ALTAGAMMA 2016 WORLDWIDE LUXURY MARKET MONITOR
CLAUDIA D'ARPIZIO | 20.10.2016
1. Luxury Markets Overview
Global luxury consumptions growing 4% in 2016

GROWTH 2015-2016
-1%  8%  4%  4%  4%  0%  3%  -5%  0%  5%  4%
Luxury cars keeping the positive pace in 2016

Luxury Cars Market Trend (€B)

- 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

Trends by Segment (2015)

- • 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)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>138</td>
<td>+9%</td>
</tr>
<tr>
<td>2014</td>
<td>150</td>
<td>+17%</td>
</tr>
<tr>
<td>2015</td>
<td>176</td>
<td>+4%</td>
</tr>
<tr>
<td>2016E</td>
<td>183</td>
<td></td>
</tr>
</tbody>
</table>

**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

**Luxury Cruises Market Trend (€B)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>1,4</td>
<td>+1%</td>
</tr>
<tr>
<td>2014</td>
<td>1,4</td>
<td>+16%</td>
</tr>
<tr>
<td>2015</td>
<td>1,6</td>
<td>+4%</td>
</tr>
<tr>
<td>2016E</td>
<td>1,7</td>
<td>+5%</td>
</tr>
</tbody>
</table>

**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)

<table>
<thead>
<tr>
<th>Year</th>
<th>Food</th>
<th>Wines &amp; Spirits</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>39,000</td>
<td>55,000</td>
</tr>
<tr>
<td>2014</td>
<td>40,000</td>
<td>58,000</td>
</tr>
<tr>
<td>2015</td>
<td>45,000</td>
<td>63,000</td>
</tr>
<tr>
<td>2016</td>
<td>46,000</td>
<td>66,000</td>
</tr>
</tbody>
</table>

- **Food**: 46% of market share, growing at +5% in 2014 and +4% in 2015 and 2016.
- **Wines & Spirits**: 29% of market share, growing at +4% in 2014 and +3% in 2015 and 2016.
- **Spirits**: 26% of market share, growing at +13% in 2015.
- **Fine wine**: 74% of market share, growing at +10% in 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)

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>31</td>
<td>+9%</td>
</tr>
<tr>
<td>2014</td>
<td>34</td>
<td>+14%</td>
</tr>
<tr>
<td>2015</td>
<td>39</td>
<td>+0%</td>
</tr>
<tr>
<td>2016E</td>
<td>39</td>
<td></td>
</tr>
</tbody>
</table>

### 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)

<table>
<thead>
<tr>
<th>Geographies</th>
<th>Segments</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROW</td>
<td>Old masters 1-5%</td>
</tr>
<tr>
<td></td>
<td>19th century 5-10%</td>
</tr>
<tr>
<td>Japan</td>
<td>Modern 25-30%</td>
</tr>
<tr>
<td>China</td>
<td>Post-war 25-30%</td>
</tr>
<tr>
<td>UK</td>
<td>Contemporary 30-35%</td>
</tr>
<tr>
<td>US</td>
<td></td>
</tr>
</tbody>
</table>

**NOTE:** Fine art sector refers to all creative arts whose products have generally no function other than to be seen – it mainly includes painting, drawing, photography, and sculpture; art segments refer to artists' year of birth
Three years of sound performance for the high-quality design market

High-Quality Design Market Trend (€B)

<table>
<thead>
<tr>
<th>Year</th>
<th>Segment</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016E</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>28</td>
<td>28</td>
<td>29</td>
<td>32</td>
<td>33</td>
</tr>
<tr>
<td></td>
<td>+1%</td>
<td>+4%</td>
<td>+9%</td>
<td>+4%</td>
<td>+3%</td>
<td></td>
</tr>
</tbody>
</table>

Trends by Segment, Geography and Channel (2015)

- Outdoor 5%
- Lighting 12%
- Bathroom 17%
- Kitchen 20%
- Living & Bedroom 46%
- RoW 6%
- Asia-Pacific 15%
- Americas 31%
- Europe 47%
- Direct 11%
- Retail 15%
- Wholesale 71%

