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Introduction

The luxury sector has always been the epitome of elegance, sophistication and exclusivity, catering to a segment of consumers who are willing to pay for premium products and experiences. But that has been shaken up, first by the impact of the pandemic, then by a recovery phase that has occurred against a backdrop of increasing economic turbulence.

The fact that the sector has come out ahead of its pre-pandemic level is testament to how well it has adapted to a changing world. More consumers than ever now see luxury items not just as status symbols but also as investments and as a means of helping lessen their impact on the environment. This has seen a growing number of younger people engaging with luxury brands. It has also seen an explosion in sales across the markets of Asia, not least in China.

This changing demographic is forcing the luxury sector to re-evaluate how it operates, pushing it to be an exemplar of both traditional high-end, instore experience as well as being at the vanguard of digital technology. From mobile social selling through to the metaverse, such innovations make the luxury sector a test bed for how the wider retail world might operate.

In this report, we get a snapshot of a sector in flux and one that is pointing the way to the future of retail in a very changed world.

Ian Jindal, CEO, RetailX

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Gen Z shoppers starting to shift from throw-away fast fashion to fewer items of Luxury goods

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High net worth consumers in Asia hit an all-time spending peak in Q1 2022

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European and Asian consumers are also more prepared to pay more for more sustainable and ethical goods

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The global luxury market 2023

Luxury has made a remarkable post-pandemic recovery worldwide, although that change has seen the industry shift

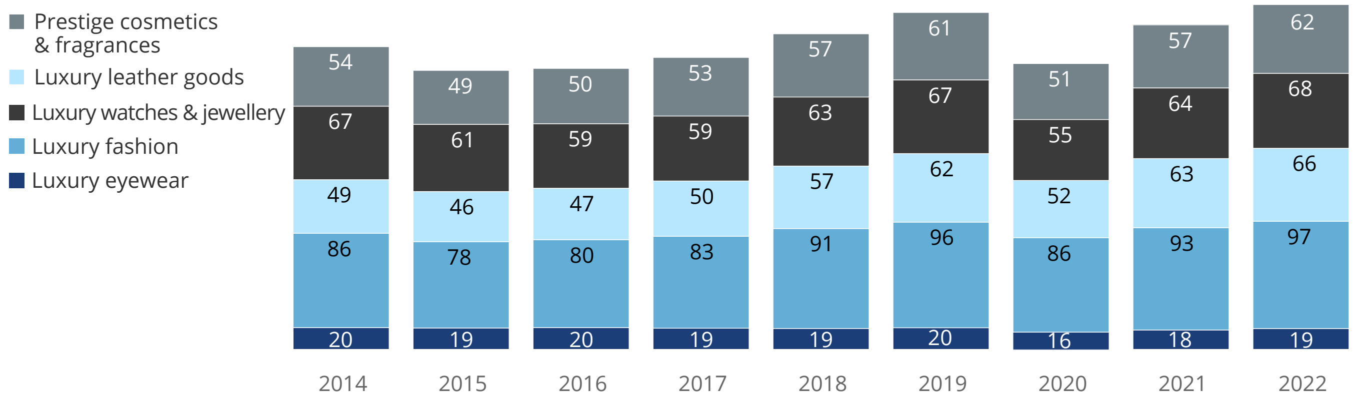
2022 was a pivotal year for the global luxury sector, with total revenues from sales across all segments totalling pre-pandemic levels. As of 2022, the market – covering fashion apparel, cosmetics, footwear, accessories, eyewear and leather goods – topped $312bn, a level not seen since 2019, which itself was a year notable for the luxury sector hitting its highest ever level (Figure 1).

This shows that, despite the drag on the market inflicted by the pandemic in 2020 and to, some extent, 2021, the sector has done a remarkable job of bouncing back. In 2021, a year partially blighted by lockdowns and hampered by the continued curtailment of the travel sector, the luxury market worldwide managed to match 2018's performance. Indeed, across the US and Asia, the luxury sector has consistently outperformed the non-luxury market for fashion, footwear and accessories, often by between 20% and 30%[1].

Per capital spending on global luxury, however, remains muted, sitting at around 98% of its 2019 level (Figure 2). This indicates that luxury spending has been hit by inflation and that spending is restricted to a smaller number of luxury shoppers in all regions. This is particularly true in Asia, where per

Figure 1: Sector revenue has recovered from the pandemic

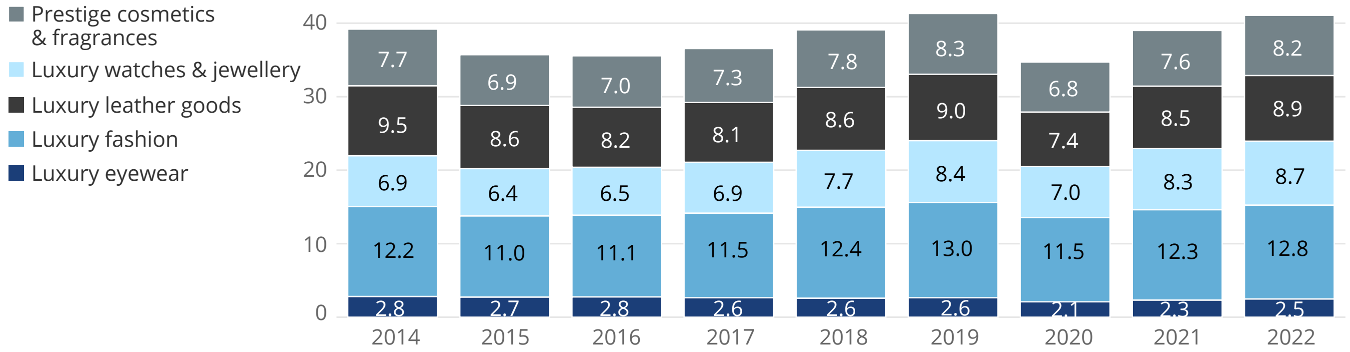
Luxury goods revenue, by segment, $bn, 2014-2022



Source: Statista Consumer Market Insights

Figure 2: Luxury's leather goods and eyewear are the only segments to fully recover pre-covid levels

Luxury sector revenue per capita, by segment, $, 2014-2022



Source: Statista Consumer Market Insights

capital spending is the lowest of all regions, despite the this one generating the highest luxury goods revenues (Figure 3). The USA, conversely, is the top country for the luxury sector by revenue, followed by China, Japan, France and UK.

EUROPE STRUGGLES

Europe overall, however, has continued to lag behind the market in China and the US. While these other two regions continue to grow at an impressive rate – and are predicted to do so into 2023 and 2024 – Europe's luxury market is, in fact, in decline.

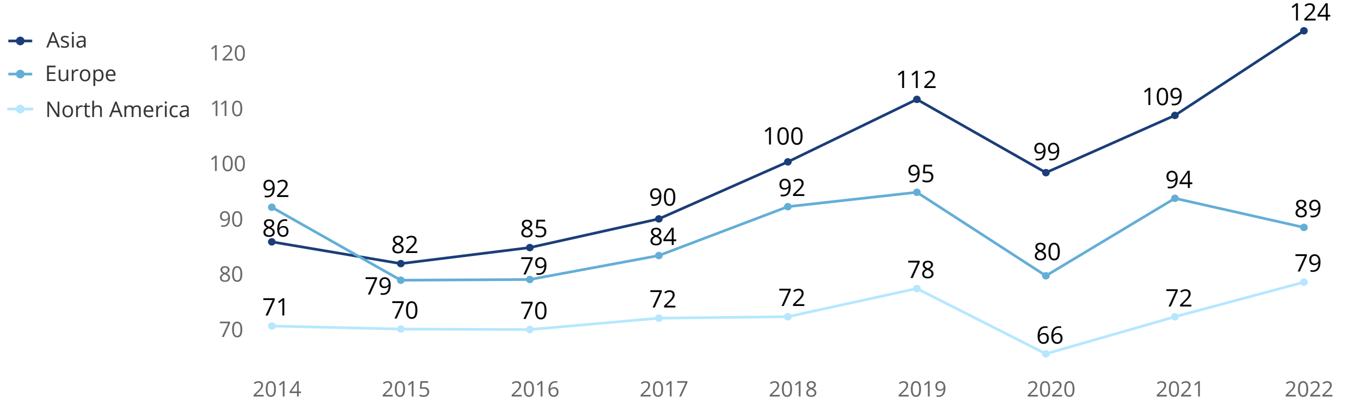
The reasons are two-fold. Europeans have so far been hit harder than US and Asian consumers by the cost-of-living crisis. While 2023 may well see this situation change, for a large chunk of 2022, consumers across Europe have seen higher inflation and higher energy prices, which have both suppressed discretionary spending.

The second, more significant, reason is that many of the sales of luxury goods that took place in Europe were to shoppers from China and the US. Traditionally, luxury goods have been anything up to 50% cheaper to buy in Europe than in mainland China. A strong dollar and large markups to cover import duties and taxes have kept prices of European luxury artificially high outside Europe, which had been the key driver of high rates of tourist luxury spending.

The pandemic and its curtailment of travel changed all this. To maintain sales in these regions, prices fell and local consumers have since got used to buying luxury locally. This has seen European luxury sales

Figure 3: Asia is the most valuable region for luxury retailers

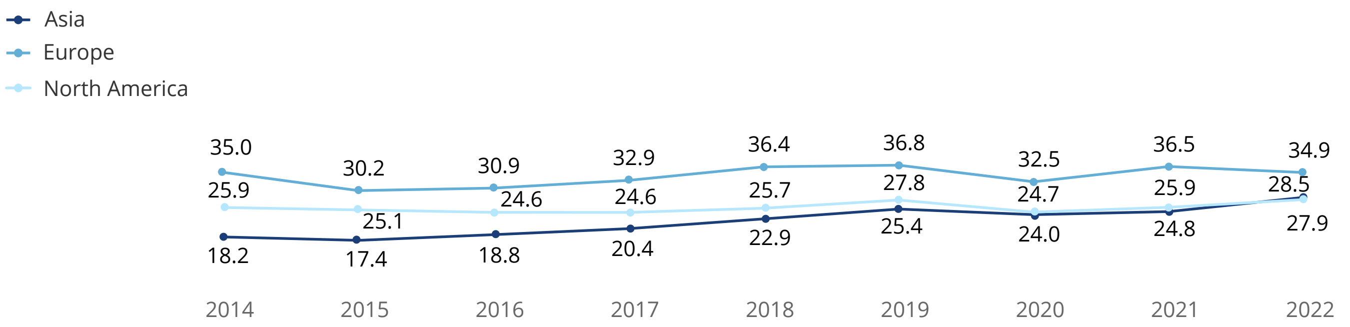
Luxury goods revenue, by region, $bn, 2014-2022



Source: Statista Consumer Market Insights

Figure 4: The European region leads in luxury fashion revenue

Revenue of luxury fashion segment, by region, $bn, 2014-2022



Source: Statista Consumer Market Insights

drop, which has encouraged non-European luxury brands and retailers to expand into China, the rest of Asia and the US.

However, this paints something of a misleading picture. While the overall luxury sector is seeing strong growth in Asia and the US, individual segments are performing differently within each region. Europe, for example, still leads in terms of spending on luxury fashion (Figure 4), while the US leads the world in luxury eyewear spend (Figure 5).

LEARNING FROM PRE-PANDEMIC

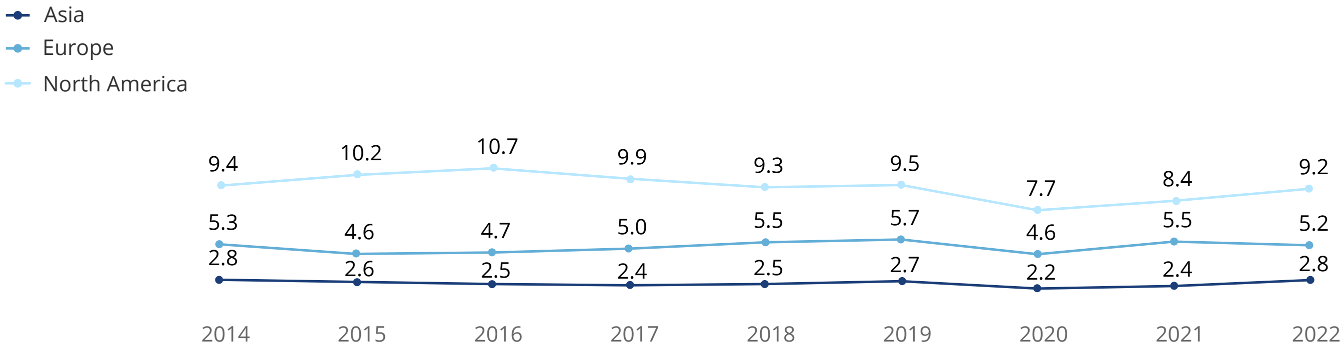
The bounce-back of the sector to pre-pandemic levels – one that was a peak of luxury selling – is highly significant, offering both an insight into the direction of travel of the sector across the decade, as well as how the industry will move forward in the years ahead.

Luxury saw a renaissance in its fortunes across 2017 to 2019, driven by the industry actively shifting to omnichannel retailing, augmenting its traditional physical retail model with online and particularly mobile. This was done to both service a growing number of younger luxury shoppers, as well as looking to attract more of the same to buy luxury.

This move coincided with the rise in millennial and Gen Z shoppers starting to shift from throw-away fast fashion towards looking at one-off, higher value fashion and accessory purchases – both as a mark of their own individual style and affluence and an antidote to the rising fever of environmental concern.

Figure 5: North America leads luxury eyewear sales, but the category has yet to fully recover to pre-Covid levels

Revenue of luxury eyewear sales, but the category has yet to fully recover to pre-Covid levels



Source: Statista Consumer Market Insights

These two forces combined to create a powerful, younger demographic of shoppers inspired largely by the image projected by buying certain luxury brands, rather than simply because the items were expensive.

The luxury market has been, for most of its lifespan, dominated by older, high-wealth shoppers. These traditional customers, however, are ageing and dying. Up until the 2010s, nothing much was done to attract new, younger consumers into the market for luxury, creating a shrinking global customer base.

A move to actively attract these younger shoppers by offering them omnichannel, social media influence and through green initiatives, was slow to catch fire but by 2019, had finally seen a massive rise in the sector's fortunes.

This move took a hit in 2020 as the pandemic saw spending halted through the shutting of shops and the grounding of transport. Those early omnichannel moves seen in 2017 to 2019 were suddenly seen as vital to survival and many luxury brands rapidly shifted online to plug the sales gap.

As they perfected this across 2020 – especially the use of social media and influencers to shift pre-used, recycled and rented luxury apparel – so the on-boarding of younger luxury shoppers accelerated.

This goes a long way to explaining why the luxury sector returned to it pre-pandemic peak so rapidly and why it looks set for continued and sustained growth throughout 2023 and beyond.

GEOPOLITICAL FACTORS

The luxury sector is, like any retail sector, affected by global geopolitical events. While the impact of Brexit is still being felt, the fallout of the pandemic in China and the Russian invasion of Ukraine are now the two dominant global factors affecting the industry.

For the early part of 2022, the Chinese market was constrained by ongoing pandemic lockdown and isolation measures. This saw footfall to all retail, including luxury, decrease and led to muted sales in the region. It also resulted in the growth in online sales of luxury which, thanks to the global nature of ecommerce, had an impact across all luxury sellers, regardless of location.

The subsequent lifting of restrictions in China is likely to see a rise in luxury sales as footfall returns to stores. There is a note of caution, however. The surge in Covid-19 cases seen in early 2023 as restrictions have been lifted could impact shopper behaviour, either forcing some consumers back into self-imposed isolation, or prompting the Chinese state to reimpose restrictions. The impact on the economy of the surge may also see a squeeze on spending, which could also dampen Chinese luxury spend during 2023.

The partial ban on travellers from China to some European countries and the US that this new surge prompted in early 2023 could also have an impact on European and US luxury sales.

Cost of living issues may also arise from the global fallout of the Russian invasion of Ukraine. The withdrawal from the Russian market of many key luxury brands at the start of the conflict in February 2022 had an immediate and localised effect on the sector. Russian luxury customers account for approximately 2% to 3%, or about $7.7bn, of the total global luxury goods market[2]. This has been all but wiped off the balance sheets of many brands.

However, it is the wider impact of the conflict that could trouble luxury's recovery in 2023 and beyond. Consumer confidence has already been hit in Europe, with a rise in energy prices prompted by the sanctioning of Russian gas creating an inflation boom that has hit many consumers' spending ability. This is particularly impactful on the new, younger luxury shoppers, many of whom underpinned luxury's rising fortunes.

The global spread of inflationary pressure and falling consumer confidence is set to hit the US and Chinese markets as the year rolls on, once again eroding luxury spending.

Brexit, too, continues to impact the sector. The Brexit deal saw the end to both a VAT rebate on luxury goods and as a cessation of a zero-tariff and zero-quota trade for luxury goods between Britain and EU. While foreign shoppers can still buy UK luxury goods in the UK and claim the 20%, they have to have the goods shipped directly to their home country. According to RetailX research, this has seen a huge drop in international visitors to UK luxury brands by nearly 7.3%, resulting in a £1.8bn loss[3].

Britain has an exposure of 4% to 5% in terms of international luxury brands. It relies more on domestic brands such as Burberry, which brings about 10% of the overall domestic sales. However, the problem for UK luxury brands comes when shoppers are shopping elsewhere in the EU. They are likely to buy from EU brands in the EU, where they can not only claim back their VAT but can also get a better price, since UK brands will be subject to quotas and tariffs for selling there.

This will drive Asian luxury shoppers to buy European luxury brands, a boon for the ailing European luxury sector, possibly one for the emerging domestic Asian luxury retail space, but a hit for the UK's luxury industry.

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Global luxury market regions & segments

Luxury as a whole might have grown to reach pre-pandemic levels but how are its constituent segments fairing?

REGIONAL SPENDING

The US continues to be the dominant market for personal luxury goods, taking 31% of the global market, marginally ahead of Europe's 25% share. However, Asia is catching up fast. China already accounts for 21% of the global luxury market on its own. When combined with the 11% of luxury trade seen across the rest of Asia, plus the 7% of global luxury sales that take place in Japan, the region becomes the pre-eminent market for luxury (Figure 6).

In revenue terms, the USA is still quite a way in front of leading Asian markets China and Japan, generating an impressive $70bn in luxury sales a year in 2022. China, while taking a large slice of the global market, generates sales of around $50bn. Japan, traditionally a high-wealth market with a leaning towards Western luxury brands, is around half the size of China's market (Figure 7).

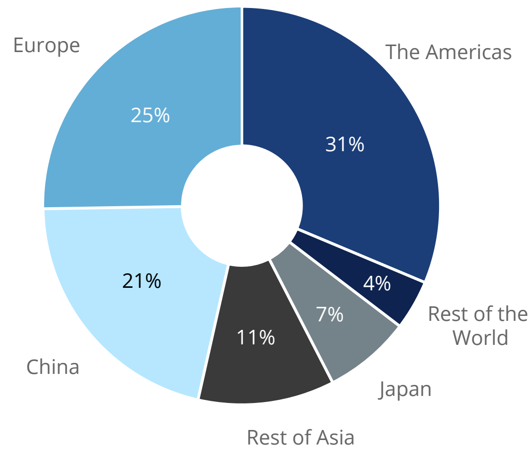
However, these three leading luxury markets dwarf those of Europe, with France, the leading market for luxury in the region, along with the UK's up-and-coming luxury market, generating only $15bn and $14bn in sales respectively.

This is the result of the spend per consumer on luxury being wildly different in the regions, with consumers in Asia – predominantly Chinese shoppers – buying a large quantity of luxury items per capita, albeit at a much lower price point. In Europe, the converse is true – shoppers are buying fewer, much higher value, luxury items.

Only in the US is there a combination of the two, with the US consumer base buying a large quantity of luxury items spread across the entire luxury price range (Figure 8).

Figure 6: Regional share of luxury sales

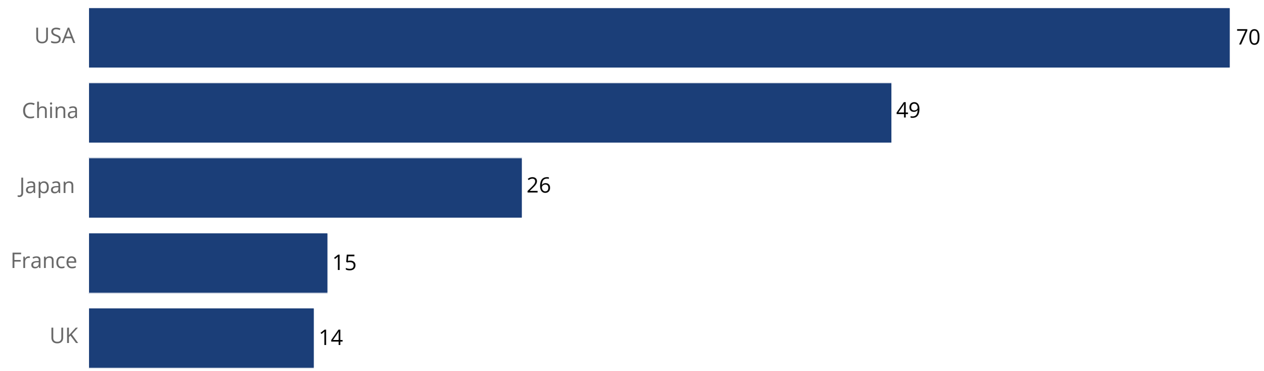
Share of the personal luxury goods market, 2001



Source: Worldwide; Bain & Company; 2021

Figure 7: The US and Chinese markets are the biggest luxury markets by far

Total consumer spending on personal luxury goods ($bn), 2022



Source: Statista Consumer Market Insights

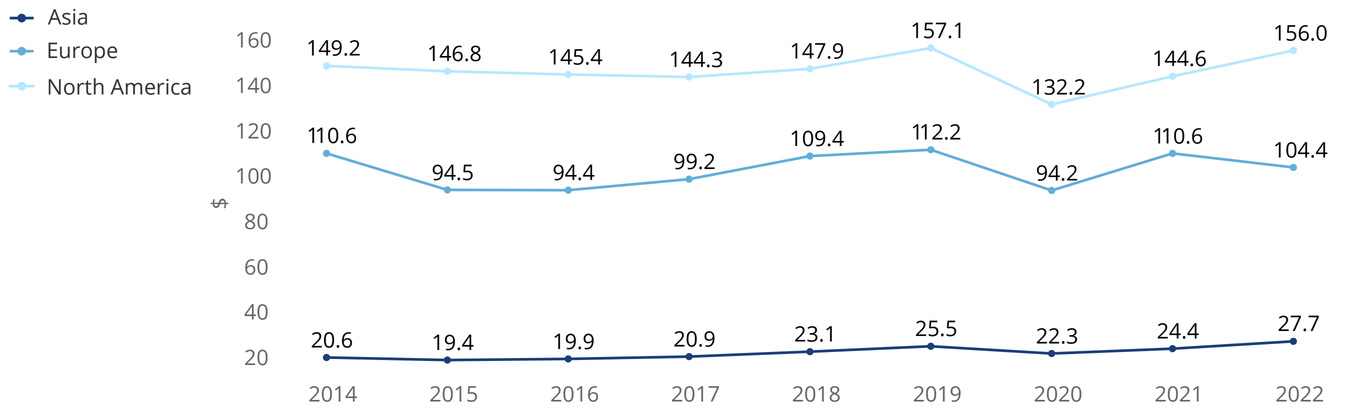
The average luxury spend per capita in the US stands at $156, compared to $104 in Europe. In Asia, this comes out at $28, indicating that the price point of luxury goods in the Chinese market is much lower than in the other regions, as well as indicating that Chinese consumers may be spending on less well-known international luxury brands, as well as investing in the burgeoning number of domestic luxury brands that have emerged in the region to service this new level of demand.

