

ALTAGAMMA 2016 WORLDWIDE LUXURY MARKET MONITOR

CLAUDIA D'ARPIZIO | 20.10.2016



BAIN & COMPANY 



Fondazione
Altagamma

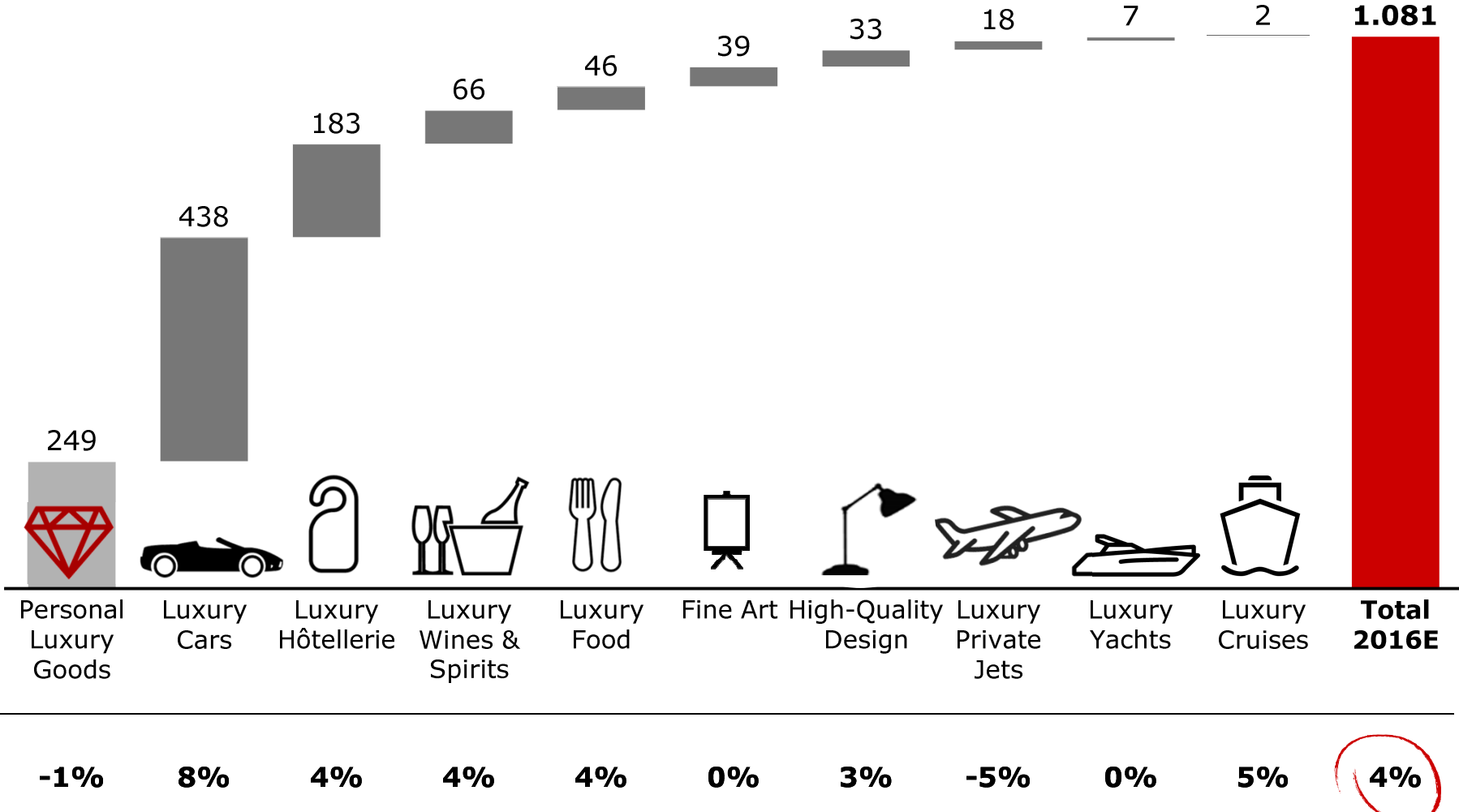
1.

Luxury Markets Overview



Global luxury consumptions growing 4% in 2016

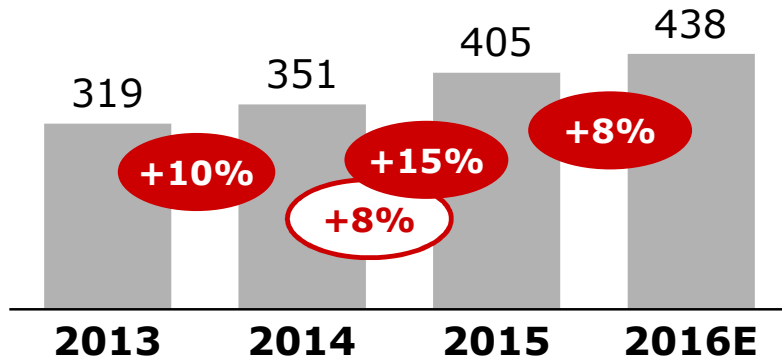
GLOBAL LUXURY GOODS MARKETS (2016E|€B)



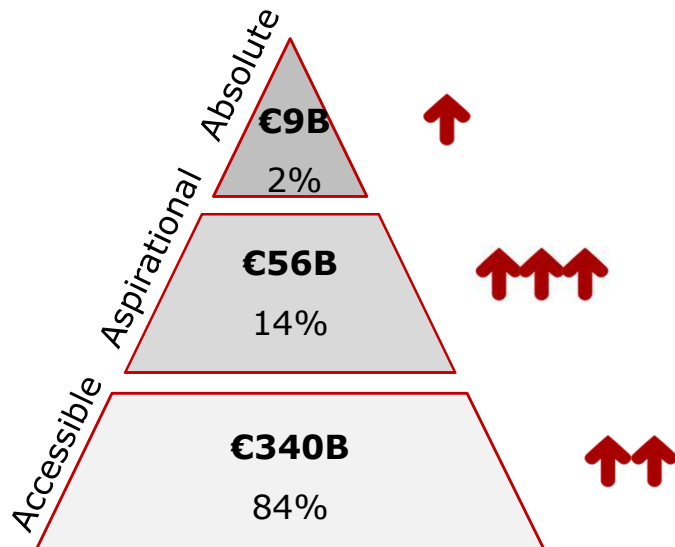
Luxury cars keeping the positive pace in 2016



Luxury Cars Market Trend (€B)



Trends by Segment (2015)



Key Industry Macro-Trends

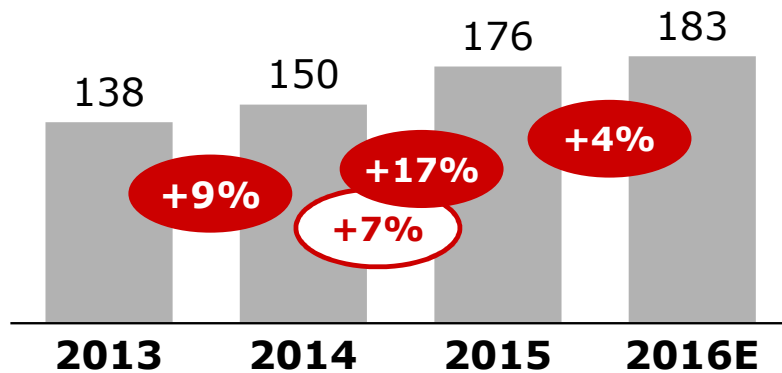
- In 2016, **luxury cars market keeping up the pace** posting a sound **+8% versus previous year**
 - **Europe** leading the growth **offsetting a depressed US market**
 - **Ruble devaluation** boosting **sales in Russia**
 - **China slowing down**
 - **Deteriorated scenario** in **South America**
- **Stronger connection** between **luxury automotive sector** and the **tech industries** of **Silicon Valley**
 - **Fully connected and self-driving cars** as **one of the hottest topic** of the industry
- **New retail concepts** have been developed to **broaden distribution** and target a **wider customer base**
 - **Pop-up store concepts** and **mobile showrooms**



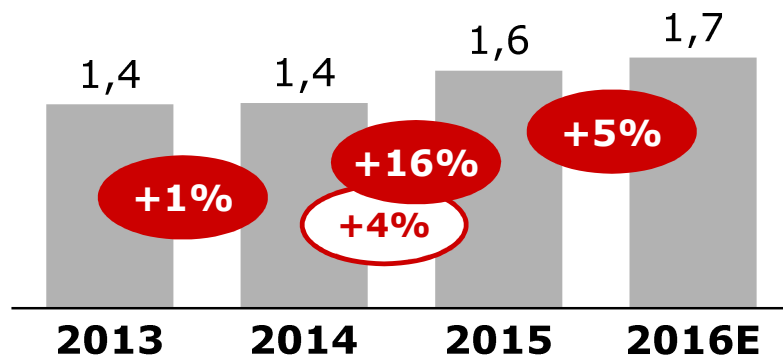
Positive 2016 for **hotels** (yet slowing down) and **cruises**



Luxury Hotels Market Trend (€B)



Luxury Cruises Market Trend (€B)



Key Industry Macro-Trends

- **Positive 2016**, yet slowing down:
 - **Lower flows in US** affecting occupancy rate
 - **Stronger fundamentals in Europe** ...yet **terrorist attacks** impacting **performance** in some key cities
 - **Challenging** environment in **China; Middle East declining**
- **Luxury chains** fighting to **gain traction** on **millennials** through **new formats and concepts**

Key Industry Macro-Trends

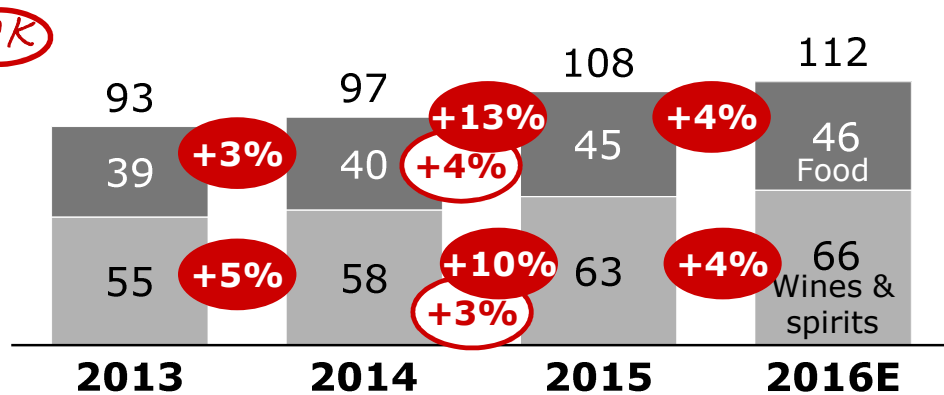
- **Healthy growth in demand** with key players **increasing overall capacity**
 - **Expeditions segment** fuelling growth
- **Out-of-the way port** destinations with **low passenger numbers** is the highest growing cruise segment
- **River cruising increasingly popular**, with **Europe's offering far ahead** of the rest of the world



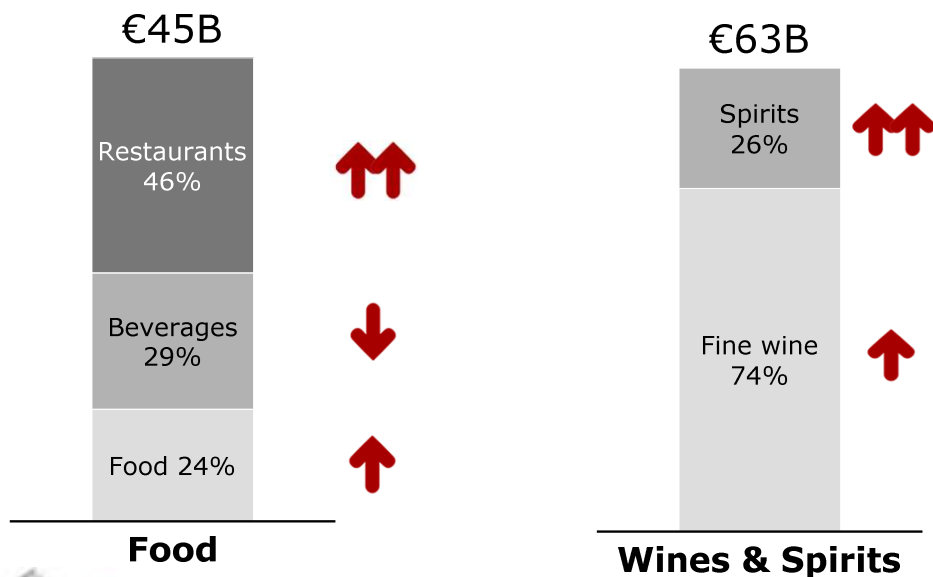
Spirits and restaurants driving the growth of luxury edible experiences



Luxury Food and Wines & Spirits Market Trend (€B)



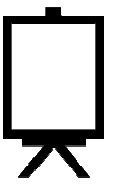
Trends by Segment (2015)



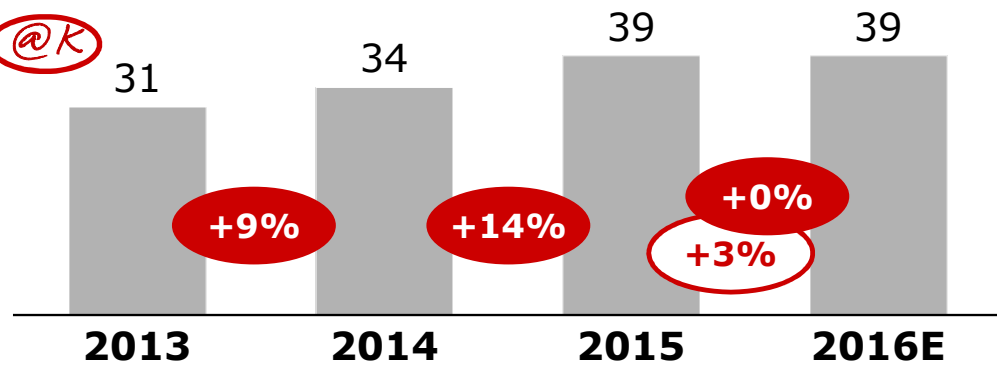
Key Industry Macro-Trends

- **Luxury wines and spirits** maintaining a **healthy trend for 2016**
 - **Spirits outpacing fine wines** driven by **higher volumes in mature markets**
 - **Premiumization of cocktails**
- **China markets still far from full recovery**
 - **Local labels struggling with younger generations** shifting towards **Western wines and spirits**
- **Biological products** as the **fastest growing** segment
- **Go-Veggie**: innovative **vegetable-based products** in **multiple forms** (teas, yogurts and even ice cream)
- **Luxury restaurants** becoming even **more specialized** on **niche offering**
- **New hybrid formats** with supermarkets promoting themselves **as wellness centers**

Fine art flat, due to stable volumes in auctions; US champion market & online accelerating on entry tickets



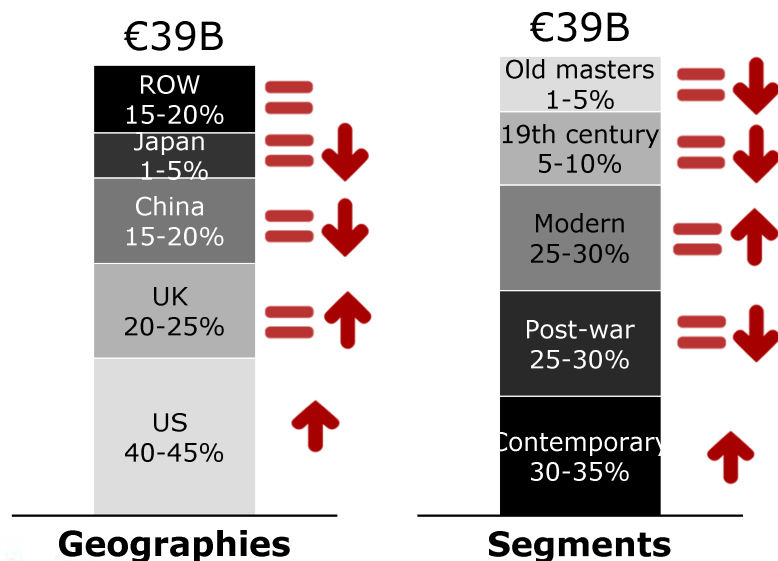
Global Fine Art Market Trend (€B)



Key Industry Macro-Trends

- **Fine art market** stable at **~70% of the total art market** (including also decorative arts and antiques)
- **2016E in line with 2015**, mainly driven by **flat volumes** in the public **auction channel**
 - Yet, **consistent positive** performances since the early 2000s' (excluding 2009), providing art market with increasing legitimacy as a **solid alternative investment channel**
- **US best performing market** in real terms, **consolidating its global leadership**
 - **Europe** (mainly UK) enjoying a **single-digit growth**, positively performing especially in the post-war and contemporary segments
 - **China stabilizing after 5 years of strong growth**
- **Online continuing its acceleration** on the **1-20K€ core price-range**
- **Contemporary segment still gaining share**, while high-quality *old masters* works increasingly scarce

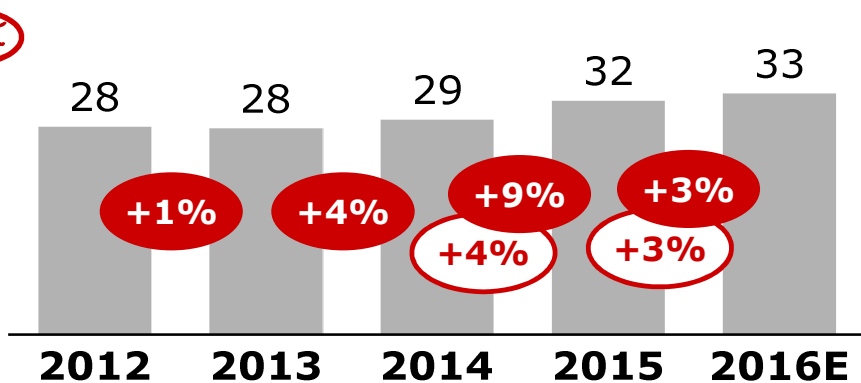
Trends by Geography and Segment (2015)



