamed a 12-hour digital fashion show. Alessandro Michele's Epilogue was broadcast on several digital platforms worldwide, including Gucci.com, YouTube, Twitter, Instagram, Weibo, Facebook and the Gucci App.

Going forward, livestreaming is going to have an increasing role to play across all kinds of omnichannel retailing, although in luxury, it has the opportunity to create some interesting content that can engage younger shoppers through new channels and underpin growth and development in both digital and physical retail for years to come.

THE METAVERSE

While livestreaming is the here and now of today's luxury ecommerce, the next generation of web access is already starting to also come through. The metaverse is a hot talking point in many sectors yet it is in luxury where some early roll-outs have given users a potential taste of what this putative technology can deliver.

The term 'metaverse' first appeared in a dystopian cyberpunk novel called *Snow Crash*, written by Neal Stephenson in 1992. This described a 3D, virtual reality space accessed through VR googles. Today, the emerging metaverse pretty much matches this, acting as a VR-driven way to access the web.

Or as metaverse investor and expert Matthew Bell says: "The metaverse is a massively scaled and interoperable network of real-time rendered 3D virtual worlds which can be experienced synchronously and persistently by an effectively

unlimited number of users with an individual sense of presence, and with continuity of data, such as identity, history, entitlements, objects, communications and payments."

What does this offer the luxury industry? There are two ways in which luxury brands – or any brand or retailer come to that – can tap into the metaverse: selling virtual goods and selling real goods.

The former has so far been the limit of brand involvement in the metaverse, with luxury brands looking to sell virtual designer outfits and goods to use on characters within VR games.

The model works pretty much as it would in real life: the luxury brand releases a limited number of outfits or items as non fungible tokens (NFTs) on the blockchain. These can then be bought and either 'worn' or traded (creating a second-hand market in virtual luxury goods, but that's another story).

Luxury brands have been quick to jump on this virtual world, with brands including Gucci, Louis Vuitton, Prada, Tommy Hilfiger, Burberry, Balenciage and Dolce & Gabbana all doing something in the space in 2021 (see panel on page 35).

The next stage in metaverse development will involve using the virtual world to buy real-world goods, with the virtual world acting as a more realistic and interactive ecommerce platform. Here, brands will be able to create rich and immersive experiences that lead directly to sales of goods, factoring in virtual try-ons and more.

While this is still a year or more away, these early forays into virtual goods on the metaverse suggest that it will be an area that luxury brands are likely to look at with interest.

[1] https://mediaboom.com/news/target-audience-for-luxury-brands/

[2] https://mccrindle.com.au/insights/blog/gen-alpha-defined/

[3] www.childrenssociety.org.uk/sites/default/files/2020-11/Good-Childhood-Report-2020.pdf

[4] https://about.instagram.com/blog/announcements/supporting-creators-on-instagram

[5] www.facebook.com/zuck/videos/10111929914173161

[6] https://findstack.com/live-streaming-statistics/

[7] www.mckinsey.com/business-functions/mckinsey-digital/our-insights/its-showtime-how-live-commerce-is-transforming-the-shopping-experience

[8] https://econsultancy.com/four-retail-brands-using-live-streaming-to-drive-omni-channel-strategy/

Luxury brands working in the metaverse include:

Gucci
This pop-up on *Roblox* allows users to explore Gucci's mythical Gucci Garden's immersive themed rooms, try on and purchase Gucci NFTs to be worn inside the game and even buy a single bag for more than $4,000 in real-world money.

Louis Vuitton
Celebrating what would have been founder Louis Vuitton's 200th birthday, the French fashion house released a mobile game in partnership with digital artists Beeple. Titled '*Louis the Game*', users were given an insight into the storied brand as they follow the game's protagonist, Vivienne, across seven different virtual worlds inspired by real life famous fashion capitals, including London, Paris and Munich. Players were also able to customize their avatars with a wide offering of LV prints, unveiling the history behind the famed luxury house through postcards and other memorabilia popping up along the gameplay.

Burberry
Burberry created a string of unique playable NFT creations called Sharky B that live in *Blankos Block Party* from Mythical Games. The characters include accessories like armbands, jetpacks and pool shoes. The creation collection sold out quickly for almost $400,000.

Prada
One of the more creative takes on the metaverse, Prada teamed up with Adidas Originals to task 3,000 creatives from across fashion, design and the world of cryptocurrency to create individual NFT tiles. After minting, the tiles were compiled into one NFT world by the hands of digital artist Zach Lieberman, which was then auctioned.

Balenciaga
Balenciaga launched its collection of clothes in *Fortnite*. These 'skins' (outfits for game characters) are purchased using V-Bucks, the *Fortnite* world currency. V-Bucks are purchased with real money.

Dolce & Gabbana
Dolce & Gabbana sold its nine-piece 'Collezione Genesi' collection on the digital luxury marketplace UNXD for $5.7mn.

Figures

End Matter

We hope you have found our research and analysis to be of interest and value. We would be very pleased to hear from you with questions, suggestions or comments. In particular, do let us know of any areas of research that you would like us to investigate for possible inclusion in the 2024 report.

Please get in touch via research@retailx.net

RESEARCH:
Researcher Anna Segarra Fas
For questions about our research and to send feedback, please email the team via:
research@retailx.net
Research Director Martin Shaw

CEO Ian Jindal

EDITORIAL:
Editor Paul Skeldon
Production Editor Cam Winstanley
Managing Editor Jonathan Wright

DESIGN:
Art Editor Lauren Coburn
Cover Design Freny Antony

MARKETING:
Marketing and Circulation
Addison Southam marketing@retailx.net

SALES:
Commercial Director Andy James
andy@retailx.net
Group Creative Solutions Director
Marvin Roberts marvin@retailx.net

This report is based upon our reasonable efforts to compile and analyse the best sources available to us at any given time. Opinions reflect judgment at the time and are subject to change.

RETAILX

THANK YOU
Our thanks to go our title sponsor for helping us to bring our insights and findings to
professionals working within ecommerce and multichannel retail.

Tealium.com

Knowledge Partners
We would like to thank the following Knowledge Partners for their original data insights
as well as support, advice and guidance in producing the RetailX European Luxury Report 2023.

builtwith.com   similarweb.com