European luxury spending, meanwhile, is in decline. Having picked up after the pandemic, it is now sliding to below 2018 levels and heading for where it was in 2017. Much of this is being attributed to the failure of tourism to recover to its pre-pandemic levels, so sales of luxury goods to visiting foreign nationals are significantly down. With China in a state of rolling lockdowns and travel restrictions through much of 2022, there has been a distinct drop in spending from these visitors. Shrinking consumer confidence worldwide towards the end of 2022 also dented sales in the region.

The return of Chinese tourists, along with a springing back in high-end consumer spending likely to be seen in the second half of 2023, are set to drive a recovery in European luxury spending. Yet this could be dampened by the growth of domestic Chinese and wider Asian demand for cheaper luxury, sold in-country, again detracting from the growth in tourist luxury spend in Europe and, to some extent, the US.

Figure 8: Revenue per capita bounced back after the pandemic across regions

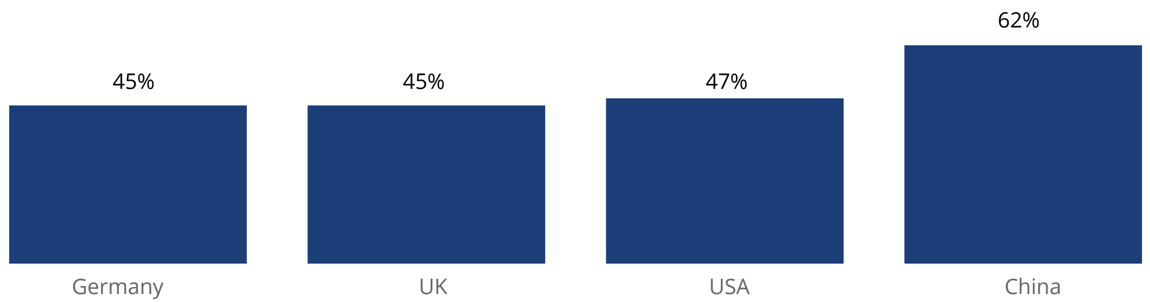
Revenue per capita of the personal luxury goods market ($bn), 2014-2022



Source: Statista Consumer Market Insights

Figure 9: Chinese consumers attach more importance to luxury apparel

Relative importance of luxury clothing and shoes according to consumers, by country, 2022



Source: Statista Consumer Market Insights

CONSUMER PREFERENCES BY LUXURY SEGMENT

Across the segments that make up the luxury sector – for this report, apparel, cosmetics, accessories, footwear, leather goods and eyewear – Chinese consumers lead the way in desiring all and more of these luxury staples.

Analysis of consumer preferences across the regions finds that in all these segments, shoppers in China are looking to buy luxury items from each category more keenly than their counterparts in USA and the selected leading European markets of Germany and the UK (Figures 9, 10 and 11).

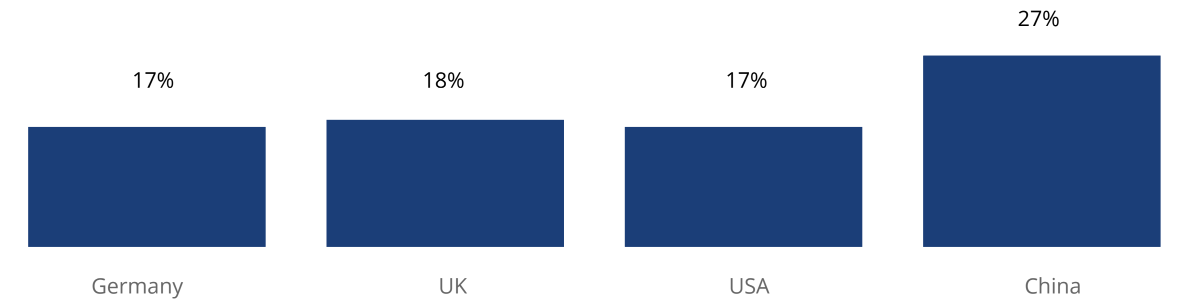
The indicates that the market for luxury goods across the board is currently strongest in China, with consumer preference data outlining that growth in all these segments can be generated in the Chinese – and wider Asian – markets.

Again, this keenness is tempered by the potential per capita spending (Figure 8). While there is a growing thirst for luxury apparel, accessories and cosmetics in China, the price point for all of these goods is still relatively low.

The standard of living in China is still lower than that of the markets of the US and Western Europe. Consequently, luxury pricing, while set at a premium above that of everyday goods, remains much lower than found in the other markets. Consequently, while there is a strong desire for these goods among Asian shoppers, the revenue generated by their sale is lower. This does, however, offer a growth opportunity for luxury brands. The creation of lower cost alternatives that feature the well-known brand name can tap into this large, lower-value market, while the opportunity to create new, lower-cost luxury brands in their own right is also strong.

Figure 10: Chinese consumers give significantly more importance to luxury cosmetics and body care than other regions

Relative importance of luxury cosmetics and body care according to consumers, by country 2022



Source: Statista Consumer Market Insights

Established luxury brands must move fast. The gap between growing demand for affordable luxury and lack of supply of affordable brands is leading to the proliferation of domestically created luxury brands.

This is in line with the Chinese principle of *Guochao*, literally 'national trend', referring to the increased consumer favouritism towards Chinese brands, designs and culture, which has swept across the Chinese consumer base for all goods. Luxury has been no exception. Many of the established domestic Chinese luxury brands centre around local alcoholic drinks, such as Shui Jing Fang, the oldest distiller on record, dating back 600 years; Changyu, China's oldest and largest winery; and Moutai, hailed as China's 'National Liquor' and the country's most expensive domestic spirit.

Yet the Chinese luxury market is branching out, with luxury apparel brands such as Shanghai Tang and Ne Tiger seeing growing sales, while jewellery maker Lao Feng Xiang, which has been in existence since 1848, is gaining considerable global traction. Sea-Gull Watches are also becoming a must-have in the country.

And let's not forget Red Flag, China's oft-overlooked luxury car maker, launched by Chairman Mao in 1958 because even then, he recognised that China needed its own luxury car. Now government officials and state-owned enterprise chiefs tend to use Red Flag cars for official occasions.

There is also a growing market in China for luxury consumer electronics (Figure 12), driven by the relatively new demand among the younger end of the consumer base for the latest in high-end mobile phones, games consoles and even VR headsets. These digital natives have grown up seeing such devices as a right rather than a privilege and are now looking to the luxury end of the market to make a personal statement. This segment of the luxury market is set for strong growth across China, the rest of Asia and, increasingly, other developing markets in Africa and the Middle East as these similarly youthful users come of age and demand high-end tech.

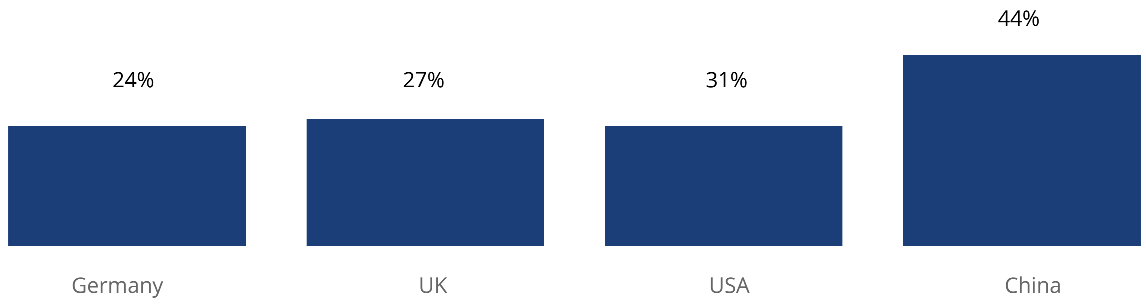
REGIONAL SEGMENT BREAKDOWN

How this regional spending breaks down into what kinds of luxury goods consumers are spending on paints an even more interesting picture. Chinese consumers show a greater desire for all segments of the luxury market, suggesting that the growth opportunity here is strong in the years ahead. This is currently translating into actual revenue growth in each of the segments.

Looking more specifically at leather goods, jewellery, luxury watches, cosmetics and fragrances, Asian markets here too lead the way in terms of luxury revenue generation (Figures 13, 14 and 15). This is offset by sluggish growth in the US and decline across Europe, once again driven by the fall in tourist traffic, as well as a general slowdown in economic activity. Even in the buoyant luxury leather goods market, European sales are struggling to regain their pre-

Figure 11: UK and US consumers trail China in placing less importance on luxury bags and accessories

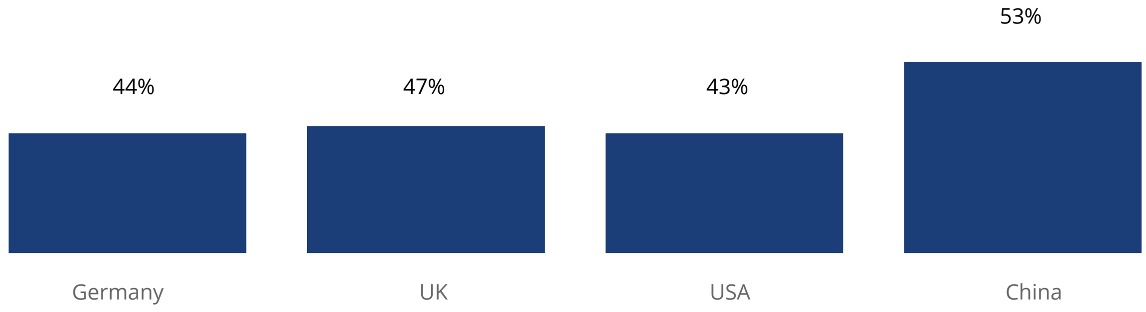
Relative importance of luxury bags and accessories according to consumers, by country, 2022



Source: Statista Consumer Market Insights

Figure 12: Chinese consumers attach more importance to luxury consumer electronics

Relative importance of luxury consumer electronics according to consumers, by country, 2022



Source: Statista Consumer Market Insights

pandemic levels. The overall luxury leather market has seen steady growth but sales in Europe are tailing off. While the drop in tourist traffic may be playing a role, there is also the fact that European imports of leather goods have increased dramatically over the past decade. The European leather good sector turned over €48bn in 2020, with the EU generally regarded as one of the pre-eminent sources of high-quality leather as a raw material and leather goods.

However, Europe has also become one of the biggest importers of manufactured leather goods, in 2018 importing €8.6bn and increasing at a rate of 7% to 10% per year[1]. This is potentially offsetting sales of domestically produced leather luxury goods in Europe, with its high-quality raw leather being exported and the products made from it imported.

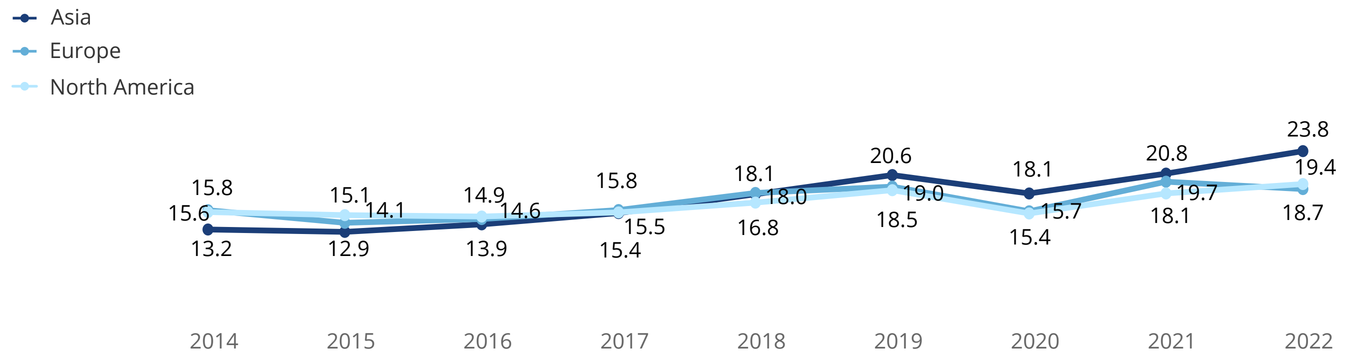
The jewellery and luxury watches segment, meanwhile, has been relatively flat through the pandemic and beyond. Watches, in particular, have a relatively niche appeal and an audience that is small but acquisitive. The market is the preserve of consumers in the 25 to 44 year age range, who have a relatively high disposable income.

Again, the market for these devices is falling – albeit slowly – in Europe and surging in Asia, driven by the same factors as the wider luxury market. In North America, however, growth has been slower than elsewhere, held back by a burgeoning market for second-hand luxury and designer watches[2] and a rise in counterfeit time pieces from, ironically, Asia, flooding the market[3].

The growth of collecting luxury watches as a hobby had fuelled early gains in the segment but rising

Figure 13: Steady growth of luxury leather goods in Asia since Covid-19 as Europe slows sales in 2022

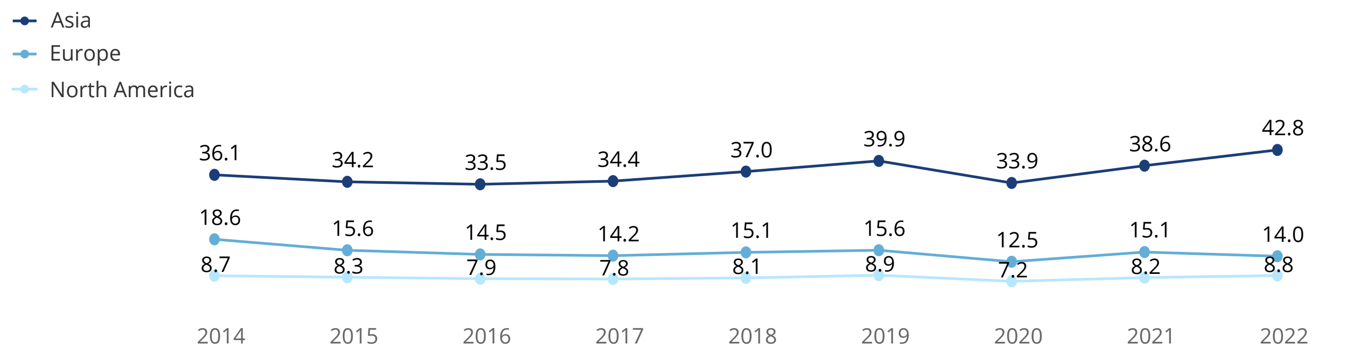
Revenue of luxury leather goods segment ($bn), by region, 2014-2022



Source: Statista Consumer Market Insights

Figure 14: Asia remains significantly ahead and growing in the luxury watches and jewellery segment while Europe shrinks performance in 2022

Revenue of luxury watches and jewellery segment ($bn), by region, 2014-2022



Source: Statista Consumer Market Insights

prices and a shortage of vintage luxury watches has currently stymied growth in this part of the market. The introduction of luxury smart watches, such as Apple's Watch Ultra, has also shifted the emphasis from luxury brand watch sales to consumer electronics watch sales, changing the value of the watch market segment.

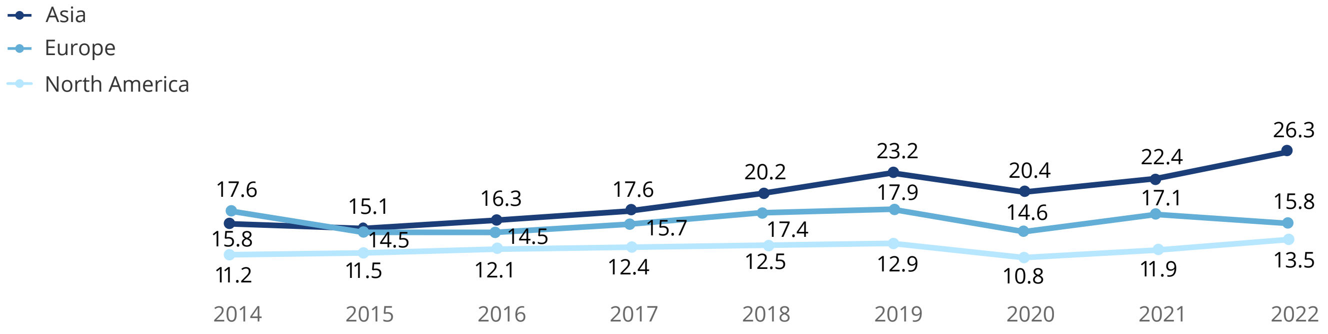
Finally, luxury cosmetics and fragrances again see the same overall picture as the other facets of the luxury market, with resumed growth post-pandemic, particularly in Asia and the US, but with early gains in 2021 in Europe rapidly eroding in 2022.

The growth has been driven by a growing awareness among cosmetics consumers of the need for high-quality products to apply to their bodies, with social media influencers and celebrity endorsements propagating this trend. There has also been a move to ethically sourced, not animal tested and sustainable cosmetics, again driven by influencers and consumer desire to 'do the right thing'[4].

These two factors have seen a surge in sales of more expensive and exclusive cosmetics and fragrances, which has had the effect of enhancing the segment's reach and expanding its revenues. This has occurred through both a change in pitch among the established brands in the sector and the proliferation of a new breed of high-end cosmetics companies and marketplaces. This trend, despite the economic headwinds seen in all consumer markets, is set to continue into 2023 – driven along with the whole sector by the growing purchasing power of the younger demographic of shoppers, as we shall uncover in the next section.

Figure 15: Positive pandemic recovery in the luxury cosmetics and fragrances segment but Europe recedes compared to 2021

Revenue of luxury cosmetics and fragrances segment ($bn), by region, 2014-2022



Source: Statista Consumer Market Insights

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Global luxury consumer demographics and behaviour

Luxury is increasingly attracting younger shoppers and with that comes some challenging customer behaviours

Compared to a range of general retail categories, the amount spent online on luxury apparel worldwide is among the highest of all verticals (Figure 16). Much of this is down to the higher price point of luxury goods but it is also a reflection of how luxury is increasingly becoming a more sought-after source of clothing, footwear, accessories and cosmetics.

This is being driven almost exclusively by a growing number of younger shoppers. This trope is seen across the entire luxury market, with consumers aged 18 to 39 the largest single cohort in all categories from luxury apparel to watches to consumer electronics (Figure 17).

Younger shoppers are looking to luxury – and its spin-off sector, affordable luxury – as a source of not only high-quality and unique items that stand apart from the more widespread 'high street' look, but also because it offers a means of buying

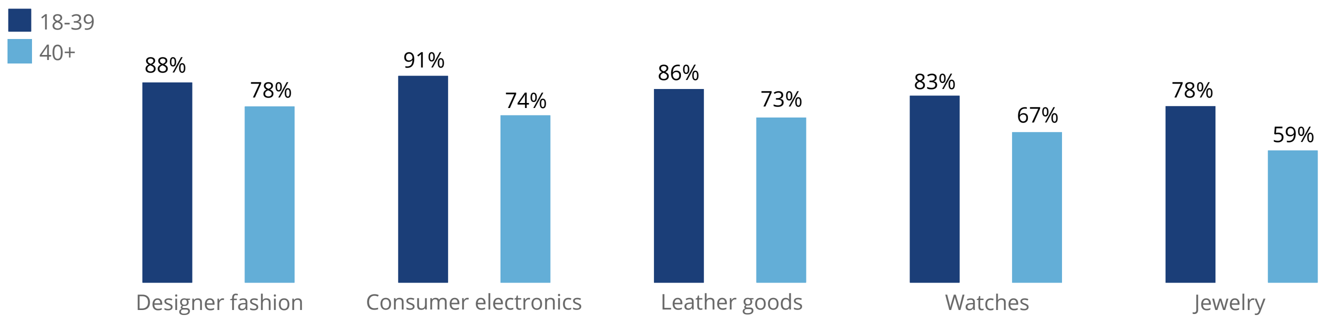
Figure 16: Luxury apparel displays the highest online spending per shopper

Global spending per online shopper ($), by category, 2022

Q3 2022
Source: Statista Consumer Market Insights

Figure 17: Younger affluent consumers purchase more luxury goods in all categories

In which of the following categories have you purchased a luxury brand or service within the past year? , by age group, 2022



Survey contains reponses from 800 high net worth 18+ years old individuals, Q3 2022
Source: Altiant Quarterly GLAM monitor

something less ephemeral, which has both sustainability and resale value to the buyer.

There is a growing sense with many shoppers that, showing off and protecting the environment aside, buying luxury is a well-deserved treat. This comes from the consumer desire for experiences and novelty in all that they do. Luxury brands and retailers pride themselves on their products but they also come with a theatrical experience instore, 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 luxury 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.

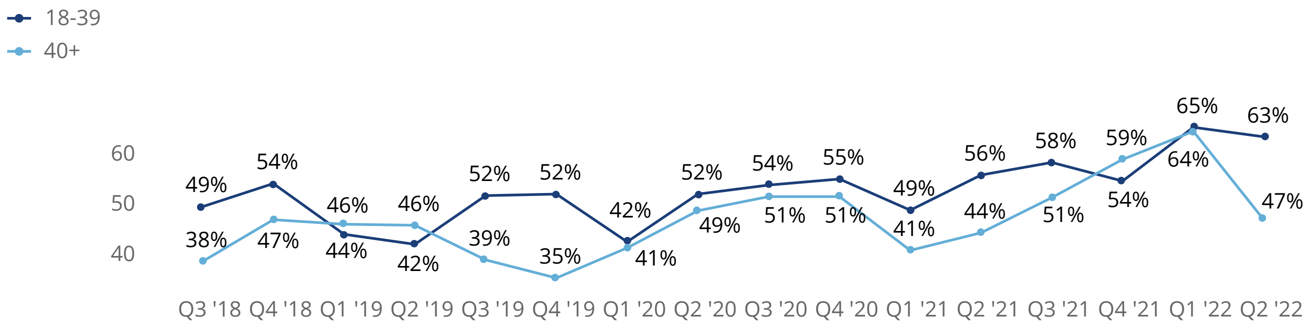
This sees the mores of the luxury sector spreading back along the retail chain and bringing many of the core unique selling points of luxury to a much wider audience.

HIGH NET WORTH SPENDERS AND WHAT THEY BUY

High net worth consumers in Asia hit an all-time spending peak in Q1 2022, with two-thirds of them across all age groups buying something on a luxury site at that point (Figure 18). While this dropped off dramatically for the over-40s as the year went on, younger spenders continued to buy luxury eagerly.