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)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Yachts</th>
<th>Private Jets</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>24</td>
<td>17</td>
</tr>
<tr>
<td>2014</td>
<td>25</td>
<td>18</td>
</tr>
<tr>
<td>2015</td>
<td>26</td>
<td>19</td>
</tr>
<tr>
<td>2016E</td>
<td>25</td>
<td>18</td>
</tr>
</tbody>
</table>

**Key Industry Macro-Trends**

- **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)

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

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

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

NOTE: Out-of-home luxury experiences include hotels, cruises and restaurants, luxury toys includes private jets, yachts and Absolute cars, luxury consumable experiences include beauty, wines & spirits and food & beverage, in-home luxury experiences including high quality design and fine art
2. Personal Luxury Goods
Flat personal luxury goods market in 2016

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

<table>
<thead>
<tr>
<th>Country</th>
<th>2015 %</th>
<th>2014 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>20%</td>
<td>-1%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>11%</td>
<td>-10%</td>
</tr>
<tr>
<td>Switzerland</td>
<td>14%</td>
<td>-11%</td>
</tr>
<tr>
<td>Russia</td>
<td>-24%</td>
<td>-11%</td>
</tr>
<tr>
<td>Brazil</td>
<td>-14%</td>
<td>-7%</td>
</tr>
<tr>
<td>Japan</td>
<td>5%</td>
<td>-6%</td>
</tr>
<tr>
<td>Mainland China</td>
<td>18%</td>
<td>-3%</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>20%</td>
<td>-1%</td>
</tr>
<tr>
<td>South Korea</td>
<td>12%</td>
<td>-3%</td>
</tr>
<tr>
<td>Singapore</td>
<td>10%</td>
<td>0%</td>
</tr>
<tr>
<td>United Arab Emirates</td>
<td>20%</td>
<td>-1%</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>20%</td>
<td>-1%</td>
</tr>
</tbody>
</table>

### 2016 VS 2015 KEY CURRENCIES

#### EVOLUTION VS. EURO

- **Pound depreciation driving touristic shopping growth in UK** in the depressed European panorama
- **Yen appreciation** reducing Chinese consumption in Japan and **stimulating Japanese foreign consumption**

- **Selected currency devaluations supporting local domestic consumption**
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)

<table>
<thead>
<tr>
<th>Region</th>
<th>Consumer Nationality</th>
<th>Shopper Type</th>
<th>Channel</th>
<th>Assortment Model</th>
<th>Format</th>
<th>Pricing</th>
<th>Category</th>
<th>Segment</th>
</tr>
</thead>
<tbody>
<tr>
<td>RoW 5%</td>
<td>RoW 8%</td>
<td>Other Asian 10%</td>
<td></td>
<td>Extra-regional</td>
<td>Airport 6%</td>
<td>Other 4%</td>
<td>Absolute 25%</td>
<td>Aspirational 35%</td>
</tr>
<tr>
<td>Rest of Asia 13%</td>
<td>Chinese 30%</td>
<td>Regional tourist 13%</td>
<td></td>
<td>Wholesale</td>
<td>Online 8%</td>
<td>Beauty 21%</td>
<td>Apparel 23%</td>
<td>Accessible 40%</td>
</tr>
<tr>
<td>China 7%</td>
<td>Japanese 11%</td>
<td>Local 53%</td>
<td></td>
<td>Retail 35%</td>
<td>Discounted 37%</td>
<td>Hard Luxury 22%</td>
<td>Accessories 30%</td>
<td>Accessible 40%</td>
</tr>
<tr>
<td>Japan 9%</td>
<td>American 23%</td>
<td>European 19%</td>
<td></td>
<td>Monobrand 55%</td>
<td>Full Price 63%</td>
<td>Full Price 63%</td>
<td>Accessories 30%</td>
<td>Accessible 40%</td>
</tr>
<tr>
<td>Americas 33%</td>
<td></td>
<td></td>
<td></td>
<td>Monobrand stores 30%</td>
<td>Monobrand stores 30%</td>
<td>Monobrand stores 30%</td>
<td>Accessories 30%</td>
<td>Accessible 40%</td>
</tr>
<tr>
<td>Europe 33%</td>
<td></td>
<td></td>
<td></td>
<td>Retail 35%</td>
<td>Discounted 37%</td>
<td>Full Price 63%</td>
<td>Accessories 30%</td>
<td>Accessible 40%</td>
</tr>
</tbody>
</table>

