

The 19th ALTAGAMMA OBSERVATORY

*The **Altagama Consensus for 2021** and the **Altagama-Bain Worldwide Market Monitor 2020** have just been published. While 2020 saw an unprecedented decline in the luxury market (-20/-22%), 2021 is expected to bring sustained growth due to the predicted rebound, and an acceleration in the dynamics that will shape the luxury industry of the future. The key trends include more local consumption, the rise of digital retail, generational shifts and the growth of the Chinese market*

Milan, November 18, 2020. It has been an unprecedented year for the luxury industry. Though traditionally more resistant to economic crises than other sectors, the luxury industry also felt the effects of the Covid-19 emergency, and **2020 is expected to close with a drop of -20/-22% in the global luxury market. When it comes to personal luxury goods (fashion, jewelry, accessories, cosmetics), a downturn of -23% is predicted in the base scenario. For 2021, an average recovery of about +14% is expected for personal luxury goods.**

The situation and outlook of the luxury industry and markets that emerged from the **Altagama-Bain Worldwide Market Monitor 2020** (presented by *Claudia D'Arpizio and Federica Levato, Bain & Company*), and the **2021 Altagama Consensus** (*Stefania Lazzaroni, Fondazione Altagama*), were explored during the online conference held this morning.

*"2021 will see the beginning of the recovery, albeit gradual and linked to factors beyond the industry's control," commented **Matteo Lunelli, Chairman of Altagama**. "The Altagama Consensus estimates for 2021 a double-digit growth in all sectors, of about 14% on average, with the consolidation of digital retail (+22%) and the Asian market (+18%), especially China, being the real winners. The companies' responsiveness to the major changes taking place will be crucial. This also calls for greater investments and a supportive climate, with public investments in research, education, digitalization and the green transition. The luxury industry can drive the recovery if placed at the center of development strategies and embraced as a distinctive element of Italian Soft Power, which represents the quintessence of our Country's image on the global stage".*

*"We have all experienced a difficult year of rapid, unexpected changes and luxury has not emerged unscathed," said **Claudia D'Arpizio, a Bain & Company partner and lead author of the study**. "While the industry has suffered from a pause in global travel and ongoing lockdowns, we believe it has the necessary resilience to manage through the crisis. We have faith in its ability to transform its operations and redefine its purpose to meet new customer demands and retain its relevance, especially for younger generations". "Luxury brands have faced a year of tremendous shifts but we believe that the industry will come out of the crisis with more purpose and more dynamism than ever before," said **Federica Levato, a Bain & Company partner and co-author of the study**. "By 2030, this industry will be drastically transformed. We will not talk about luxury industry anymore, but of the market for insurgent cultural and creative excellence. In this new enlarged space, the winning brands will be those that build on their existing excellence while reimagining the future with an insurgent mindset. Luxury players will need to think boldly to rewrite the rules of the game".*

Present and future scenarios were discussed by **Lorenzo Bertelli** (Head of Marketing and Head of CSR, Prada Group), **Alberto Galassi** (CEO, Ferretti Group), **Bob Kunze-Concewitz** (CEO, Campari Group), **Gabriele Del Torchio** (President and CEO, Design Holding), and **Pier Francesco Nervini** (COO North & Central Europe & Global Accounts, Global Blue).

Below, a detailed breakdown of what emerged from the studies.

1. Altgamma Consensus 2021. Produced by *Altgamma* with input from 27 leading international analysts, for 2021 the Consensus foresees a slow return to a new normal, new drugs/vaccines permitting.

Product categories: all categories are expected to see a return to growth, which on average should be in double figures, at around 14%, due to the predicted rebound after the very negative results of 2020.

The highest rate of growth will be in **leather goods (+16%)**, where we basically expect to see a return to 2019 levels. The forecasts for **cosmetics** are also positive (+15%). **Clothing and footwear (+14%)** will be less dynamic, due to a series of elements: overstock leading to possible markdowns, people continuing to work from home for a few more months, and the growth of Activewear / Leisurewear at the expense of other categories. **Jewelry and watches (+12%)** will be most affected by the loss of travel retail and the fact that online it is difficult to recreate the store experience that the product often requires. Jewelry brands with more wide-ranging appeal and a strong presence in Asia are expected to perform better.

Distribution channels: in a scenario of normalization, **physical retail is expected to grow by +15%**, after falling by more than -20% in 2020. This remains an important channel for the luxury industry, but has to be integrated with the crucial digital retail dimension. For **physical wholesale (+8% in 2021)** the situation is more critical: already struggling in various regions, it has been impacted by the pandemic and the lack of travel.

The digital scenario is the opposite: the experts expect this area to grow even faster in 2021 due to the fact that the practice of buying luxury goods online is now well established, and thanks to the increased range of products on offer. Double-digit growth is expected for both **digital retail (+22%)** and **digital wholesale (+18%)**.

This is the arena where the future will be played out, and the major players are already making moves to take control over what is much more than a channel, and much more than a market. (cfr. Alibaba - Richemont - Farfetch agreement in China).

