



**True-Luxury Global Consumer Insight**  
**Summary of the BCG-Altagamma 2021 Study**

**A document prepared**

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## **UNIQUE STUDY ON THE TRUE-LUXURY GLOBAL CONSUMER**

This document is the summary of the "True-Luxury Global Consumer Insight" research, carried out by Boston Consulting Group (BCG) in collaboration with Fondazione Altagamma. This research, now in its 8th edition, is the most complete and innovative research on True-Luxury consumers.

The study has been designed to provide a uniquely comprehensive understanding of True-Luxury consumers:

- All luxury categories captured: from personal (clothing, accessories, jewelry, watches, perfumes, and cosmetics) to experiential luxury (hotels, restaurants, wine and spirits);
- Size and relevance of the sample: more than 12,000 respondents with an average spend on luxury goods of about 33,000 euros per year, whose decrease is in line with 2020 market loss due to Covid;
- Wide geographical coverage: top 10 luxury spending countries included – US, UK, Italy, France, Germany, Brazil, China, Japan, South Korea and Russia – plus United Arab Emirates and Saudi Arabia;
- Ad hoc Advisory Board: composed of 20+ luxury companies, the Board gives recommendations on the main trends.

## **PERSONAL & EXPERIENTIAL LUXURY REACHING PRE-CRISIS LEVEL IN 2022**

Covid-19 pandemic caused a loss for Global Personal and Experiential Luxury Market of 22% and 50% respectively during 2020. After a severe setback, in 2021 both markets have started to recover and they are projected to close the year with an YoY growth that could range from 20% to 30% for Personal Luxury and from 60% to 70% for Experiential Luxury, compared to 2020.

Such projected bounce-back is strongly driven by the positive evolution of the pandemic situation, mostly thanks to the development of the vaccine, that has allowed governments to set-up and launch immunization campaigns and progressively relax or even entirely lift restrictions. Under these conditions, people are having the possibility to gradually resume shopping and travelling, giving a boost to luxury goods sales.

Nevertheless, such renewed optimism will not be sufficient to push the Global Luxury Market to pre-Covid levels by the end of the year, as Personal Luxury Market is projected to wrap-up the year at -5% to 0% versus 2019 market value levels, while at -15% to -20% for Experiential Luxury, still suffering from a lingering feeling of uncertainty surrounding the travel environment.

That being said, the expected advancements of the vaccination campaigns all over the world and the consequent progressive return to pre-pandemic living styles are allowing both markets to get back to pre-pandemic levels by the end of 2022. Especially Luxury Personal Market is expected to enjoy a stronger optimism and to close 2022 with a market value growth of 5% to 10% above 2019 levels. On the other side, Experiential Luxury Market receives more prudential estimate, as it is projected to land close to 2019 levels (from -3% to +3%).

## **REBOUND EFFECT: EAGERNESS TO INCREASE LUXURY CONSUMPTION POST COVID**

Recovery signals for 2021, already highlighted by market figures, also come directly from the voice of consumers, that have been pulse-checked through the Altgamma Survey with the purpose to collect their feeling for the 12 months to come.

In general, when asked about their spending expectation on Personal Luxury for the next year, 35% of them have stated that they plan to increase the consumption in the Country of Residence, against 24% of consumers expecting a decrease. This results in an estimated average of 2.5% increase in (€) spending within Country of Residence, while on the Abroad side, expectations are more pessimistic (4.7% decrease), as 29% of interviewees think about increasing Abroad purchases against 36% of them expect to diminish consumption.

On the Experiential side, 36% (with reference to Country of Residence) and 52% (for Abroad) of consumers think about increasing their spending in the next 12 months, while 25% and 35% of them respectively are expecting a reduction, resulting in higher estimated spending increase for Abroad than Domestic consumption (+14.1% vs. 2.4%).

As it stands, consumers' feeling is slightly opposite for Personal and Experiential Luxury, with the Personal Luxury expected to benefit from Domestic consumption, and Experiential Luxury forecasted to be supported more by abroad spending.

## **TWO HIGHEST LUXURY SPENDER CLUSTERS THE ONLY ONES GROWING IN 2020**

Before the pandemic, the biggest chunk of the Global Luxury Market, "Other Aspirational" consumers, accounted for 62% of market value and 90% in terms of population, followed by "True Luxury", with 31% market value, and "Top Aspirational" with 7% market value.