Note: Absolute, Aspirational, Accessible segmentation does not include Art de la Table and Beauty specialists
The 2016 personal luxury goods market at a glance

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

- RoW 5%
  - Rest of Asia 13%
  - China 7%
  - Japan 9%
  - Americas 33%
  - Europe 33%
- RoW 8%
  - Other Asian 10%
  - Chinese 30%
  - Japanese 11%
  - American 23%
  - European 19%
- Extra-regional tourist 35%
  - Regional tourist 13%
  - Local 53%
  - Retail 35%
- Wholesale 65%
- Multibrand 45%
- Airport 6%
  - Online 8%
  - Off-price stores 12%
  - Specialty stores 22%
  - Dept stores 23%
  - Monobrand stores 30%
- Discounted 37%
  - Full Price 63%
- Other 4%
  - Beauty 21%
  - Hard Luxury 22%
  - Apparel 23%
  - Accessories 30%
  - Accessible 40%

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)**

<table>
<thead>
<tr>
<th>Region</th>
<th>Consumer Nationality</th>
<th>Shopper Type</th>
<th>Channel</th>
<th>Assortment Model</th>
<th>Format</th>
<th>Pricing</th>
<th>Category</th>
<th>Segment</th>
</tr>
</thead>
<tbody>
<tr>
<td>RoW 5%</td>
<td>Other 13%</td>
<td>None</td>
<td>Online</td>
<td>Boutique</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>RoW 8%</td>
<td>Japan 5%</td>
<td>None</td>
<td>Mobile</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>RoW 8%</td>
<td>Other 10%</td>
<td>None</td>
<td>Store</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Asia 13%</td>
<td>Other 15%</td>
<td>None</td>
<td>Store</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Asia 10%</td>
<td>Other 20%</td>
<td>None</td>
<td>Store</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Other 9%</td>
<td>Beauty 21%</td>
<td>None</td>
<td>Store</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
</tbody>
</table>

**Markets and Consumers**

**Route to market**

**Value proposition**

---

Note: Absolute, Aspirational, Accessible segmentation does not include Art de la Table and Beauty specialists.
<table>
<thead>
<tr>
<th>Region</th>
<th>Consumer Nationality</th>
<th>Shopper Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>RoW 5%</td>
<td>Rest of Asia 13%</td>
<td>Extra-regional tourist 35%</td>
</tr>
<tr>
<td></td>
<td>China 7%</td>
<td>Regional tourist 13%</td>
</tr>
<tr>
<td></td>
<td>Japan 9%</td>
<td>Local 53%</td>
</tr>
<tr>
<td>Americas</td>
<td>Europe 33%</td>
<td>European 19%</td>
</tr>
<tr>
<td></td>
<td>Japan 25%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>China 30%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Local 53%</td>
<td></td>
</tr>
</tbody>
</table>

Markets and Consumers
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

<table>
<thead>
<tr>
<th>Region</th>
<th>2015</th>
<th>2016E</th>
<th>YoY '16E vs. '15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rest of World</td>
<td>€251B</td>
<td>€249B</td>
<td>@K</td>
</tr>
<tr>
<td>Rest of Asia</td>
<td>5%</td>
<td>5%</td>
<td>-1% ± 0%</td>
</tr>
<tr>
<td>China</td>
<td>14%</td>
<td>13%</td>
<td>-3% ± 0%</td>
</tr>
<tr>
<td>Japan</td>
<td>7%</td>
<td>7%</td>
<td>-2% + 4%</td>
</tr>
<tr>
<td>Americas</td>
<td>8%</td>
<td>9%</td>
<td>+10% -1%</td>
</tr>
<tr>
<td>Europe</td>
<td>34%</td>
<td>33%</td>
<td>-3% -2%</td>
</tr>
</tbody>
</table>

2012-2016E EVOLUTION

- Mainland China restart after 3 years of stagnation
- Americas decline in '15-'16 driving global stagnation
Europe losing touristic support (except for UK) but standing on locals' recovery