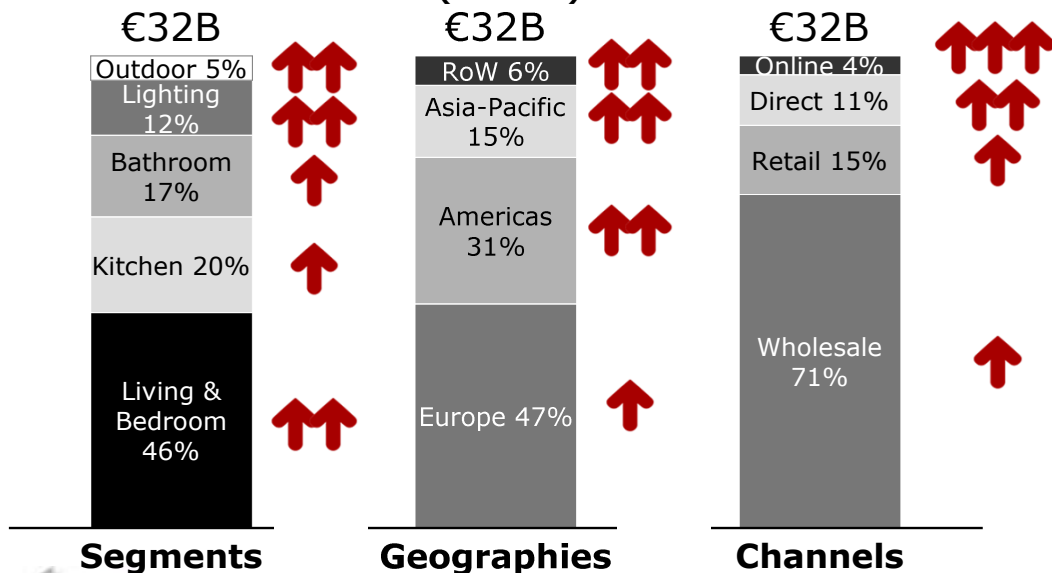
Three years of sound performance for the **high-quality design** market



High-Quality Design Market Trend (€B)



Trends by Segment, Geography and Channel (2015)



Key Industry Macro-Trends

- **2015 peak year** after the 2008-2009 crisis, with expected **growth in 2016**
- All segments with **positive performance**, **Living and Bedroom, Lighting and Outdoor** the winning categories
- **Polarized growth** across players, with **larger brands outperforming**
- Growth driven by **Asia and emerging markets**, **US and Europe in good shape** - Italy still stagnating
- **European brands leading the industry** with still **substantial growth to grasp** in the growing geographies
- **All direct channels** (retail, contract, e-commerce) **outperforming** the **wholesale** distribution (still the largest)
- **Profitability improvement** in every product segment

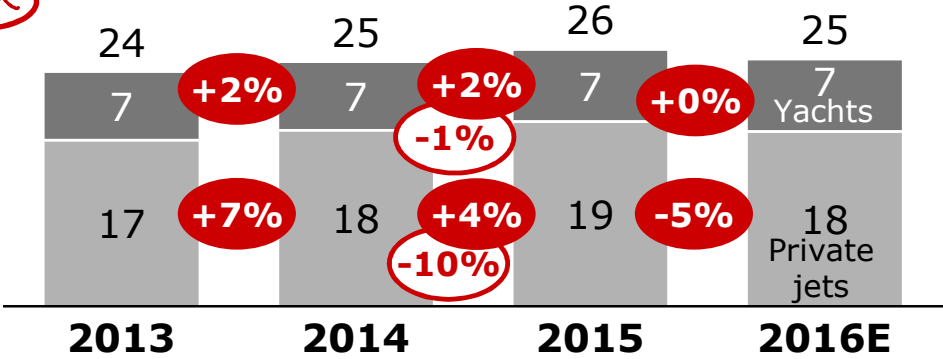
Stable **yachts** with underlying polarization; shrinking **private jets** due to order cancellations



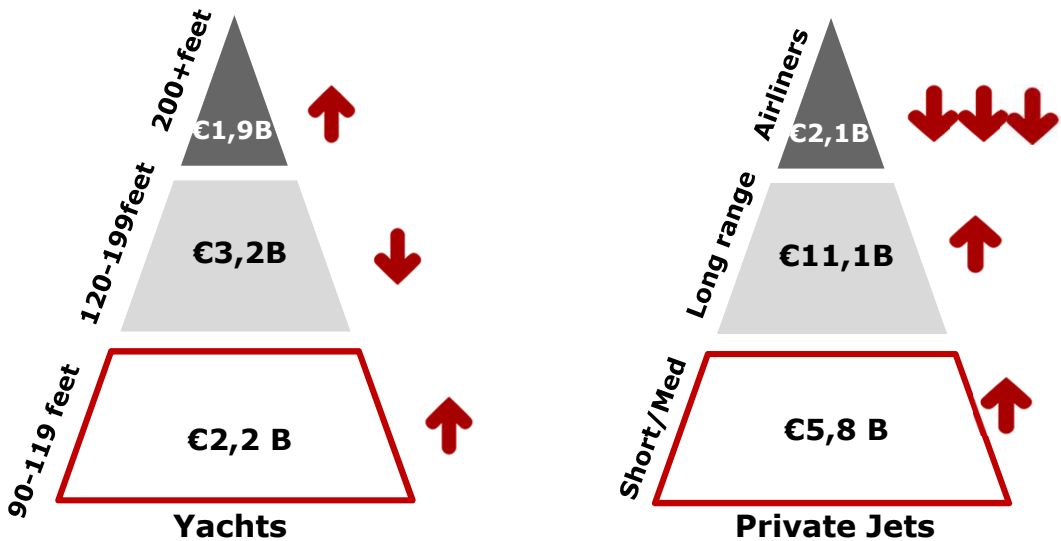
Luxury Yachts and Private Jets Trend (€B)

Key Industry Macro-Trends

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Trends by Segment (2015)



- **Stability in 2016** yet with **disparate performance** among yacht **segments**
 - **Polarization** of the market with **entry and absolute segments outperforming**
 - **Key challenge** is to increase the **penetration rate** of yachts among **HNWI**, particularly in **Asian markets**
 - **New layouts:** from compartmentalised space **towards open-plan interiors**
-
- **Unstable geopolitical and economic environment** penalizing the market
 - **Large jet order cancellations** in '15/'16
 - Fierce competition putting **pressure on prices**
 - **Lack of infrastructure and strict controls on air space** exacerbating the **slow down in China**
 - **"Uber-like" apps** are trying to **democratize** the market

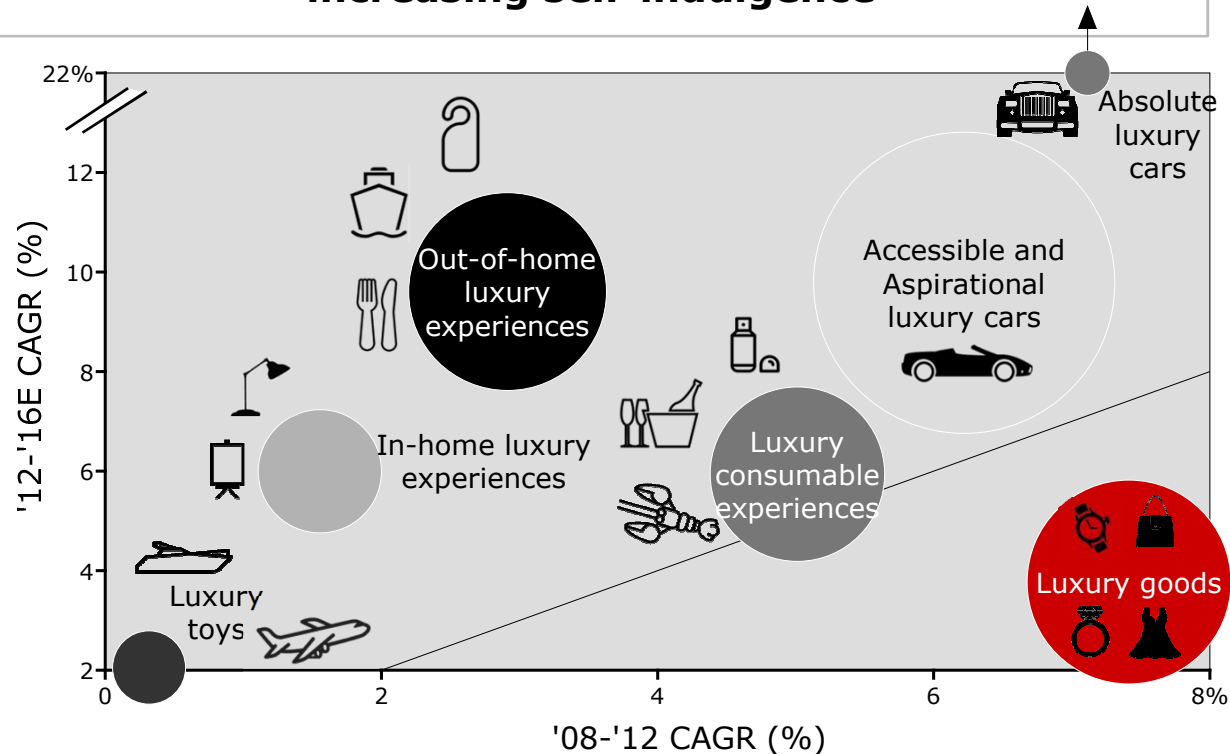
Experience gaining traction over product in global luxury markets

GLOBAL LUXURY GOODS MARKETS BY TYPE (2008-2016E|€B)

In-home luxury experiences accelerating on both **high quality design and art**, the latter increasingly legitimated as alternative investment

Luxury toys less dynamic than top cars, still waiting to surf the **Chinese wave** on **Yachts and Jets**

Out-of-home luxury experiences gaining traction benefiting from the **growth of luxury travelers** and **increasing self-indulgence**



Luxury Cars consistently **top performing segment**, especially on the **Absolute segment**, fostered by the **Chinese market growth despite recent deceleration**

Luxury goods slowing down in recent years after being the fastest growing category

Luxury consumable experiences consistently positive fostered by luxury consumers redirecting their spend toward new and more **personal high-end cocooning**



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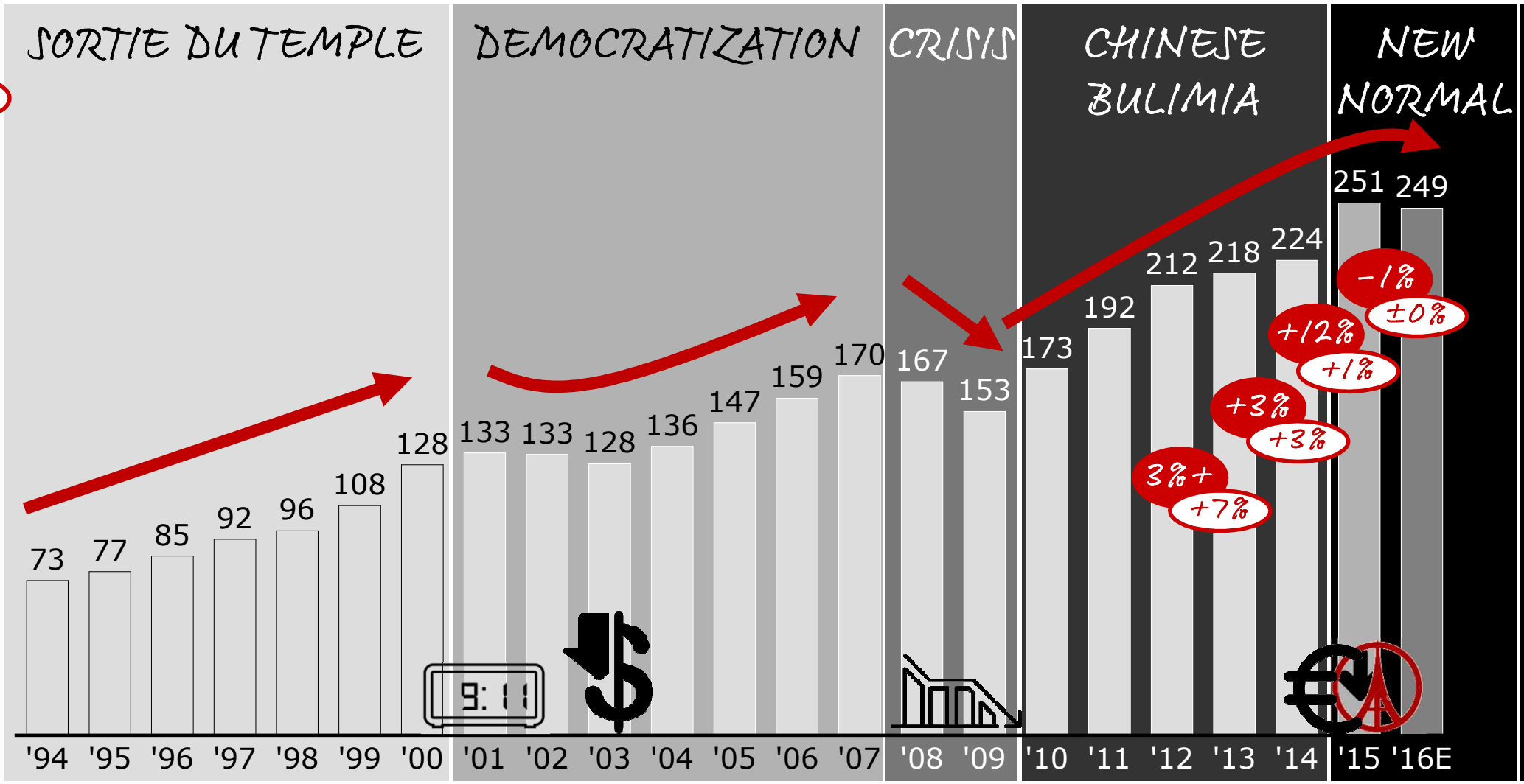
Personal
Luxury Goods



Flat personal luxury goods market in 2016

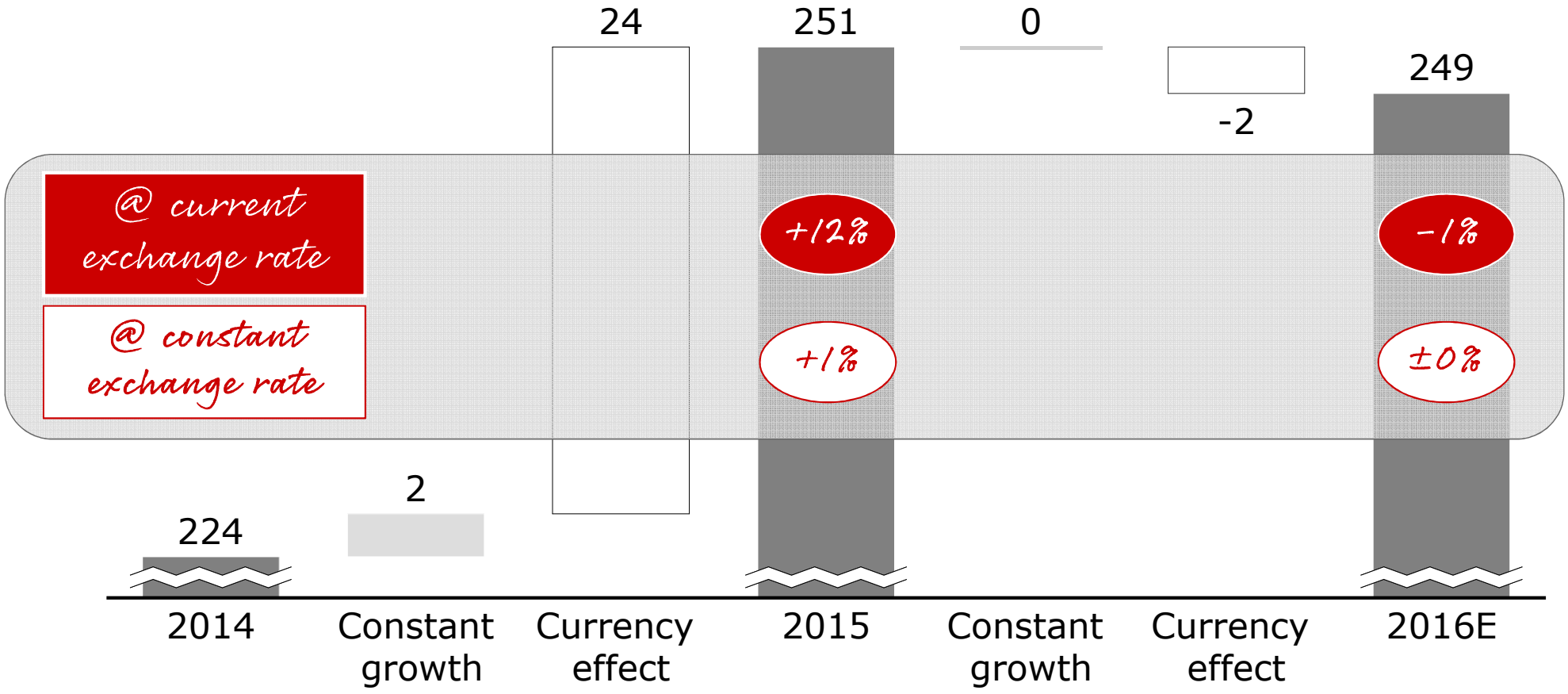
GLOBAL PERSONAL LUXURY GOODS MARKET TREND (1994-2016E|€B)

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Currency effect inverting direction in 2016 and penalizing growth by 1pp