With Covid-19 breakout, "Other Aspirational" category has been particularly affected, with almost 20% of consumers lost and market share plummeted from 62% to 55% in terms of value.

On the other side, "True Luxury" consumers category took less of a hit and brought its market share from 30% to almost 40% in 2020. This increase was strongly driven by the two wealthiest segments, "Beyond Money" and "Top Absolute" consumers (with yearly spending of more than 20,000€), that both grew 17% in terms of value and took their aggregate share from 6% to 12%. Such leap was strongly facilitated by remote working models, which gained popularity owing to pandemic, giving these two categories more flexibility and time to increase their spending both in Personal and Experiential Luxury.

Looking ahead to 2025, "True Luxury" consumers are expected to generate 30% of total Global Luxury Market growth in terms of value, predicted to hit about 580 billion euros, achieving a 15% CAGR compared to 2020. Approximately 60% of it will come from "Other Aspirational" consumers, who - thanks to a forecasted 16% CAGR in market size - will bring their share back up to 57%, yet still under pre-pandemic levels. Such increase will be strongly pushed by a predicted 30% growth in consumers in this category, fueled by the rise of Chinese middle-class approaching luxury spending.

## **MILLENNIAL & GEN-Z OPTIMISTIC FUTURE VIEW, MAKING MORE THAN 60% OF MARKET BY 2025**

After bearing the brunt of the Covid crisis, Millennials and Gen Z now appear to be the most optimistic generations about the post pandemic recovery.

More than half of the consumers from these 2 generations express their positive feeling about a fast recovery, well above 23% of respondents from other generations, namely Gen X, Baby Boomers and Silver.

Millennials and Gen Z are particularly relevant for the market, as they are expected to represent more than 60% of Global Personal Luxury Market by 2025, with an estimated market value ranging from 235 to 265 billion euros. These new generations prove to be very influential on the overall market, thanks to their ability in terms of digital engagement creation and trendsetting.

## **US & CHINA LUXURY GROWTH ENGINES**

In a general context that sees European consumers generally cautious about their domestic consumption (with spending expectation ranging from -1% to +1% compared to last year) and pessimistic about the abroad one (with exception of Germany which stays around -1%, values go from -5.7% for UK to -11% for Italy) in Luxury products for the next 12 months, U.S. and Chinese consumers stand out in terms of optimism for the future, laying down the preconditions for them to be the engine of the Global Personal Luxury growth in the near future. Yet, the implications resulting from such expected increase in spending are different for the two geographies.

On one side, consumers from China expect to spend 6% more in next 12 months compared to last year, counterbalanced by a decrease of 5.6% on abroad consumption. These expectations are consistent with the intention expressed by almost 70% of Chinese consumers to repatriate at least half of their luxury spending even after the end of the crisis. Such data in fact uphold the possibility that the Chinese trend of repatriation of luxury spending, triggered by the breakout of the pandemic, is here to stay in the immediate future. Chinese share of purchase abroad, estimated at 56% in 2019, is then doomed to shrink in next years and, given the huge importance these consumers have over the Global Luxury Market, brands could be required to invest in order to reinforce their presence in China and to avoid missing out on opportunities from this positive outlook.

Conversely, US consumers expressed their optimism on both domestic and abroad consumption, with the first hitting a bullish 7.7% of expected spending increase in next year, the latter a "milder" 1.4%. US is then poised to regain the importance over the Global Luxury market that had been partially lost in the past years, but implications for brands in this instance are not as relevant as for the Chinese case, given the overall continuity with the pre-Covid dynamics that do not require substantial changes or disruptions in strategy by brands.

Regardless, both American and Asian consumers are expected to outperform pre-covid share estimates. Specifically, for US consumers an increase versus pre-covid expectations of +2-3 p.p. is forecasted, with relevance hitting 19-21% in 2025. For Chinese consumers, the acceleration versus pre-pandemic estimates has been quantified in +3-4 p.p, with incidence expected to achieve 43-45% in 2025.