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

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>76</td>
<td>82</td>
<td>82</td>
</tr>
<tr>
<td>% Change</td>
<td>+9%</td>
<td>+6%</td>
<td>-1% +1%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Region</th>
<th>Extra-regional tourists</th>
<th>Regional tourists</th>
<th>Local</th>
<th>In Europe</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>82</td>
<td>82</td>
<td>82</td>
<td>82</td>
<td>47</td>
</tr>
<tr>
<td>% Change</td>
<td>↓ =↑ Real terms trend</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **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-brexit weak GBP driving UK growth

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

- **Germany**
  - Premium & mass trend: -25% (13-14), 9% (14-15), -21% (15-16)
  - Luxury trend: 48% (13-14), 34% (14-15), -21% (15-16)

- **France**
  - Premium & mass trend: 0% (13-14), 9% (14-15), -21% (15-16)
  - Luxury trend: 13% (13-14), 7% (14-15), +11% (15-16)

- **Italy**
  - Premium & mass trend: 5% (13-14), 5% (14-15), -11% (15-16)
  - Luxury trend: 26% (13-14), 11% (14-15), -11% (15-16)

- **United Kingdom**
  - Premium & mass trend: 0% (13-14), 5% (14-15), 8% (15-16)
  - Luxury trend: +14% (13-14), +14% (14-15), +14% (15-16)

- **UK in counterrtrend thanks to GBP devaluation**
  - Accelerating trend over the year

- **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

- **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

- **Both # of transactions and avg. transaction value are increasing**

*NOTE: figures refer to Jan-Sep period*
US market continuing to struggle, uneven performance in rest of North America and LATAM

**AMERICAS PERSONAL LUXURY GOODS MARKET (2014-2016E|CB)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>72</td>
<td>+16%</td>
</tr>
<tr>
<td>2015</td>
<td>84</td>
<td>-2%</td>
</tr>
<tr>
<td>2016E</td>
<td>82</td>
<td>-3%</td>
</tr>
</tbody>
</table>

**...BY CONSUMER ORIGIN VS. AMERICANS GLOBAL SPENDING (2016E|CB)**

- **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|CB)**

- **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|CB)

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>15</td>
<td>18</td>
<td>17</td>
</tr>
<tr>
<td>% Change</td>
<td>+16%</td>
<td>-2%</td>
<td>-2%</td>
</tr>
</tbody>
</table>

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

- M. China
- M. Chinese

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)

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016E</th>
</tr>
</thead>
<tbody>
<tr>
<td>RoA</td>
<td>32</td>
<td>34</td>
<td>33</td>
</tr>
<tr>
<td>SEA</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S. Korea</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HK &amp; Macau</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### REST OF THE WORLD (2014-2016E|€B)

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>11</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Australia</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Middle East</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **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

- **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

<table>
<thead>
<tr>
<th>Region</th>
<th>2015</th>
<th>2016E</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rest of World</td>
<td>€251B</td>
<td>€249B</td>
<td>~0%</td>
</tr>
<tr>
<td>Other Asian</td>
<td>~8%</td>
<td>~8%</td>
<td></td>
</tr>
<tr>
<td>Chinese</td>
<td>~31%</td>
<td>~30%</td>
<td>~2%</td>
</tr>
<tr>
<td>Japanese</td>
<td>~10%</td>
<td>~11%</td>
<td>~1%</td>
</tr>
<tr>
<td>American</td>
<td>~23%</td>
<td>~23%</td>
<td>0%</td>
</tr>
<tr>
<td>European</td>
<td>~18%</td>
<td>~19%</td>
<td>~1%</td>
</tr>
</tbody>
</table>

#### 2012-2016E Evolution

- Total market: ~2% YoY '15-'16E @K
- Total market excl. Chinese spending: ~0%
- CAGR '12-'15 @K
- YoY '15-'16E @K

- 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.
<table>
<thead>
<tr>
<th>Channel</th>
<th>Assortment Model</th>
<th>Format</th>
<th>Pricing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholesale 65%</td>
<td>Monobrand 55%</td>
<td>Airport 6%</td>
<td>Discounted 37%</td>
</tr>
<tr>
<td></td>
<td>Monobrand %</td>
<td>Online 8%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Specialty stores 22%</td>
<td>Off-price stores 12%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Monobrand stores 30%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Route to market**
'Value' channels still outperforming, department stores in structural decline