Figure 18: Purchase of luxury among high net worth Asia residents reached historic high in Q1 2022

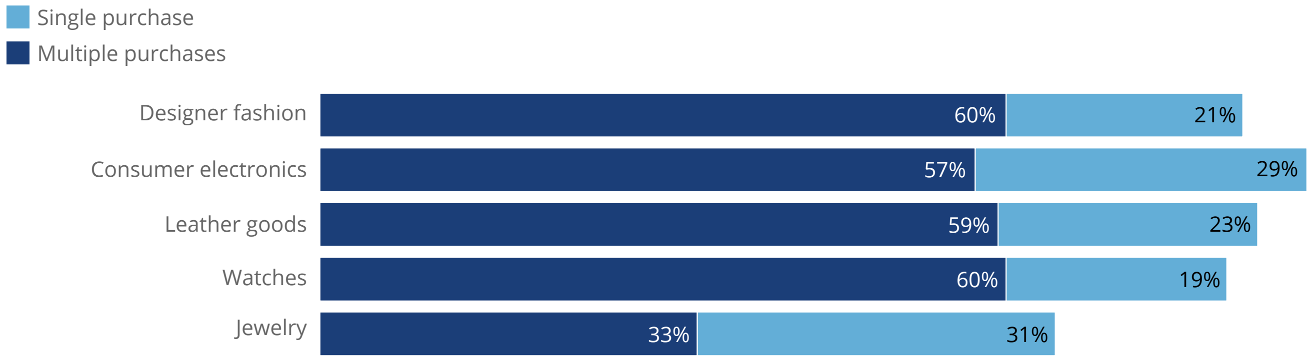
Share of affluent consumers purchasing luxury brands on PCs in Asia by age group, Q3-2018 to Q2 2022



Survey contains responses from 150 high net worth 18+ years old Asian residents
Source: Altiant Quarterly GLAM monitor

Figure 19: Most Asian high net worth individuals have purchased at least a single item in each luxury category in the past year

Frequency or purchase of luxury categories, Asia, 2022



Survey contains responses from 8000 high net worth 18+ years old individuals, Q3 2022
Source: Altiant Quarterly GLAM monitor

Across almost all luxury categories, these shoppers were making multiple purchases on each visit, with around 60% in each category doing so (Figure 19). The only exception is jewellery, where single online purchases accounted for the biggest share. This can be largely attributed to the nature of jewellery buying, often bought for a special occasion or as a gift.

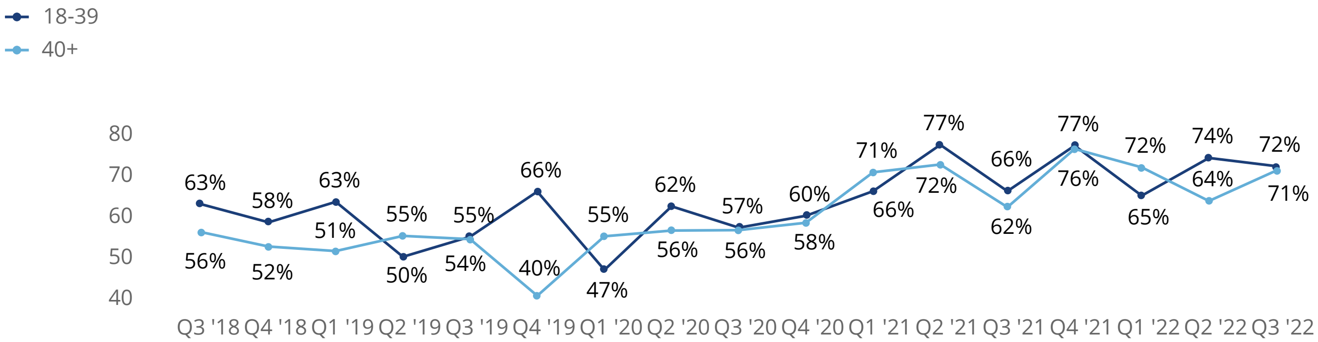
For Europe, high net worth spending has had a more jagged trajectory, rising and falling through the quarters but with an overall path to growth – driven in almost equal measure by young and old shoppers (Figure 20). This indicates that the sector, traditionally dominated by the older end of the market, has seen significant adoption by young people.

More tellingly is that the number of older shoppers now shopping online for luxury goods is at a similar level to those at the younger end. The pandemic and the switch to ecommerce that it ushered in is almost entirely the cause of this shift and it is interesting to note that, in luxury as with all other retail sectors, these habits have stuck.

The purchasing habits of these high net worth Europeans, however, are very different to those of their Asian counterparts. Designer fashion yields more multiple purchases, while all other segments are predominantly driven by single purchases. This tallies with RetailX's earlier findings that Europeans tend to buy fewer, although higher valued, luxury goods when shopping.

Figure 20: Purchase of luxury amongst high net worth Europe residents remained stable throughout 2022

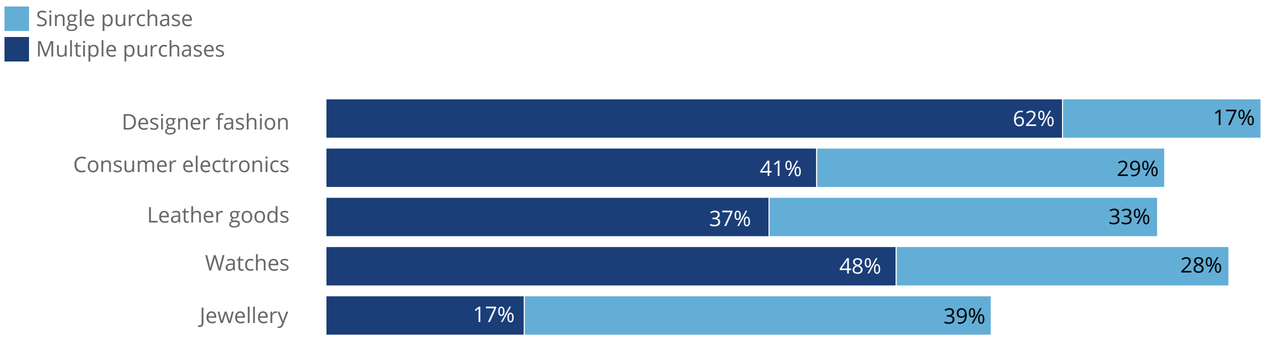
Share of affluent consumers purchasing luxury brands on PCs in Europe by age group, Q3-2018 to Q3 2022



Survey contains responses from 150 high net worth 18+ years old Europe residents
Source: Altiant Quarterly GLAM monitor

Figure 21: European high net worth individuals were less likely to conduct multiple purchases in luxury jewellery during the past year

Frequency or purchase of luxury categories, Europe, 2022



Survey contains responses from 8000 high net worth 18+ years old individuals, Q3 2022
Source: Altiant Quarterly GLAM monitor

The interesting exception is luxury watches, where multiple purchases are surprisingly common. This points to the 'collectables' nature of modern luxury watch buying among younger European shoppers, as previously discussed (see page 11).

The North American market is different again, with multiple purchases dominating across all sectors, reflecting how the US market is the highest revenue generator for the luxury sector and features the most high net worth shoppers (Figure 22).

Only the luxury watch segment sees a prevalence of single purchases, characterised by the growing trend in the US for the luxury watch collectibles market being driven by the second-hand sector.

CONVERSION RATES AND ABANDONMENT

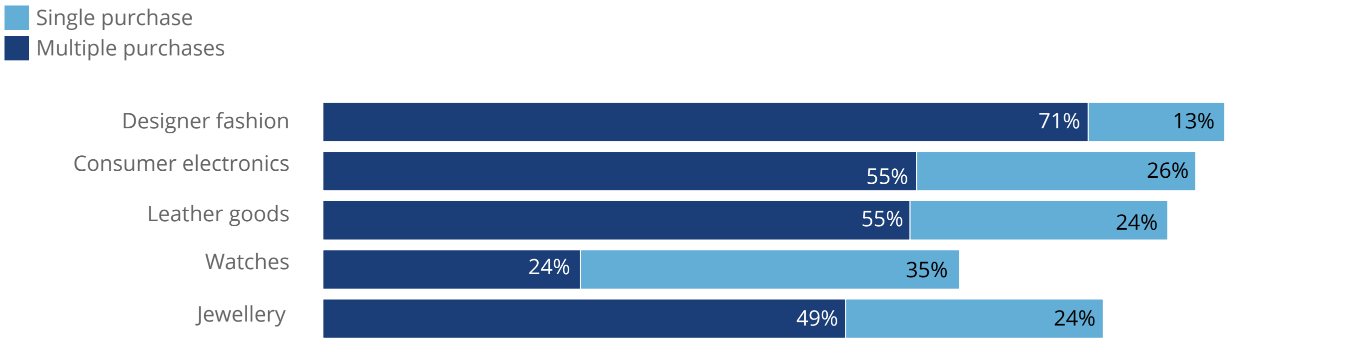
While luxury consumers globally are high spenders, they are also quite fickle, with the sector seeing falling average order values (AOVs), increasingly low conversion rates and rising cart abandonment.

Immediately post-pandemic, online AOV grew rapidly as luxury brands and retailers got to grips with ecommerce and omnichannel selling. This peaked in 2021 with the confluence of high consumer confidence and the exuberance of the end of Covid-19 travel restrictions.

As 2022 progressed, however, this spending spree waned, dropping some 5% year-on-year between 2021 and 2022 (Figure 23). Much of this downturn was driven by US consumers reigning in their luxury spending ahead of the holiday season, with middle income American shoppers reducing their

Figure 22: North America high net worth individuals were less likely to conduct multiple purchases of luxury watches during the past year

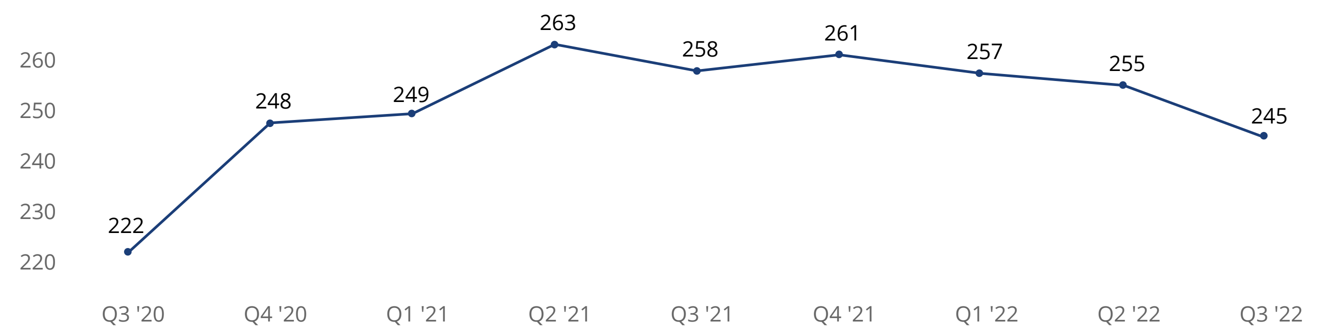
Frequency or purchase of luxury categories, North America, 2022



Survey contains responses from 8000 high net worth 18+ years old individuals, Q3 2022
Source: Altiant Quarterly GLAM monitor

Figure 23: Luxury apparel average online order value drops 5% relative to the previous year

Global value of average online order of luxury apparel products ($)



Source: Salesforce Research

spend on luxury apparel the most. Aspirational young consumers in the US, however, continued to spend, averting what may have been an even more significant tail-off in luxury spending[1].

This throttling back of spending was likely the result of wavering consumer confidence ahead of Christmas as families budgeted for the holiday season against a backdrop of rising interest rates and a potential economic downturn in 2023.

In response, many luxury brands raised their prices, looking to maintain revenue levels from lower sales.

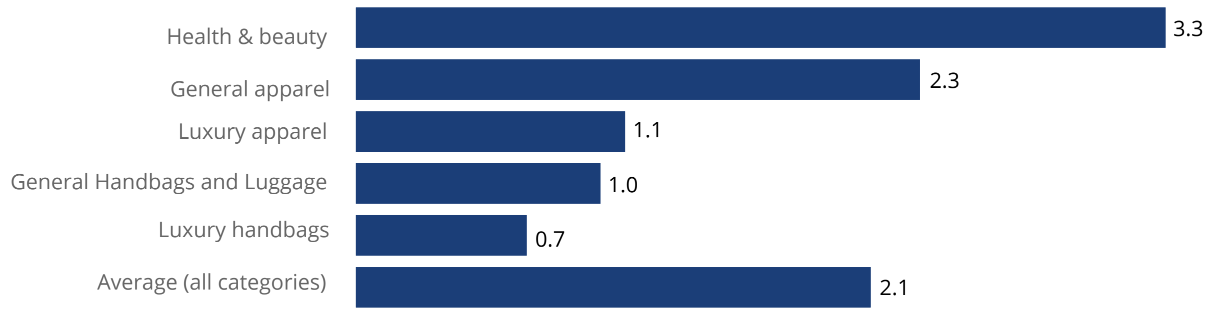
On the flip side, early 2022 saw more spending on luxury worldwide as shoppers who had effectively saved money by not going out and not buying luxury apparel and accessories across lockdown released their reserves. This is likely a one-off event and was responsible for artificially high levels of AOV in late 2021 and early 2022, further exacerbating the now perceived downturn.

The luxury industry has since seen increasing levels of cart abandonment and very low levels of online conversion. This has dogged the sector since it started to adopt online retail and has seen levels of conversion and abandonment worsen as the post-pandemic era has unfolded.

Luxury conversion rates are around half those of online retail's average, sitting at 1.1% compared to an average of 2.1%. General apparel, meanwhile, converts at a rate of 2.3% (Figure 24).

Figure 24: Luxury categories conversion rates halve their non-luxury counterparts and lay well below average

Global conversion rates in selected categories, 2022



Source: Survey conducted in Q3 2022
Source: Salesforce Research

Figure 25: Cart abandonment is highest for luxury products, only after home furniture

Cart abandonment, by category and device, 2022

Research conducted in Q3 2022
Source: Salesforce Research

Cart abandonment is also high, second only to the home furnishings market (Figure 25).

Cart abandonment and low conversion rates online are connected. Luxury shopping online involves a lot of 'wishful thinking' on behalf of many shoppers. They browse, often on mobile, as a form of entertainment and retail therapy.

They even put things in their baskets as a form of wish list but then, for economic reasons, never take the order any further.

Luxury is also a more considered purchase. Like all high-value goods, shoppers often take much longer to convert, since they want to consider and consult on their purchase. Often, they will delay this conversion decision until they can go to a store to view or try on the goods.

Here, the figures on conversion are potentially misleading. They show that cart abandonment and conversion are poor for luxury online, yet they do not reflect how both are higher instore – and that many of these instore conversions may be driven by online.

This is supported by luxury segments all seeing a similar level of cart abandonment to home furnishings. This sector also relies much more on instore experience, where look, feel and trying out play a significant role in making what is also an expensive and more considered purchase.

The rise in luxury ecommerce, then, should be viewed not so much as a transactional channel but more as one that is linked to the sales process.

This means that mobile and social media perhaps now play a stronger role in luxury ecommerce than online and mobile traditionally play in direct conversion.

References

[1] www.reuters.com/markets/us/americans-cut-luxury-spending-ahead-key-holiday-season-2022-10-19/

SLOW MOTION: KEY TO SELLING LUXURY?

Online, TV and cinema advertising is vital for selling the look and status of luxury products – and one key way this is done is through slow motion footage.

As viewers we are all so well versed in this trope of the advertising world that it is barely noticeable, but it has now been shown to have a key impact on selling – especially luxury goods.

Research carried out in December 2022 by the American Marketing Association [1] showed a group of randomly recruited consumers 12 adverts for luxury products, some full speed and some featuring slow motion footage. The results were conclusive: the products in the slow motion-featuring ads were seen as more luxurious by the panel.

The effect is the same across segments –chocolate, shampoo, mineral water, wine – and in different countries, in this case the US, UK and France.

Why? The researchers postulate that the effect occurs because viewing a slow-motion ad increases feelings of immersion, which in turn lead consumers to expect greater hedonic value from the featured product and thus view it as more luxurious.

Consistent with this account, the effect weakens when video blurriness or buffering impairs the viewing experience, even in slow motion. Making it look more luxurious with slo mo also made subjects more keen to pay more for the goods.

[1] https://journals.sagepub.com/doi/10.1177/00222437221146728

Global luxury device and channel use

Luxury shoppers have returned to stores, but that doesn't mean they aren't now also highly digital

DEVICE USE IN LUXURY

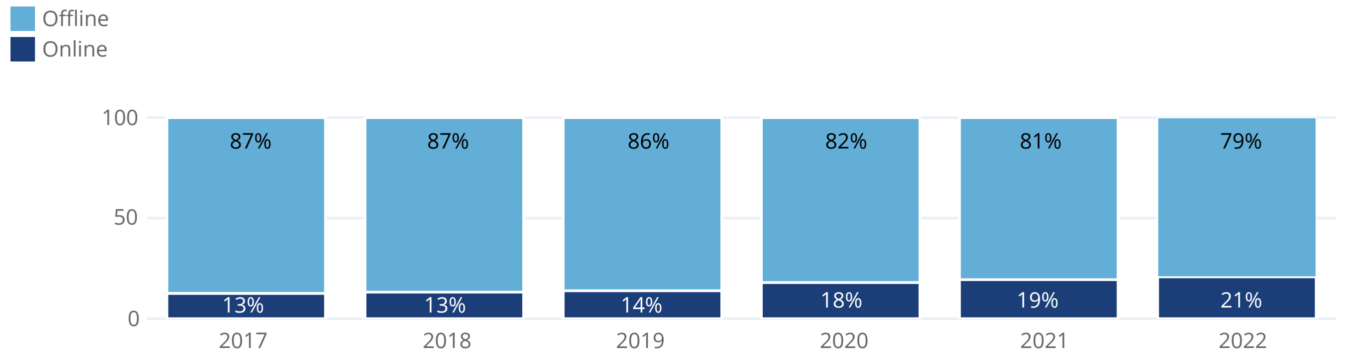
The luxury sector has long relied on the instore experience to drive sales. Part of the justification for the high price is not only the exclusivity and design but also the attentive and highly personalised service meted out in physical stores.

Yet successive pandemic lockdowns saw the luxury sector having to rapidly implement and expand their fledgling ecommerce strategies to drive sales while stores were closed. As with most other retail sectors, this proved highly successful, being rapidly taken up by the luxury brands' clientele. While it generated a lower level of sales overall, it still plugged the gap more than adequately.

While this uptake of digital has remained, it now occupies quite a low level of overall sales, accounting for just 20% (Figure 26). Within this, mobile is a stronger influence on digital sales in the sector, accounting for 60% of digital sales (Figure 27).

Figure 26: Digital channels account for over 20% of luxury sales

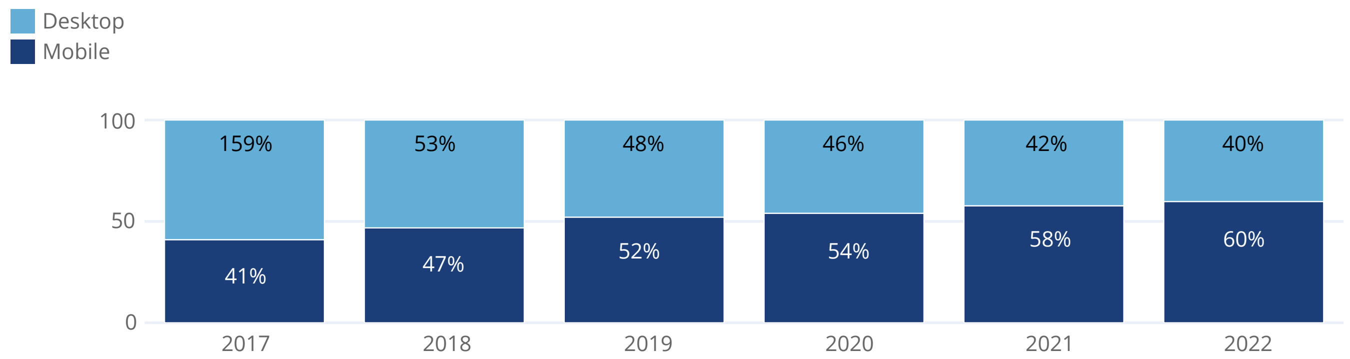
Online revenue share, 2017-2022



Most recent update Oct 2022
Source: Statista Digital Market Outlook

Figure 27: 60% of online consumers of luxury buy on their phones

Online purchase device preference, 2017-2022



Most recent update Oct 2022
Source: Statista Digital Market Outlook

Stores remain the predominant channel chosen by luxury consumers to shop (Figure 28) across all age groups (Figure 29).

However, this data hides the role that digital channels – especially mobile – are playing in the luxury retail shopper journey. Luxury transactions online and on mobile may lag significantly behind those made in stores – even among the younger shoppers who are much more digital and mobile-centric – but these channels play a significant role in the overall shopping journey.

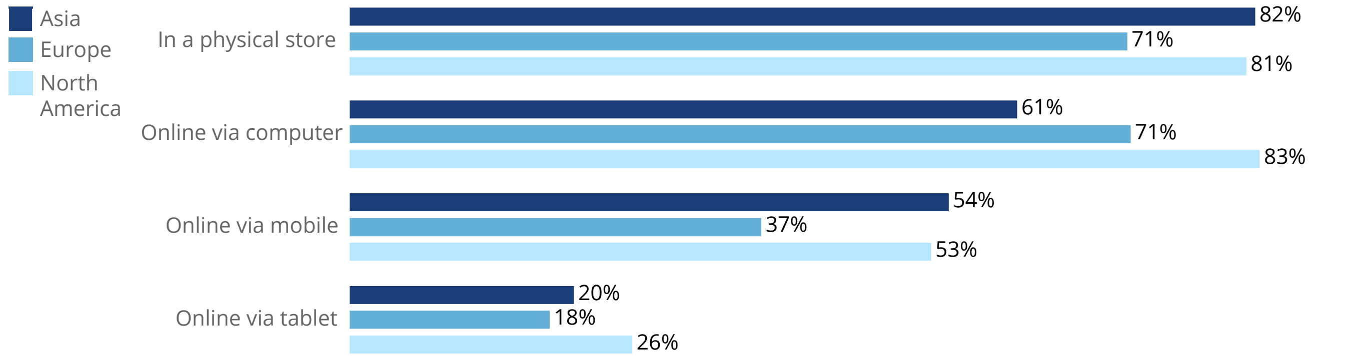
As previous research in this report shows, analysis of consumer behaviour around luxury purchase relies on more careful consideration and often using digital channels to identify 'wish list' items, which are then not purchased for some considerable time – often not until the shopper is in a store.

With much of luxury's sales coming from tourist traffic shopping in airports and other transport hubs, as well as at luxury outlets in foreign cities, this conversion from items identified online and on mobile to an actual purchase can be so lengthy as to never be truly correlated.

That is not to say that online and mobile aren't becoming an important channel for luxury retailers. 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 will increasingly become a transactional, as well as inspirational, channel for this age group as they get older.

Figure 28: Stores remain important and mobile lags behind desktop sales

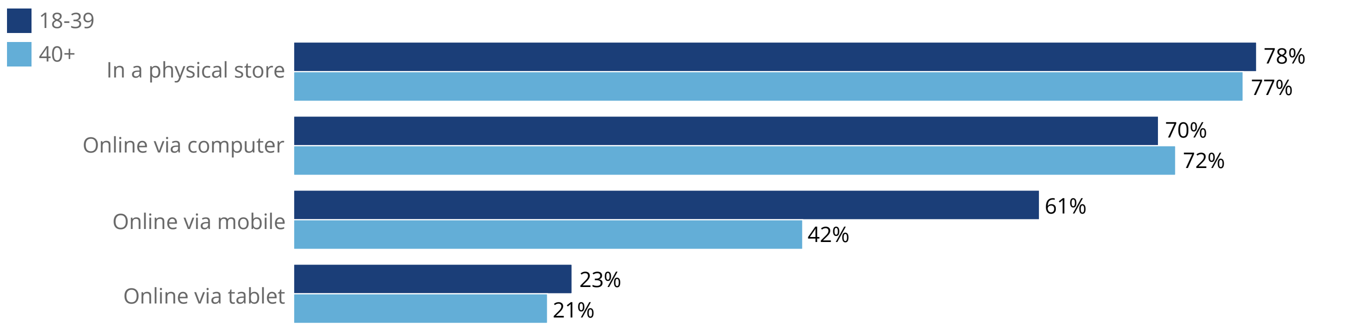
The percentage of people to have purchased luxury products in the last year



Based on 150 high net worth individuals in each of Europe, North America and Asia Pacific aged 18+, July-September 2022
Question "Within the past 12 months, how have you purchased luxury brands of services?
Source: Altiant Quarterly GLAM monitor

Figure 29: Younger consumers are more prone to purchase luxury goods via mobile

"Within the past 12 months, how have you purchased luxury brands or services?" by age group, 2022



Survey conducted in Q3 2022
Source: Altiant Quarterly GLAM monitor

Meeting the demands of this mobile consumer base will become more important to the luxury sector as these young shoppers currently getting a taste for luxury and affordable luxury items become the central consumer base for brands tomorrow.