## **LG & ACCESSORIES AND P&C SHOWING HIGH RESILIENCE TO COVID-19 CRISIS**

In terms of categories, the breakout and spread of the pandemic have produced different effects across different typologies of items.

In particular, best performers in terms of recovery are Perfumes & Cosmetics and Leather Goods & Accessories, showing a resilience to the disruption caused by the pandemic that creates expectation about them to be the only categories to get back to pre-Covid figures by the end of 2021.

More in detail, after having suffered in 2019-2020 year-on-year estimated decrease of 15% to 25% (Perfumes & Cosmetics) and 10% to 20% (Leather Goods & Accessories), both categories are forecasted to close 2021 at par with 2019 values in the “worst-case” scenario, and to be 10% above in the “best-case” one.

## **VIRTUALIZATION OF LUXURY A BOOMING TREND, DRIVING NEW POTENTIAL REVENUES STREAMS**

Virtualization of luxury is an increasingly defined reality that can pose great opportunity of additional revenues stream for the brands.

Notably, interactions between brands and consumers through virtual online games are a phenomenon that is going through different evolution stages in different parts of the world. Indeed, awareness towards such initiatives is higher in China and US, with about 50% of consumers of all age groups well aware of them. On the other side, Europe and Rest of the World seem more to be lagging behind, with only 3 out of 10 consumers claiming to be aware of the phenomenon.

The study shows that these initiatives have a high potential both in terms of new income streams and marketing tools to feed physical items sales: within consumers that have claimed to be aware of the existence of virtual online games that involve a luxury brand, 55% of them state to have bought in-game items. Among them, 86% state to have then purchased the corresponding physical version, and another 13% assert to be interested in doing so.

This poses a great opportunity for luxury brands, that can create an alternative income source and a strong marketing tool with high conversion potential if they manage to raise proper awareness on the existence of such initiatives. Firms should not be worried about “negative perception” when establishing partnerships with online virtual games, as perceptions by consumers are positive in more than half of cases and negative in less than 10%.

Non-Fungible Tokens (or NFT), the digital certification instrument to ensure the authenticity of such virtual items, can also be harvested to pursue other applications outside gaming, like the creation of virtual showrooms with items that can be ultimately sold to customers like real, physical items.

## **BRAND'S VALUES POLARIZATION BETWEEN WESTERN AND EASTERN STYLES**

Before Covid breakout, the preference for more Extrovert brand values, which hinge around the idea of fashionable, glitzy and glamorous rather than sobriety, elegance and simplicity concepts

(characterizing to Introvert values), was gaining momentum and an increasing number of consumers manifested the intention to embrace them.

The disruption caused by the pandemic has produced divergent effects on the Western and Eastern consumers. On one side, European and US consumers expressed the intention to shift to a more sober style, while Chinese respondents substantially confirmed the intention to continue in the same direction as of before the emergency, hence embracing Extrovert features such as “Brand iconic patterns” and “Extravagance”.

The evolution of the pandemic situation following the development of the vaccine and a (consequent) more optimistic outlook ahead has only slightly shifted what consumers had expressed last year, with Chinese consumers still showing the preference for Extrovert value (+3% of preferences), even though the trend has stabilized compared to last year’s acceleration.

On the western side, US & European consumers continue to manifest their preference towards Introvert values such as “Timeless”, “Exclusivity”, and “Craftmanship”, as also evidenced by the fact that only 25% of US and 24% of European Luxury Consumers state their preference for Extrovert values (against 36% of Chinese consumers).

When looking at different age groups, younger generations (Gen Z and Millennials) show an Introvert-Extrovert values balance while older generations strongly prefer Introvert ones.

#### **CONTINUED RESET OF DISTRIBUTION ECOSYSTEM TOWARDS SEAMLESS ONLINE / OFFLINE (OMNI) EXPERIENCE**

Last year, 46% of true luxury consumers concluded their purchases in store, and 30% of them had made researches about them online beforehand, highlighting the importance of having a seamless experience and the need to re-think the role of each touchpoint, with the objective of creating a mutually reinforcing ecosystem and effectively catering to consumers that are increasingly establishing a relationship with the brand that cuts across this or that channel.

