

ALTAGAMMA MONITOR CONFERENCE 2019

*The 18th Altagama Monitor Conference presented the **2019 Altagama Worldwide Market Monitor produced by Bain & Company**, with the statistics and analysis of the luxury market. It also illustrated the trends for **VIP Shoppers identified by Global Blue** and the forecasts for 2020 formulated by the **Altagama Consensus**, now in its 11th year.*

Milan, 28 November 2019. The luxury sector is proving resilient to the economic uncertainties that have continued to characterize the global situation in **2019**. The value of the total market is now around **1,268 billion Euros, a rise of 4%** at constant exchange rates.

The same growth (4%) was observed in **Personal Luxury Goods**, up to **281 billion Euros** this year.

The **forecasts for the Personal Luxury market for 2020** are positive, as the following samples show: Chinese consumers (+10%), leather goods (+6%) and digital sales channels (+13%). Thanks to the extraordinary performance of the large conglomerates, the margins of high-end companies are expected to increase by 4.5%.

Despite the continuing presence of various negative external elements (the US-China trade war, the situation in Hong Kong and the weakness of Europe), the dynamism of the high-end sector and the expansion of its consumer base are keeping the sector buoyant. This is mainly due to the consolidation of the main **drivers of growth** of recent years: China, which is a key player both as a market (+30%) and in terms of consumer nationality (35% of the total); **young shoppers**, with Millennials and Gen Z responsible for 100% of the growth reported in 2019, and the **digital** sphere, with online retail accounting for 22% of total sales.

After a difficult 2018, there is also good news for **Tax-Free Shopping**, which grew by **10%** in the first 10 months of the year in **Europe**, and even more in Italy (+16%).

The situation in the luxury industry and its markets was outlined by the studies undertaken for the **Altagama 2019 Worldwide Market Monitor** (presented by *Claudia D'Arpizio, Bain & Company*), the **Tax free Shopping scenario in Europe and the contribution of global VIP Shoppers to growth** (*Pier Francesco Nervini, Global Blue*) and the **2020 Altagama Consensus** (*Stefania Lazzaroni, Fondazione Altagama*), which were presented during the conference held today in Milan at the Teatro Nazionale.

*"Cultural and creative companies have grown by 4% and appear to be well equipped to face the current global geopolitical challenges and those which concern the changing panorama of new consumers", stated **Andrea Illy, President of Altagama**. "Increasingly polarized between large groups and independent companies, the luxury sector is now showing growth in the double figures - for those consolidating and expanding - and reconfirming a twenty-year trend that has tripled the value of the personal luxury market from 76 to 281 billion euros. Digitalization, sustainability, talents and a new awareness of different cultures - in terms of both geography and demographics - will be the new priorities".*

The present and future scenarios and prospects were discussed by **Jean-Christophe Babin** (CEO Bvlgari), **Angela Missoni** (President and Creative Director, Missoni), **Fabio d'Angelantonio** (CEO, Loro Piana), **Roberto Gavazzi** (CEO, Boffi | De Padova), and **Julie Wainwright** (Founder and CEO, The RealReal), in a series of talks moderated by **Sarah Varetto** (Head of journalistic projects of the Sky group for Continental Europe).

The insights that emerged from the studies are outlined in detail below.

1. The 2019 Altgamma Worldwide Luxury Market Monitor. By *Bain & Company*

In 2019 the personal luxury goods market has risen to € 281B (+7% at current exchange rates, +4% at constant exchange rates) and predictions for growth up to 2025 have been confirmed (+3/5% at constant exchange rates).

- **China** remains the driving force behind this growth (+30% at current exchange rates; +26% at constant exchange rates), followed by the rest of Asia and Japan. Hong Kong has dropped by around € 2 billion compared to 2018. The Chinese have led 90% of growth in 2019.

- **Millennials (generation Y) and generation Z** account for 100% of market growth in 2019. In China and South-East Asia these segments are proving the most dynamic and the most interested in personal luxury goods.

- The **online channel** is the most dynamic in terms of growth (+22% at current exchange rates), above all in Asia and in the Accessories category; the **retail channel** continues to show a sustained, organic growth curve.

- **The ultra-rich (UHNWI)** represent about 30% of the global market, with increasingly "extreme" buying behavior. In Asia especially, the **middle class** is contributing to the expansion of the luxury customer base (entry-price lines and outlet channels are growing accordingly)

- The biggest growing sectors in 2019 are Shoes and Jewelry (+12% at current exchange rates) but the gaps in performance between **product categories** are narrowing, thanks to consumers being more open to new value propositions and new business models: for example the **burgeoning Second Hand market**, now worth € 26 billion (+ 16% on 2018)

- **Consumers are increasingly proactive:** (inter)acting, conversing, sharing, observing and judging the market and the brands. It is becoming increasingly crucial for brands to put the consumer at the center of their work, and focus on sparking emotional engagement and implementing concrete social responsibility strategies. Creativity has to be the key driver of all activities, not just product development.

2. The Tax Free Shopping scenario in Europe and the contribution global VIP Shoppers make to growth. By *Global Blue*.

In Europe in the last six years, *Tax Free Shopping* has been one of the main drivers of growth, both in the luxury sector and high-end tourism, **increasing by 5%**. In particular, after a weak 2018, **the months between January and October this year** have shown a positive trend in tax free purchases, with a **10% increase** on last year. This growth was mainly driven by American tourists who, although they accounted for only 8% of the total, **purchased 25% more** than in 2018.

Compared to last year, in Italy in the first ten months of 2019, *Tax Free Shopping* saw **double-digit growth: +16%**. **Spain (+20%)** and **Great Britain (+11%)** also fared well. **Germany and France** had increases of **2% and 1%** respectively.

Also according to Global Blue data, in the first ten months of 2019 Europe increased in popularity as a shopping destination for "**Elite Shoppers**", who **increased their purchases by 13%** compared to 2018. In this category too, American tourists have contributed strongly to the rise in sales, +30% on last year.

In Italy, the **number one nationality of Elite Shoppers** this year has been **Chinese** (35% of the total), followed by consumers from Russia (12%), other Asian and Arab countries (11% each) and America (7%).

3. The 2020 Altgamma Consensus. Produced by *Altgamma* with the input of leading international analysts, the eleventh edition includes a new focus on consumer nationality and growth across different channels.

In terms of product categories: Leather Goods (+6%) has been confirmed as the fastest growing category, supported by new consumers in emerging markets and China, along with Beauty. The growth of the Footwear sector is driven by the success of sports lines and an increasing number of collaborations between luxury and streetwear brands. Asian consumers are driving Jewelry (+5%).

Among the **consumer nationalities** expected to grow, the Chinese remain in first place (+10%), followed by Asian Pacific consumers, in particular from South Korea, Indonesia and India.

As for **Channels**, the online channel (+13%) dominates the growth estimates for 2020, but physical retail remains solid (+4%), as stores adapt from being pure points of sale to a touch point for consumer engagement. In 2020 EBITDA is expected to rise by 4.5%.

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