This is particularly true for younger consumers in Asia. The growth in the Asian luxury market is being driven by a growing number of millennials and Gen Z-ers who are increasingly affluent and looking for the cache of luxury. These shoppers are also inherently digital and so we can see a higher proportion of Asian luxury shoppers buy online compared to the other regions of the world (Figure 31).

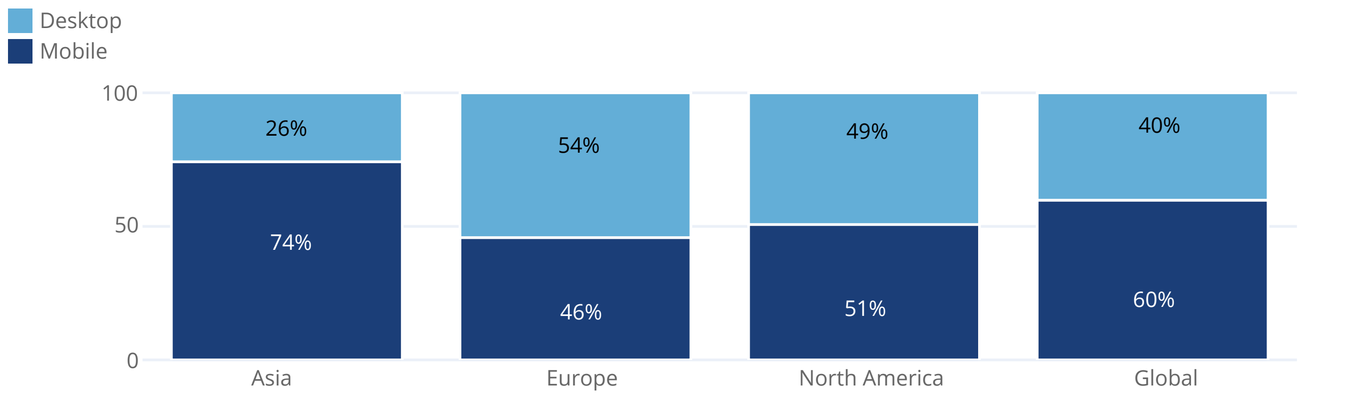
These shoppers are also driven by mobile, with it accounting for 74% of online luxury sales in the region, compared to a global average of 60% – an average pushed up significantly by this large proportion of mobile-first Asian shoppers (Figure 30). By comparison, just over half (51%) of US shoppers are mobile-first, with only 46% of those buying luxury online in Europe.

INCREASING ROLE OF SOCIAL MEDIA

The growing propensity for luxury shoppers to use mobile over desktop when 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.

Figure 30: Asia leads on mobile shopping of luxury goods

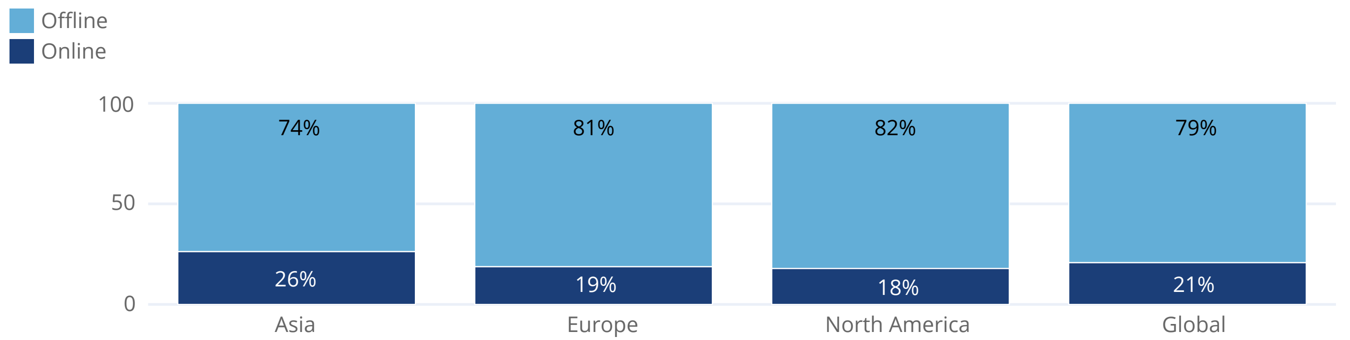
Online purchase device preference, by region, 2022



Source: Statista Consumer Market Outlook

Figure 31: The online sales split of the luxury market in Asia is higher than other regions

Online revenue share, by region, 2022



Source: Statista Digital Market Outlook

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

Across the world, luxury shoppers are engaging with social media around luxury brands, with the majority using it to recommend things to friends and family, but with a significant and growing number following social media influencers. Some are even starting to purchase items through luxury brand's social media presence (Figure 32).

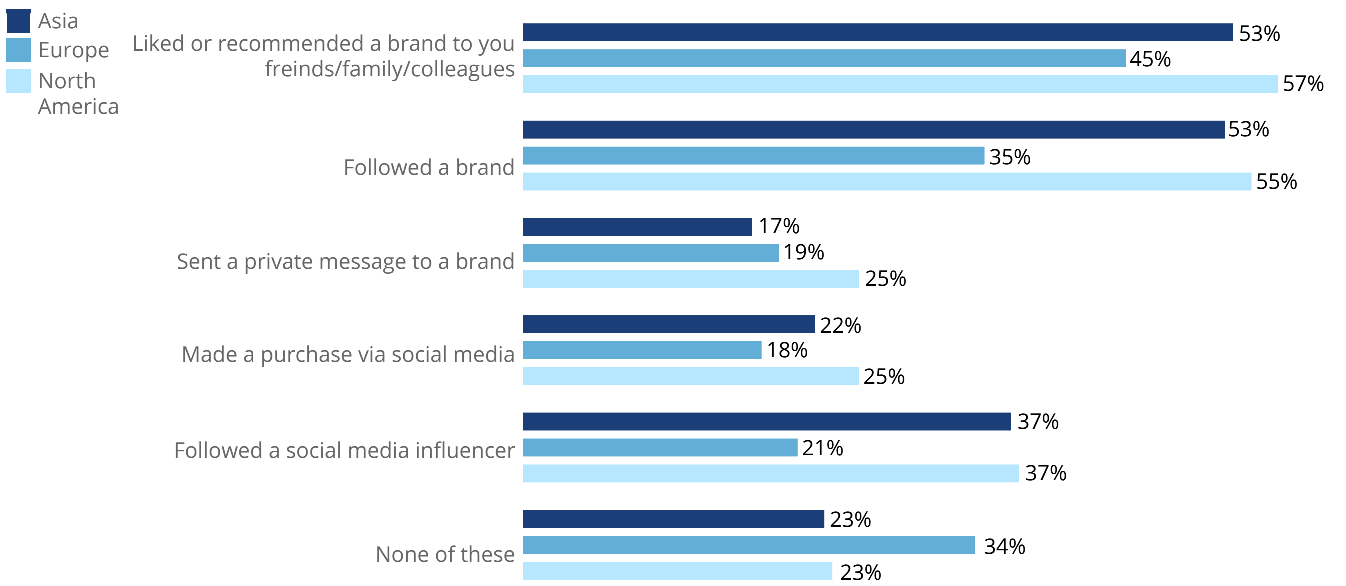
Again, this is being driven by Asian markets, while US shoppers aren't far behind. In Europe, there is less attraction to social media engagement with these brands. The demographic of European luxury consumers again offers some insight – luxury buyers in Europe tending to be older, with older users being less engaged with social media

Assessing consumer social media behaviour by age shows that it is the under-40s that are most often to be found using social media for everything from recommending things to friends and engaging with luxury brands by direct message (DM) to actually purchasing goods (Figure 33).

Luxury brands are cashing in socially on the growing power of social media influence in mainstream retail, especially in fashion. A look at the leading brands on Instagram in 2022 shows that they are dominated by fashion sellers (Figure 34). International brand Zara is way out in front, although luxury brand Gucci makes a strong showing, as do Dior, Louis Vuitton and Prada – these luxury brands making up nearly half of the

Figure 32: European consumers are less inclined to engage luxury brands in social media activity

Have you participated in any of the following activities in relation to luxury brands and services on social media in the past three months, by region, 2022



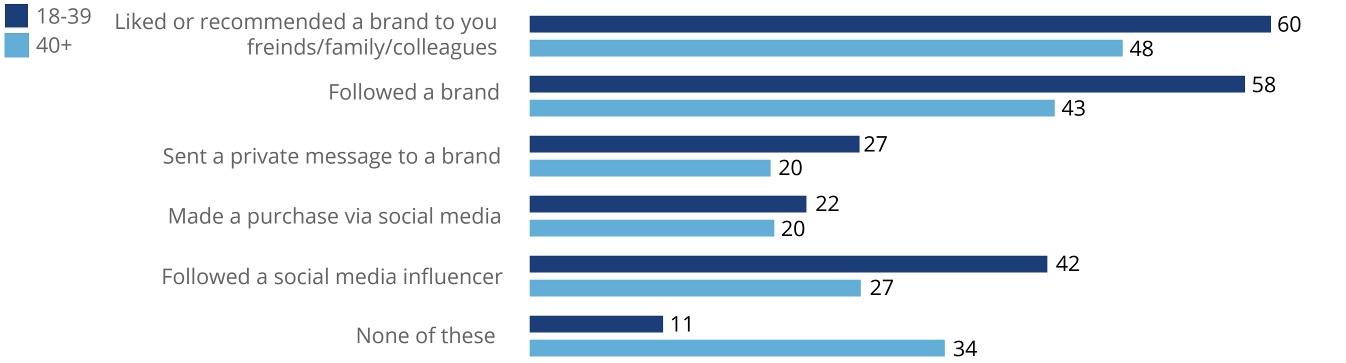
Survey conducted in Q3 2022
Source: Altiant Quarterly GLAM monitor

leaders in this category. It is also interesting to note that Chinese fashion marketplace Shein is second, pointing to both the power of the Chinese fashion market and the emphasis that Chinese shoppers put on social media engagement with fashion.

Following social media influencers is also growing in importance more rapidly among younger consumers, as they look to these people for inspiration. The rise of programmes such as *Love Island* in the UK – which has partnered with eBay to kit out on-screen contestants in second-hand designer garb – is fuelling this growth and working wonders for both the profile of luxury brands and the sustainability credentials of the whole sector.

Figure 33: Under 40s are more prone to engage in luxury brand social media activity

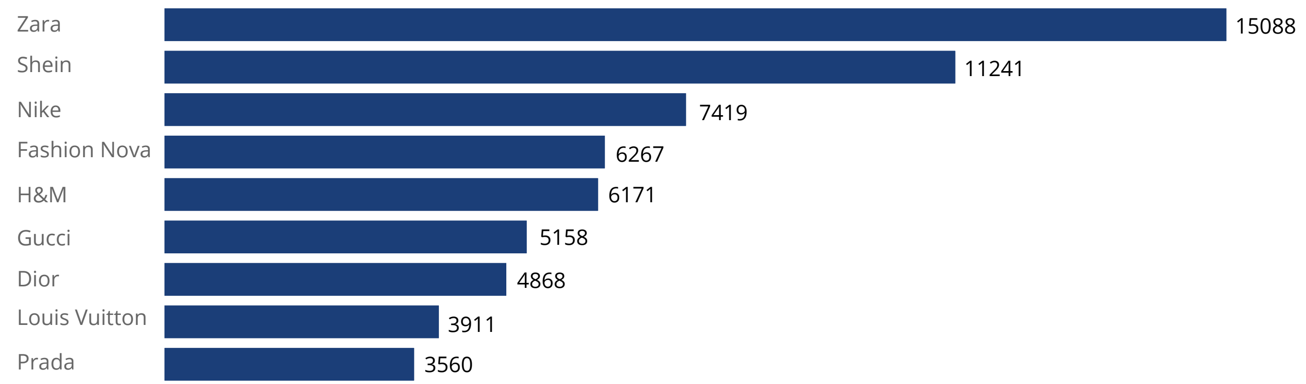
Have you participated in any of the following activities in relation to luxury brands and services on social media in the past three months, by age group, 2022



Survey conducted in Q3 2022
Source: Altiant Quarterly GLAM monitor

Figure 34: Gucci is the luxury brand with most Instagram presence

Leading brands on Instagram worldwide in first half 2022, by number of mentions



Jan 2022 - Jun 2022
Source: influData by weCreate

Global luxury sustainability

Increasingly, sustainability has been driving customers' purchase choices. Is that now spreading to luxury?

Sustainable and ethical retail practices across manufacturing, operations and logistics have become a growing driving force in the choices consumers make when looking at what to buy. For example, 61% of UK consumers feel that sustainability is more important to them than it was two years ago, with 30% saying this was because of personally being impacted by extreme weather events[1].

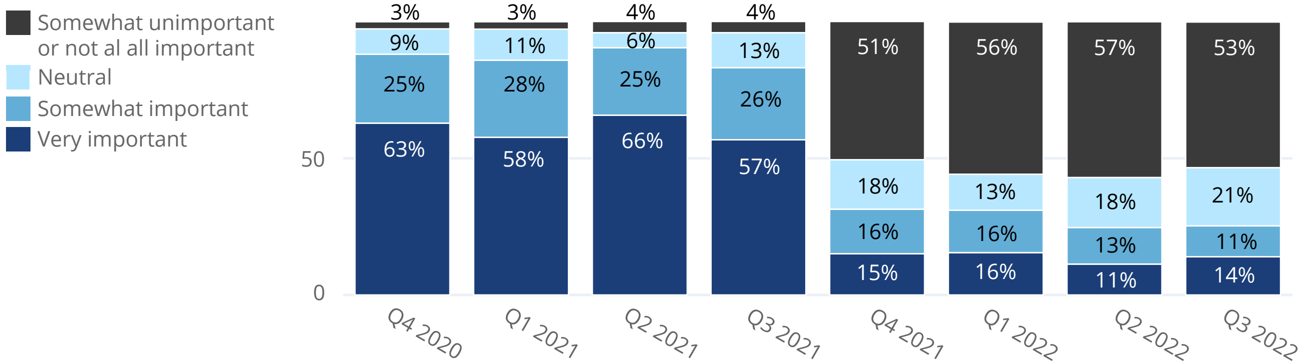
This shift to more sustainable habits has also been coupled with many consumers looking at being more aware of the ethics of the companies from which they purchase, with environmentally friendly production and fair treatment of workers becoming top concerns.

This was, in some part, driving a surge in sales of luxury items pre-pandemic, with many consumers – especially those under 40 – regarding buying a piece of designer fashion as being an investment in a piece of clothing that would have longevity, an antidote to the more destructive path of fast fashion.

Most consumers are taking some action to live more sustainability, with half taking their own shopping bags, avoiding waste and minimising electricity usage.

Figure 35: The importance of sustainable luxury has dramatically decreased in the eyes of European consumers

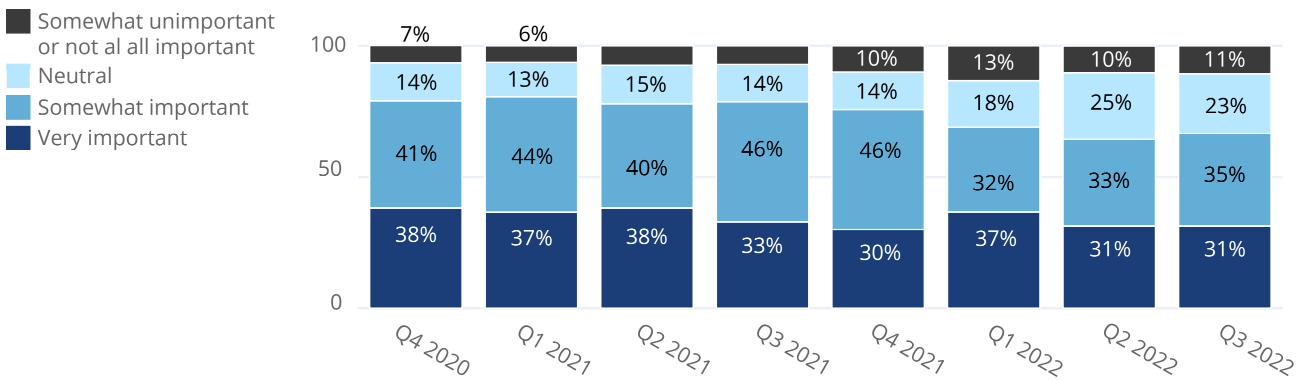
Consumer opinions on the luxury brands' adoption of sustainable luxury policies, Europe, 2020-2022



Survey contains responses from 150 high net worth 18+ years old Europe residents
Source: Altiant Quarterly GLAM monitor

Figure 36: The importance of sustainable luxury has slightly decreased in the eyes of American consumers

Consumer opinions on the luxury brands' adoption of sustainable luxury policies, USA, 2020-2022



Survey contains responses from 150 affluent and high net worth USA residents, 18+ years old
Source: Altiant Quarterly GLAM monitor

However, global consumers say that cost (41%), access (35%) and a lack of clarity (26%) stop them from adopting even more sustainable lifestyles.

This, coupled with the cost-of-living pressures seen in 2022 and into 2023, has instigated something of a *volte face* on the view of sustainability in luxury in recent months.

In Europe, the importance attached to sustainability in luxury plummeted between Q3 and Q4 2021 and has remained at these levels across the whole of 2022 (Figure 35). This is almost entirely down to the shift in consumer confidence ushered in on the back of the Russian invasion of Ukraine. This sparked a sharp rise in energy price and plunged the continent into rapidly rising inflation, rapidly denting consumer confidence and reigning in spending.

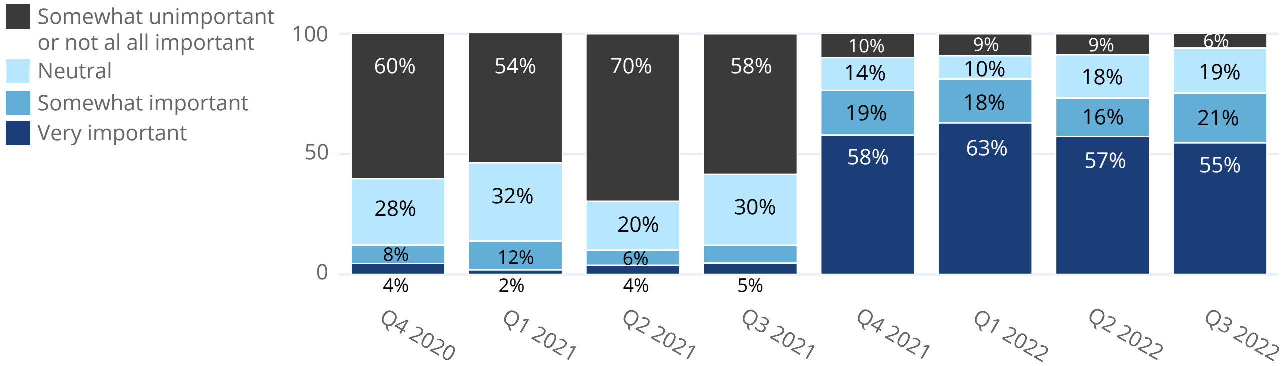
The impact was also felt in the US, albeit less so, which saw a small but noticeable drop in the importance of sustainability in early 2022, as the financial worries in Europe rippled across the Atlantic (Figure 36).

Only in Asia, which has been significantly less exposed to Russian oil and gas imports and so been less impacted by war in Ukraine, has there been a rise in interest in sustainability in luxury (Figure 37). Here, there is a complete reversal of attitude to that seen among European consumers. In Q3 to Q4 2021, the importance of sustainability in luxury among Asian shoppers radically shifted from not being important to being significantly important.

There is no one clear reason or event triggering this change. However, the focus on health and wellbeing

Figure 37: The importance of sustainable luxury has dramatically increased in the eyes of Asian consumers

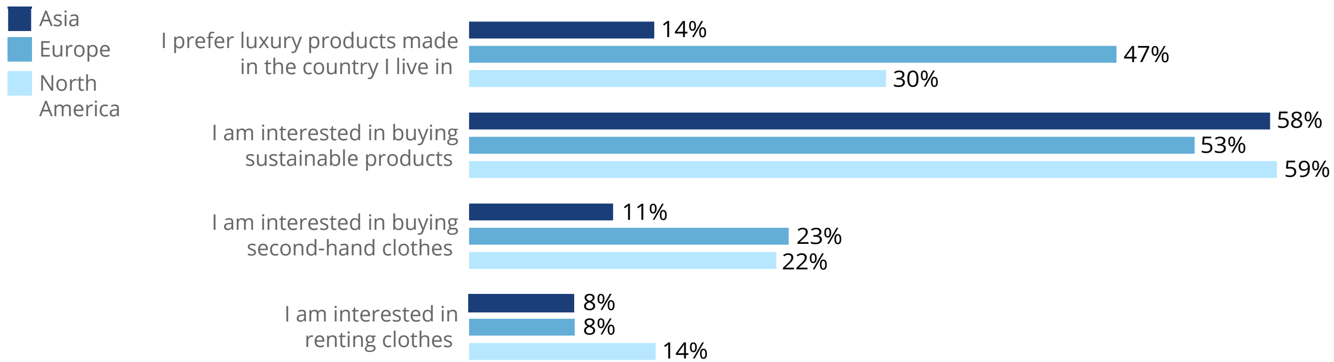
Consumer opinions on the luxury brands' adoption of sustainable luxury policies, Asia, 2020-2022



Survey contains responses from 150 high net worth 18+ years old Asia residents
Source: Altiant Quarterly GLAM monitor

Figure 38: European consumers care the most about local production of luxury goods

Which of the following statements about luxury products do you agree with, by region, 2022



Survey contains responses from 150 high net worth, 18+ years old, individuals in each of the stated regions
Source: Altiant Quarterly GLAM monitor

brought about by the pandemic, along with the focus on the detrimental environmental factors that may have led to the outbreak of Covid-19 in the first place, seem to be drivers.

Research into consumers habits in Asia finds that there has been a groundswell of interest in linking personal health and wellbeing with that of the products people buy. This, in conjunction with growing political investment in the Paris Accord across the region, has seen consumers, business and government all start to work to promote and deliver sustainability across the Asian region[2].

This has all seen a surge in interest in sustainability in all facets of consumerism, including luxury.