Specifically, the role of physical stores is the one that is bound to be affected the most, as their main target will progressively shift from sales generation to experience creation, in order to get current and prospect customers to connect with brand products and values, leaving the big chunk of the sales conversion job to online channels.

This has become even more important after the pandemic, as Covid-19 has fast-forwarded the channel mix shift to online and the relevance of omnichannel journeys. Indeed, luxury market pre-pandemic 2023 estimates projected a channel share for offline of 25%, 55% for omnichannel journeys and the remaining 20% split between brand.com and multi-brand & platforms; as of now, revised estimates suggest an even lower importance of offline, down to 15%, and an increased relevance of omnichannel (up to 60%) and brand.com and multi-brand & platforms (up to 11% and 14% respectively).

In general, compared to eCom, omni-channel journeys generate even higher value, for example from +30 to 50% cross-selling on Click & Collect transactions, 2-3x ATV from in-store appointments booked online vs. AOV for pure online transaction and, in addition, lower "cost-to-serve" (e.g. logistics and shipping costs, fewer returns).

## **SOCIAL AND LIVE COMMERCE (I.E. LIVESTREAMING) BOOSTED**

With the interactions between customers and brands becoming more and more direct and digital focused, there is an increasing need to engage consumers through different channels and ways.

Consumers reveal they develop opinions and make decisions about luxury purchases through Digital communication (like digital magazine, blogs, chats and even e-sports), in-store (e.g. Sales staff and dedicated sales associates in physical stores) and brand websites, highlighting once again the importance for luxury brands to achieve omnichannel excellence to effectively influence consumers' decision making.

On the digital side, one of the most effective tools are virtual livestreams, well-renowned for new needs activation, provision of highly interactive shopping experiences, possibility to reach different audiences and high dynamism in showing the experience.

Like the example of gaming, also for virtual livestream the penetration is not the same globally. Again, US and, even more, Chinese consumers emerge to be more advanced in terms of awareness, with 55% and 73% of consumers respectively declaring to know about the initiatives put in place by online shopping platforms or physical stores, standing out against a more modest 30% in Europe and an overall average of 46%.

In general, livestream sessions prove to have high potential in terms of conversion, with 70% of respondents stating they have already purchased during the sessions or after attending them. Even if awareness levels, as mentioned, are not the same across countries, it is worth highlighting that on the other side the conversion potential is strong everywhere, with the US hitting a staggering 80% and leading the ranking ahead of Europe and Rest of World (70% each) and China (63%), with the latter showing the highest awareness rates, but the lowest conversion figures.

In the US in particular, the market potential of livestreaming has been estimated at 25 billion dollars in 2023.

## **CHANNEL-AGNOSTIC PERSONALIZED CLIENTELING 2.0 – HUMAN TOUCH ESSENTIAL**

Brands are deploying an increasing number of channels to communicate with their customers and ultimately drive sales, and consumers perceive this as important or not negotiable in almost 50% of cases.

For them, consistency of brand image across channels (regardless of the fact they are a brand-owned store rather than a brand's website, a department store or an airport retail) and a service of delivery anywhere the customer likes, integrated across channels (like buy online and pick up in store, or buy in store with delivery at home/ work) are paramount, as both features have been mentioned as "expected" when interacting through multiple channels by more than 40% of respondents.

Talking about the most appreciated elements in brand-consumers interactions, personalization is by far the #1 preference, mentioned by over 70% of respondents. A further delving into data reveals that 50% of preferences within personalization are allocated to "in-person & physical features" (personalized treatment in store – mostly - and personal shopper), while the other 50%

goes to digital and omnichannel features (targeted recommendations and recognizability across channels).

Overall, compared to last year, a personalized "touch" remains key for consumers when reached across all digital & physical avenues by a brand, confirming the need for brand to create a more 1-1 relationship with the customer across all touchpoints.

## **BRAND PURPOSE & RESPONSIBILITY TABLE STAKES**

Sustainability issues are increasingly being taken into account by consumers in their purchasing decisions, with more than 6 out of 10 respondents highlighting their influence over decision making.

In particular, the topic seems to be particularly relevant for Millennials and Gen Z, with almost 7 out of 10 people being influenced by sustainability on purchasing decisions. This is particularly worth of mention, given the already highlighted importance these classes of consumers will have in the future of the Global Luxury market.