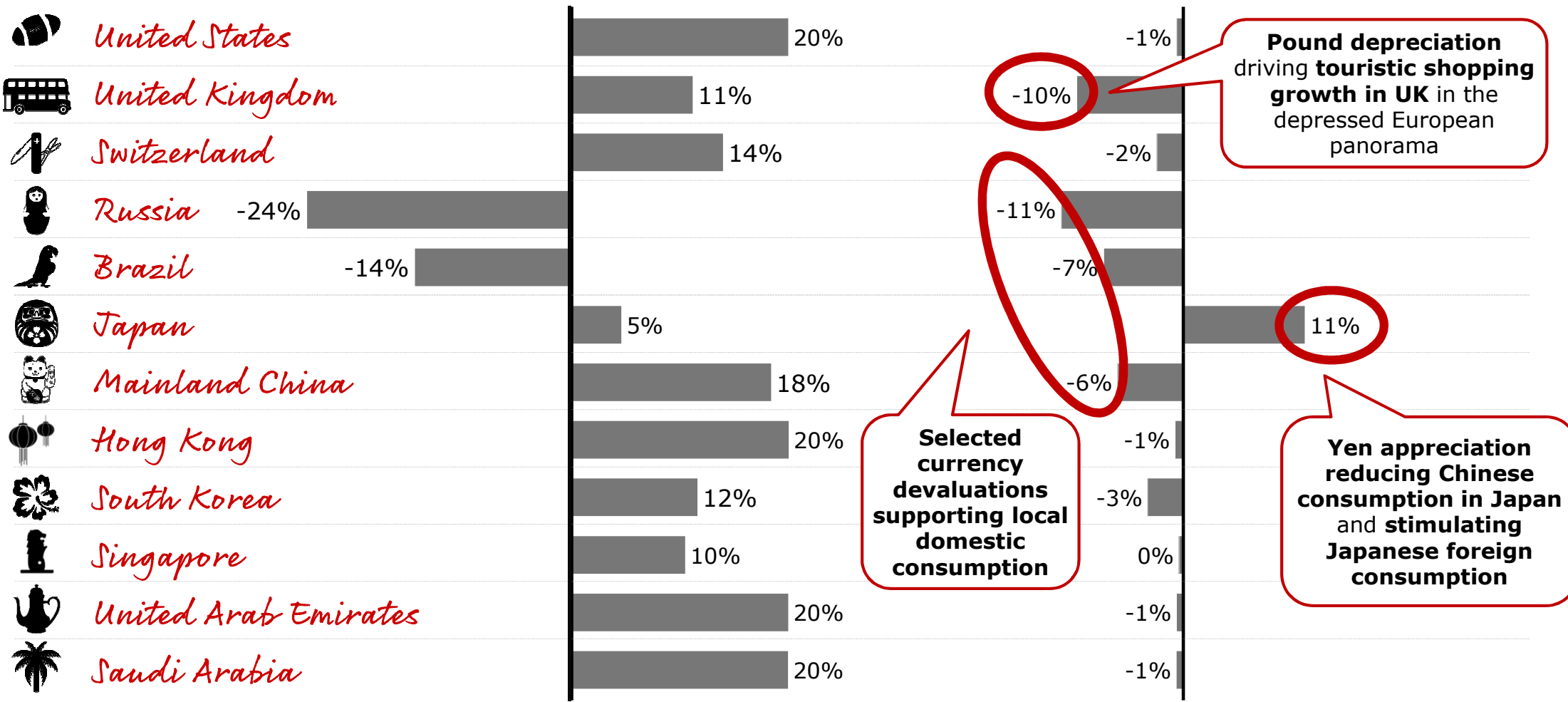
**GLOBAL PERSONAL LUXURY GOODS MARKET TREND
@ CURRENT AND CONSTANT EXCHANGE RATES (2014-2016E|€B)**



Selected currency movements strongly affecting consumption throughout 2016

2015 VS 2014 KEY CURRENCIES EVOLUTION VS. EURO

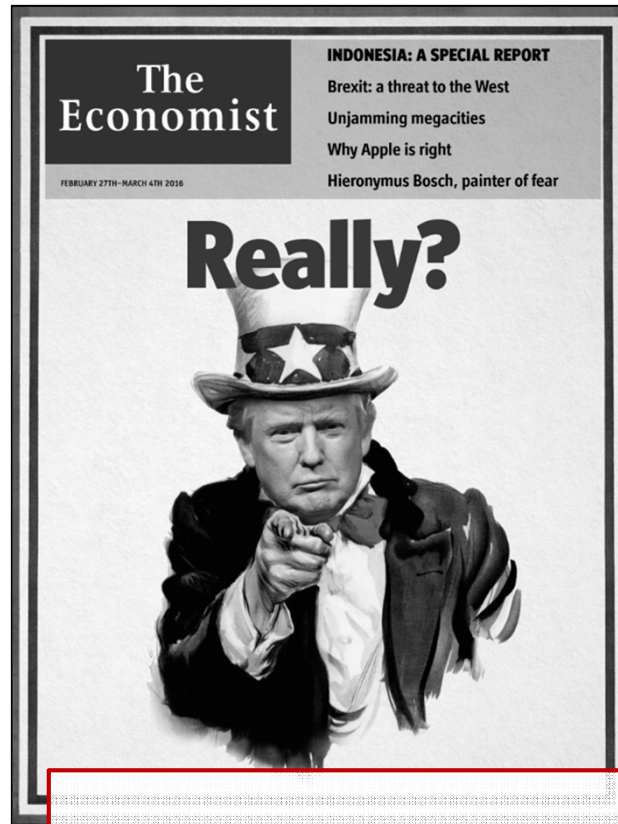
2016 VS 2015 KEY CURRENCIES EVOLUTION VS. EURO



Geopolitical tension impacting consumer confidence, tourist flows and consumption trends...**again in 2016**



Terrorism spreading fear and **impacting tourism** in Europe



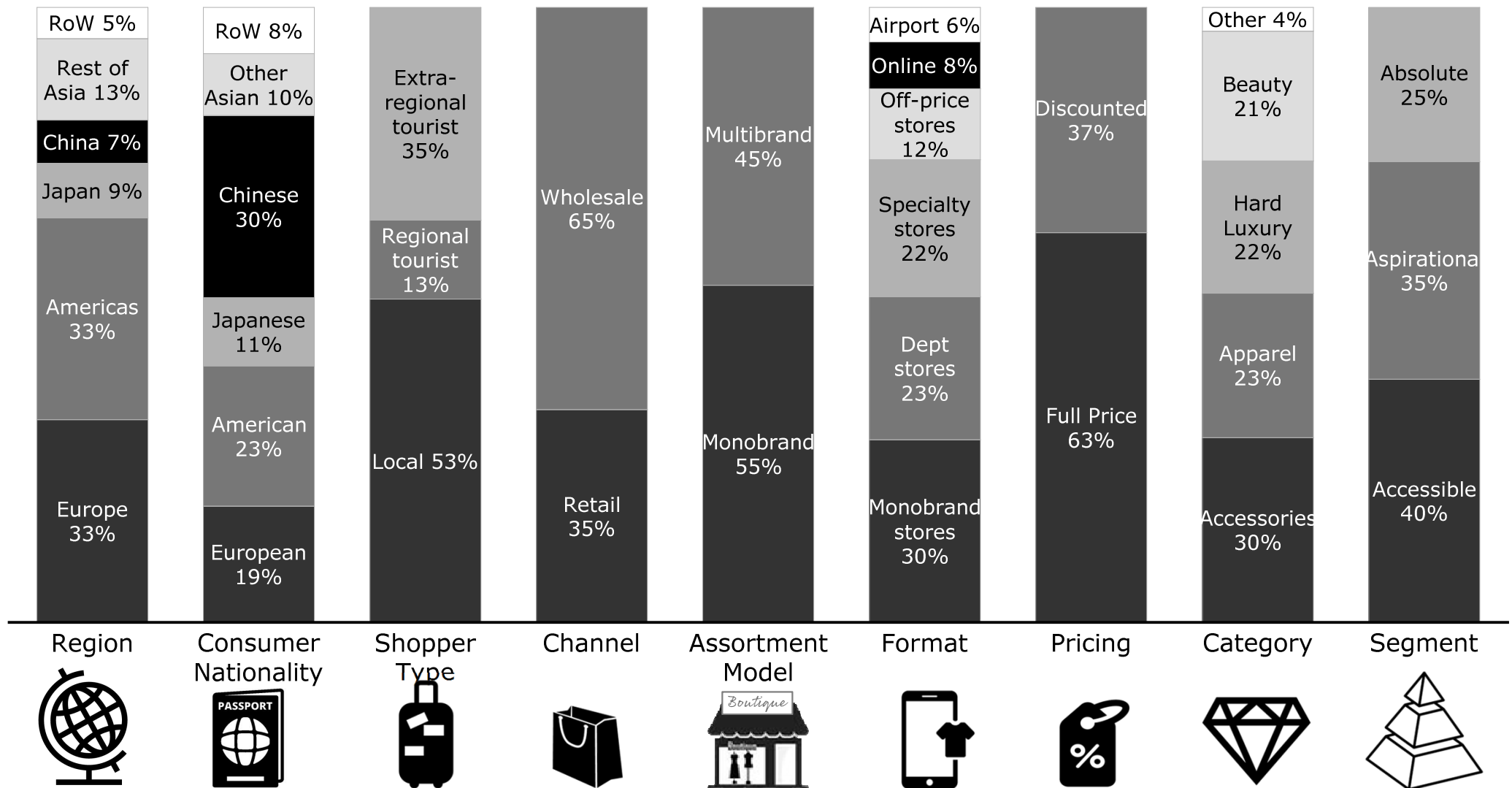
US election year causing insecurity and affecting **consumer confidence in US**



Brexit driving pound devaluation and local consumption but increasing uncertainty

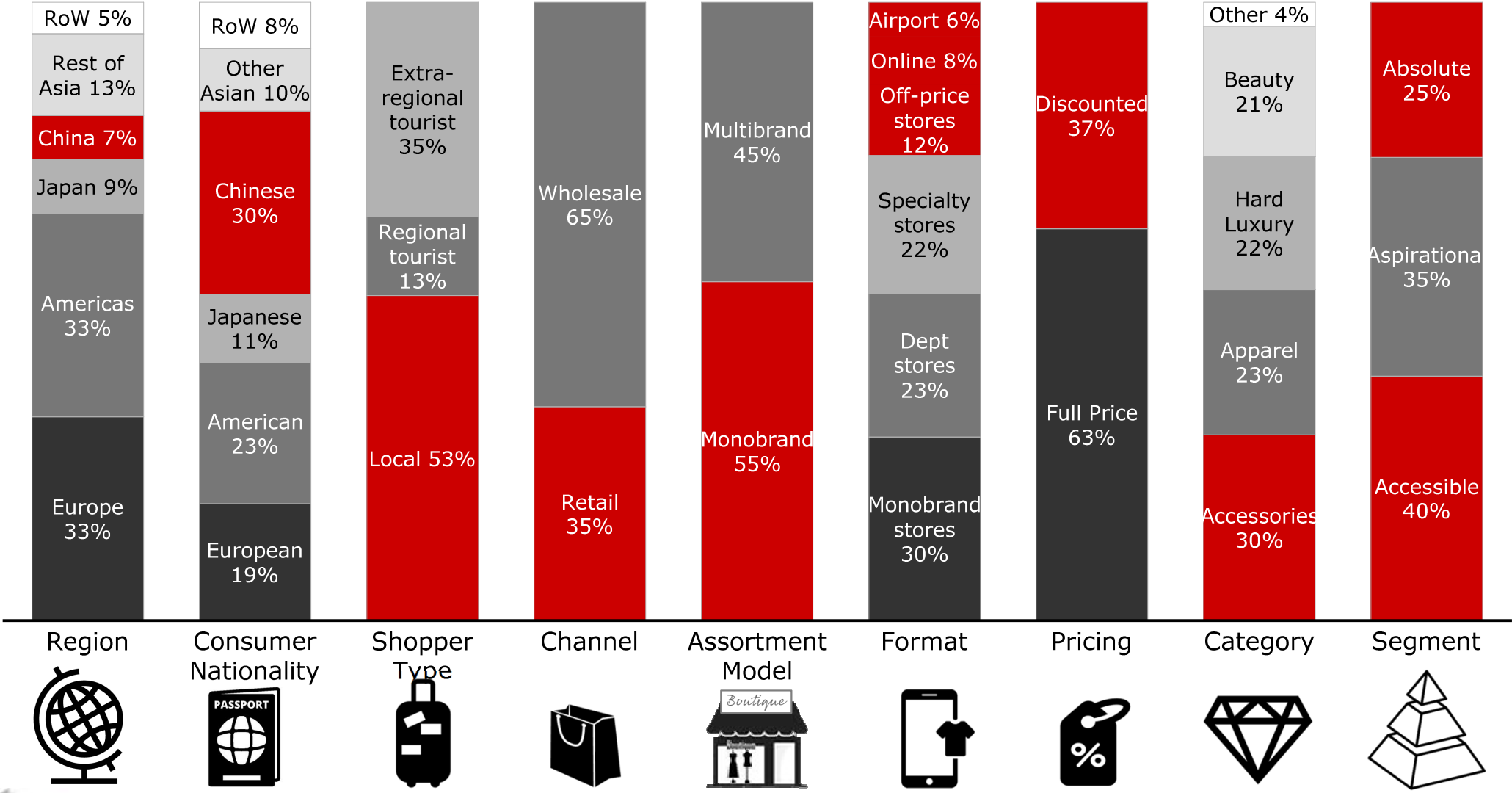
The 2016 personal luxury goods market at a glance

GLOBAL PERSONAL LUXURY GOODS MARKET (2016E|€B)



The 2016 personal luxury goods market at a glance

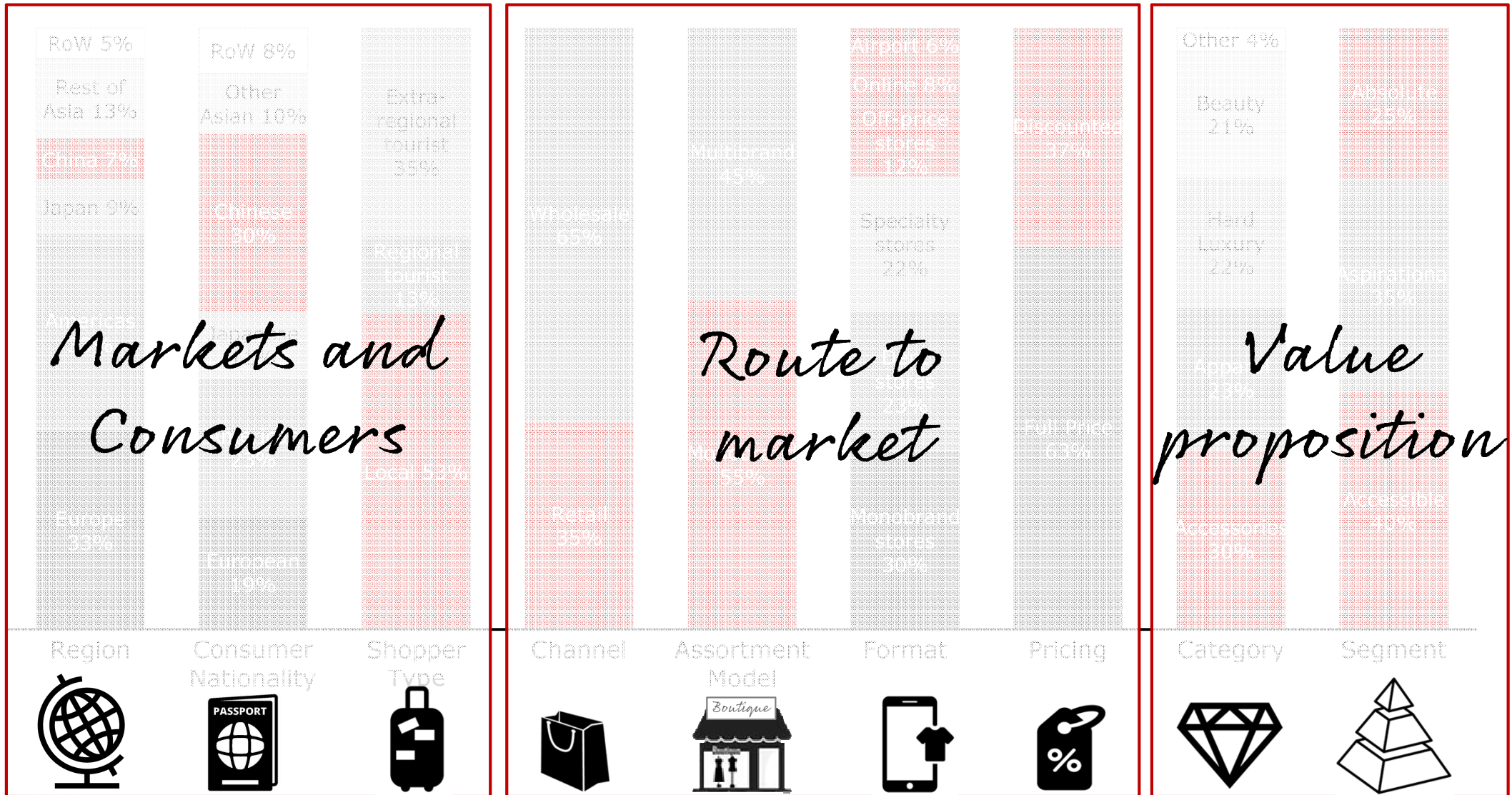
GLOBAL PERSONAL LUXURY GOODS MARKET (2016E|€B)

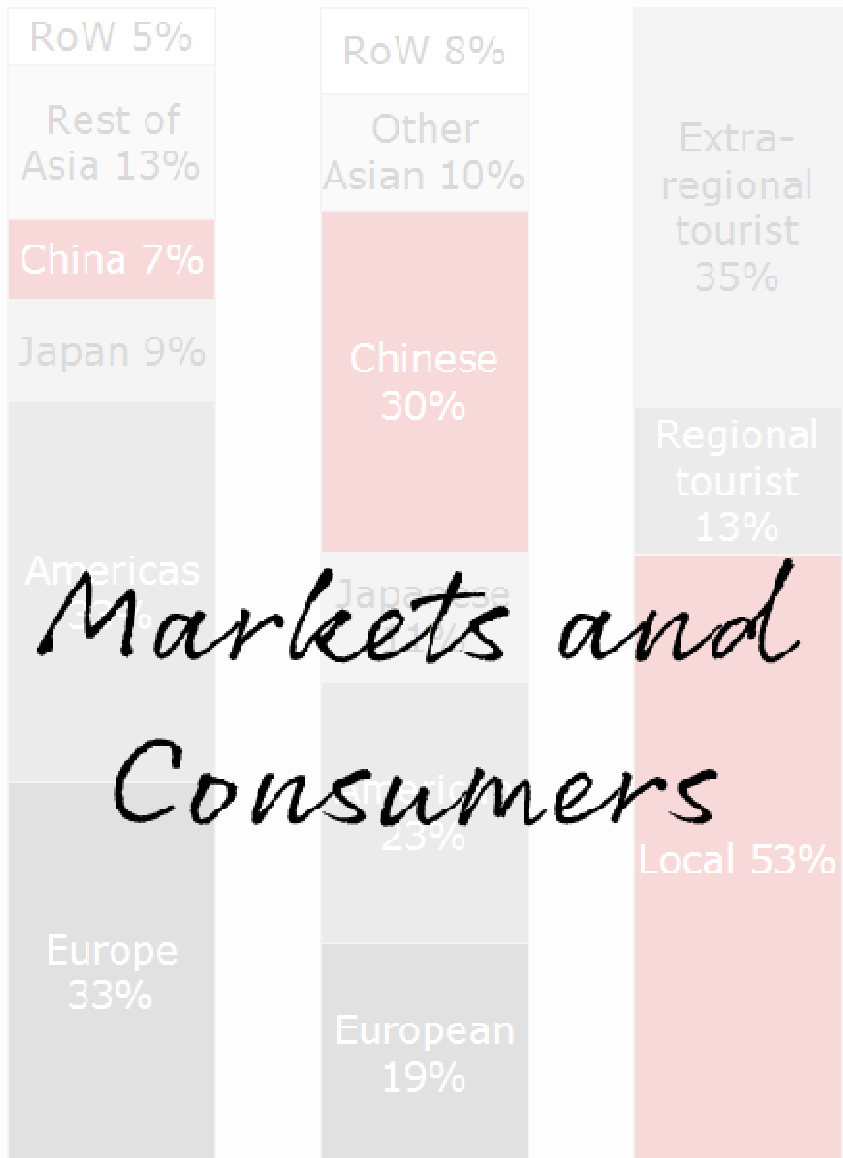


Note: Absolute, Aspirational, Accessible segmentation does not include Art de la Table and Beauty specialists