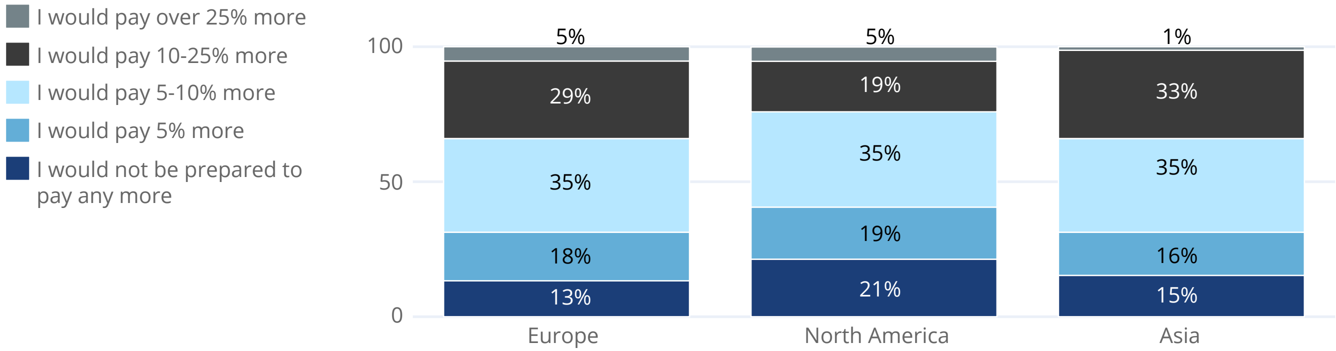
CONSUMER ATTITUDES

While the emphasis on sustainability in Europe and the US has dropped, that doesn't mean to say that it isn't still of importance to swathes of consumers. European consumers remain drawn to luxury products that are more locally produced, in part because of the environmental impact of shipping, as well as a residing concern for the working conditions and environmental practices associated with some less-well-regulated manufacturing regions (Figure 38).

European and Asian consumers are also more prepared to pay more for more sustainable and ethical goods (Figure 39). Around a third are prepared to pay between 10% and 25% more in each region. In the US, there is less appetite for paying such a high premium but consumers in all three regions are evenly matched at 35% of consumers prepared to pay 5% to 10% more for more sustainable and ethically

Figure 39: North America luxury consumers are less prepared to pay for a sustainability premium

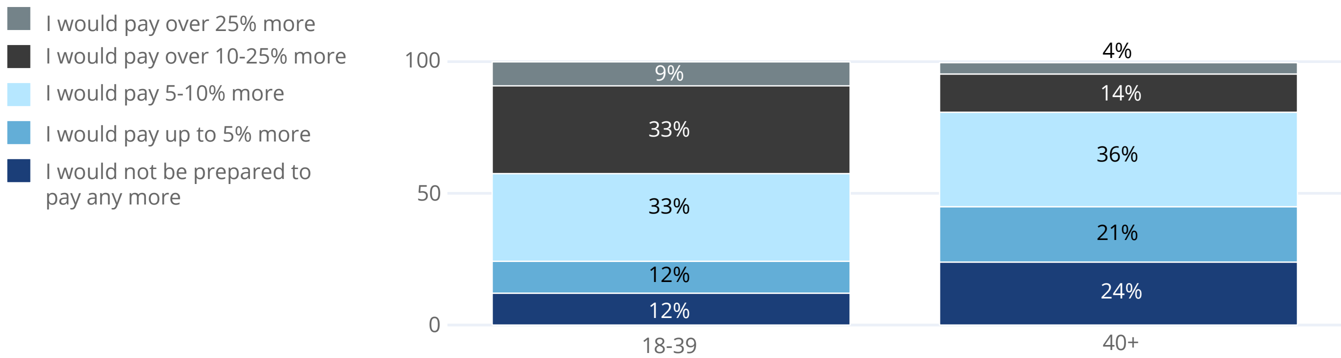
Willingness to pay for sustainable luxury among luxury consumers, by region, 2022



Survey contains responses from 150 high net worth 18+ years old individuals in each of the stated regions, Q3 2022
Source: Altiant Quarterly GLAM monitor

Figure 40: Younger luxury consumers are more willing to pay for a sustainability premium

Willingness to pay for sustainable luxury among luxury consumers, by age group, 2022



Survey contains responses from 150 high net worth 18+ years old individuals in each of the stated regions, Q3 2022
Source: Altiant Quarterly GLAM monitor

produced goods. These figures shift still further in favour of paying more when looked at by age. Younger consumers in the 18 to 39 bracket, lead the way in being prepared to pay 10% to 25% more for sustainable and ethically produced goods (Figure 40), radically outstripping those aged 40-plus who would pay such a high premium.

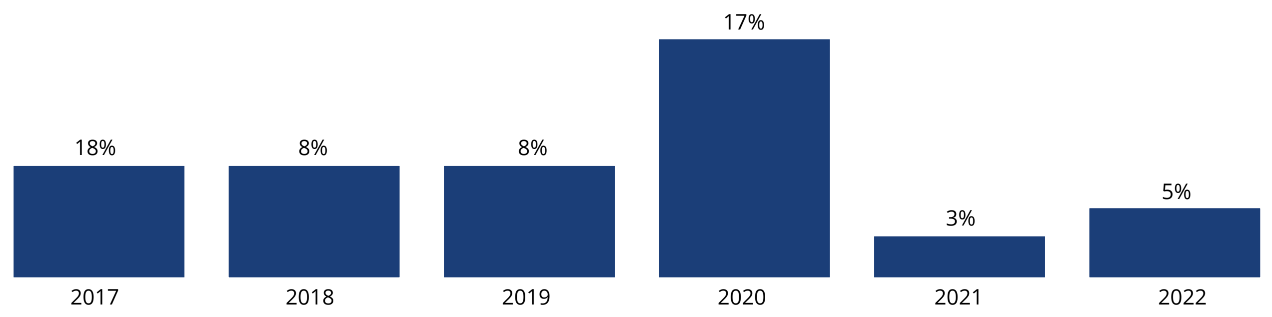
While the youth demographic is much more environmentally aware and is often seen as driving the green agenda, the data reveals that those aged over 40 are actually just as wedded to their green credentials. They are just less willing to pay such a high premium.

Among the 40-plus demographic, 36% are prepared to pay between 5% and 10% extra for sustainable goods, while an additional 14% would pay between 10% and 25%. This means that 50% of consumers aged 40 and over are willing pay a noticeable premium for sustainable goods. This is below the 75% of under 40s willing to do so but is a significant number nonetheless. It is also likely that this proportion of over 40s willing to pay extra will grow as environmental awareness continues to seep into consumer consciousness.

The sustainability play among consumers is not limited to just looking at paying more for sustainable goods. There is also a groundswell of interest in looking at purchasing second-hand and refurbished goods, which is driving change in shopping habits (Figure 38).

Figure 41: Growth of the second-hand luxury market normalises after a significant increase in 2020

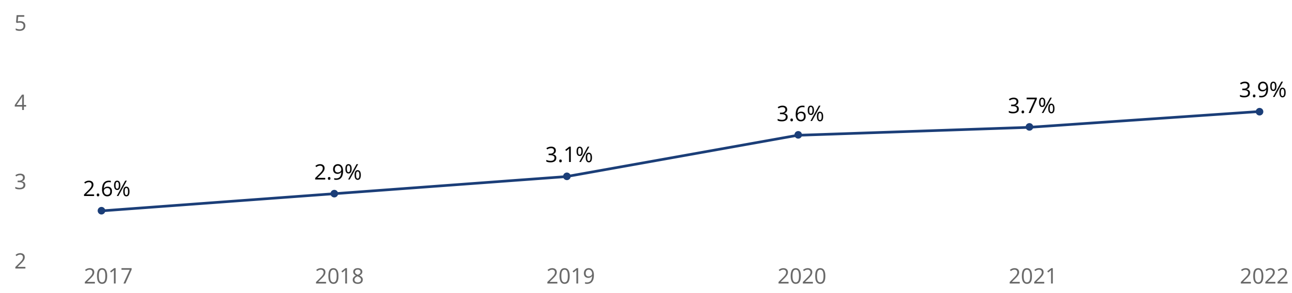
Annual growth rate of second-hand luxury goods market, 2017-2022



Source: Statista

Figure 42: The market share for second-hand luxury goods keeps growing slowly but steady in Europe

Share of second-hand luxury goods in the overall luxury & premium market, Europe, 2017-2022



Source: Statista

SECOND-HAND LUXURY
The growing global consumer interest in sustainability has created a renewed interest in the second-hand market. The global second-hand and thrift market for clothing alone is valued at some $150bn in 2022[3] and the attraction of more sustainable and unique items has spurred a surge in interest in buying second-hand luxury items.

Pre-pandemic, there was already a growing interest in sustainable purchases and this started to play through into some groups of consumers looking to the second-hand sector to reuse clothing. Many retailers, within and without the luxury sector, had recognised this shift and instigated their own re-loved and pre-loved programmes across all sectors from furniture and homewares (Ikea) to fast fashion (H&M).

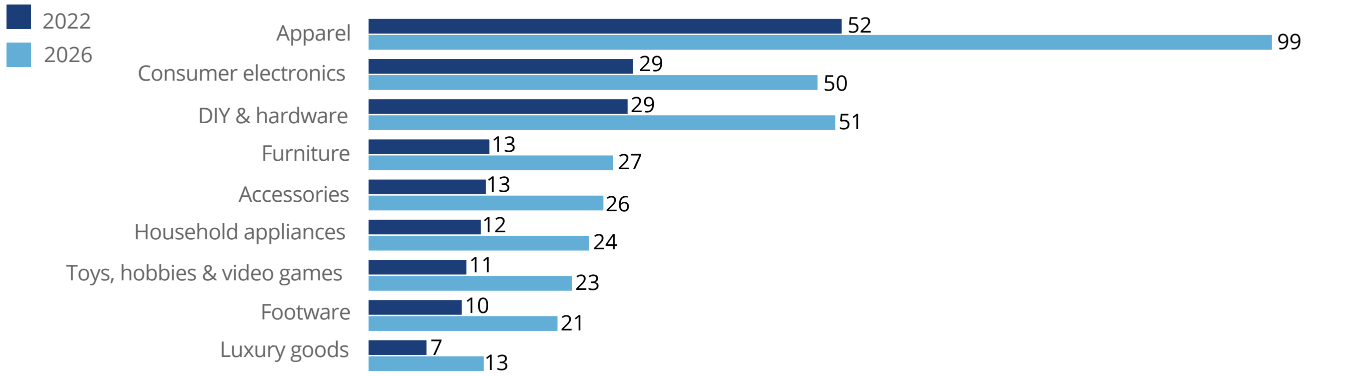
Consumers had also started to see the potential – stylistically, economically and sustainably – in buying and selling second-hand luxury goods. This move came into its own during the peak of the pandemic in 2020, when consumers had more time to shop around and were more inclined to look for treats for themselves. This saw the global second-hand luxury market peak at 17% in 2020, up from 8% pre-pandemic (Figure 41).

While the cost of living crisis has seen the wider second-hand market continue to grow, that of luxury has dropped from this 2020 peak, falling back to just 3% in 2021 and then normalising at around 5% during 2022.

The drop can almost certainly be attributed to the re-opening of travel and stores, which saw many luxury shoppers returning to making first-hand

Figure 43: Luxury sector is behind in the second-hand market

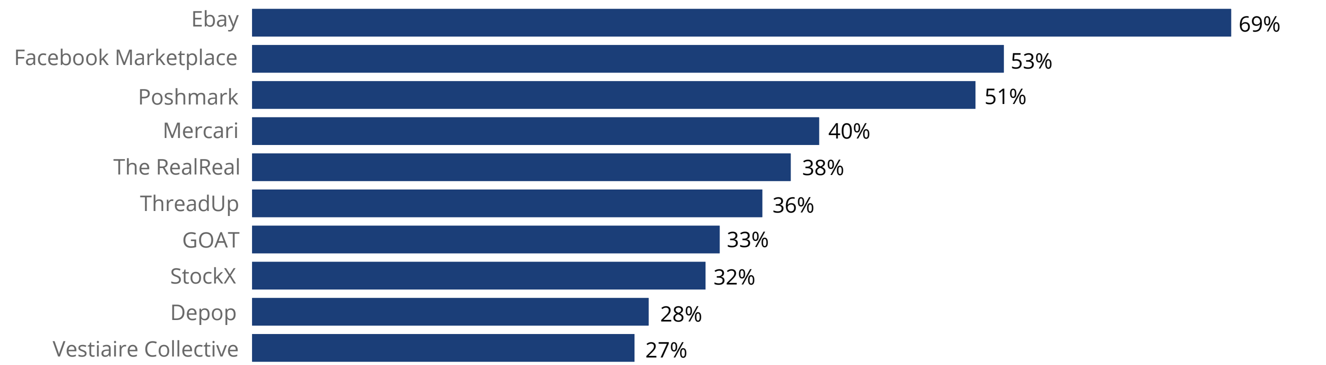
Worldwide secondhand consumer goods revenue ($bn), by category, 2022 vs 2026



*2006 data is an estimated forecast
Source: Statista

Figure 44: Ebay displays highest conversion rate for buying second hand luxury items in USA

Most popular online marketplaces for buying second-hand luxury, USA, 2021



Source: Vogue Business

purchases of luxury goods. The luxury sector trails all others when it comes to the proportion of sales that are second-hand (Figure 43), with the vast majority of shoppers in the sector being relatively high net worth individuals who are seeking new and unique items. Put simply, they don't need the economic advantage of buying second-hand.

That said, there is a growing cohort of younger consumers that see the value in buying – and indeed then selling on – unique luxury items. This segment of the market is set to grow slowly but steadily.

The market for second-hand luxury is also focussed at the more affordable but trendy end of the market, with rare Adidas and Nike items among the most popular on second-hand 'luxury' sites in Europe. However, Louis Vuitton, Gucci and Chanel are also in the top 10[4].

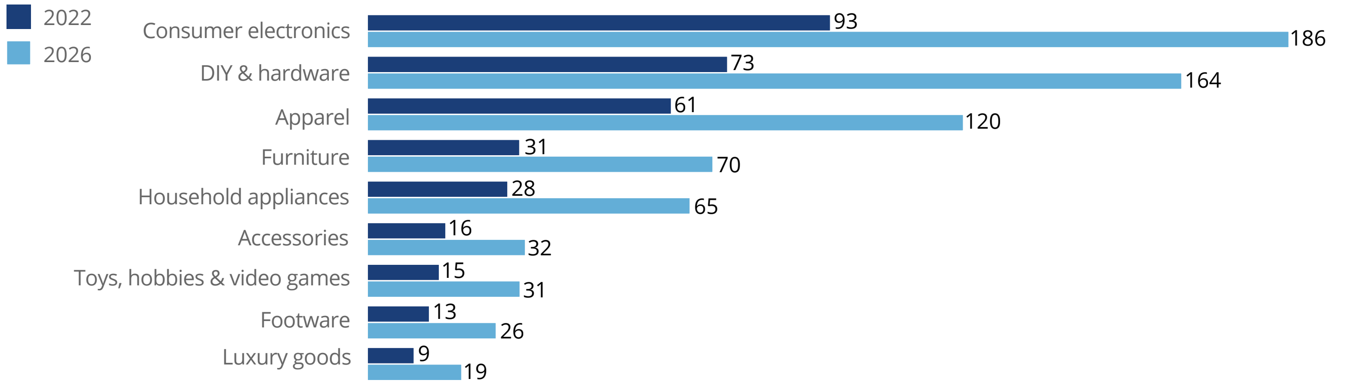
For this reason, the market for second-hand luxury in Europe continues to grow slowly and steadily, moving from 3% of the total luxury market in 2019 to almost 4% by the close of 2022 (Figure 42).

Much of this trade in second-hand luxury items takes place in eBay, which accounts for 69% of second-hand luxury online sales in the US (Figure 44). This too points to how the second-hand luxury market is driven by both buying and selling such items.

For example, in the UK, data suggests that as many as a quarter of consumers sold an item on a marketplace in 2022[5]. This is something increasingly being seen in the luxury sector because the inherent and long-term value of items in this sector lends

Figure 45: The revenue for luxury circular economy is projected to double in the next four years

Worldwide circular economy revenue ($bn), by category, 2022-2026



*2026 data is an estimated forecast
Source: Statista

Figure 46: Half of the leading cyclical retail industries on Google belong to the luxury sector

Leading cyclical retail industries on Google, by number of brands, 2022

Research conducted in Oct 2022
Source: Business invest sarl

itself to resale and onward trade. The trade in pre-loved luxury has created a growing number of sites focussed on second-hand luxury goods. These include TheRealReal, ThredUP, Depop and Vestiaire Collective. All of these are starting to generate significant sales for the luxury sector and have helped usher in a much more circular approach to retail in the luxury sector.

LUXURY AND THE CIRCULAR ECONOMY

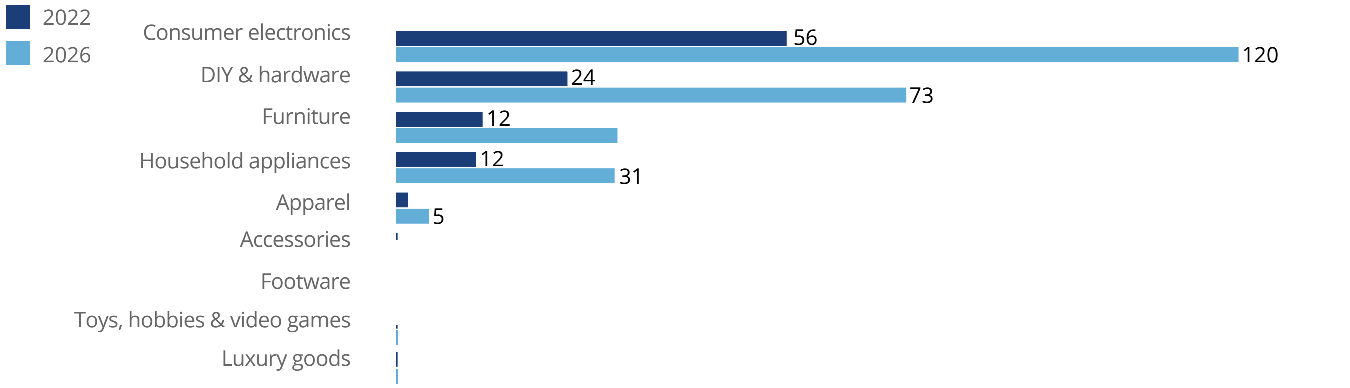
The circular economy – a model of production and consumption involving sharing, leasing, reusing, repairing, refurbishing and recycling existing materials and products as long as possible – has started to gain some traction across a range of industries, driven by the growing appetite for more sustainable living. Analysis of a range of retail sectors reveals that many are set to see the uptake of circular economic models grow rapidly and dramatically across the next 12 months, with the luxury sector likely to see a doubling in the proportion of circular goods between 2022 and 2023 (Figure 45).

Part of the reason for this is that luxury companies tend to pride themselves on traditional values of craftsmanship and attention to detail. While becoming circular isn't 'traditional' *per se*, it can be seen as part of the handcrafting tradition, with luxury businesses looking at how to take apart and repurpose their already high-quality items.

Indeed, half of the leading cyclical manufacturers on Google are in the luxury sector (Figure 46), showing just how the industry has embraced this new behaviour. The luxury sector has been quick to adapt to this new model, typically because most luxury brands are vertically integrated and largely self-

Figure 47: Refurbished luxury sector market size is not expected to play a major role in the near future

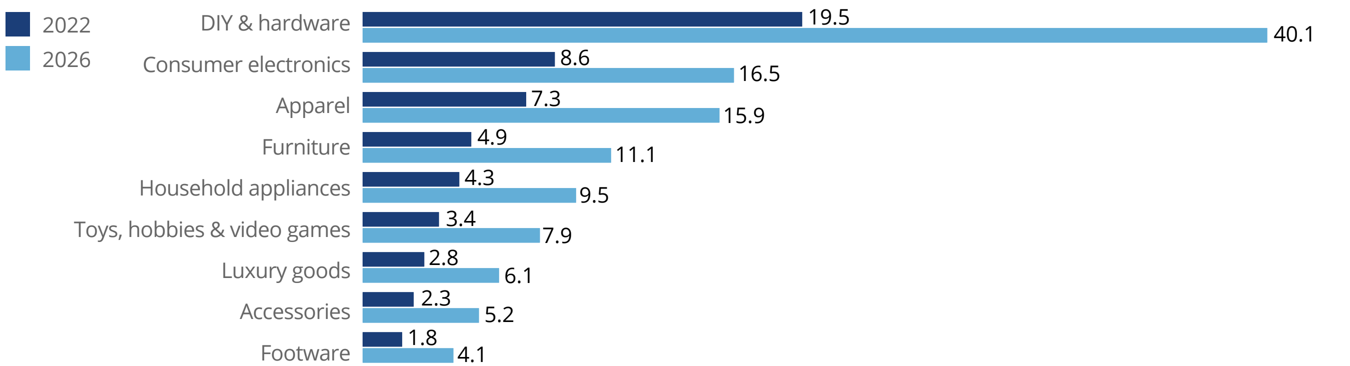
Worldwide refurbished consumer goods market revenue ($bn), by category, 2022 vs 2026



*2026 data is an estimated forecast
Source: Statista

Figure 48: Luxury rental sector market size is projected to double in the next four years

Worldwide rental consumer goods market revenue ($bn), by category, 2022-2026



*2026 data is an estimated forecast
Source: Statista

contained, making it much easier to rapidly adapt to new processes.

Much of this is focussed on resale and repurposing of items. The inherent quality of luxury items, along with the care their owners tend to take of them because of the items' high value, means that the circular economy in luxury is largely focussed on resale – by individual owners, a growing number of resale sites and marketplaces and, increasingly, the luxury brands themselves. Because of this, the luxury sector has been slow to embrace any form of refurbishment and is forecast to remain outside of this form of sustainability (Figure 47).

One area where the luxury sector and luxury items are seeing greater circular potential lies in rental. The rental of luxury apparel, in particular, is set to double in revenue terms between 2022 and 2023, driven again by consumer desire for affordable luxury, the need to be more mindful of the environment and the growing acceptance of the circular economy as an acceptable way to garner new clothing.

The move has been readily exemplified across 2022 and 2023 by UK reality TV show, *Love Island*[6]. Partnering with eBay, this has clothed its contestants in a range of second-hand luxury and designer items and, at a swoop, added mass market appeal to the rental and reuse of luxury clothing.

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[2] www.bain.com/insights/unpacking-asia-pacific-consumers-new-love-affair-with-sustainability/

[3] www.consultancy.uk/news/33077/cost-of-living-crisis-driving-a-second-hand-shopping-boom

[4] https://dashboards.sdgindex.org/rankings

[5] www.gwi.com/connecting-the-dots

[6] https://internetretailing.net/marketplaces/ebay-decouples-with-love-island-to-continue-to-drive-more-pre-loved-fashion-sales/

Global luxury's largest 50 brands

Who are the largest 50 luxury companies serving the global luxury market and what does that say about the sector?

The RetailX Largest 50 players in the global luxury market showcase just how diverse the sector can be, but how dominated it is by fashion apparel (see Figure 49 and the table in Figure 50 on pages 33 and 34). They are also almost entirely located in Europe, with the majority of these found in France and Italy (see Figure 51).

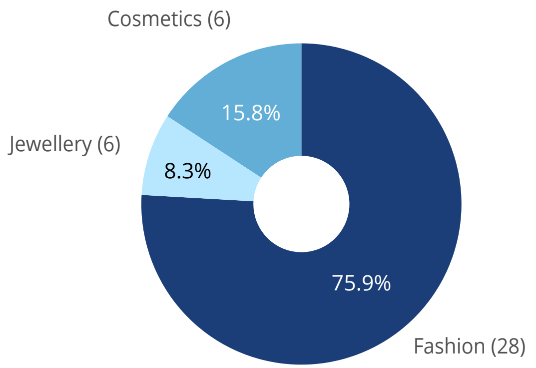
This reflects the fact that the luxury business is routed in an older world of bespoke fashion, where brands that are today seen as luxury offerings, were once the preserve of not just high net worth individuals, but also the European aristocracy.