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

• Retail: +1% in 2016E
• +3% perimeter effect despite a slowdown in new openings (~400 new DOS vs. ~600 in 2015); negative like for like performance (~2%)
• Wholesale: -2% in 2016E; negative trend of US dept. stores and Asian hard luxury retailers
• 'Entrepreneurial' specialty wholesale testing new channels and consumer touchpoints

Share % of total

Real terms trend

Boutique

Monobrand stores

Department stores

Specialty stores

Off-price stores

Online

Airport

Global Luxury

Multibrand

Monobrand

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

### Off-price channel

<table>
<thead>
<tr>
<th>Year</th>
<th>Share % of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>7%</td>
</tr>
<tr>
<td>2016E</td>
<td>12%</td>
</tr>
</tbody>
</table>

- **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 channel

<table>
<thead>
<tr>
<th>Year</th>
<th>Share % of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>4%</td>
</tr>
<tr>
<td>2016E</td>
<td>7%</td>
</tr>
</tbody>
</table>

- **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
- **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)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Discounted</th>
<th>Full-price</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>~32%</td>
<td>~37%</td>
</tr>
<tr>
<td>2015</td>
<td>~36%</td>
<td>~37%</td>
</tr>
<tr>
<td>2016E</td>
<td>~37%</td>
<td>~37%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Discounted</th>
<th>Full-price</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>~27%</td>
<td>~32%</td>
</tr>
<tr>
<td>2015</td>
<td>~29%</td>
<td>~32%</td>
</tr>
<tr>
<td>2016E</td>
<td>~32%</td>
<td>~32%</td>
</tr>
</tbody>
</table>

**End of season sales and promotions**

**Off-price stores**

---

**Luxury goods increasingly sold at discount...**

- **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

---

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

- **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**
III.

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

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

<table>
<thead>
<tr>
<th>Category</th>
<th>2015</th>
<th>2016E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other</td>
<td>39</td>
<td>36</td>
</tr>
<tr>
<td>Apparel</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>Accessories</td>
<td>43</td>
<td>44</td>
</tr>
<tr>
<td>Beauty</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>Hard Luxury</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

YoY '16E vs. '15

-1%  -2%  +4%  +2%  +2%  +2%
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)

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

**Jewels** positive trajectory decelerating in '16

**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**

**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

Note: based on a subset of soft luxury brands; growth rate calculated on revenues in €
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
- Europe
  - Local: ↑↑
  - Tourist: ↓↓↓
- Americas
  - Local: ↓
  - Tourist: ↓↓
- Japan
  - Local: =
  - Tourist: ↓
- China
  - Local: ↑
  - Tourist: ↓
- Other Asia
  - Local: ▼
  - Tourist: ▼
- ROW
  - Local: ▼
  - Tourist: ▼

Route to market
- Retail:
  - Monobrand: =
  - Department store: ↓
  - Specialty store: ↓
- Wholesale:
  - Off-price: ↓
  - Airport: ↑
  - Online: ↑

Value proposition
- Accessories: ↑
- LG: ↑
- Shoes: ↑
- Apparel: ↓
- Beauty: ↑↑
- Hard Luxury: ↓
- Jewelry: ↓
- Watches: ↓
- Absolute: =
- Aspirational: ▼
- Accessible: =

Overall:
- Monobrand: =
- Department store: ↓
- Specialty store: ↓
- Off-price: ↓
- Airport: ↑
- Online: ↑
- Full price: ↓
- Markdown: ↑

Europe
- European
  - American: =
  - Japanese: =
- Chinese: =
- Other Asian
  - ROW: =
  - ROW: =
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**

- **SORTIE DU TEMPLE & DEMOCRATIZATION** (1994-2007): +7%
  - 87% CAGR >0%
  - 50% CAGR >10%

- **CRISIS** (2007-2009): -5%
  - 37% CAGR >0%
  - 12% CAGR >10%

- **CHINESE BULIMIA** (2009-2015): +9%
  - 93% CAGR >0%
  - 56% CAGR >10%

- **NEW NORMAL** (2015-2016E): -1%
  - 49% CAGR >0%
  - 14% CAGR >10%

---

Note: based on a subset of soft luxury brands; growth rate calculated on revenues in €
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**