Framework of the study

GLOBAL PERSONAL LUXURY GOODS MARKET (2016E|€B)





Markets and Consumers



Region



Consumer Nationality



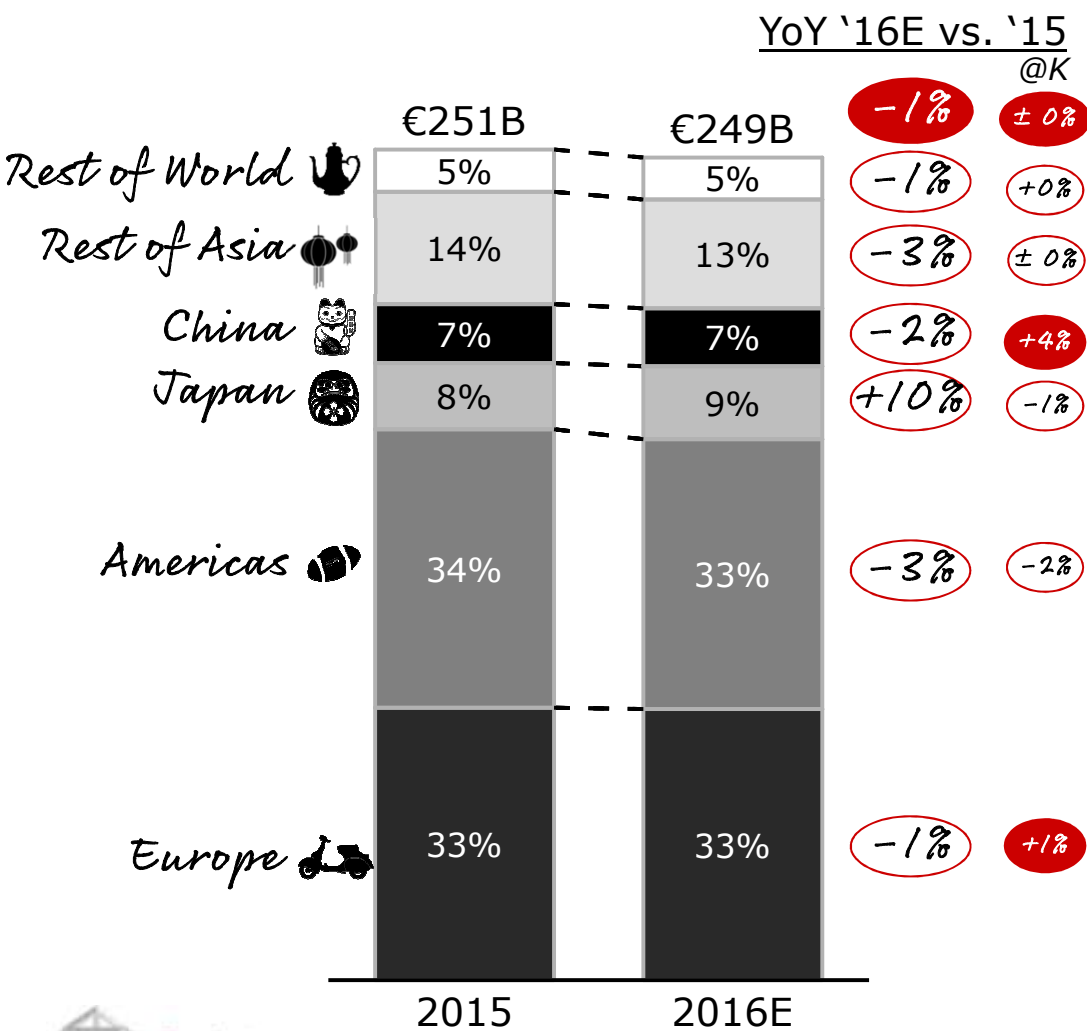
Shopper Type



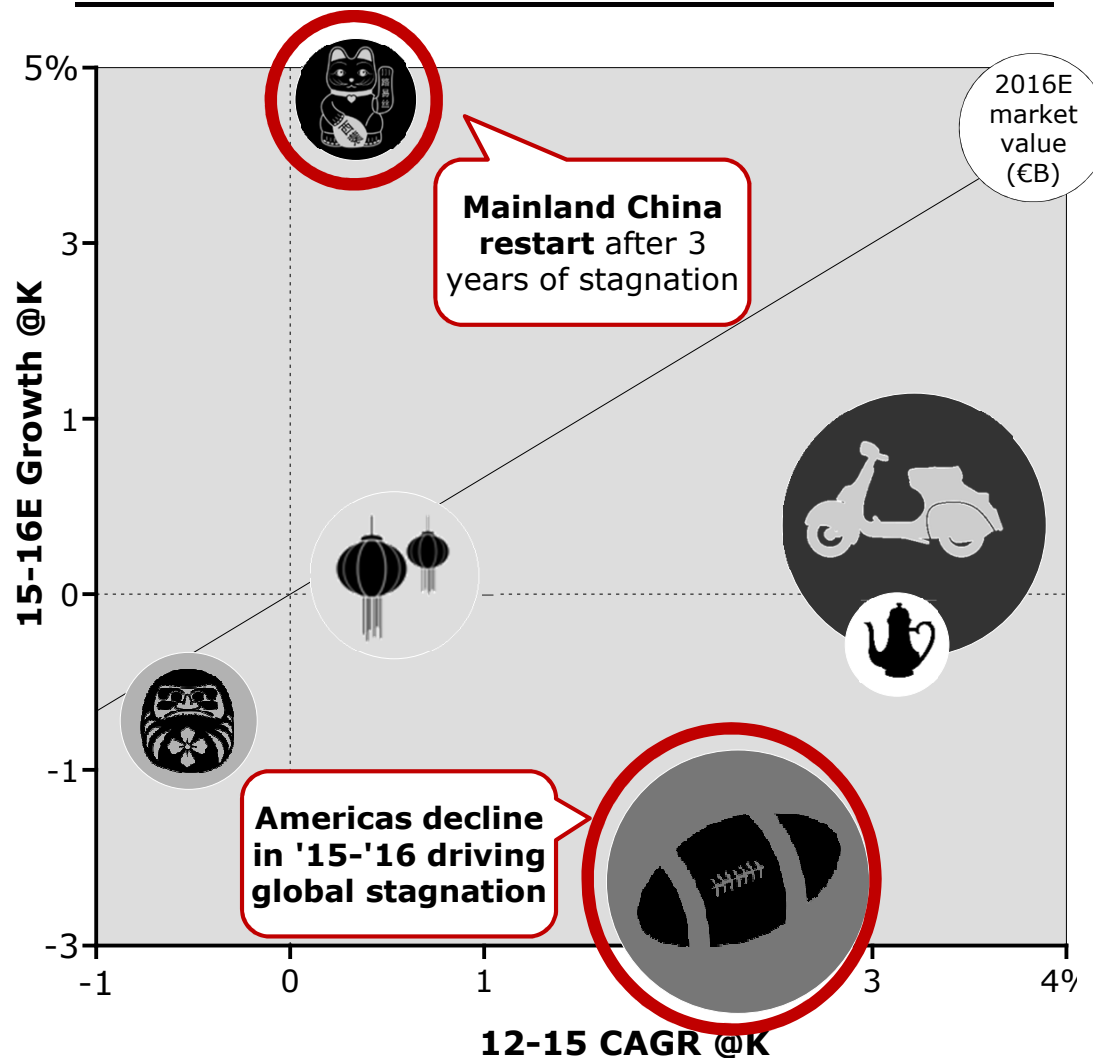
Mainland China boost (in real terms) not offsetting US and Japan decline; the old continent more resilient

GLOBAL PERSONAL LUXURY GOODS MARKET BY REGION (€B)

2015-2016E EVOLUTION



2012-2016E EVOLUTION



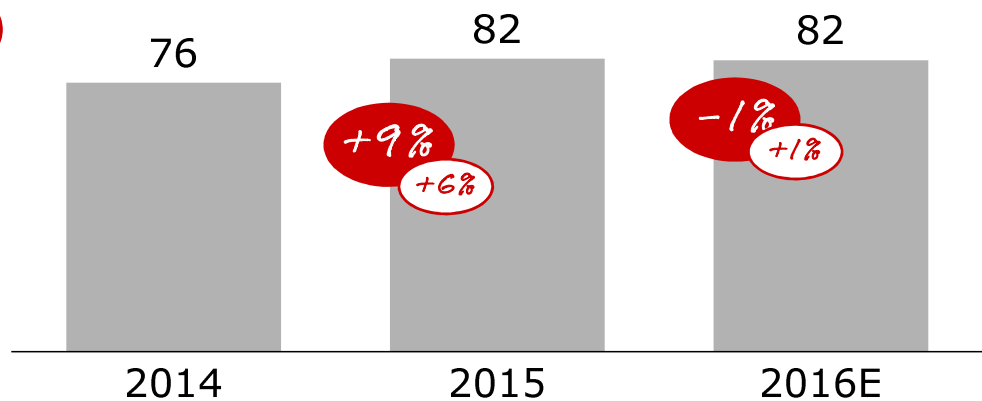
Europe losing touristic support (except for UK) but standing on locals' recovery



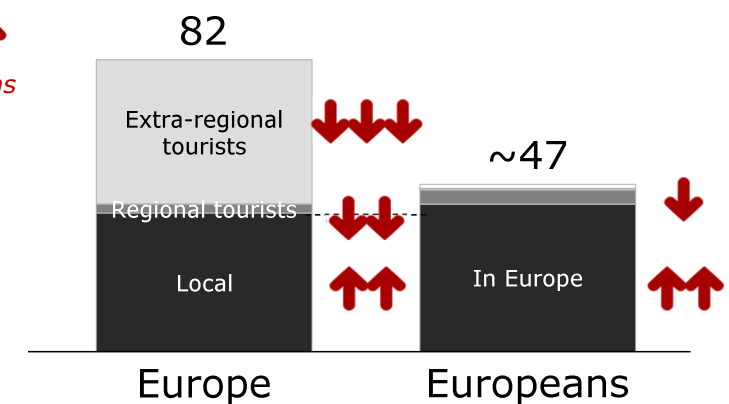
EUROPE PERSONAL LUXURY GOODS MARKET (2014-2016E|€B)

...BY CONSUMER ORIGIN VS. EUROPEANS GLOBAL SPENDING (2016E|€B)

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Real terms trend



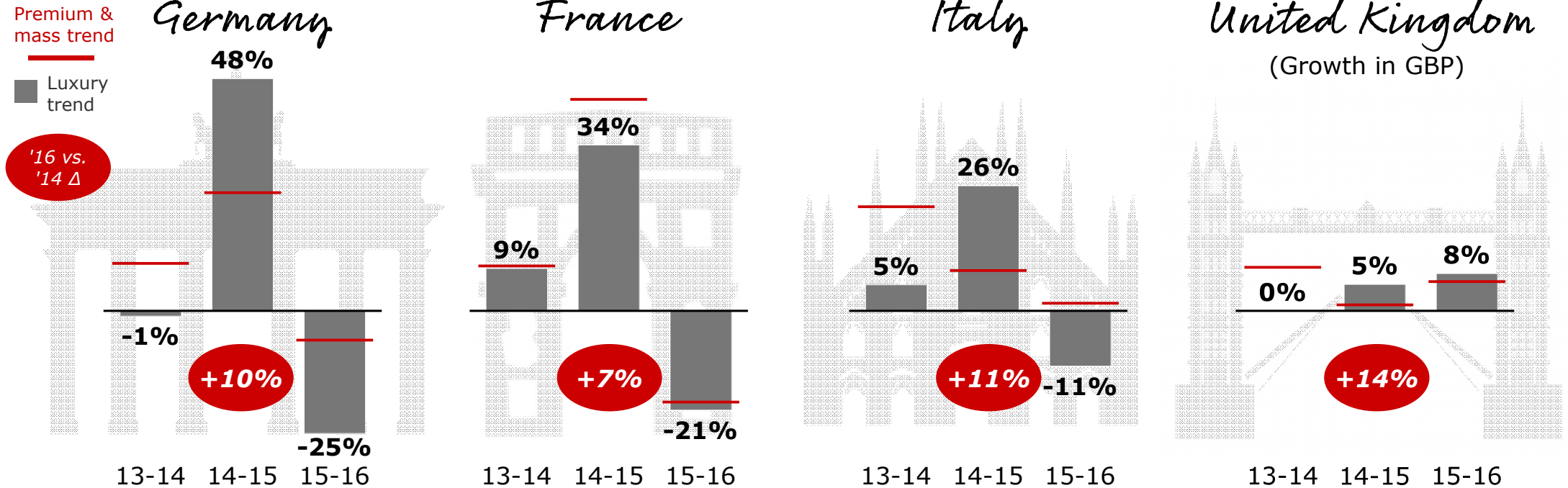
- **Decline of touristic consumption due to terroristic attacks, stricter visa rules for Chinese (biometric visa) as well as a challenging comparison with 2015 high double digit growth...**
- ...partially **offset by recovery of local consumption in most markets and across product categories**
- Uneven trends by country
 - **France hit the most**, due to **terroristic attacks**, both on **tourists** and **locals' sentiment**, **Germany following similar trend**
 - **GBP devaluation supporting UK since Q2** in terms of **touristic spending**
 - **Italy more resilient** and **Spain performing well on tourists**
 - **Northern Europe** (i.e. Scandinavia and Netherlands) **gaining traction on tourists**
- **Eastern Europe gradually recovering but impacted by oil price trends**
 - **Russia maintaining relatively good trend in Moscow** in local currency, still **challenging elsewhere**
 - **Consumers from oil economies** showing very cautious approach



Germany and France worst performers on tourists; post-brexite weak GBP driving UK growth



EUROPEAN LUXURY TAX FREE SHOPPING TREND BY COUNTRY ('16 vs. '15)



- **Germany and France negatively impacted by terroristic attacks**, while also facing **extremely challenging 2015 comparables**
 - Redirection of Middle Eastern flows to UK particularly harmful for Germany
- **Safer perception of Italy** (and less buoyant growth in 2015) driving a **better performance**
- **2016** contraction driven by a **negative transaction volume effect**, while the avg. **transaction value** remained **stable** in **France** and **Italy**, both contracting in **Germany**
- **UK in countertrend thanks to GBP devaluation**
 - Accelerating trend over the year
- Both **# of transactions** and **avg. transaction value** are **increasing**

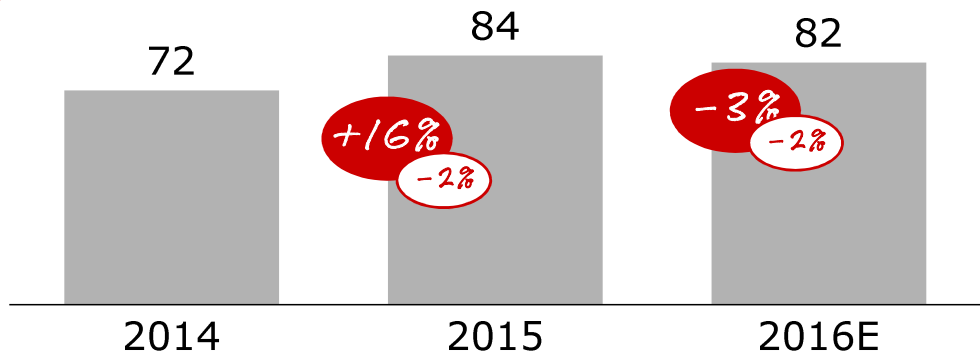


US market continuing to struggle, uneven performance in rest of North America and LATAM



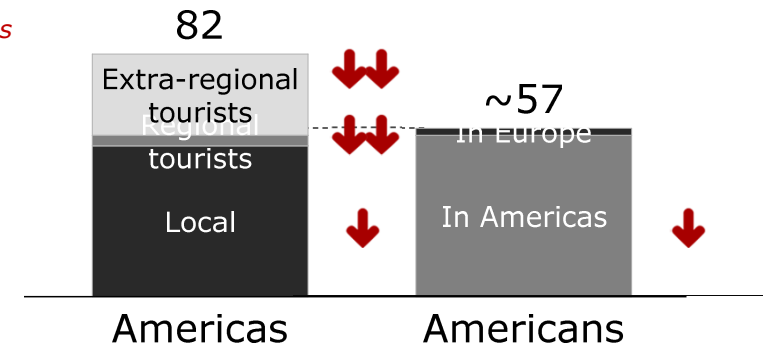
AMERICAS PERSONAL LUXURY GOODS MARKET (2014-2016E|€B)

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...BY CONSUMER ORIGIN VS. AMERICANS GLOBAL SPENDING (2016E|€B)

↓ = ↑
Real terms trend



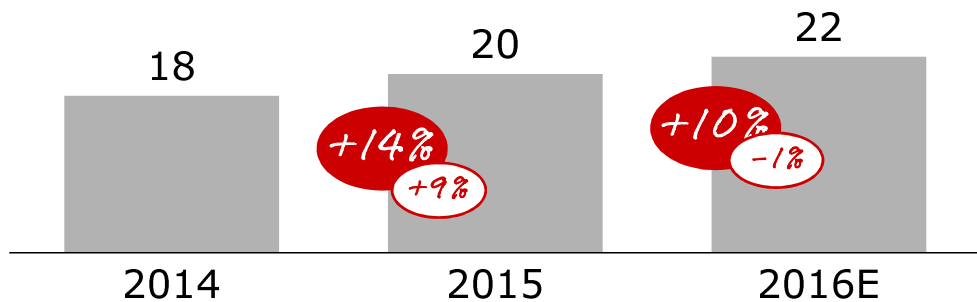
- **Overall decline of touristic consumption continuing due to strong dollar**
 - Latin American buying locally
 - Oil-related flows of Mexican and Nigerian to Texas declining
 - Yen appreciation driving re-appearance of Japanese and Chinese in Hawaii and West Coast in Q3
- **Cautious local consumption on personal luxury goods** (also due to the election year uncertainty) while higher dynamism on other luxury spending due to an **enlargement of the luxury basket**
 - Brands investing in *clientelling* activities in relevant cities
 - Off-price channel performance pushed by bargain oriented consumers
- **Department stores** trying to **stimulate** local **consumption** through **discounts and promotions**, both **online and off-line**, proving still **detrimental to brands' formats**, while **rationalizing and downsizing their operations**
- **Canada maintaining better trend; Brazil improving situation** thanks to repatriation of local spending, **Mexico** maintaining last years' **positive trend**