Indeed, the idea of fashion apparel took hold in Europe in the 14th Century, which saw a renaissance in clothing design, moving away from traditionally draped clothing, to using new stitching and design techniques to produces more curved and fitted clothing. This was expensive and tailor-made, usually for royalty, and hence was a luxury.

The emergence of a rich merchant class through the 15th to 18th Centuries saw these sorts of designs – and the companies that made them – broaden

Figure 49: Fashion websites receive more than three out of four visits

We visits to the Luxury Largest 50, by product type



Note: The number of retailers in each sector are shown in parentheses
Source: RetailX, drawing on data from SimilarWeb RetailX 2023

their appeal, while still being somewhat exclusive. The renaissance drove this to new heights and, with increasingly concentration of wealth in Italy, France and the UK, the luxury industry became concentrated where the money was.

This has created a small but well-established group of luxury brands in Europe that trade on this longevity and tradition, with these factors – along with rarity, exquisite craftsmanship and being handmade in a traditional way – being what defines them as luxury brands. They are typically the best of the best.

This 'European-ness', too, is partly what has seen these brands manage to expand their sales so dramatically all over the world. While, Europe produces the lion's share of luxury goods, it is no longer the largest consumer of them. French luxury brands attract the most online traffic (see Figure 52), but most of this traffic – 35% – comes from the US (see Figure 53). While South Korea and Japan attract 4% and 6% respectively, the 'rest of the world', which includes China, attracts some 25% of luxury traffic to the RetailX Top 50. This compares with traffic from the home markets of these brands, Italy and France, attracting just 4% and 6%, dwarfed by these new markets.

While the overall drop in sales in Europe of luxury is rooted in the continued suppression of tourism, the fall in native sales within Europe of online luxury is harder to pinpoint. The rise of fast fashion and a raft of high-end high street fashion and affordable luxury in the wider European fashion market is likely the main reason for the drop, with shoppers tending to spend on a range of these items rather than one luxury item.

The decadent appeal of luxury has also put many shoppers off over the years. However, this is now being thrown into reverse by a younger generation looking to buy high quality, long-life items with a unique style. As luxury brands come around to creating the kind of products that these entry-level, young consumers want, this trend may yet reverse.

Figure 50: Largest 50 luxury brands globally

Company/Brand	Most trafficked domain	HQ country	Primary segments active in
Armani	armani.com	Italy	Fashion apparel or accessories
Balenciaga	balenciaga.com	France	Fashion apparel or accessories
Bally	bally.co.uk	Switzerland	Fashion apparel or accessories
Bobbi Brown	bobbibrowncosmetics.com	United States of America	Cosmetics
Bottega Veneta	bottegaveneta.com	Italy	Fashion apparel or accessories
Brunello Cucinelli	shop.brunellocucinelli.com	Italy	Fashion apparel or accessories
Burberry	burberry.com	United Kingdom	Fashion apparel or accessories
Bvlgari	bulgari.com	Italy	Jewellery
Cartier	cartier.com	France	Jewellery
Céline	celine.com	United Kingdom	Fashion apparel or accessories
Chanel	chanel.com	France	Cosmetics
Clarins	clarins.com	France	Cosmetics
Cle De Peau Beaute	cledepeaubeaute.com	United States of America	Fashion apparel or accessories
Coach	coach.com	France	Fashion apparel or accessories
Dior	dior.com	France	Fashion apparel or accessories
Dolce and Gabbana	dolcegabbana.com	Italy	Fashion apparel or accessories
Estée Lauder	esteelauder.com	United States of America	Cosmetics
Givenchy	givenchy.com	France	Fashion apparel or accessories
Gucci	gucci.com	Italy	Fashion apparel or accessories
Guerlain	guerlain.com	France	Cosmetics
Hermès	hermes.com	France	Fashion apparel or accessories
Hugo Boss	hugoboss.com	Germany	Fashion apparel or accessories
Jaeger-LeCoultre	jaeger-lecoultre.com	Switzerland	Jewellery
Jimmy Choo	jimmychoo.com	United Kingdom	Fashion apparel or accessories
Kenzo	kenzo.com	France	Fashion apparel or accessories

Company/brand	Most trafficked domain	HQ country	Primary segments active in
Lancôme	lancome-usa.com	France	Cosmetics
Loewe	loewe.com	Spain	Fashion apparel or accessories
Longines	longines.com	Switzerland	Jewellery
Louis Vuitton	louisvuitton.com	France	Fashion apparel or accessories
Matches Fashion	matchesfashion.com	United Kingdom	Fashion apparel or accessories
Moncler	moncler.com	Italy	Fashion apparel or accessories
Omega	omegawatches.com	Switzerland	Jewellery
Pola	pola.com	Japan	Cosmetics
Prada	prada.com	Italy	Fashion apparel or accessories
Ralph Lauren	ralphlauren.com	United States of America	Fashion apparel or accessories
Ray-Ban	ray-ban.com	Italy	Fashion apparel or accessories
Rolex	rolex.com	Switzerland	Jewellery
Salvatore Ferragamo	ferragamo.com	Italy	Fashion apparel or accessories
Shiseido	shiseido.com	Italy	Fashion apparel or accessories
SKII	sk-ii.com	Japan	Cosmetics
Tag Heuer	tagheuer.com	Switzerland	Jewellery
Tiffany and Co	tiffany.com	United States of America	Jewellery
Tissot	tissotwatches.com	Switzerland	Jewellery
Titan	titan.co.in	India	Jewellery
Tod's	tods.com	Italy	Fashion apparel or accessories
Valentino	valentino.com	Italy	Fashion apparel or accessories
VanCleef&Arpels	vancleefarpels.com	France	Jewellery
Versace	versace.com	Italy	Fashion apparel or accessories
Vestiaire Collective	vestiairecollective.com	France	Fashion apparel or accessories
YvesSaintLaurent	ysl.com	France	Fashion apparel or accessories

NOTABLE PLAYERS

While the Top 50 list largely reads as a who's who of luxury brands, analysis of how these brands are seen and interacted with reveals that there are some that are the epitome of the industry in the eyes of consumers.

Gucci is the most well-known luxury brand worldwide, followed by French titan Chanel (see Figure 54). The rest of the top 10 are all French or Italian stalwarts, apart from the UK's Burberry – purveyor of fine coats and hats – which comes in fifth with a brand awareness among global consumers of 87%.

The picture is pretty much the same when assessing the brand awareness of luxury brands among US shoppers. Here too Gucci and Chanel are the most recognised players in the market, being seen as synonymous with luxury and having brand awareness levels of 88% and 84% respectively (see Figure 55).

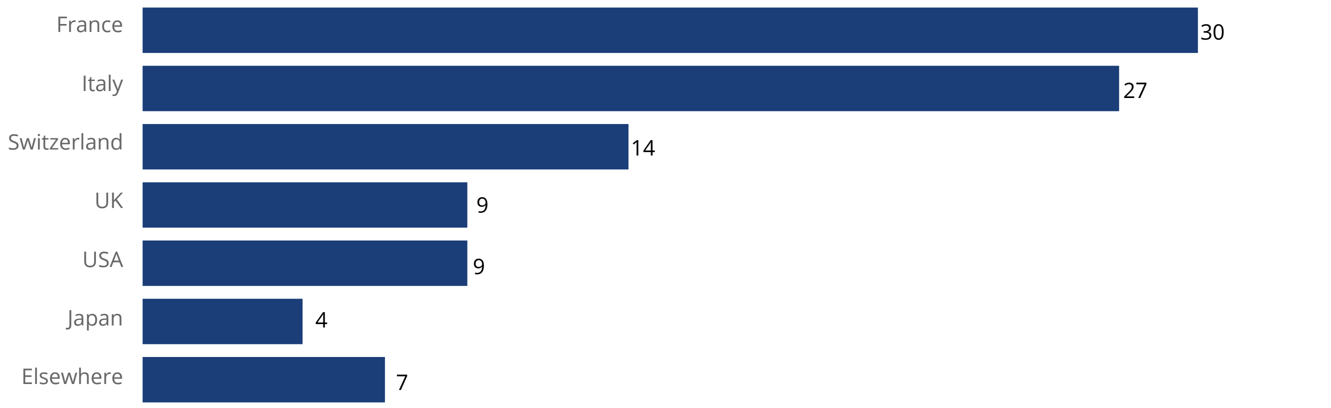
Here, the list of luxury brands preferred by shoppers here are all French or Italian, aside from Burberry, which again attracts a lot of attention at 64%.

Again, the European-ness of these brands, along with their lineage and quality are what attracts shoppers to seek out these brands for luxury fashion and apparel purchases over any domestic players.

Outside of luxury fashion apparel, the dominance of EU-based players is less. The market for luxury

Figure 51: Over half of the Largest 50 Luxury retailers are based in France and Italy

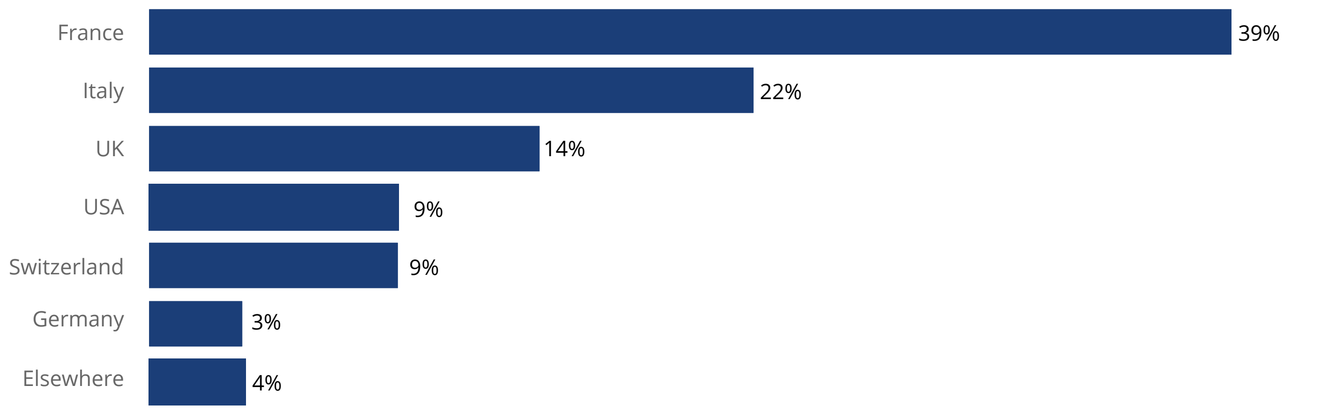
Where the Largest 50 Luxury retailers are based



Source: RetailX, drawing on data from SimilarWeb

Figure 52: French companies receive a third of web visits

Countries where the Largest 50 Luxury retailers are based, along with the traffic they attract



Source: RetailX, drawing on data from SimilarWeb cosmetics, for instance, sees half of the top 10 companies based outside the EU, with MAC, Estee Lauder, NARS and Fenty all based in the US and Charlotte Tilbury based in the UK (see Figure 56).

The RetailX Top 50 list also features several other brands across cosmetics, watches and jewellery who are also outside of the EU axis. Many of the luxury watch makers are, unsurprisingly, based in Switzerland, while cosmetics makers SKII and Pola are located in Japan and cater to the growing Japanese market, which has its own skincare demands, based on local customs and skin tones.

Jewellery company Titan is also worth a mention as it is the only company in the Top 50 from India and is perhaps an early sign that the Asian market for luxury goods is starting to see the creation of its own domestic luxury brands that are gaining significant traffic and sales.

COUNTERFEIT LUXURY

As many as 10% of all luxury goods bought are potentially counterfeits – and makes up just a small part of the global counterfeiting market, which is estimated to be worth around $4.2trn in 2022 [1]. The market for counterfeiting of luxury items has always been large: these are high value and desirable items that people will spend some money on for a simulacrum.

However, the pandemic and the shift to online shopping has exacerbated the problem, giving counterfeiters easier ways to not only sell their goods but to also make them appear genuine.

The rise of social media has seen fakers able to create deep fake endorsements, accounts and websites that allow them to pass off what they have as real. This has shifted luxury fake selling form simply selling a 'knock off' version of a luxury item to instead selling fake items as real and at almost full luxury price.

This has been a boon for the counterfeiting market, but is a terrible problem form the luxury industry. Not only is it losing billions of dollars in lost sales, but also it is doing enormous brand damage.

While some of the onus falls on social media platforms to attempt to weed out the fake adverts, there seems to be very little the luxury industry itself can do to curb the rise in counterfeit sales.

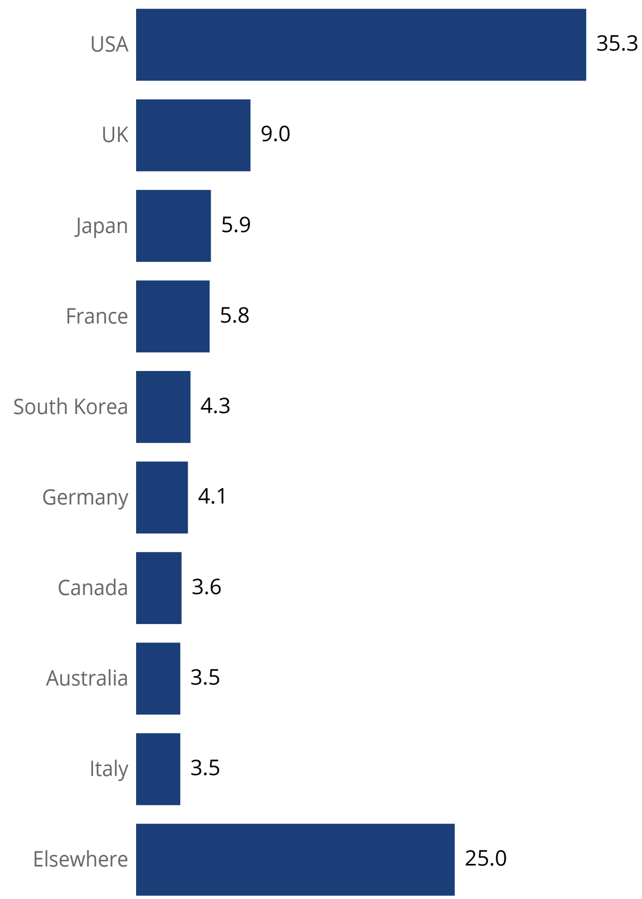
And as luxury goods become more popular – driven as we have seen by the need for uniqueness, sustainability and high quality – so the counterfeits can afford to invest more in taking an ever-larger slice of the pie.

Interestingly, the use of blockchain technology, already seen in the sale of virtual luxury items, knows as NFTs, in the metaverse (see page 54), could help solve the problem. Blockchain is a means of creating a totally immutable chain of provenance for items, so that where they came from, who owns them and who sold them is logged and can't be changed. This, if it can be brought to bear in real world luxury items could go a long way to solving the problem.

Besides blockchain, simple QR (quick response)

Figure 53: Online consumers from USA lead visits to the Largest 50 Luxury retailers

Web traffic to the largest 50 Luxury retailers split by consumer location, 2022



Source: RetailX, drawing on data from SimilarWeb codes could be an easy way to help verify luxury authenticity. Italian luxury fashion brand Valentino teamed up with OpSec Security, a brand protection agency, in to embed QR codes in the tags inside Valentino shirts [2].

All the buyer has to do is scan the code to be taken to a site that authenticates the item. Although it's possible for counterfeiters to clone the genuine QR code and print it on a counterfeit bag's label, counterfeiters cannot include all the information that traces the product back to the retail store.

Such technological tools are all the industry has to tackle the rise in counterfeiting, but it is a battle worth fighting as the industry is projected to lose more than $50 billion a year to counterfeiting world wide.

References

[1] Ghost Data, https://ghostdata.io/report/Instagram_Counterfeiting_GD.pdf

[2] Vogue Business, https://www.voguebusiness.com/technology/how-qr-codes-can-unlock-product-potential

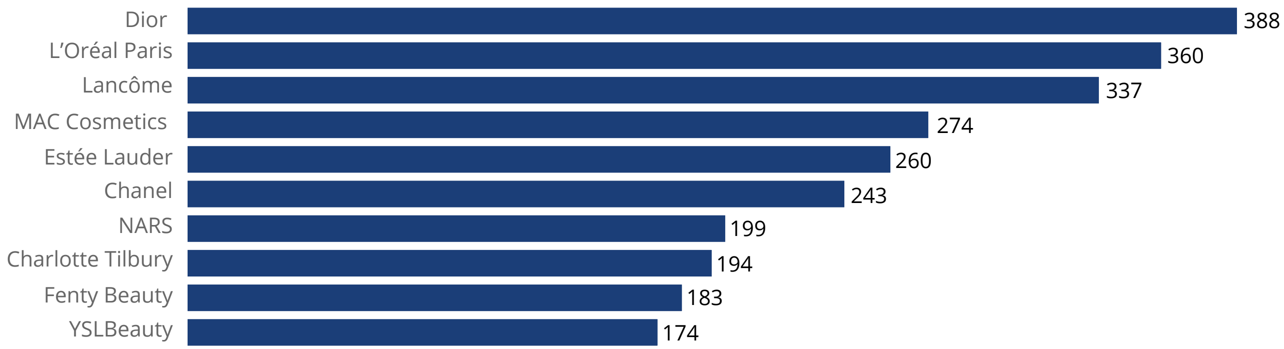
Figure 54: The only non-Italian, non-French brand in the top five is Burberry, with the British luxury fashion house attracting a brand awareness of 87 percent in the United Kingdom

Leading luxury fashion brands ranked by brand awareness in the United Kigdom 2022

Source: Statista Consumer Insights

Figure 55: Dior remained the most influential beauty brand globally in the first half of 2022

Leading beauty brands worldwide in the first half of 2022, based on Media Impact Value * ($mn)



*Media Impact Value (MIV ®) Allows brands to assign a monetary value to every post, interaction or article to measure its impact and identify contributions to brand performance across Voices, channels and regions
Source: Statista Consumer Insights

Expert insight

The luxury online experience – a digital white glove service

Kamran Iqbal, Commerce strategist, PFS

Luxury shopping has been traditionally associated with in-store experiences, where salespeople provide memorable white-glove customer service. However, the shift to online shopping that has accelerated in the last few years has brought the luxury sector into the digital realm at last.

Early adopters of digital technology have seen exponential growth since 2019. In fact, between 2019 and 2021, the percentage of online luxury sales almost doubled—from 12% to 22%, totalling $70.1bn. The global consultancy group, Bain & Company, predicts that online sales are expected to take up 30% of the luxury goods market by 2025 and, in doing so, become the most important channel for the sale of luxury goods.

DEFINING THE ONLINE LUXURY EXPERIENCE

So, what characterises a luxury online shopping experience? Here are a few key factors:

PERSONALISATION: In-store, the luxury shopper has the full attention of the salesperson, so they expect that same exclusive attention online. This means providing personalised service and attention to detail, including everything from speedy answers to questions to customised recommendations.

FAST DELIVERY: Luxury shoppers don't expect to wait long for their high-end packages. Tracking information and open, proactive communication along every step of the way are the minimum expectations. Communication throughout the fulfilment process is essential.

VALUE-ADDED SERVICES: Luxury customers want their purchases packaged and delivered with care. When it comes to pack-out, the expectation is a luxurious unboxing experience with a high-end feel.

CREATING A PREMIER LUXURY ECOMMERCE EXPERIENCE

A multitude of luxury brands have turned to business process outsourcing (BPO) companies for assistance in providing shoppers with a superior online experience. BPO companies are able to provide a personalised experience, with an array of value-added services tailored specifically to the luxury brand.

Luxury shoppers demand timely and effortless assistance, making brand knowledge a top priority. BPOs can facilitate high-end customer service through dedicated agents who are extensively trained in the brand's history and culture. This is a critical part of replicating the in-store experience. With a luxury order fulfilment experience, next-day delivery and in-home assembly should be supported, as well as specific delivery times based on the customer's needs.

Luxury shopping online must hit the mark at the critical unboxing point. From personalisation and branded tissue to unique box folding and product presentation, these extra touches make all the difference, allowing customers to enjoy the same boutique-like experience they would receive in-person.

With the right partnership, luxury brands can capitalise on the digital shift and offer a memorable shopping experience that exceeds customer expectations.

ESTĒE LAUDER

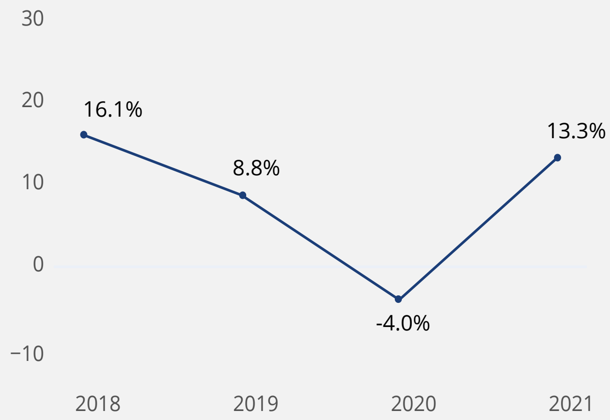
Company: Estée Lauder
Headquartered: New York, USA
Founded: 1946
Employees: 62,000
Revenues 2021: $16.2bn
Web visits 2021: 4.6mn
Luxury segments: Cosmetics and perfumes
Brands: Aerin, Aramis, Aveda, Bobbi Brown, Bumble and Bumble, Clinique, Darphic Paris, Dr Jart+, Editions de Parfums Frederic Malle, Estée Lauder, GlamGlow, Jo Malone London, Kilian Paris, La Mer, Lab Series, Le Labo, MAC, Origins, Smashbox, Tom Ford Beauty, Too Faced

Estée Lauder is one of the only companies focussed entirely on luxury cosmetics and skin care. The company came to prominence through its holistic approach of creating both beauty products and beauty routines for women.

Aside from a dip during the pandemic in 2020, Estée Lauder has delivered consistent revenue growth close to double digits for the past four years, with 2021 seeing a relatively strong post-pandemic bounce-back of 13% revenue growth.

Figure 56: YoY change in revenue of Estée Lauder Companies

2018-2021

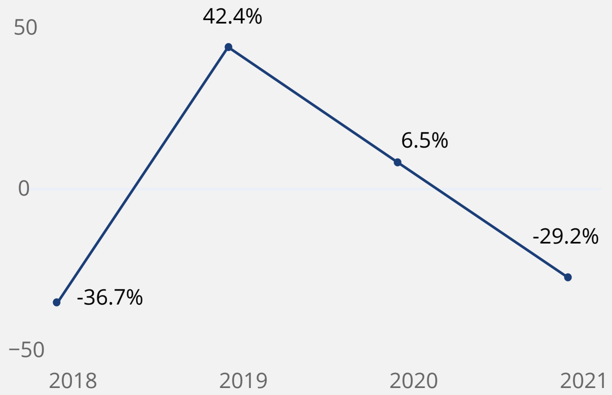


YOY= year-over-year
Source: Company DB

RetailX 2023

Figure 57: YoY change in web traffic to Estée Lauder

2018-2021



YOY= year-over-year
Source: RetailX, SimilarWeb

RetailX 2023

The group was also a luxury sector ecommerce pioneer, kicking off online sales in 1996 with its Bobbi Brown and Clinique lines. Its other premium brands followed during the 1990s and early 2000s. The company attracted 4.6mn unique visits to its own site in 2021, down nearly a third on 2020 and well behind 2019. However, this slump has been attributed to many of their online sales now coming through third-party sites and marketplaces, as well as the company's more pronounced omnichannel strategy.