**SEE-NOW/WEAR-NOW REVOLUTION**

**A NEW WAVE OF CONSOLIDATION (?)**

---

**Digital revolution** helping emerging brands to compete directly with established incumbents

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

**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)**

<table>
<thead>
<tr>
<th>2015</th>
<th>2016E</th>
<th>2017F</th>
<th>2020F</th>
</tr>
</thead>
<tbody>
<tr>
<td>€251B</td>
<td>€249B</td>
<td>~€251-254B</td>
<td>~€280-285B</td>
</tr>
</tbody>
</table>

### 2017 key trends
- Recovery consumption in US
- Rebound of Chinese global spending
- Consistent positive trajectory of European
- Challenging situation in Japan
- Still challenging HK & Macau

### 2020 key trends
- Rising Chinese middle class and recovery of mature markets consumers
- Gen Y & X to become ever more relevant
- A healthier mark-down market reducing sales cannibalization
- Online still the "champion" format
- No clear "champion" category nor segment

CAGR: **1-2%**

CAGR: **3-4%**
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)

<table>
<thead>
<tr>
<th>Markets and consumers</th>
<th>Route to market</th>
<th>Value proposition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Design</strong></td>
<td>'locally global' pricing strategy and execution</td>
<td></td>
</tr>
<tr>
<td><strong>Personlize</strong></td>
<td>Re-focus distribution strategy and footprint</td>
<td></td>
</tr>
<tr>
<td>customer experience</td>
<td>Evolve model into a Value-driven &quot;Fast luxury&quot;</td>
<td></td>
</tr>
<tr>
<td>in-store</td>
<td>Push consumer engagement</td>
<td></td>
</tr>
<tr>
<td><strong>Locally tailor</strong></td>
<td><strong>Develop, grow and retain</strong> best-in-class talents</td>
<td></td>
</tr>
<tr>
<td>value proposition</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Master brand content and storytelling
**What luxury players have been working on in last 12 months: more reactions rather than proactive moves**

<table>
<thead>
<tr>
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<tbody>
<tr>
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<tr>
<td>Locally tailor</td>
<td>Develop, grow and retain best-in-class talents</td>
<td></td>
</tr>
</tbody>
</table>
## Updated key issues in luxury CEO's agenda to foster the medium term strategy of the industry

### Markets and consumers
- **1:1 customer experience**
- Stretched offer, and Locally global assortment

### Route to market
- **Design 'locally global' pricing strategy and execution**
- **New role of store**
- **Productivity management**
  - Perfect a value-driven "Fast luxury" model
  - Cross-channel omni-channel

### Value proposition
- **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**

**GROWTH STRATEGY**

- Markets and consumers
  - Design ‘locally global’ pricing strategy and execution
  - 1:1 customer experience
  - Stretched offer, and locally global assortment

- Route to market
  - New role of store
  - Productivity management
  - Perfect a value-driven "Fast luxury" model
  - Cross-channel omni-channel

- Value proposition
  - Story-telling 2.0
  - Scientific customer corridor management: from salience to advocacy
  - Customer winning organization

**SIMPLICITY**

**CULTURE**

**SYNERGIES**

**VALUE HUNT**

**Evolving Portfolios**

$ = $
BAIN & COMPANY
People, Passion, Results!
Claudia D’Arpizio, Partner
Bain’s Luxury Goods Vertical

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”.

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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:
     
     \[
     \text{Player Consolidated Sales} = \text{Retail} + \text{Wholesale} + \text{Licenses}
     \]
     
     \[
     \text{Player Sales at Retail Value} = \text{Retail at retail value} + \text{Wholesale at retail value} + \text{Licenses at retail value}
     \]
     
     - Application of estimated mark ups by geography and category
     - Application of estimated royalty rates and mark ups by geography and product category

2. **Bottom-up and Top-down estimates**
   - **Bottom-up**
     - We add brands individual retail values...
   - **Top-down**
     - Industry-specific (e.g. watches vs. beauty) data in the main geographical markets
     - Comparison between market breakdown and turnover breakdown for key players
     - Tens of industry experts interviews (top management of brands, distributors, department stores, ...)
     - Consistency check on the data and fine tuning
     - ...we cross check results