JPY appreciation reducing performance in Japan pushing Chinese and local consumers abroad



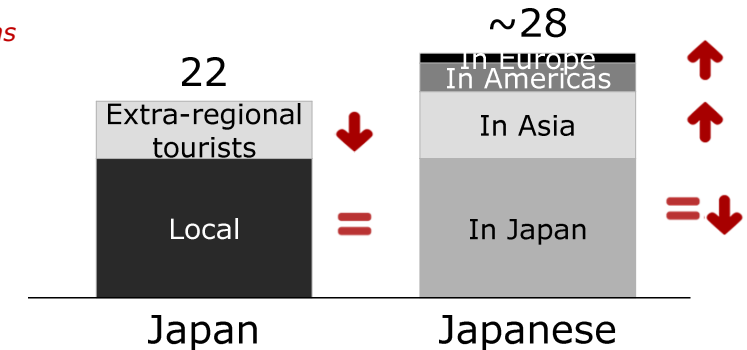
JAPAN PERSONAL LUXURY GOODS MARKET (2014-2016E|€B)

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...BY CONSUMER ORIGIN VS. JAPANESE GLOBAL SPENDING (2016E|€B)

↓ = ↑
Real terms trend



- **Japan** remaining a **key destination** for **Chinese** shoppers **during first months of the year**, while **quickly opting for other destinations with JPY appreciation starting in April**
 - **Extremely challenging Q3**
 - **Tokyo hit the most**
- **Local** (domestic) **consumption under threat**
 - **Locals' anti-Chinese sentiment pushing Japanese to reduce their consumption**
 - Ever more **cautious spending approach in luxury** due to economic lackluster context
 - **Younger generations** showing **lower spending power** and **focusing on entry-items**
 - **With JPY appreciation Japanese increasing their spending abroad** (i.e. South Korea, US West Coast, Europe)
- **First attempts to develop down-town duty-free** in Tokyo **not delivering expected results**, thus halting projects for aggressive roll out



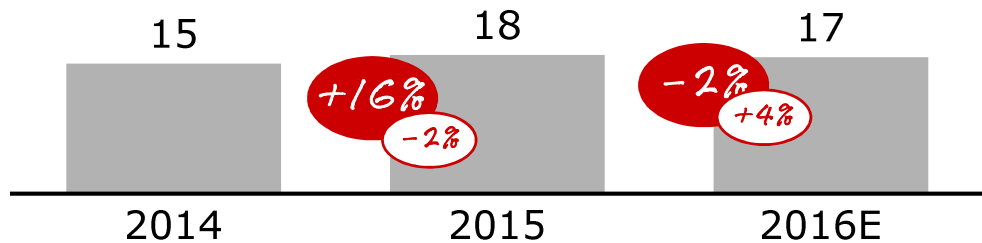
Mainland China: the rebirth of the phoenix, yet not fully offsetting Chinese international consumption decline



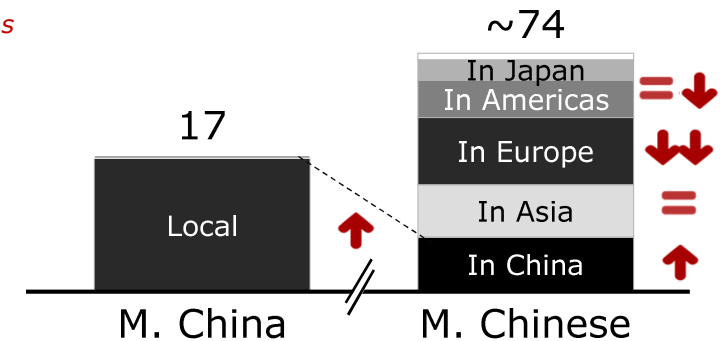
MAINLAND CHINA PERSONAL LUXURY GOODS MARKET (2014-2016E|€B)

...BY CONSUMER ORIGIN VS. M. CHINESE GLOBAL SPENDING (2016E|€B)

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↓ = ↑
Real terms trend



- **Mainland China recovering after 3 years of stagnation...**

- **Most exposed players rationalizing full-price footprint** and increasingly **targeting a 1 city-1 store approach** in tier 2/3 cities
- **Fast growing outlet footprint** intercepting a **large share of growth** thanks to **expanding middle class**, benefiting as well **Accessible players increasingly targeting the country**
- Even last years' **worst performing categories** (i.e. watches and menswear) **improving in last months**
- **Even trend across the country**, with **better comp trend in tier 2/3 cities**, but a slightly tougher situation in the North East due to local exposure to decelerating industries

- **...yet not fully capturing lost sales in international markets, thus resulting in the first decline of Chinese spending globally**

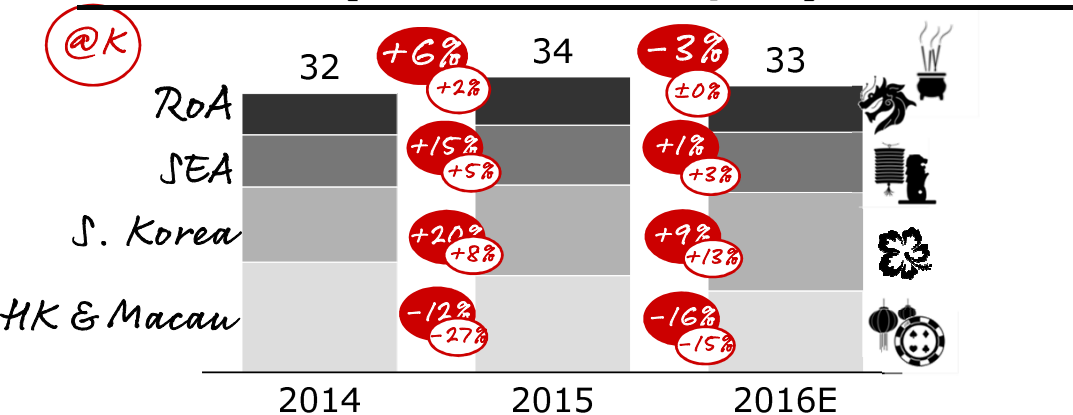
- **Government actively stimulating 'proper' domestic consumption fighting grey market** and increasing **customs controls to limit foreign shopping**
- Although declining, **price differentials** are still **often on the 20-30% range** (higher on carry over products), thus **generating lower volumes than comparable purchases abroad**



S. Korea buoyant trend offsetting HK & Macau; Middle East rather stagnant

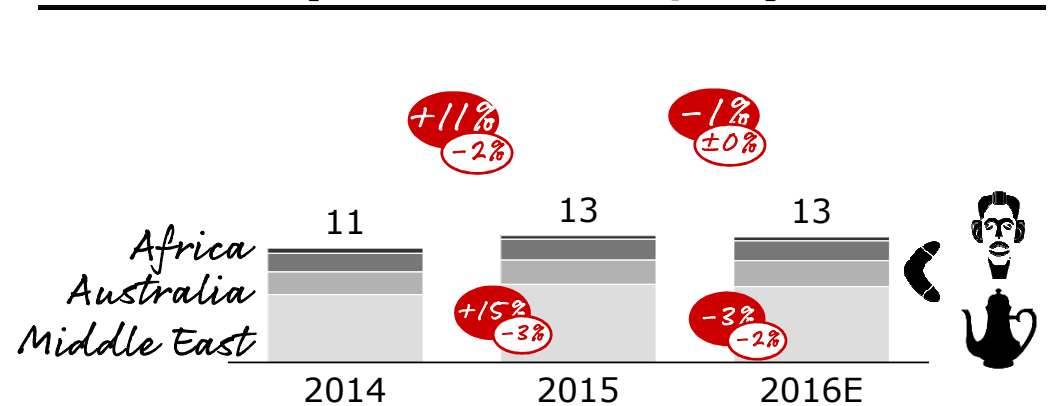


REST OF ASIA (2014-2016E|€B)



- **Hong Kong and Macau continue to decline** but on a **decelerating path** in real terms
- **Dynamic South Korea** thanks to **Chinese flows fully rebounding** after **2015 MERS**
 - **Booming duty-free** thanks to **Chinese flows** with **duty-free e-com** gaining **traction on locals**
- **Overall positive trend of SEA**
 - **Singapore not brilliant** attracting lower spending Chinese profiles from tier 2/3 cities
 - **Luxury real estate investments** in **Indonesia**
 - **Chinese** providing **dynamism** also to **Thailand and Malaysia**
- **Taiwan** very **promotion-driven**

REST OF THE WORLD (2014-2016E|€B)

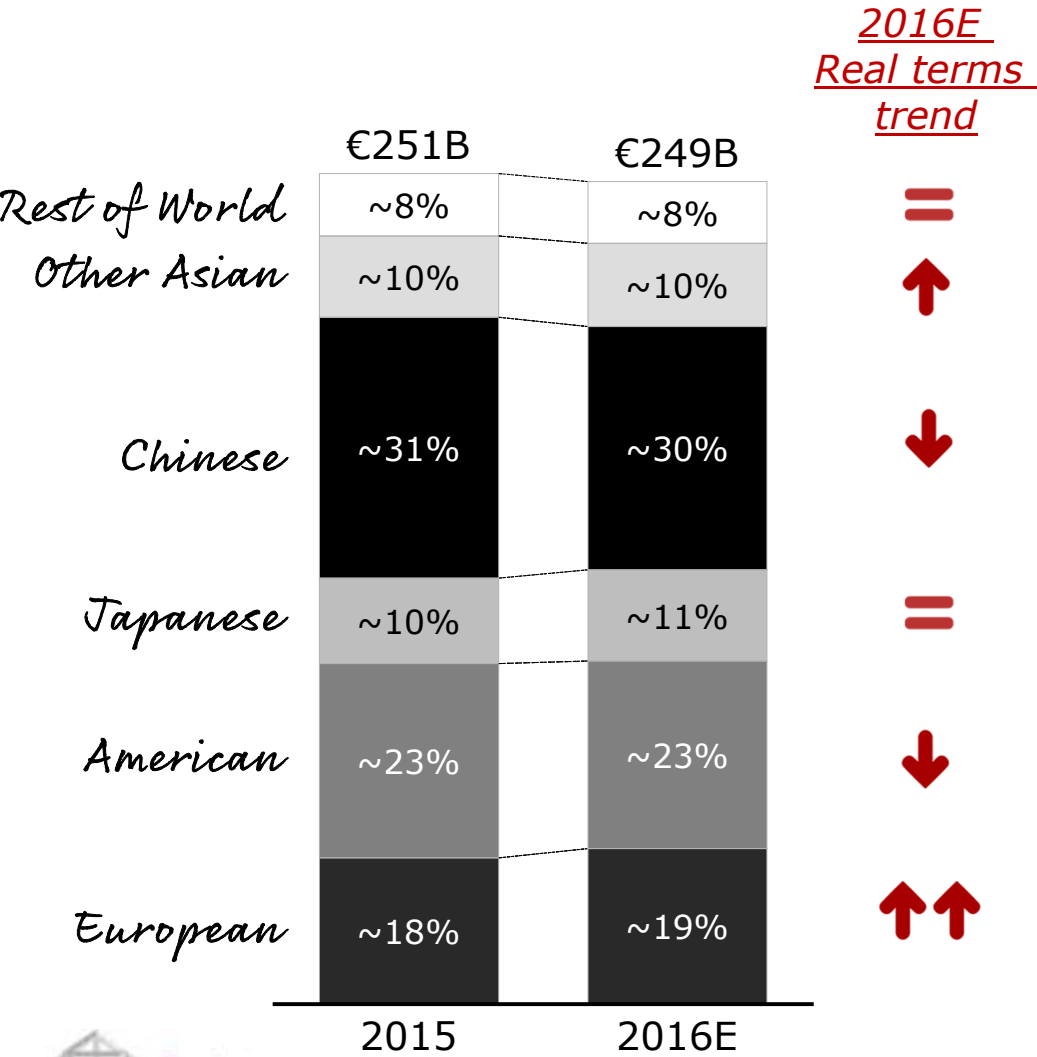


- **Lackluster trend of Middle East: weak on both locals and tourists** (Chinese visa simplification under scrutiny)
 - **UAE outperforming**, Bahrain fairly well
 - Mixed performance in Saudi Arabia after positive '15
 - More oil-dependent economies registering worst performance (i.e. Qatar, Kuwait)
 - Brands starting to tackle Iran: additional touchpoint to serve Iranian consumers in UK and Switzerland
- **Australia maintaining positive trend thanks to Chinese; perimeter expansion** supporting **low comp growth**
- **Polarized performance in Africa**, with commodity-driven economies slowing down

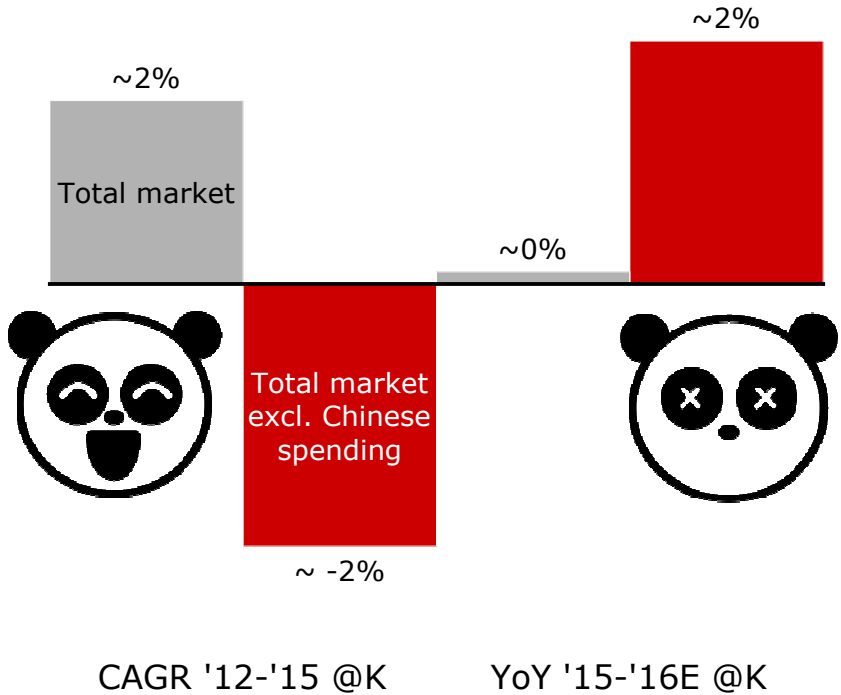
Chinese consumers, unique market growth driver since 2012, slowing down market in 2016

GLOBAL PERSONAL LUXURY GOODS BY CONSUMER NATIONALITY (€B)

2015-2016E EVOLUTION



2012-2016E EVOLUTION



- Total personal luxury goods market **slightly contracting** in the **2012-15** period if **excluding** spending of **Chinese consumers**
- **Chinese consumers' spending reduction** has led to **stagnation in 2016**

Chinese **socio-demographics** will fuel a **growing consumption** (yet more individualistic and price-conscious)

SOLID FUTURE MACROECONOMIC & DEMOGRAPHIC FUNDAMENTALS...



POSITIVE OUTLOOK
FOR CONSUMER
EXPENDITURE

- Despite the **recent slowdown** in China's economic growth, **consumption** is on a **positive trajectory**, led by a **growing population** (+32M people by 2030) and by an overall **GDP increase**

...WITHIN AN EVOLVING SOCIO-DEMOGRAPHIC PICTURE



GROWING URBAN
MIDDLE CLASS
*(5x growth rate vs. total
population)*

- **Enlarging luxury customer base**, especially at the **bottom of the wealth pyramid**
 - **Value-for-money** becoming a key purchasing driver, benefitting both **lower-end brands** & **entry price items**



INCREASING
"INDIVIDUALISM"
*(traditional family loosing 5
pp share by 2030)*

- Shift toward more **private, personal purchases** and **increasing spending** on **lifestyle** and **experiential categories**
- **Growing** interest for **real estate investments**



AGEING POPULATION
DRIVING AGE SHIFTS
*(shift toward 30-40 and 50-
60 age groups by 2025 and
toward 60+ by 2030)*

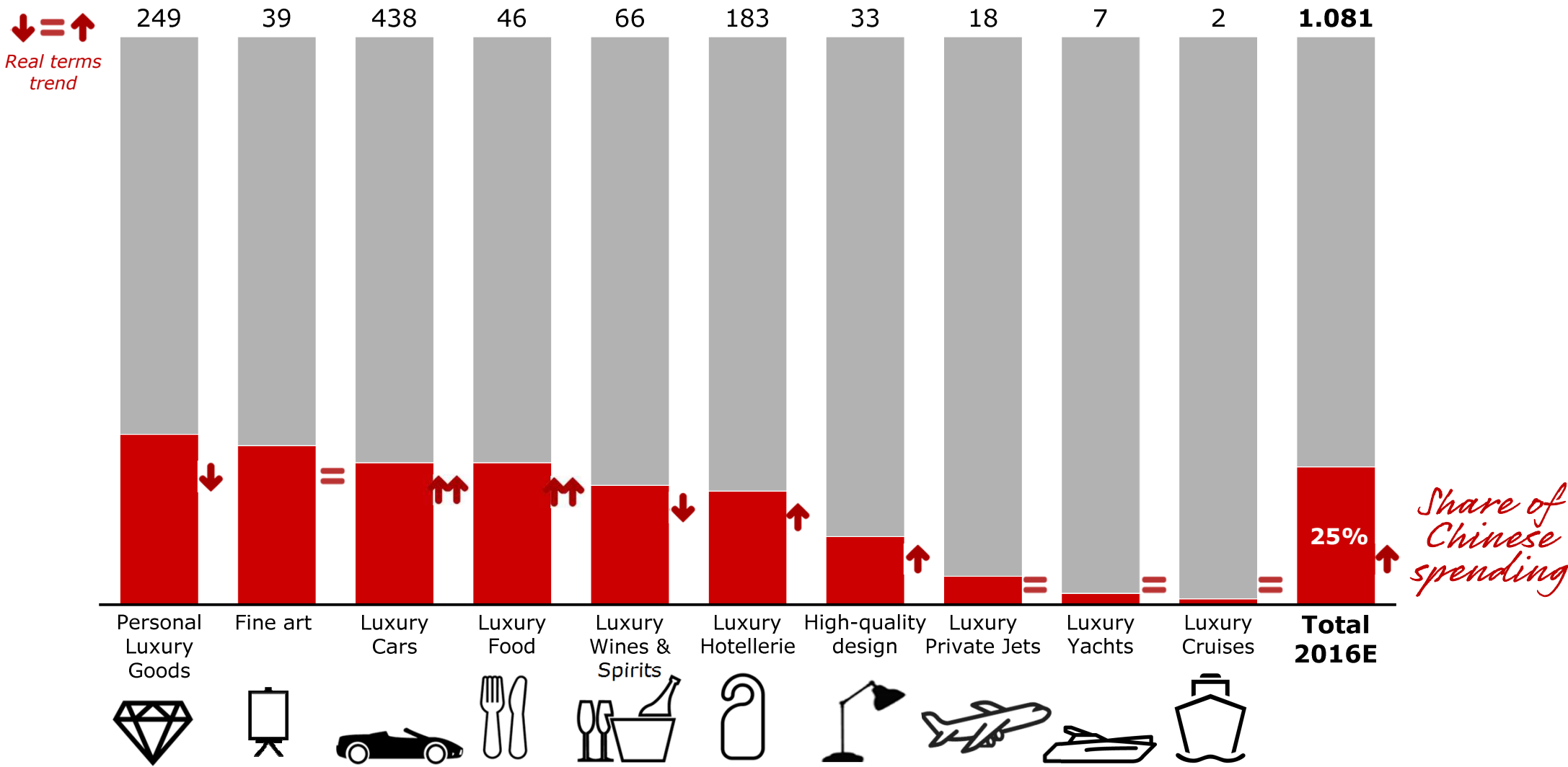
- Rising spend on **healthcare**
- **Today's affluent** luxury consumers **shifting together** with the **age group distribution**