For example, in China, Estée Lauder has used Tmall to rapidly grow its business, attracting more than 100,000 new users in the country in the first few months of operation. This has led them to look at how to further integrate its online and offline channels with third-party sellers, bloggers and social media sites. With its target audience increasingly among digital natives, the company is actively looking at how to harmonise its on- and offline services, giving shoppers a seamless experience across multiple channels — perhaps discovering products on a blog, reading reviews and sharing comments on social platforms, sampling products in a store and then purchasing them online.

More recently, Estée Lauder has thrown itself into the metaverse. Its Too Faced brand has created a virtual world – Maison Too Faced – with its own 360-degree immersive site that offers a gamified world of beauty shopping, complete with interactive gardens filled with hero products, brand mascots to interact with and the opportunity to play games to capture discount codes.

FARFETCH

Company: FarFetch

Headquartered: London, UK

Founded: 2007

Employees: 5500

Revenues 2021: $2.3bn

Web visits 2021: 93.8mn

Luxury segments: Clothes, shoes, accessories, jewellery, designer cosmetics, perfumes

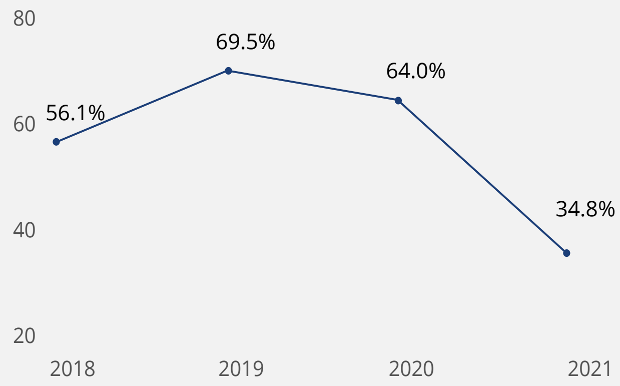
Brands: FarFetch is a marketplace that sells items from more than 1,400 brands, stores and boutiques from all over the world

FarFetch is one of a new breed of online fashion marketplaces catering to the luxury end of the market. It has tapped into a growing ecosystem of younger luxury shoppers who are looking for unique products.

To fill this niche, FarFetch has built 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, to expand, is increasingly reaching out directly to brand owners to host their wares on its site, giving these smaller players a chance to leap into ecommerce with minimal outlay.

Figure 58: YoY change in revenue of Farfetch

2018-2021



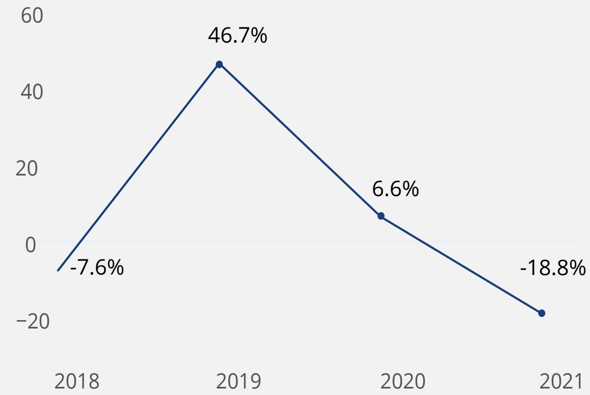
YOY= year-over-year
Source: Company DB

This model has been very successful. Being online-focussed, the company saw a boom in sales and traffic across 2019 and 2020 as shoppers were forced almost exclusively online. While this has tailed off to some degree, dropping 18% in 2021 as the market normalises, the site continues to look at new ways to service its customer base.

Having signed up all eligible and interested boutiques and designers that it can find, the company has shifted to a plan of expansion through acquisition and deals. For example, in January 2022, it bought leading luxury beauty marketplace Violet Grey, adding their vast array of beauty and cosmetic products. The move opens up the site to the burgeoning luxury beauty market, with an estimated annual worth of $69bn globally, as well as adding new content to its site to help drive traffic.

Figure 59: YoY change in web traffic to FarFetch

2018-2021



YOY= year-over-year
Source: RetailX, SimilarWeb

The company has looked to generate further growth by embedding its luxury marketplace model into the wider luxury sector. In mid-2022, the company effectively partnered with Richemont, buying a 47.5% stake in Richemont-owned YOOX Net-a-Porter (YNAP), a hybrid luxury clearance seller and shoppable digital magazine. Richemont chairman, Johann Rupert, says this is a step towards building an "independent neutral online platform for the luxury industry" for high-end brands and their customers.

The deal has attracted the attention of the UK's Competition and Mergers Authority (CMA). Should the deal go through, it will see Richemont use Farfetch's tech to sell its brands through a marketplace model, while giving FarFetch access to more luxury brands and products.

KERING

Company: Kering Group

Headquartered: Paris, France

Founded: 1963

Employees: 42,800

Revenues 2021: $19.5bn

Web visits 2021: Gucci 27.4m, Balenciaga 5.6m

Luxury segments: Clothes, shoes, accessories, jewellery, designer cosmetics,perfumes, eyewear

Brands: Gucci, Saint Laurent, Bottega Veneta, Balenciaga, Alexander McQueen, Brioni, Boucheron, Pomellato, DoDo, Qeelin, Kering Eyewear

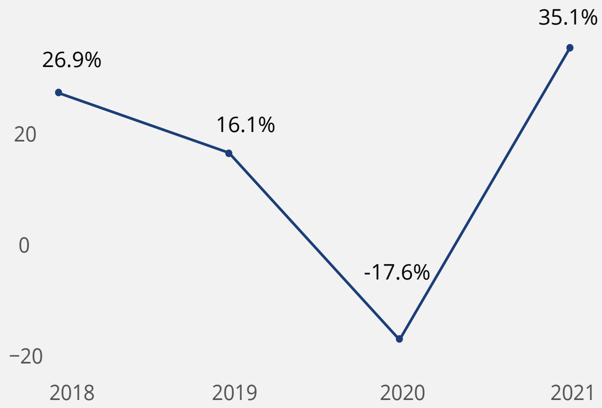
Kering Group is one of the behemoths of global luxury, owning some of the sector's key brands. Gucci is a strong performer, generating $6.5bn of the group's $19.5bn revenue, despite a dramatic fall-off in web traffic across 2021. Balenciaga saw similar falls in web traffic, dropping 31% in 2021.

This has been symptomatic of the whole group, with online traffic falling quickly following the artificial pandemic high. Clearly, many luxury consumers have reverted to their pre-Covid shopping habits and buying from physical stores within their own markets. Despite this shrinkage in traffic numbers relative to the peak, traffic remains higher than it was pre-pandemic, suggesting that consumers are now using online and mobile as part of their shopping journey before heading to stores to close the sale with that instore experience.

This is showcased by Kering Group's brands continuing to operate a footprint of 1,565 stores worldwide. This footprint also indicates the direction of travel for the group. While there are 233 stores in Japan, 251 in North America and 331 in Western Europe, the bulk – 750 – are in what Kering dubs 'emerging countries'. These are largely focussed on China and South East Asia. The company already banks 34% of its revenue in the Asia-Pacific, compared to 27% in the US and 26% in Western Europe, so is looking to drive growth there.

Figure 60: YoY change in revenue of Kering Group

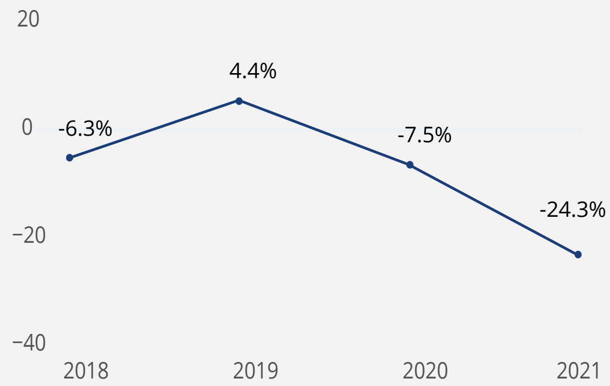
2018-20X21



YOY= year-over-year
Source: Company DB

Figure 61: YoY change in web traffic to Gucci

2018-20X21



YOY= year-over-year
Source: RetailX, SimilarWeb

When looked at by category, half of Kering's revenue comes from leather goods, 21% from shoes and 15% from ready to wear luxury fashion. Watches and jewellery make up just 8% of its business, despite moves to take a slice of the watch sector with a partnership with fellow luxury brand Cartier in 2021. This partnership is marked out by being founded in the creation of the Watch & Jewellery Initiative 2030, with the aim of bringing together these sectors globally to move towards a low-carbon future.

Kering's other jewellery brands – Boucheron, Pomellato, DoDo and Qeelin – all perform well, with Qeelin adding Chinese styles to the group's jewellery presence in Europe and the US, as well as targeting the Chinese market.

LVMH

Company: LVMH Moët Hennessy Louis Vuitton

Headquartered: Paris, France

Founded: 1987

Employees: 150,000

Revenues 2021: $76bn

Web visits 2021: Dior 20.7mn, Louis Vuitton 41.3mn

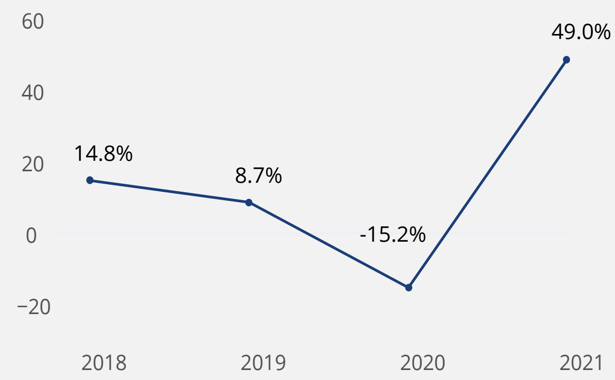
Luxury segments: Clothes, shoes, accessories, jewellery, designer cosmetics and perfumes, eyewear, wines, champagnes and spirits, yachts, hotels and cruises

Brands: 60 subsidiaries managing 75 brands, including Dom Pérignon, Glenmorangie, Hennessy, Krug, Mercier, Moët & Chandon, Veuve Clicquot, Christian Dior, Fendi, Givenchy, Kenzo, Louis Vuitton, Marc Jacobs, Stella McCartney, Benefit Cosmetics, Fenty Beauty by Rihanna, Guerlain, Sephora, Bulgari, Hublot, TAG Heuer, Princess Yachts and Tiffany & Co

The leviathan of luxury, LVMH Moët Hennessy Louis Vuitton (LVMH Group) operates a globe-straddling 75-plus brands from 60 subsidiaries. It has fingers in every single segment of the luxury market pie, even selling yachts.

Figure 62: YoY change in revenue of LVMH Moët Hennessy - Louis Vuitton

2018-2021



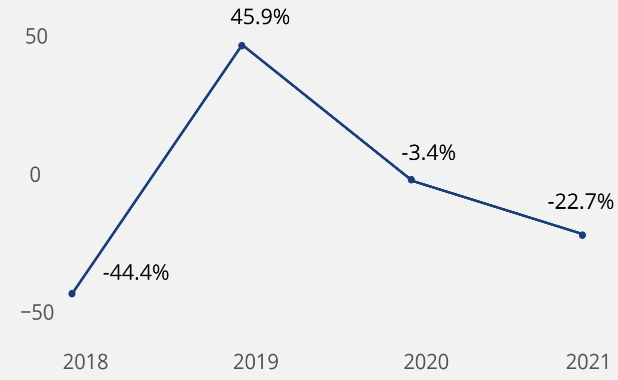
YOY= year-over-year
Source: Company DB

As a result, LVMH Group dominates the sector and owns many of the major players and brands that make up the industry. It has, in many ways, created the mould for the modern luxury business by integrating numerous aspirational brands. As a result, the LVMH Group has seen immense growth since its inception, expanding globally and bucking the industry trend ,with strong revenue growth in 2021, rising 49% to hit $76bn – way above its pre-pandemic high of $60bn in 2019. While web traffic has fallen back after the ecommerce boom of 2020, the group still attracts more than 40mn uniques every year.

50% of revenues – almost $40bn globally – come from fashion and leather goods. Watches and jewellery make up 12%, perfumes and cosmetics 9% and wines and spirits 8%. The largest market for the Group lies in Asia, which accounts for 34% of revenues – around $26bn. The US makes up 30% and Europe accounts for 17%. Of the latter, France contributes around 9% of LVMH's total global revenue, making it the single-largest country market, just behind the $6bn contributed by Japan.

Figure 63: YoY change in web traffic to Louis Vuitton

2018-2021



YOY= year-over-year
Source: RetailX, SimilarWeb

Even closing 120 stores in Russia due to the invasion of Ukraine – although it continues to pay the wages of its Russian employees – LVMH remains dominant in the global luxury market. Having the largest market cap of any French company also sees the company continue to grow through acquisition, recently buying jeweller Piedmont, for instance.

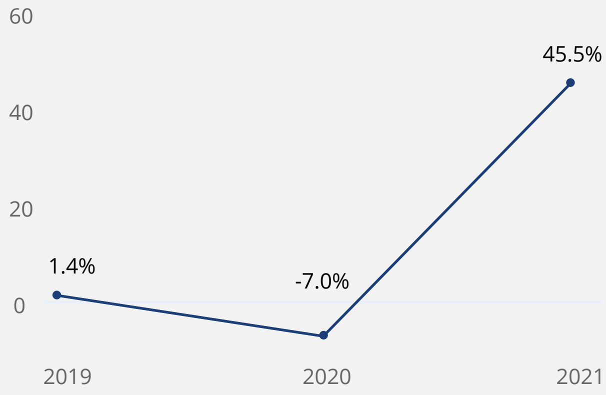
RICHEMONT

Company: Compagnie Financiere Richemont
Headquartered: Bellevue, Switzerland
Founded: 1988
Employees: 35,853
Revenues 2021: $19.2bn
Web visits 2021: Jaeger-LeCoultre 2.1mn, Van Cleef & Arpels 3.5mn
Luxury segments: Jewellery, watches, leather goods, pens, clothing and accessories. It also sells firearms
Brands: A. Lange & Söhne, Azzedine Alaïa, Baume & Mercier, Buccellati, Cartier, Chloé, Dunhill, IWC Schaffhausen, Giampiero Bodino, Jaeger-LeCoultre, Montblanc, Officine Panerai, Piaget, Peter Millar, Purdey, Roger Dubuis, Vacheron Constantin, Van Cleef & Arpels and Delvaux

Richemont is the third-largest luxury goods company behind LVMH and Estée Lauder. Founded in 1988 by South African émigré Johann Rupert, it originally combined the luxury assets of his father's Rembrandt Group with an investment from tobacco company Rothmans, which owned Cartier Monde and dunhill. In this way, Richemont had minority holdings in Cartier, Piaget and Baume & Mercier, Rothmans International and, through dunhill, Montblanc and Chloé.

Figure 64: YoY change in revenue of Compagnie Financiere Richemont

2019-2021



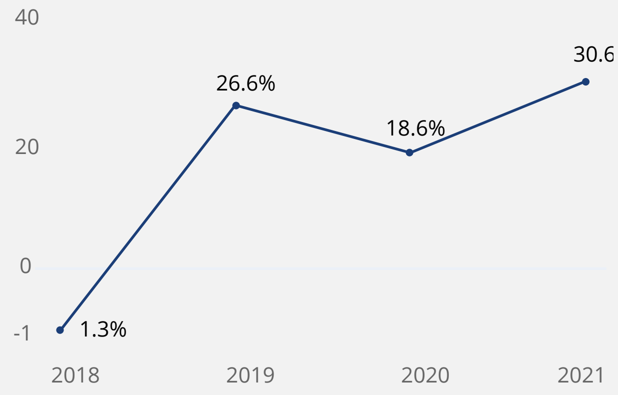
Source: Statista Consumer Market Insights RetailX 2023

In 1993, the group split its luxury goods holdings into the newly created Vendôme Luxury Group (Vendôme) and the tobacco business into Rothmans International. The latter then became part of British American Tobacco in 1999 and by 2008, Vendôme Richemont, as it then was, divested itself of all tobacco interests. It then acquired a 60% interest in jewellers Van Cleef & Arpels and the Richmont Group of today took shape.

The company was an early proponent of luxury ecommerce, buying a 30% stake in *Net-a-Porter*, an online fashion magazine that, in 2002, featured ground-breaking shoppable links. This ownership increased to 90% in 2010 before *Net-a-Porter was* combined with online luxury fashion clearance

Figure 65: YoY change in web traffic toVanCleef&Arpels

2018-2021



YoY= year-over-year
Source: RetailX, SimilarWeb RetailX 2023

site YOOX to form YOOX Net-a-Porter (YNAP), which was floated as a separate trading company in 2015. A merger of YNAP with FarFetch in 2022 is currently under regulatory scrutiny but would make marketplace technology accessible to all of Richemont's brands.

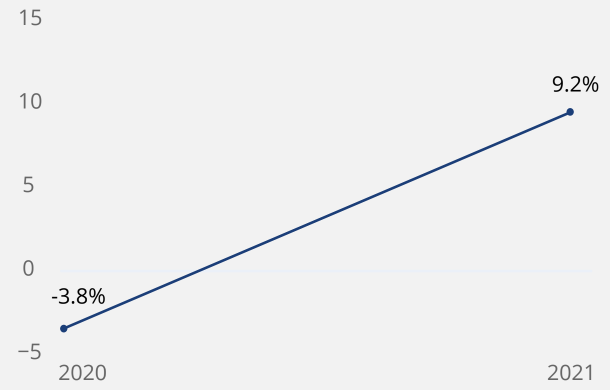
Today, Richemont generates $19bn in revenues worldwide from its extensive interests in high-end jewellery, watches and fashion, along with its Montblanc pens. The purchase of luxury watch aggregation site Watchfinder & Co in 2019 adds still more marketplace and aggregation expertise to the business, which seems to be pulling towards not only being a multi-brand luxury group, but one that's extending its reach through a marketplace approach.

ROLEX

Company: Rolex
Headquartered: Geneva, Switzerland
Founded: 1905
Employees: 30,000
Revenues 2021: $890mn
Web visits 2021: 13.5mn
Luxury segments: Watches
Brands: Rolex, Tudor

Figure 66: YoY change in revenue of Rolex industries Sa

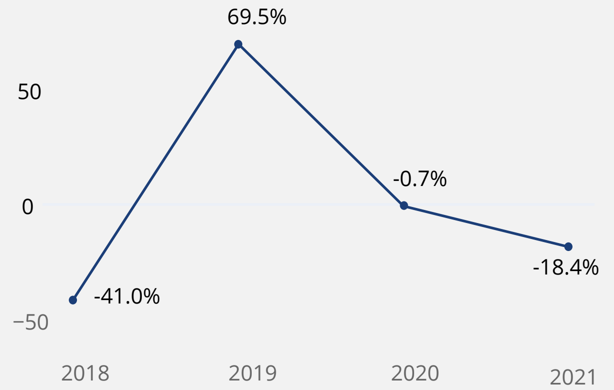
2020-2021



YoY= year-over-year
Source: Company DB

Figure 67: YoY change in web traffic to Rolex

2018-2021



YoY= year-over-year
Source: RetailX, SimilarWeb

Rolex at a glance

Rolex is single-mindedly focussed on watches and, to many consumers, is the gold standard in aspirational timepieces. This keystone to the Swiss watch industry was actually founded in London in 1905 by Alfred Davis and his brother-in-law Hans Wilsdorf, as an importer of Hermann Aegler's Swiss watches. The company has since morphed into making and selling its own distinctive high-end watches and is wholly owned and operated by a private company, The Hans Wilsdorf Foundation.

In 1946, Wilsdorf created the spin-off Tudor brand to bring Rolex quality and accuracy at a lower price to a wider audience. Other than this, the company operates no other brands and produces no other products outside its core luxury watches.

This focus has been highly effective, generating annual revenues just shy of $1bn that are impressive for a company with such a limited product range.

The growth in the luxury watch market has been a double-edged sword for Rolex. On the one hand, it has generated more interest in its products – both new and vintage. On the other, Rolex is now just one of many.

The pandemic has also had an impact, with Rolex's factory closing for many months and production dropping 19%. This has been a problem across the Swiss watch market, which contracted by a third during the pandemic and saw exports drop by a fifth. However, Rolex still commands 22% of the global market for Swiss watches and still outsells its nearest competitors – Cartier and Omega – generating four times as much revenue as these two players in 2021.

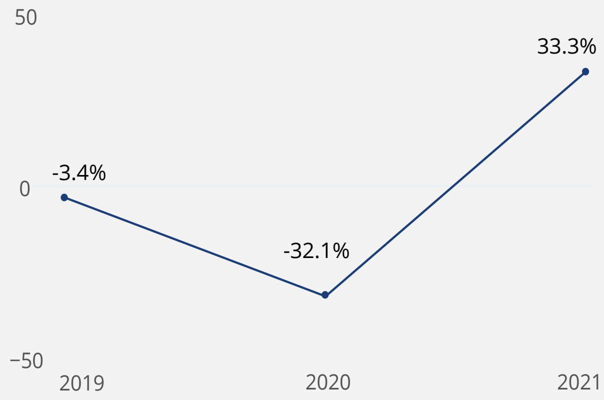
The Swiss watch market has been eroded by the rise of smartwatches, with American, Japanese and Korean tech brands entering the mid to low-higher tier of watches. While Rolex has held up well against this, it will be interesting to see when it too bows to the relentless march of technology.

Rolex engineers in the 1960s were instrumental in the development of quartz 'digital' watches, even though the company has made few models that use this technology, relying instead on its extremely accurate, mechanical workings. So perhaps a Rolex smartwatch is unlikely any time soon.

Company: The Swatch Group
Headquartered: Biel/Bienne, Switzerland
Founded: 1983
Employees: 30,000+
Revenues 2021: $8.2bn
Web visits 2021: Swatch 4.1m, Tissot 7.3m, Omega 10.2m
Luxury segments: Watches, jewellery
Brands: Swatch, Blancpain, Breguet, Certina, ETA, Glashütte Original, Hamilton, Harry Winston, Longines, Mido, Omega, Rado, Tissot.

Figure 68: YoY change in revenue of Swatch Group

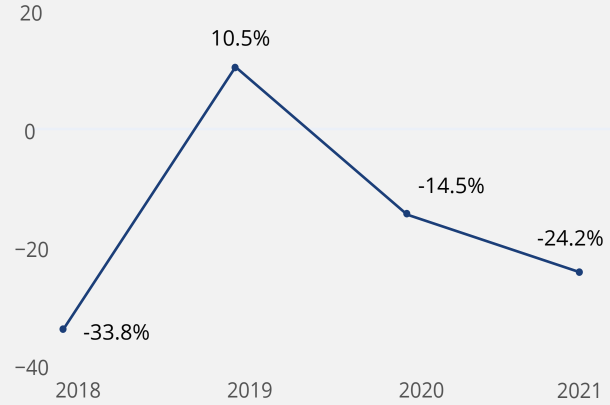
2019-2021



YOY= year-over-year
Source: Company DB

Figure 69: YoY change in web traffic to Swatch

2018-2021



YOY= year-over-year
Source: RetailX, SimilarWeb

Swatch Group is the world's largest maker and seller of watches, turning over $8.2bn in 2021 from the sale of millions of its stylised and affordable watches. Indeed, the name Swatch was coined by the group's chairman Dr Nicholas Hayek, as a portmanteau of 'Second Watch', since he envisioned the devices being a fun, lower-cost alternative to a 'proper' watch.