When asked what they would do in case they discovered about unsustainable practices by a Luxury company, figures get even more skewed, with almost 8 out of 10 consumers from Millennials and GenZ clusters stating that they would stop purchasing from the concerned company.

Among the sustainability attributes that consumers (regardless of their age) perceive as minimum requirements in this direction, animal welfare ranks first by far (more than 50% of consumers), followed by Transparency in material usage (36%) and Fair Labor practices (35%).

## **NEW BUSINESS MODELS CONTINUE TO ACCELERATE (SECOND-HAND COMMERCE & RENTAL)**

In pursuing an overall effort to put the consumers at the center of the strategy, luxury brands must also be conscious about the new models for accessing and owning luxury that are becoming increasingly appealing to consumers, like second-hand commerce and renting.

For what concerns second-hand, average % of consumers that have sold 2nd hand in last 12 months has increased compared to last year and is now at 35%. When broken down by age clusters, data reveal that GenZ and Millennials are driving the trend, with 44% and 37% respectively, against an average 26% for others.

The same happens with purchasing: again, Gen Z and Millennials show stronger tendency to resort to them compared to other generations (averaging 31% and 27% respectively against 17% for others). Differently from selling, the trend has remained stable compared to last year, with an average of 25% buying second-hand items in last 12 months.

Lastly, consumers are increasingly embracing the possibility to rent second-hand luxury items, with 18% of consumers on average testing this possibility in the last year (+13% vs last year preferences). For renting as well, a strong difference persists among different generations, ranging from 21% of Gen Z and Millennials to 9% of others.



Overall, given the influence Gen Z and Millennials will exert on the market in next years, it is important for luxury brands to focus on the second-hand market as an additional way to reach their customers. In particular, second-hand buying and selling will be propelled in the future by the rise in the number of second-hand hand platforms, the new models and innovation, the scarcity for items like one-offs and the limited editions, as well as sustainability concerns. On the other hand, the rise of renting could be somewhat hindered by the fundamental difference in the consumer experience that renting versus owning luxury items would pose.

## CONCLUSION

After the disruption caused by the pandemic, the Global Luxury Market is now recovering and is expected to get back to pre-Covid levels by 2022.

The renewed optimism of US consumers for both domestic and abroad spending, given their incidence on the overall market, is a very good omen for the future. Such positive outlook is further reinforced by Chinese consumers, but their consumptions patterns are steering towards domestic spending and this repatriation could pose strong implications for luxury brands in the future, that could be called to strengthen their presence in China not to miss out on important market opportunities.

Also, the West-East polarization trend sparked off by pandemic breakout could create long-term implications for brands, as consumers suggest this trend could be here to stay. In this case, brands could be required to face a crossroad and choose to sober-up to be more appealing to western consumers or to follow the Extrovert trend to meet Chinese consumers' expectations.

Regardless of the choice, a stronger focus must be placed upon customers and their preferences along the journey.

Firstly, interactions with customers are becoming more and more direct and diversified, with increasing importance of effective omnichannel set-ups and personalization in the relationship to produce impacts on their decision-making. In this direction, emerging tools like virtual livestreams are proving effective to drive conversion, but low awareness in some parts of the world, like Europe, suggests brands could have to push more on promotion of these tools.

Secondly, brands must try to be more frequently present in the everyday life of their customers – with virtual environments now representing an important chunk of it. In this direction, virtualization of luxury, such as through gaming partnerships, is increasingly becoming an opportunity, with positive perception by consumers and great potential both in terms of new income sources and as a marketing tool with strong conversion effectiveness. Still, uneven evolution stages in different parts of the world could call for promotion efforts by brands to fully unlock the potential of the opportunity.

Lastly, new emerging models for accessing and owning luxury must be considered. Second-hand is becoming increasingly popular mostly among young generations, who see in these new models a way to overcome budget constraints and scarcity issues, whilst also engaging in more sustainable consumption behaviors.

In this regard, it is important to stress that the sustainability topic has now a relevant incidence over purchasing behaviors, again, mostly amongst young consumers, who are ready to punish

luxury brands that engage in unsustainable practices, including animal welfare violations, lack of transparency on material usage and unfair labor practices, amongst others.