**STRONG CONSUMER BASE EXPANSION AT THE BASE OF THE PYRAMID
VS. MORE MATURE HIGH SPENDERS HARDER TO WIN**



Chinese consumers are also enlarging the spectrum of their luxury consumption

CHINESE PENETRATION OF GLOBAL LUXURY GOODS MARKETS (2016E|€B)



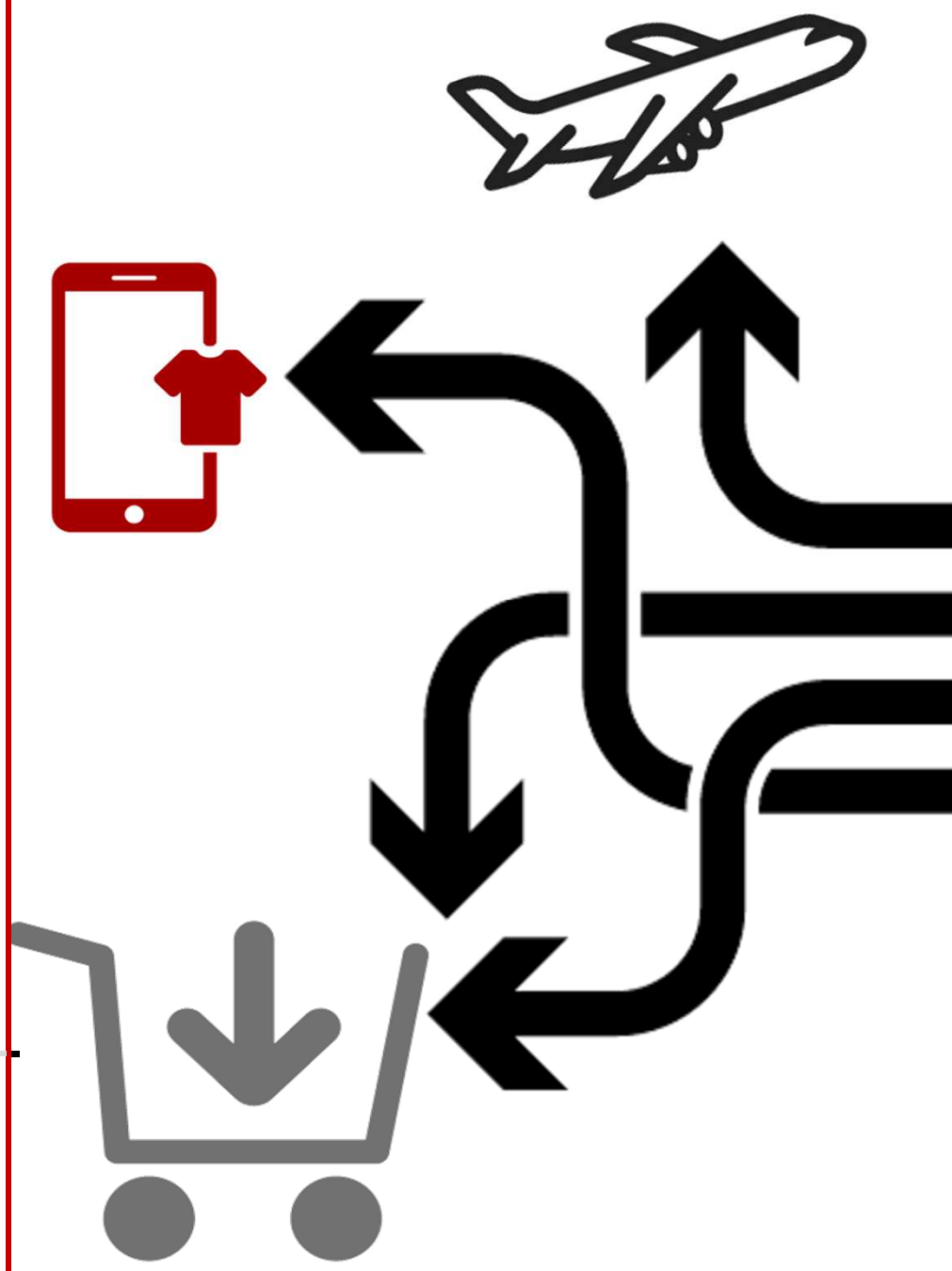
III.

Route to market



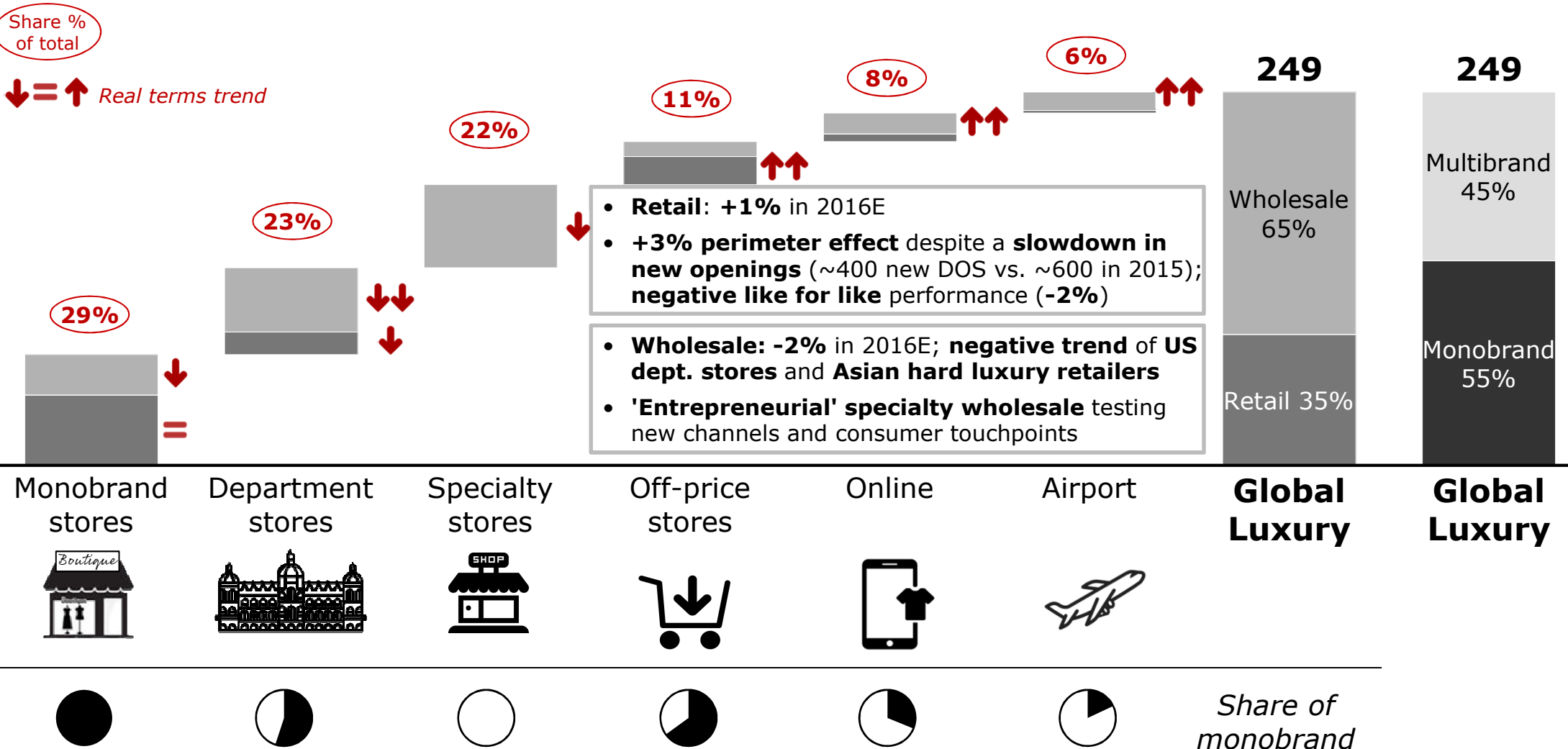
Channel Assortment Model Format Pricing

- Channel: Shopping bag icon
- Assortment Model: Boutique icon
- Format: Smartphone with shirt icon
- Pricing: Tag with percentage icon



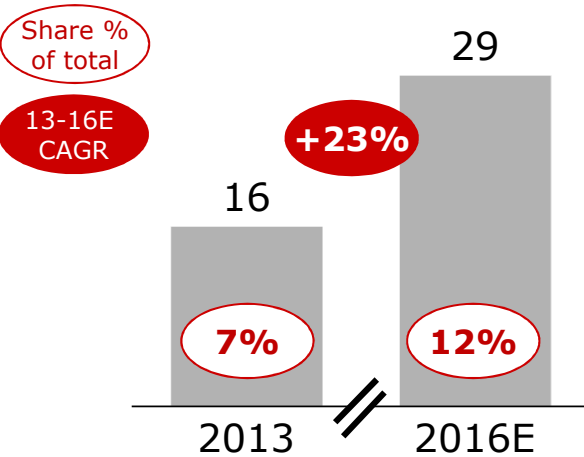
'Value' channels still outperforming, department stores in structural decline

GLOBAL PERSONAL LUXURY GOODS MARKET BY CHANNEL & FORMAT (2016E|€B)



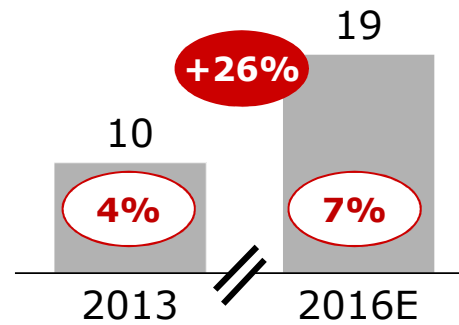
Off-price channel approaching 30B€ globally, e-com growth leader and airport exposed to tourist volatility

OFF-PRICE (2013-2016E|€B)



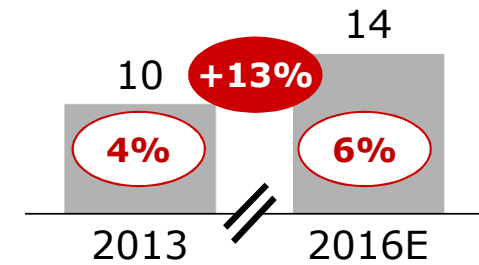
- **Solid performance** of the off-price market in 2016, growing **double-digit** but at a **slower pace** vs. **previous years**
- **Asia growing the most also** due to **perimeter expansion, especially in China** where years of stagnating performance resulted in abundant leftovers
- **Europe** affected by the **contraction of tourist flows**
- **Continuing footprint expansion** in consolidated **North America**

ONLINE (2013-2016E|€B)



- **Online fastest growing channel globally**
 - Growing share of **mobile** driving **over half of e-com** for **top performing brands**
 - **Off-price segment outperforming**
- **Web-specialists gaining share vs. retailers**
- **Asia fastest growing region**, despite challenges in tackling China
- **Shoes** still **most penetrated category**, **beauty** catching up

AIRPORT (2013-2016E|€B)

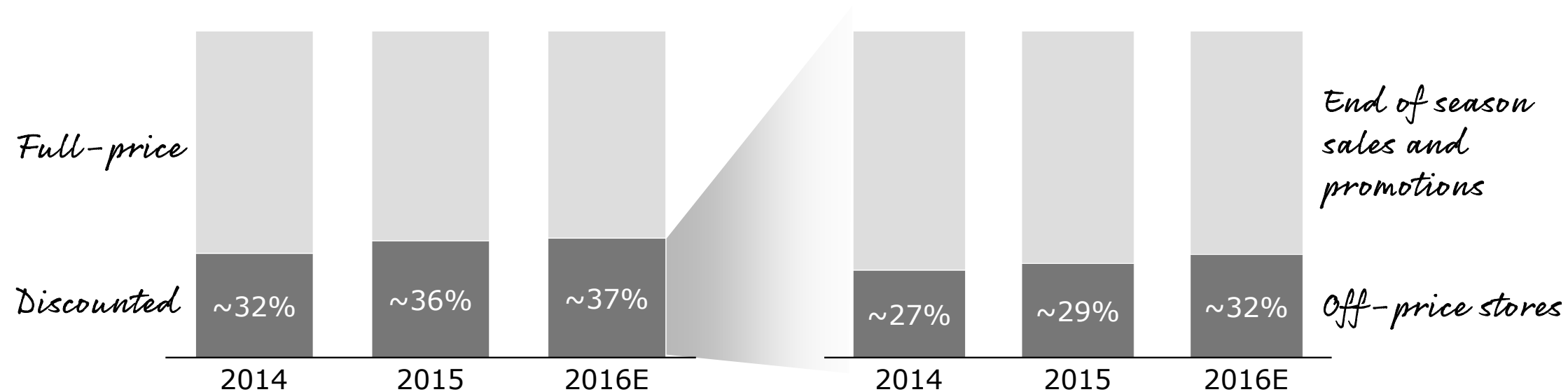


- Good performance in 2016E with **high single digit market growth**, negatively impacted by tourist flows shifts
- **Asian leading for growth** despite the tough situation in HK
- **Booming UK trend** off-set by less buoyant rest of Europe
 - Potential prospective expansion of **downtown duty-free** in Europe could remodel airport footprint
- **Duty-paid and arrival duty-free** expected to **support future growth**

Brands getting **better control** over the **growing sales at mark-down**

DISCOUNTED VS FULL PRICE LUXURY GOODS MARKET (2014-2016E|€B)

DISCOUNTED LUXURY MARKET BY CHANNEL (2014-2016E|€B)



Luxury goods increasingly sold at discount...

...yet ever more channeled through more controlled outlet channel

- **Discounted market gaining share** due to consumers' increasing quest for value for money...
- ...as well as due to the **growing promotional activities** of **struggling wholesale formats**
 - i.e. US department stores, Asian watches retailers

- **From tactic to strategic management of outlet channel for most brands**, while **reducing discounts in stores...**
 - Off-price retail excellence, footprint optimization
 - direct-to-outlet are substituting end-of-season sales
- ...and **trying to better control/educate wholesale partners**

Other 4%

Beauty

Absolute

III.