However, this masks the company's beginnings in the luxury Swiss watch market. Swatch was born out of a merger of ASUAG (*Allgemeine Gesellschaft der Schweizerischen Uhrenindustrie*), the world's largest producer of watch movements, and SSIH (*Société Suisse pour l'Industrie Horlogère*), a company owning both Omega and Tissot. Swatch as we know it today was launched in 1983 to capitalise on lower-power quartz mechanisms that offered cheap production and high accuracy, allowing the watches to be sold as 'affordable luxury' with a style that cocked a snook at the more established high-end luxury watch industry. In some ways, Swatch can be seen as a pioneer of attracting a new, younger demographic to luxury and affordable luxury items.

While the luxury brands Tissot and Omega attract more web traffic, the lion's share of the group's revenue still comes from the more mass-market Swatch, many of which are now sold online. The majority of the group's sales across the past decade have taken place in Asia, which typically accounts for between 55% and 65% of total sales by region. Europe takes around a quarter of sales. This split is forecast to continue into 2023 as China re-opens post-Covid, although CEO Hayek predicts that there is the potential for double digital growth in the US. His optimism is driven by the highly positive reception of its MoonSwatch launch in collaboration with Omega, which shifted more than one million units and caused queues at stores in the US in late 2022.

The company's first foray into online commerce took the unusual shape of creating Internet Time, a concept to unify online time by splitting the day into 1000 'beats'. While innovative, this failed to catch the world's imagination and has yet to be adopted. The company was also the first to create a smartwatch – 2004's Paparazzi, based on Microsoft's SPOT tech, although this too proved to be ahead of its time.

Company: Vestiaire Collective

Headquartered: Paris, France

Founded: 2009

Employees: 800

Revenues 2021: $210mn

Web visits 2021: 21.3mn

Luxury segments: Clothing, shoes, accessories, jewellery, childrenswear

Brands: Vestiaire is a marketplace, selling more than 12,000 luxury, fashion and designer brands from the big names and lesser-known brands

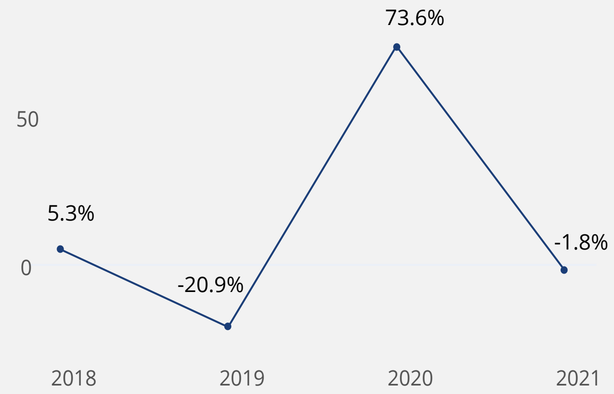
Vestiaire Collective is one of new breed of pureplay online luxury sellers which are, in essence, marketplaces. What sets Vestiaire apart is that is almost entirely a seller of second-hand goods.

Launched in Paris in October 2009, Vestiairecollective.com has more than seven million members across 50 countries, with offices in Paris, London, New York, Milan, Berlin and Hong Kong. More than 30,000 new items are submitted by its community of sellers every week, giving buyers access around 3,500 items a day.

The pre-owned fashion sector has experienced rapid growth over the last three years, with a further acceleration during the pandemic. This has been predominantly driven by younger consumers' increased focus on sustainability and a growing trend for social shopping and online communities. It is estimated that the amount of second-hand clothes purchased will grow from 21% in 2021 to 27% in 2023, with the value of the second-hand sector forecast to be worth over $60bn by 2025.

Figure 70: YoY change in revenue of Vestiaire Collective

2018-2021

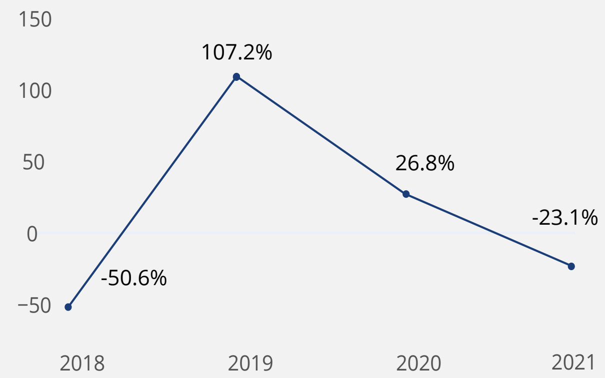


YOY= year-over-year
Source: Company DB

Vestiaire is riding this wave of consumer interest in pre-loved and re-loved fashion and it's testament to the vision of its business model that the company raised €178mn in new financing in 2021, backed by global French luxury group Kering and US investment firm Tiger Global Management. By investing in Vestiaire and being represented on the Vestiaire Collective board, global Kering is reinforcing its own strategy of supporting innovative business models, embracing new market trends and exploring new services to fashion and luxury customers. It is also recognising that the second-hand luxury fashion market is now a distinct and growing part of the sector.

Figure 71 : YoY change in web traffic to Vestiaire Collective

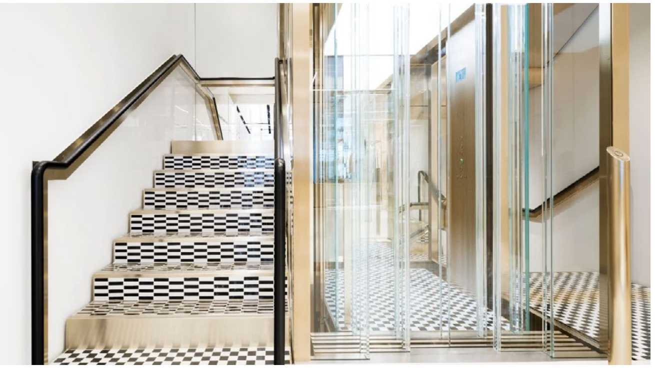
2018-2021



YOY= year-over-year
Source: RetailX, SimilarWeb

Vestiaire may only have generated $210mn in revenues in 2021 but its popularity is growing rapidly, especially in the US. Since the beginning of 2022, Vestiaire Collective has been growing its US GMV at a 75% year-on-year rate. The company achieved this in part through partnering with US fashion resale site Tradesy. With the strategic scale and operational setup this brings, the combined company is well-positioned to grow its share of environmentally friendly local-to-local transactions in the US in the years ahead.

Case study



Burberry becomes an exemplar of true omnichannel luxury retail

Burberry is one the few leading luxury global brands to hail from the UK and, while it was well on its way to digital transformation pre-pandemic, adapting to changing consumer habits during and post-Covid has seen the retailer surge into the position of being a true exemplar of omnichannel luxury retail.

In doing so, Burberry has done an impressive job of knitting together the old and the new to create a proper technology-led omnichannel offering. The brand has used digital to support both its online and offline sales. It opened 11 new shops during 2021/22 and has developed a new store concept that will soon start to be rolled out across its footprint.

Its flagship store in Paris is decked out in the classic Burberry check on the outside, a leitmotif that's echoed throughout the building. But it is the top floor, designed as a Burberry apartment, where the personalised shopping experience and the digital shopper come together to create a unique retail experience.

Burberry says that this omnichannel focus has extended to in-person and virtual appointments and client events, mitigating the effect of reduced online traffic.

Meanwhile, Burberry plans to supercharge online sales through digital leadership and to invest in omnichannel experiences including building brand engagement and focussing on its core luxury outerwear and leather categories. It will also focus on full price sales as it looks to improve its profitability.

The retailer says it continues to focus on becoming carbon neutral by 2022 and that all of its stores in mainland China are already carbon neutral. By the end of 2023, it expects to use 100% renewable electricity and to have a global carbon neutral footprint across its operations.

Burberry has also localised marketing campaigns to its strongest markets, including China and South Korea, and opened a social retail store in Shenzhen. Digital leadership, it says, drove double digit growth in full-price online sales across all of its regions, despite a wider sales decline.

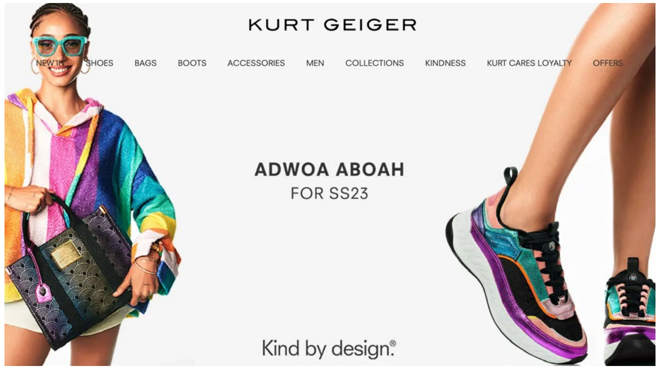
The brand is looking to drive greater sales through emphasising its Britishness on the world stage, as it attempts to become a $5bn business. According to new CEO Jonathan Akeroyd, who took over the 166-year-old company in November 2022, this drive will see the company stand out against its French and Italian rivals in the fiercely competitive luxury fashion market.

Alongside this are plans to increase sales of accessories such as higher-margin handbags and shoes to more than half its total sales.

Akeroyd also notes that Burberry has a big opportunity in footwear, including boots that harness the brand's history. The company supplied Antarctic explorers such as Roald Amundsen and Ernest Shackleton. It would also grow its women's ready-to-wear and outerwear, such as its famous trench coats.

Case study

KURT GEIGER



How Kurt Geiger grew through dedicated marketplace range

Luxury UK brand Kurt Geiger Limited, like many luxury brands, has started to look at new ways to grow sales and service an emerging new cohort of consumers by using marketplaces.

Turning to leading luxury outlet marketplace Secret Sales, Kurt Geiger is driving sales from markdown and promotional inventory, clearing last season's range while, at the same time, creating a whole new revenue stream. However, it has gone one step further and also created an entirely new 'made for outlet' range.

Creating new sales channels into new markets is essential for luxury brands and retailers. Part of this process has been using bespoke marketplaces and partnerships. It has also involved tapping into new demographics, especially the younger end of the market who are keen to get going with luxury, but don't necessarily have the ready cash to do it at full price.

Similarly, luxury brands need to maximise their investment in stock and, as seasons and collections change, they need to realise the potential of the end-of-line stock they still hold.

Bringing these two things together has been the mission of Secret Sales, which has carved out a niche of offering luxury brands a lucrative way to target this new demographic.

The partnership follows an eight week, fully automated API integration to the Secret Sales platform which Kurt Geiger Limited offers brands from across its portfolio, including KG London, Kurt Geiger and Carvela. Working with Secret Sales, Kurt Geiger Limited will also be expanding its non-full price offering into overseas markets as the business tees up for an international launch in early 2023, with the partnership set to renew annually.

Kurt Geiger and Secret Sales have teamed up on a digital marketing strategy, allowing both partners to work in harmony to yield the best digital results for the brand. This includes alignment on digital spends, affiliates and PPC strategies alongside Google Shopping.

By partnering in this way, Kurt Geiger can maintain marketing dollar spends for full price activities and still maintain a significant volume of sales through the Secret Sales channel which, in the first few weeks of trading, has already exceeded both partners' expectations.

For Secret Sales, the partnership means its shoppers will have affordable access to new, high-quality footwear and accessories. This comes at a time when average order value on the website is 20% higher than last year as shoppers focus on well-priced, high quality goods in response to the cost of living crisis.

Gareth Rees-John, Chief Digital Officer, Kurt Geiger Limited says: "Tackling excess stock presents a huge challenge for brands that care about their market positioning. However, by launching on Secret Sales we can turn non-full price inventory into a profit centre. Even better, the Secret Sales marketplace helps us attract new customers, who become invested in the brand and open to our full price ranges. We look forward to working with the Secret Sales team."

Case study

THE EDIT LDN™

How The Edit LDN created a luxury sneaker resale business from a bedroom

The global sneaker reseller market is steadily growing 5% year on year and has become a $30bn industry. Serving this demand, sneaker marketplace The Edit LDN has blasted out of founder Moses Rashid's London bedroom by growing at rate of 500% a year.

Seeing a gap in the market for luxury in the sneaker space, The Edit LDN was founded in January 2020 by Rashid in his spare bedroom out of a pure passion and love for sneakers. Within just two years, it has become a multi-million dollar business. The site has built its proprietary technology to create a global marketplace with a focus on speed, efficiency and experience. Its offer the ability for a same-day service, storage facilities for resellers and a proactive seller service through its Personal Shopping team.

The Edit LDN is now a premium online marketplace for limited edition sneakers, streetwear and collectables. It is widely considered to be the most innovative, disruptive platform in this market due to its proprietary tech platform and mobile apps.

"We have been laser-focussed on providing a premium service and doing this super-fast to anyone buying limited edition sneakers globally," explains the CEO, Rashid. "This was an unmet need in the sneaker community and our growth success is testament to how we are conquering this. Having built relationships with brands, celebrities and consigners, we can secure the most sought-after products by clients. Our robust authentication process and detailed supply chains have helped to grow trust and love for the brand. We will double down on our tech stack to ensure we are ahead of the curve to quickly source, offer and send the latest sneakers to anyone, anywhere in the world."

Looking ahead, Rashid adds: "The limited edition sneaker market has reached the intersection between a fashion or cultural trend and a commodity as more buyers see purchases as an investment asset class. We're noticing customers are creating collections and making up to five purchases a month at a typical value of $430 per transaction."

To take its growth to the next level, the company has, in early 2023, raised $4.8mn in seed funding to propel growth in its next target market, MENA.

The seed round was led by Regah Ventures – early investors to Uber, Coinbase and Instacart – with participation from sports celebrities including New York Giants Captain Xavier McKinney, NBA superstar PJ Tucker and Premier League player Jesse Lingard.

On leading the seed funding round, Mark Hager, CEO at Regah Ventures said: "We are backing The Edit LDN to be the most disruptive and innovative global marketplace for limited sneakers, streetwear and collectibles. With unique market positioning, celebrity endorsements and the powerful brand they have built in a short space of time, it is a really exciting business. We have every confidence in Moses and the wider management team to turn this into a $1bn+ business quickly, and we at Regah Ventures are delighted to be a part of the journey."

Case study

TMALL
理想生活上天猫

Alibaba creates TMall global luxury shopping festival

Luxury brands have traditionally relied on their own stores to sell, with many forced to create direct to consumer (D2C) websites during the pandemic. This shift towards online selling is now gaining momentum, with more consumers looking online to buy luxury goods.

Alongside this, consumers are also shifting towards buying from marketplaces – a trend that is increasingly prevalent in China. Since China is one of the largest growth markets for luxury brands, this presents an interesting opportunity and one that leading Chinese marketplace Alibaba has sought to capitalise on during the huge 11.11 Singles' Day shopping peak.

The demand for luxury products remains strong, with China set to become the world's largest luxury market by 2025 after Chinese spending in the sector doubled between 2019 to 2021.

Disposable wealth is increasing among Chinese people, particularly in its emerging middle-class population. Research suggests that 400 million additional Chinese will have the means to purchase personal luxury goods in the next 20 years.

More broadly, the pandemic has been a significant factor for the acceleration of the luxury market's digitalisation in China. Ecommerce luxury sales had risen more than 150% by the end of 2020, with online activity in this area almost doubling to 23%.

In November 2022, more than 200 luxury brands took part in the 11.11 Global Shopping Festival, with up to 80mn consumers visiting the Tmall Luxury Pavilion.

Alibaba's Tmall Luxury Pavilion was launched in 2017, at a time when most luxury brands were unsure about venturing into the digital ecommerce space and were focused mostly on traditional bricks and mortar stores.

Tmall Luxury Pavilion is now a powerhouse for luxury innovation, working with more than 200 of the world's premium brands such as Cartier, Gucci, Vacheron Constantin, Burberry, Emporio Armani and Prada. It is also the first platform in China that carries products from the five major luxury groups, LVMH, Kering, Chanel, Hermès and Richemont.

It provides a flexible interface for brands to customise their stores and experiment with new shopping experiences, which range from product personalisation and livestreaming to AR and 3D technologies. At this year's festival, Tmall Luxury Pavilion was influential in helping brands tap into the metaverse, with Alibaba creating an immersive retail experience with its own luxury virtual influencer, 'Timo'. Tmall also rolled out the first digital art gallery in the metaverse, collaborating with Burberry, Balmain, Longines, Coach, La Perla and Emporio Armani.

Other innovations seen in the luxury sector at this year's Festival saw both Cartier and Vacheron Constantin using 3D technology for detailed product viewing online, and brands such as IWC Schaffhausen and Maison Margiela inviting shoppers to virtually try on their products during the festival using AR tech.

Meanwhile, Swiss watchmaker Chopard set up a virtual store to mirror one of its bricks and mortar boutiques, along with its pop-up tool to livestream a jewellery and watch show hosted by its flagship store.

Next steps and developments in global luxury

What does the luxury industry have to do next to attract new customers so that it can continue to grow?

The luxury sector has done a great job of bringing itself up to the level it was at before the pandemic. However, it now finds itself in a changing world and facing some radically different challenges to those it has faced so far.

While largely inured to the cost-of-living crisis, thanks to its well-heeled clientele, it faces a need to grow its customer base both in terms of geography and age.

This presents it with two main challenges. Firstly, it has to find and appeal to an ever-younger customer base. Secondly, that customer base is using markedly different tech to the ecommerce platforms that the sector has so far managed to embrace.

CHANGING DEMOGRAPHICS

The luxury market has been, since its inception in the 14th century, largely targeted at the older end of the market – those with not just style and an eye for longevity but also the money to pay for it.

However this approach has an in-built limit, with many of the established older buyers of goods passing 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, pre-pandemic, already identified the potential of this market. Young, affluent, style-conscious shoppers who want something different to what's on offer on the high street and who are prepared to pay for those differences.

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 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 using social media, immersive marketing and more. The thinking is that this opens up a raft of new shoppers to luxury brands. Although the items are less valuable, they can sell more to more people.

Additionally, affordable luxury acts as an on-ramp to higher value purchases, particularly in the future as these shopper mature. 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 also has a keen eye on the next generation of luxury shoppers: Generation Alpha.

Gen Alpha 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].

These 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 influences family spending on things like holidays or even automobiles[3].

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

How can the luxury industry start to line up these next generation consumers? So far, steps have been tentative and tend to centre around branding tie-ins. Traditional, luxury brands have partnered with streetwear designers and brands to create high-end collections aimed at new Gen Y, Gen Z and millennial customers. Recent examples include Louis Vuitton x Supreme, Off-White x Rimowa, Fendi x Fila and singer Rihanna becoming LVMH's first black, female designer with Fenty Maison.

A similar tactic is now being used to target Gen Alpha. One example is a partnership between Karl Lagerfeld and KFC. This saw Lagerfeld branding on KFC packaging, while the luxury company rolled out a range of KFC bucket-shaped totes and handbags.

There is a risk of brand dilution with such partnerships but overall, the impact on recruiting this new generation of shoppers could be worth that risk.

MARKETPLACES, SOCIAL AND 'SUPER APPS'
Consumers are increasingly shopping for everything they want on marketplace sites – from Amazon through 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 – marketplaces are increasingly the place that younger shoppers are heading to buy luxury. Can the big brands afford not to be there? Some, such as Kurt Geiger, have approached the issue by creating their own marketplace ranges (see page 49), while others use them more judiciously to clear last year's stock. Either way, luxury brands have to quickly 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. They are going to want to buy their luxury goods – and talk about them – on social media sites.

For example, TikTok's 1.2bn active user population is 70% Gen Z, which currently has $143bn in total spending power. By 2025, millennials and Gen Z will contribute 130% of the growth in the personal luxury goods market. Brands can't afford to ignore numbers like that.

This move towards social media and marketplaces – along with the growing sales of luxury in China – brings us to the issue of super apps – the ones that do several things at once for consumers. The prime example is China's WeChat. Ostensibly a social media and messaging platform, WeChat also 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 increased by 76%, 40%, 32% and 27% respectively, compared to 2022. It also saw a 23% rise in the use of its own payment service on and offline. This, coupled with the rise of so-called 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 must not only take on marketplaces and social media but also adapt their operations and attitude towards this new world of engagement-led selling. This may even be where they pioneer the use of ChatGPT and other adaptive AI to drive the engagement conversations.

LIVESTREAMING
Livestreaming grew in popularity during the pandemic and has continued to find a niche of interested viewers – which it hopes to convert into buyers – ever since. 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 combined[5].

Many luxury brands have been quick to embrace this, swapping out glossy, high-quality video marketing for more live, advice-based content that taps into not only the shift in consumer attention to these videos, but also towards an increasingly young cohort of shoppers who are tuning into luxury brands. Research suggests that the livestreaming market will be worth $70bn, driven primarily by esports but with entertainment services also growing in use[6].

When it comes to retail, livestreaming accelerates conversion and improves brand appeal but doesn't often cause direct sales. In China, where livestreaming has been 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 made the 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. high-end Similarly, cashmere designer Madeline Thompson has hosted special live sets with DJ Henri – the DJ spinning the wheels 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-long 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.

More recently, US luxury department store Bloomingdales has started livestreaming events, running more than 50 since 2020. While the livestreams themselves are nothing out of the ordinary compared to those run in China, the company does a great job of building anticipation and rewarding viewing and shopping. One livestream featuring Jimmy Choo creative director. Sandra Choi, saw viewers who signed up in advance sent cocktails and macaroons in the mail to enjoy during the event.

The first 50 people to buy a pair of Jimmy Choos during, or immediately after, the session received a personalised fashion sketch, while everyone who watched until the end was entered into a gift basket and gift card giveaway.

Going forward, livestreaming is going to have an increasing role to play across omnichannel retailing generally. 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 across the rest of 2022 and beyond.

THE METAVERSE

Where livestreaming is the here and now of today's luxury ecommerce, the next generation of web access is starting to come through. The metaverse is a hot talking point in many sectors but it is in luxury where some early rollouts have given 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. It described a 3D, virtual reality space accessed through VR googles. Today, the 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

Luxury brands working in the metaverse

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', it featured seven different virtual worlds inspired by famous fashion capitals, including London, Paris and Munich.

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. These were then compiled into one NFT world digital artist Zach Lieberman.

Burberry – The UK luxury brand created a string of unique playable NFT creations. The characters include virtual accessories such as armbands, jetpacks and pool shoes. This creation collection sold out quickly for almost $400,000.

Gucci– a pop-up on *Roblox* that 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 sold a single bag for more than $4,000 in real-world money.

Balenciaga – launched its collection of clothes in *Fortnite*. These outfits for game characters are purchased using *Fortnite*-world currency V-Bucks, which are purchased with real money.

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

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 in VR games. This 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 whole new second-hand market in virtual luxury goods, although 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, Balenciaga and Dolce & Gabbana all doing something in the space in 2021 (see panel on page 54).

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.

This is still a year or more away but 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.

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Conclusion

The global luxury sector is in rude health, growing in revenue terms after the downturn of the pandemic and, thanks to its embrace of technology, already cultivating the next generation of luxury shoppers.

The industry has even found an ally in the consumer shift to sustainability, with the resale value of luxury goods driving a thriving second-hand market.

While Asia remains the focus of growth, changes in technology and attitudes are likely to see sales across the more establishing markets of the US and Europe start to generate their own green shoots and propel the sector's growth even faster in the years ahead.

We hope that you have found our research and analysis to be of interest and commercial value. We would be very pleased to hear from you with questions, suggestions or comments and, in particular, we would like to hear about any areas you think we should include in the 2024 report. Please get in touch via: research@retailx.net

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