Consumers by nationality: the figures for 2020 and the forecasts for 2021 confirm that the **Chinese** continue to be the world's leading luxury consumers: their spending - which only fell moderately in 2020 despite their traditional predisposition for "travel shopping" - is expected to grow by **+20%** in 2021, when at least a partial return to travel outside the Country is foreseen. There is expected to be an influx of new consumers in the luxury industry's target market, with women consumers playing a key role. The forecast is for a moderate recovery in consumer spending by **Europeans (11%)** and **North Americans (12%)**, which follows a sharp decline in the current year (between -20% and -30%). The fact that it may not be possible to travel due to further lockdowns/uncertainties will favor the purchase of luxury products over travel/hospitality.

→ cfr. attached report

2. Altgamma – Bain 2020 Worldwide Luxury Market Monitor. Produced by *Bain & Company*

Performance of the market in 2020. For 2020, the personal luxury goods market is calculated to be in decline for the first time in 10 years: around € 217B (-23% vs. 2019 - in the base scenario). The 50% drop in the second quarter of the year (the lowest ever seen in this market); performance recovering in the third quarter, but persistent uncertainty regarding the holiday season, linked to the second wave of the pandemic and possible further national restrictions and lockdowns. Depending on the trend of the fourth quarter, the 2020 estimate oscillates between -21% and -25% compared to 2019. **EBIT 2020:** the forecast is for losses of amounting to 2/3 of 2019 figures, with 1/3 potentially recovered in 2021.

For **2021**, a partial recovery of 2020 losses is expected, in proportion to the recovery of travel-related and domestic spending, amounting to between + 10% and +19% compared to 2020.

A number of trends, already on the horizon but now accelerating, are completely reshaping the market and the entire luxury industry:

- **Growth in local consumption**, as a result of the stop to tourism flows. China - the only market to do so - has grown by +45% in 2020, despite the fall in spending by Chinese nationals, due to the lack of spending abroad. While this brought down the European and American markets (-36% and -27%

respectively, with the US regaining ground in the second half of the year), spending in those areas, though decreasing, is showing resilience on a local level.

- **Generational shift:** the younger generations will account for 180% of market growth in the coming years and represent 2/3 of the total in 2025. Generation Z (those born between 1995 and 2010) will shape the near future of luxury with their distinctive habits and values.

- **Digital blast:** in 2020 the online channel doubled its presence in the luxury market (from 12% in 2019 to 23% in 2020), thanks above all to luxury brands' direct channels, the performance of Asia (above all China) and strong growth in categories such as shoes and cosmetics. 2025 forecast: the channel is expected to represent more than 30% of the market.

- **Transformation of the distribution ecosystem:** both direct (-21%) and indirect (-40%) brick and mortar retail suffered a setback in 2020; direct retail physical stores need a rethink, placing the consumer at the center: localization, redefinition of their role, experiential content, new ergonomics in store. Wholesale saw a further contraction in perimeter, and fiercer competition due to the arrival of new players and distribution models, with luxury brands taking greater direct control of the channel.

- **"Same" products, "augmented" contents, "wider" broadcasting:** in 2020, the categories least affected by the crisis were accessories (shoes -12% and bags -18% vs. 2019) and jewelry (-12% vs. 2019). Clothing and watches were hardest hit (-30% vs. 2019), although they are now showing encouraging signs of resilience. The quest for price relevance increases that of entry-price products, with changes in particular in the "accessible" segment of the luxury market. Luxury brands are going from being just "producers" to increasingly becoming "broadcasters" and interacting with the public, with an open platform approach where everyone can contribute to the conversation.

- **The global luxury market.** Looking beyond personal luxury goods to other sectors, in 2020 the global luxury market saw a decline between -20 and -22% compared to 2019. The hardest hit sectors were hospitality (-55/-65% vs. 2019) and luxury cruises (-65/-75%), heavily conditioned by the collapse of global tourism flows. Greater resilience is being displayed by sectors such as Wines and Spirits, Fine dining and Gourmet food, due to a greater propensity for eating at home, and innovative initiatives designed to help brands stay in touch with clients despite the lockdown. The same goes for luxury cars, private jets and yachts, thanks to consumers looking for more "intimate" experiences.

→ cfr. the detailed breakdown and reports attached

[#altagammamonitor](#)

FONDAZIONE ALTAGAMMA

Founded in 1992, Altagamma gathers Italy's top cultural and creative companies, which promote the country's excellence, distinctive identity and lifestyle worldwide. With a uniquely transversal approach, Altagamma represents 109 brands in seven different industries: fashion, design, jewelry, food, hospitality, automotive and yacht-building. Altagamma's mission is to boost the growth and competitiveness of Italy's cultural and creative companies, thus making an effective contribution to the Italian economy. Italy's luxury sector has a turnover of € 115 billion, and accounts for 6.85% of the country's GDP. 53% of its revenues comes from exports. The sector employs 402,000 people directly and indirectly.

www.altagamma.it

For further information:

Edoardo Carloni | M: 339 1618463 | @: carloni@altagamma.it

Giorgio Bocchieri | M: 334 6853078 | @: bocchieri@altagamma.it

[#altagammamonitor](#)