Luxury

22%

Aspirational

35%

Apparel

23%

Value

proposition

Accessories

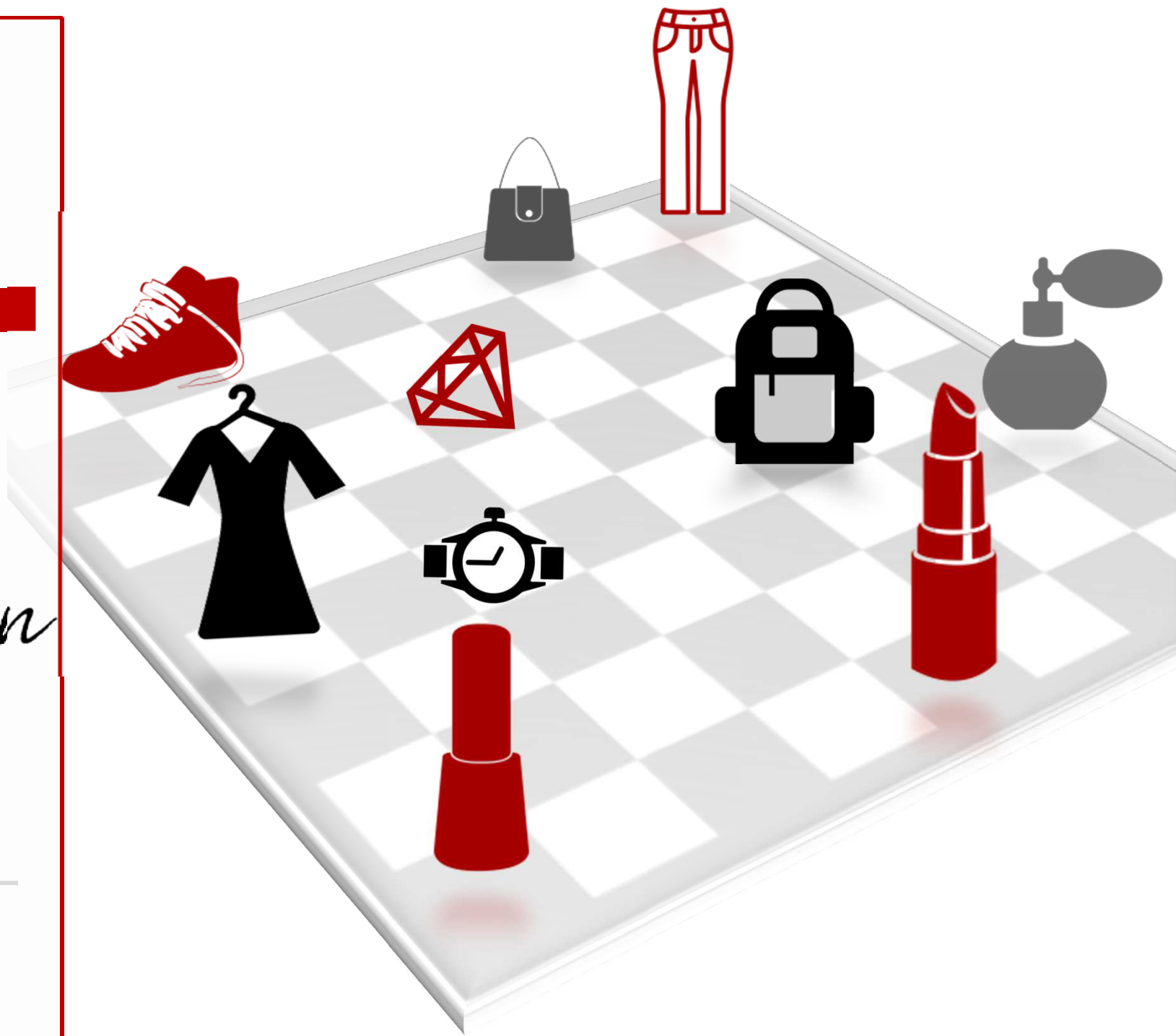
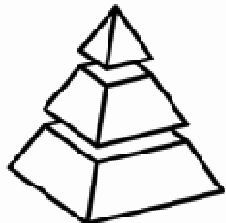
30%

Accessible

40%

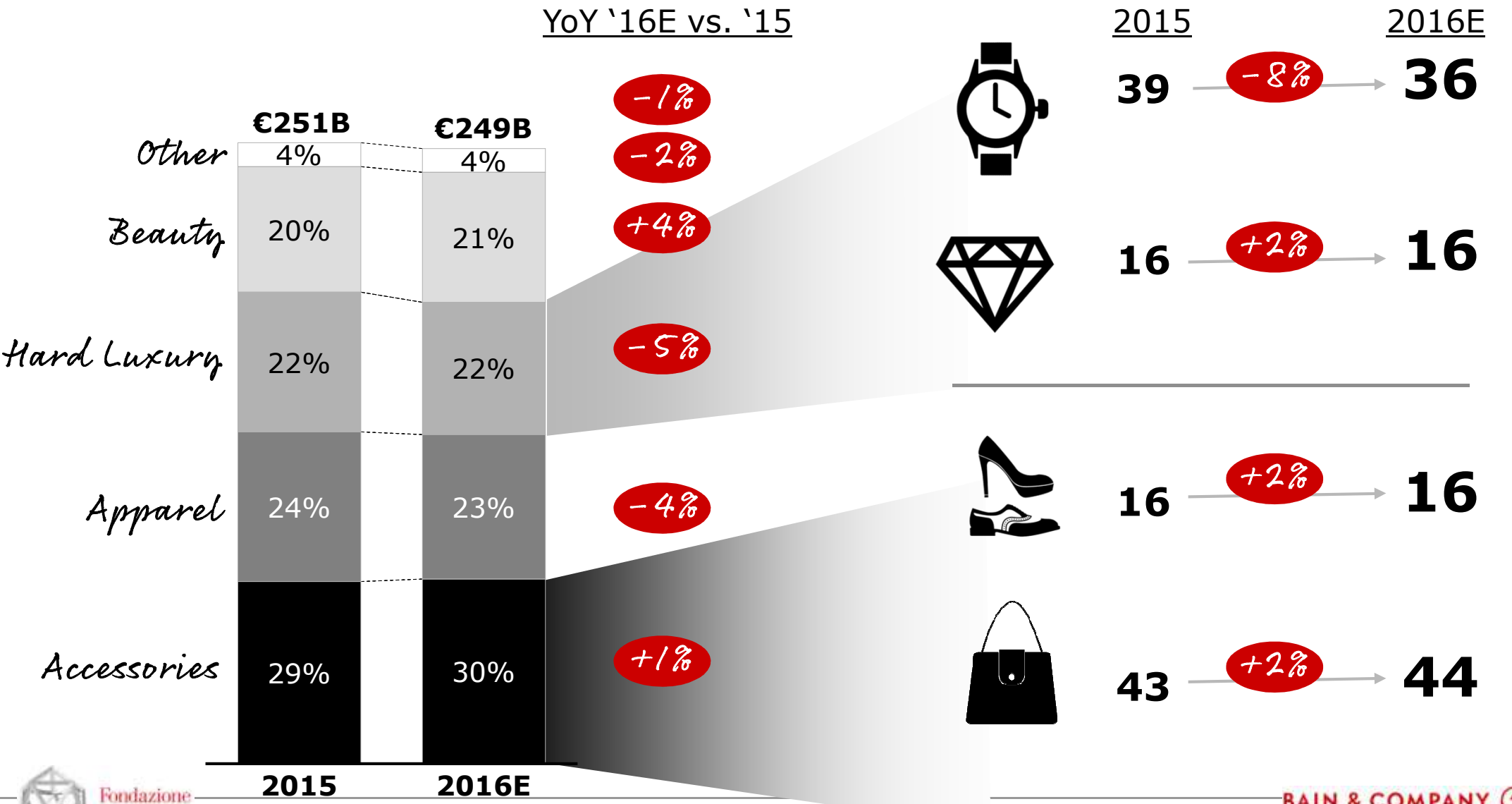
Category

Segment



Beauty fastest growing category, leather goods, shoes and jewelry following at a similar pace

GLOBAL PERSONAL LUXURY GOODS MARKET BY CATEGORY (2015-2016E|€B)



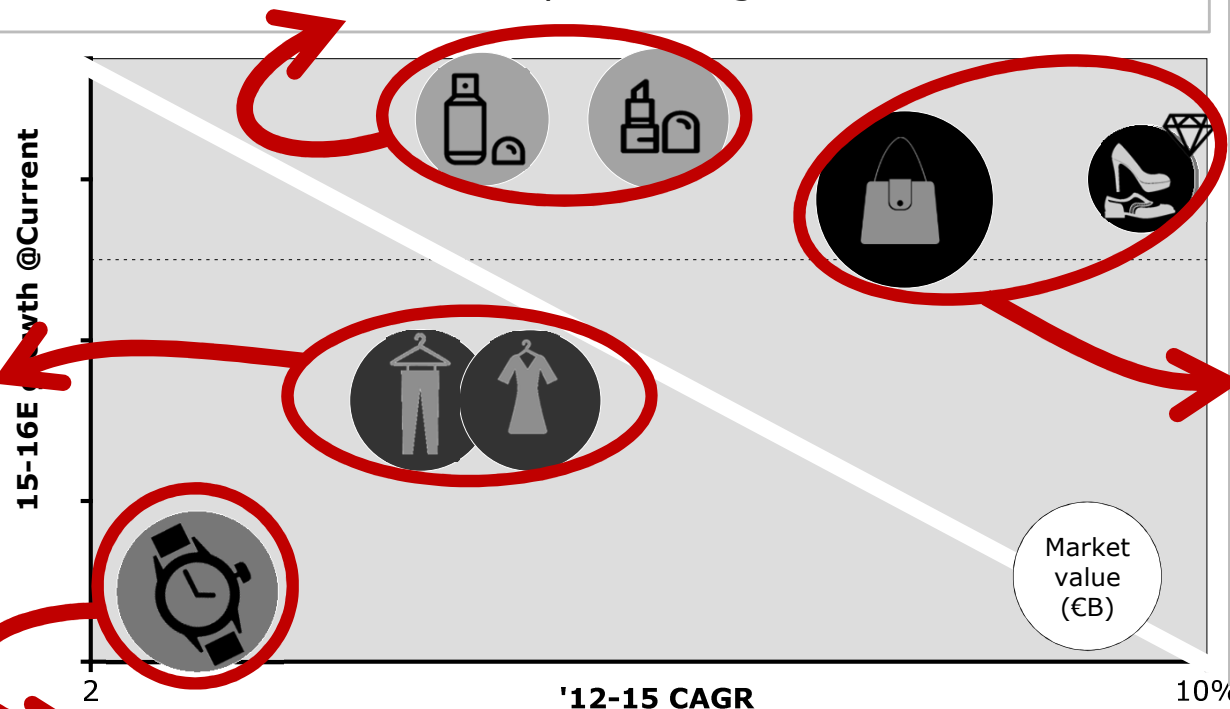
A multi-speed market with accelerating beauty, positive accessories and jewels and still struggling watches

GLOBAL LUXURY GOODS MARKET BY CATEGORY (2012-2016E|€B)

Beauty posting a **solid performance** fostered by the **continuing strong momentum for make-up** coupled by a **brisk growth** of the **fragrances** segment; **Asia** and **Americas** best performing markets

Leather goods outperforming on **entry prices, men's travel** (i.e. ~3B€ market) and 'rediscovered' usage occasions such as **backpacks** (i.e. ~2B€ market)

Apparel dichotomy between **struggling large specialists** and **more dynamic (yet smaller) lifestyle brands**
Casualization trend leading to **faster growth of luxury denim** (~3B€) as well as **luxury down-jackets** (~2B€) in outerwear and **resurgence of sport-lines** and **active wear**



Shoes maintaining **dynamism** with **sneakerization** phenomenon feeding a ~3B€ market

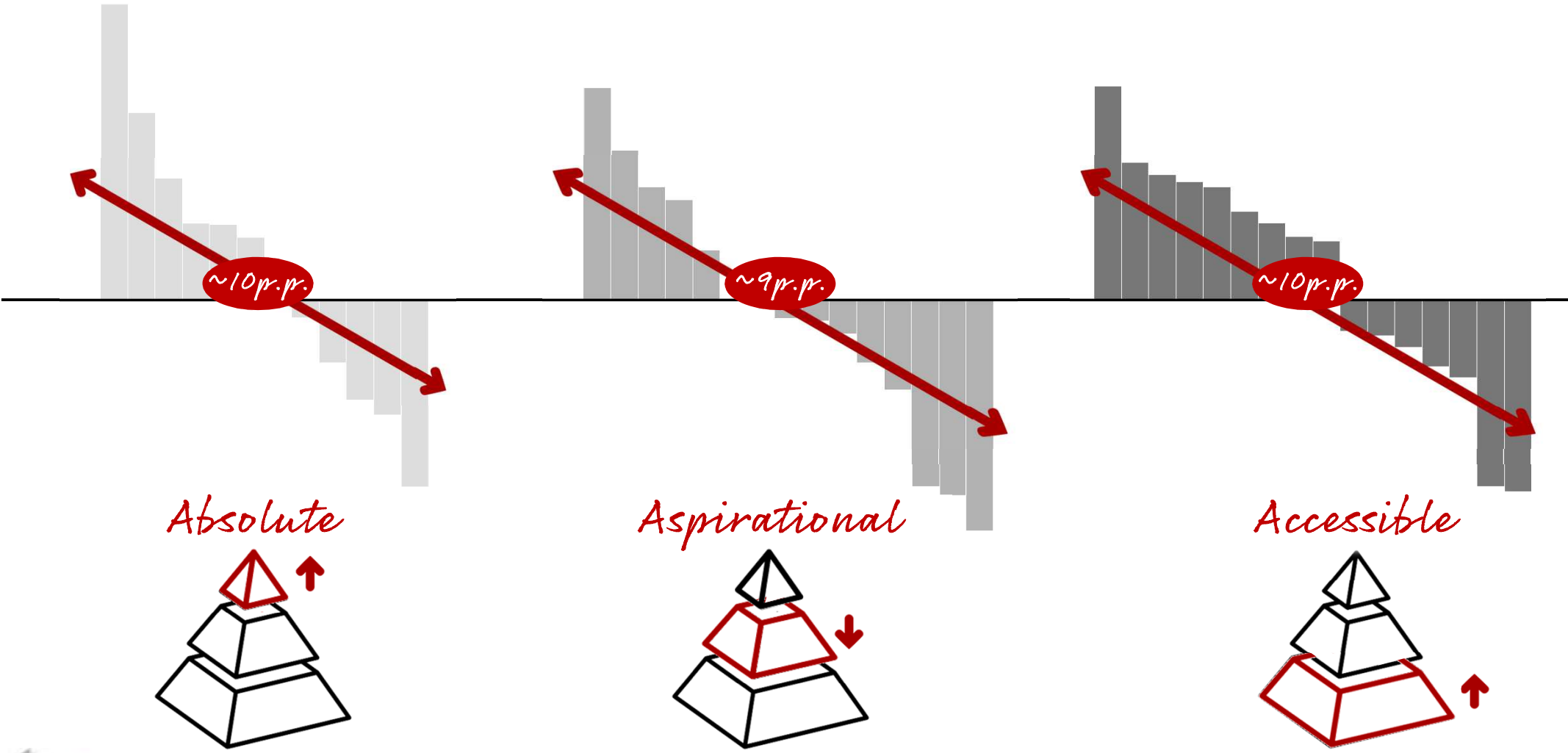
Jewels positive trajectory **decelerating** in '16

Watches still **dragged down by Asian performance** especially on high tickets (gold watches hit the most), with **region overstock far from inverting the trend** despite brands accepting swaps and returns

Wide dispersion of performance amidst confirmed polarization

15-16E REVENUE GROWTH BY SEGMENT – SELECTED FASHION BRANDS

● Standard deviation within segment



3.

So what?



About the 2016 Personal Luxury Goods Market

Recap of key real term trends

GLOBAL PERSONAL LUXURY GOODS MARKET (2016E|TREND)

Markets and consumers

	Local	Tourist
Europe	↑↑	↓↓↓
Americas	↓	↓
Japan	= ↓	↓
China	↑	↓
Other Asia	↑	=
RoW	=	=
European Japanese	↑↑ =	
American		↓
Chinese		↓
Other Asian, RoW		↑ =

Route to market

Retail	Overall	Organic	Wholesale
Monobrand	Department store	Specialty store	
Off-price	Airport	Online	
Full price		Markdown	

Value proposition

Accessories	LG	Shoes
Apparel	Beauty	
Hard Luxury	Jewelry	Watches
Absolute		
Aspirational		
Accessible		

About the 2016 Personal Luxury Goods Market

10 key takeaways

- A **mature market** in a **transition year** towards a **new structural era**

Markets and consumers

A market **rebalancing towards** (a less volatile) **local consumption**

Chinese consumption repatriation not offsetting missed purchases abroad

European consumption in rebound, American still depressed and Japanese uneven

Route to market

Retail and mono-brand still the favorite format

...but **retail expansion drastically slowing down** with first signals of **rationalization**

Off-price and **airport retail outperforming**, yet **impacted by tourist flow shifts**

...leaving **e-commerce** the only **real stainless star**

US department stores crisis remaining a **key point of attention** for the region performance

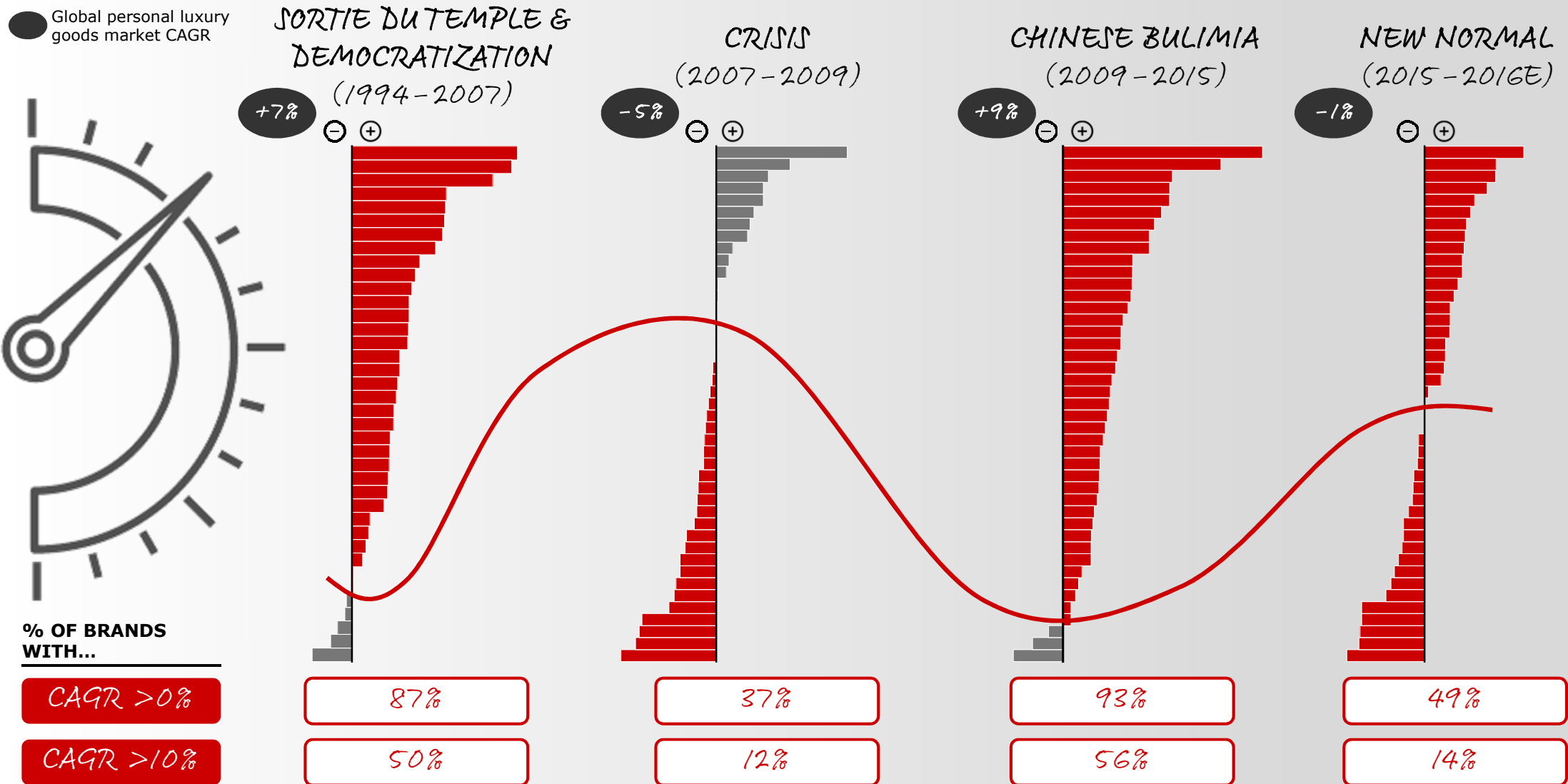
Value proposition

Entry items/ brands supported by **expansion of the consumer base** at the **bottom of the pyramid**

Consumers, tired of more-of-the-same approach, **rewarding true innovation** across categories and segments

The *new normal*: from "industry index" to "winners & losers": clear consumption and industry changes ahead

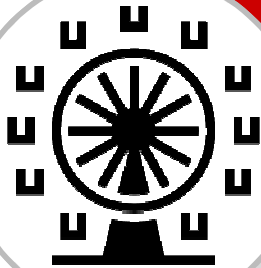
REVENUE CAGR OF SELECTED SOFT LUXURY BRANDS BY ERA



Luxury consumption is increasingly...

Experiential

- **Luxury experiences outpacing goods in growth** by 4pp in '16
- Chinese consumers enlarging their luxury basket to experiences



Value sensitive

- **Off-price channel maintaining momentum** growing by 11%
- **Overall discounted sales** reaching **37% of total market**



Casual

- **Casual styles gaining traction**
 - ~3B€ luxury sneakers
 - ~3B€ luxury denim
 - ~2B€ luxury down jacket
 - ~2B€ luxury backpacks



Digital

- **E-commerce consistently winning channel** reaching **7% penetration**
 - Today 3rd largest 'market' globally after US and Japan



Demanding

- **Truly innovative brands** rewarded by **consumers' quick reaction**, those lagging behind losing ground: ~50:50 ratio between winners and losers



Local

- **For the first time since 2001, local consumption** has **outpaced tourist one** by 5pp



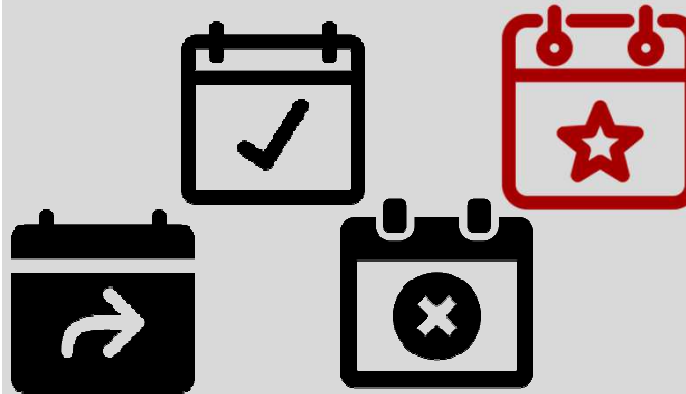
The **industry** is **undergoing some major changes**, challenging major established paradigms

COLLAPSING BARRIERS
TO ENTRY



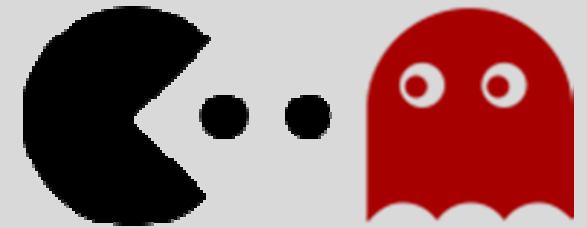
Digital revolution helping
emerging brands to
compete directly with
established incumbents

SEE-NOW/WEAR-NOW
REVOLUTION



**Growing adoption of see-
now-wear-now approach**
with **related implications**
across **processes**

A NEW WAVE OF
CONSOLIDATION (?)

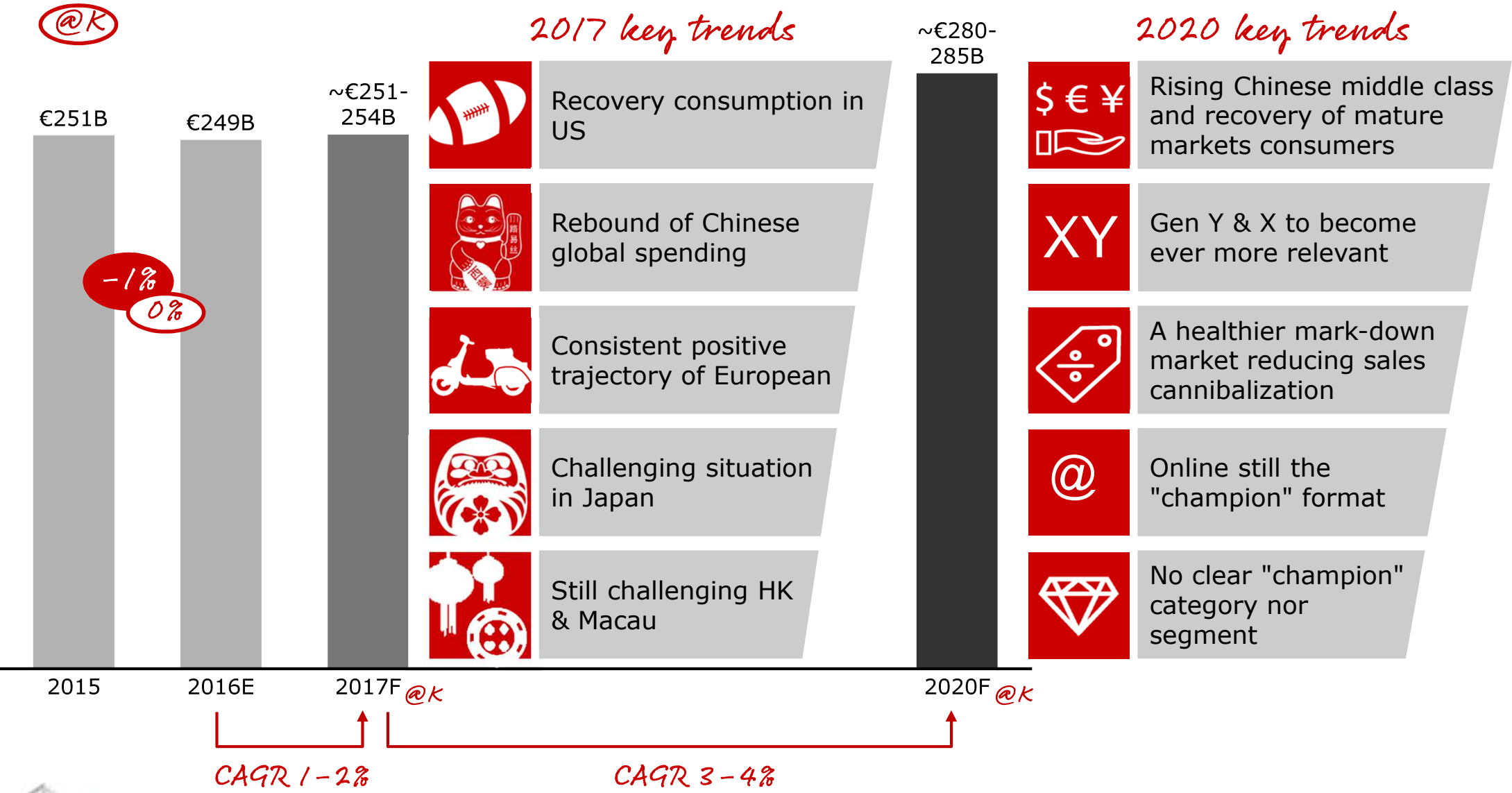


**New acquisitions and
divestitures** from both
established and **new
luxury groups**

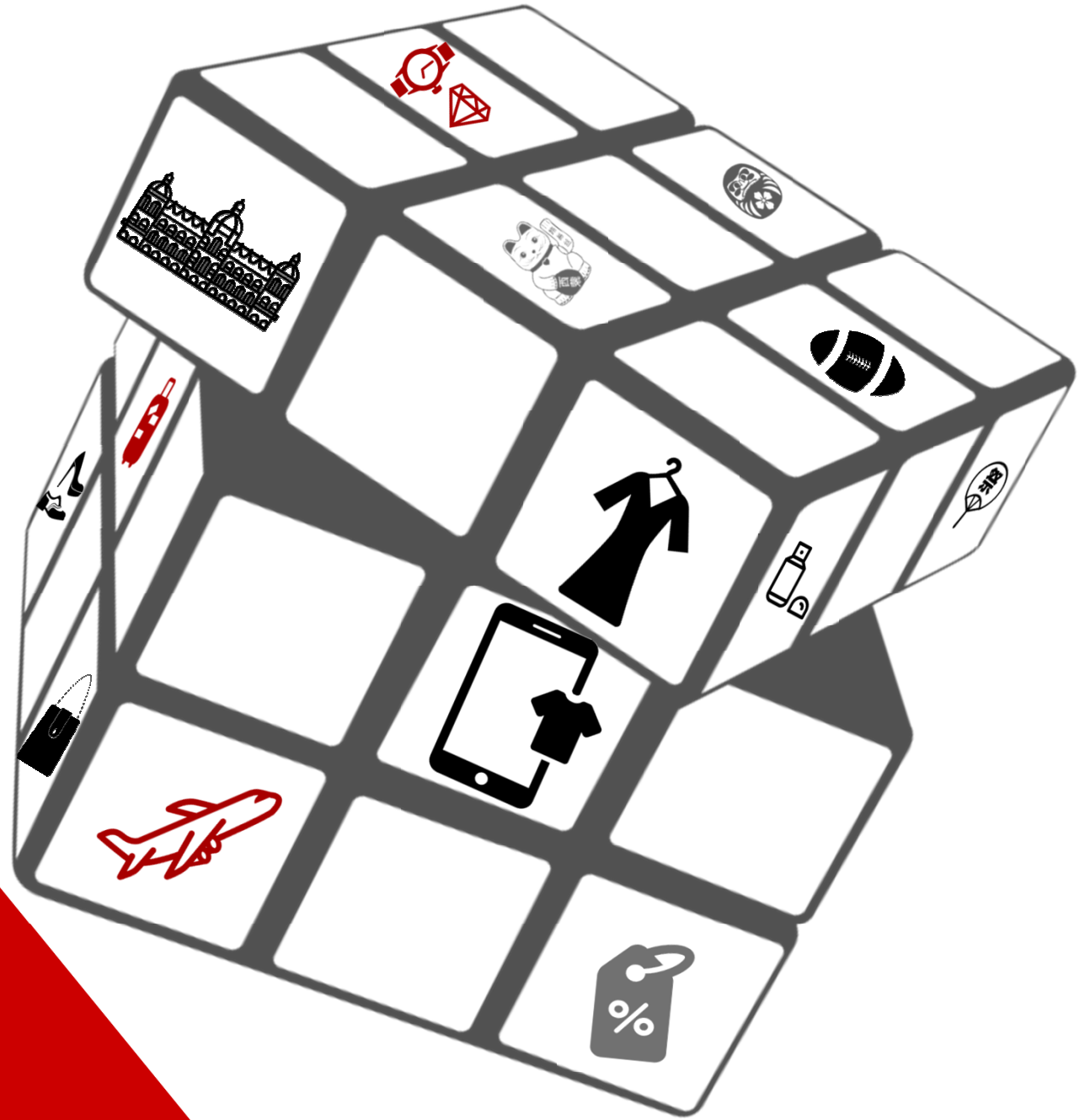
...leading to multiple management and creative leadership changes
(20+ new CEOs and Creative Directors appointments in last 10 months)

Personal luxury market expected to reach €280-285B by 2020, scoring a CAGR of +3/+4% since 2017

LUXURY MARKET PROJECTIONS (€B – 2015-2020F)



4. What to do



Let's pick up where we left off one year ago!

Key strategic issues in luxury CEO's agenda (October 2015)

Markets and consumers

Route to market

Value proposition

Design *'locally global' pricing* strategy and execution

Personalize
customer *experience*
in-store

Locally tailor
value proposition

Re-focus distribution
strategy and footprint

Evolve model into a
value-driven
"Fast luxury"

Push *consumer engagement*

Master brand
content and
story-
telling

Develop, grow and retain best-in-class talents




What luxury players have been working on in last 12 months: **more reactions rather than proactive moves**

Markets and consumers

Route to market

Value proposition


Design 'locally global' pricing strategy and execution 

Personalize customer experience in-store 

Locally tailor value proposition 

Develop, grow and retain best-in-class talents 

Re-focus distribution strategy and footprint 

Evolve model into a value-driven "Fast luxury" 

Push consumer engagement 

Master brand content and story-telling 

Updated key issues in luxury CEO's agenda to foster the **medium term strategy of the industry**

Markets and consumers

Route to market

Value proposition

Design 'locally global' pricing strategy and execution

1:1 customer experience

Stretched offer, and Locally global assortment

New role of store

Productivity management

Perfect a value-driven "Fast luxury" model

Cross-channel omni-channel

Story-telling 2.0

Scientific customer corridor

management: from salience to advocacy

Customer winning organization



Updated key issues in luxury CEO's agenda to foster the medium term strategy of the industry

CORPORATE STRATEGY

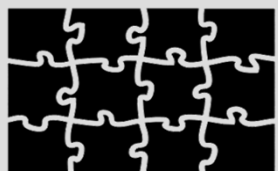
NEW CONSOLIDATION



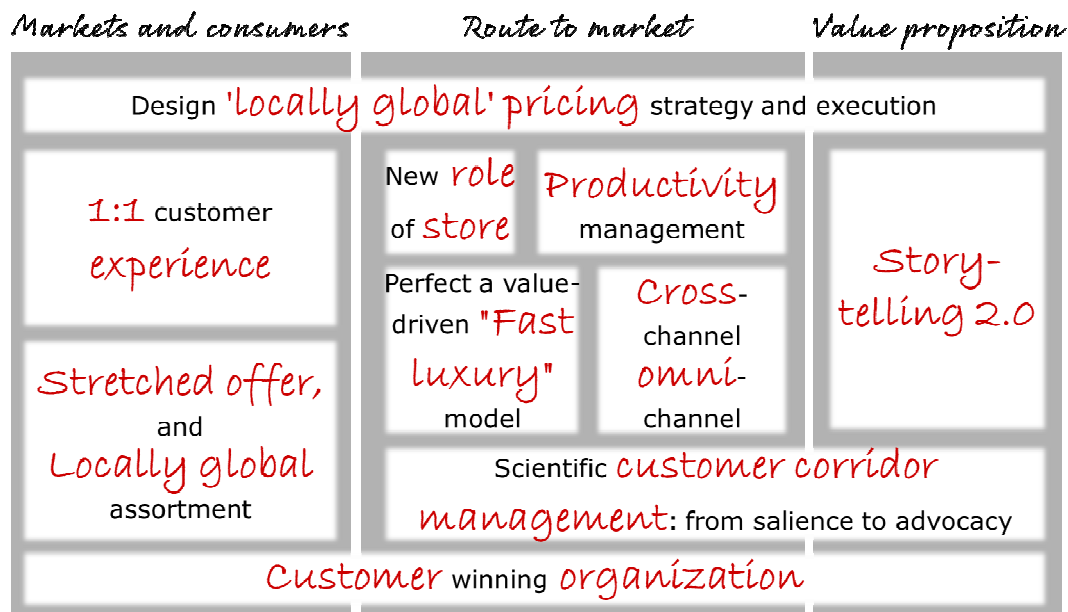
SIMPLICITY



SYNERGIES



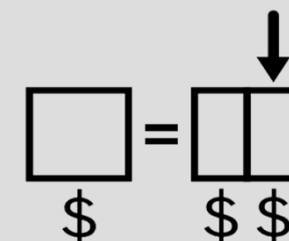
GROWTH STRATEGY



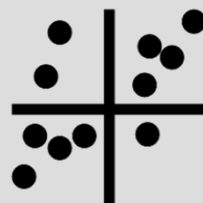
CULTURE



VALUE HUNT



EVOLVING PORTFOLIOS



BAIN & COMPANY 

People, Passion, Results!

Claudia D'Arpizio, Partner Bain's Luxury Goods Vertical



Claudia D'Arpizio

Claudia D'Arpizio is a **Partner at Bain & Company Milan office**. She is a leading member of the firm's Global Consumer Products and Retail Practices, and leads **Bain's Luxury Goods Vertical**.

For over 22 years, Claudia has advised multinational clients, mainly in luxury and fashion goods. She has extensively worked on issues relating to corporate and business unit strategy, sales and marketing, product and service adjacencies, channel and omni-channel strategy, new product development, innovation, acquisitions and divestitures, performance improvement and organizational changes.

Claudia is the lead author of the Bain's Yearly Luxury Study, developed since 1999 in cooperation with Altagamma, the trade association of the Italian luxury brands. This study, based on the analysis of an extensive panel of worldwide luxury brands, is periodically updated and has become one of the most valued and cited sources of market information in the luxury industry.

Claudia is a globally recognized expert in luxury and in 2009 **was named by the Consulting Magazine one of the "Top 25 Consultants in the World"**.

Claudia is frequent speaker and writer on luxury goods strategy and she is extensively quoted in Italian and international media: Il sole 24 ore, La Repubblica, Il Corriere della Sera, The Wall Street Journal, US, Europe and Asia editions, Financial Times, New York Times, The Economist, Newsweek, Reuters, Bloomberg, Associated Press, WWD, Fortune, Washington Post, International Herald Tribune, National Post Business Magazine, Boston Globe, The Time and Dow Jones Newswire.



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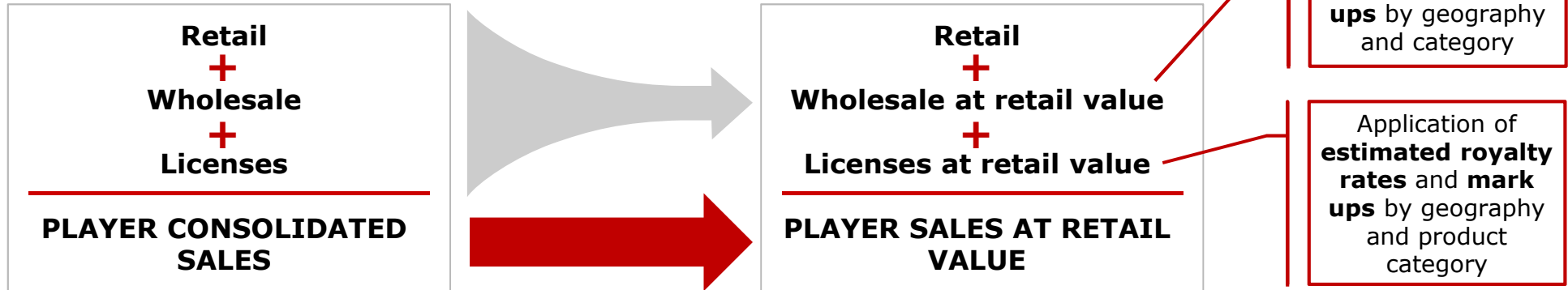
ITALIAN PRESS

- Cristina Brignola (cristina.brignola@bain.it or +39 02 58288 553)

Methodology

1 Revenues at retail equivalent value

- Revenues at retail value represent total sales valued at retail price.
- Each player consolidated sales are *retailized* through the following methodology:



2 Bottom-up and Top-down estimates

