

## HIGH-END SEGMENT: CONSUMERS AND DISTRIBUTION MODELS ARE EVOLVING.

*17 million top spenders in the high-end segment, responsible for 30% of total purchases. Chinese and Americans are the top nationalities. Word of mouth in social media is a key purchase influencer and Italy remains the top country in terms of manufacturing quality. With a reversal in the trend, local consumption is on the up, especially in China. The Retail Concept needs to embrace counter-standardisation that goes beyond homogeneity.*

**Milan, 16 February 2017.** Presented today in Milan, at the “**Altgamma Consumer and Retail Insight**” conference, were the fourth edition of **True-Luxury Global Consumer Insight** carried out with **Boston Consulting Group** and the fifth edition of **Altgamma Retail Evolution** carried out with **EXANE BNP Paribas**.

The evidence from the studies was commented on by *Raffaella Banchemo* (Managing Director Italy and Spain, Tiffany & Co.), *Arrigo Berni* (CEO, Moleskine), *Armando Branchini* (Vice President of the Altgamma Foundation), *Simone Dominici* (Executive Vice President Global Markets, Bottega Veneta), *Michele Norsa* (Strategic Advisor), *Dario Rinero* (CEO, Poltrona Frau Group), *Riccardo Sciutto* (Group CEO, Sergio Rossi).

### RESEARCH OVERVIEW

The **True-Luxury Global Consumer Insight** survey, presented by *Armando Branchini* (Altgamma Foundation), *Nicola Pianon* (BCG) and *Federico Bonelli* (BCG), raised the bar further this year in terms of the quality of those surveyed, analysing more than 12,000 consumers from 10 different countries, with average annual spending of around € 36,000.

On the whole, in 2016, **high-end consumers worldwide totalled 415 million and spent € 860 billion**, including unbranded products and excluding automobiles and yachts. The number of total consumers is expected to grow to 490 million in 2023, with spending set to jump to € 1,185 billion.

The focus of the study is **True-Luxury Consumers, 17 million** people who spent **€ 250 billion** in 2016: 4% of luxury consumers therefore account for **30%** of total consumption, highlighting a polarisation phenomenon as regards consumption of luxury goods, in line with the global wealth distribution trend.

As regards the evidence from the 2017 edition:

- Although the luxury market is experiencing a general slowdown (particularly personal goods in the aspirational segment), **the highest part of the pyramid, driven by Chinese and American consumers, shows stable growth** both in terms of personal goods and experiential consumption (+6-7% for those who spend more than € 5,000 per year). These consumers expect to increase their future spending on Footwear and Perfumes&Cosmetics, and to cut their spending on Leather and Silk goods.
- **Local consumption grows** for True-Luxury Consumers. For the Chinese, in particular, the share of “domestic” purchases rose from 39% in 2014 to 65% in 2016.
- 50% of consumers (especially Millennials and Americans) perceive a **discrepancy between price and product value** (real discrepancy: the prices of iconic luxury products rose 3 times as much as that of inflation), due to an increase in prices, fall in quality and loss of exclusivity. A perception that will lead **one out of two consumers to stop buying the brand in question**. One brand in four runs this risk.
- The growing preference for **casual clothing** and the demand for **personalisation** are the two most important trends.
- Made In Italy: **Italy** is considered the **leading country worldwide in terms of manufacturing quality** (29% of preferences vs. 23% of France and 12% of the USA).
- **Distribution channels:** sales attributable entirely to physical stores decrease. The real consolidated trend is the **multi-channel aspect** (on-line research and store purchases and the other way round). For



consumers, the multi-channel aspect means image consistency, integrated delivery services, recognition as a privileged customer on all channels. **61% of purchases are influenced by the digital channel**, with a peak of 72% for the United States. **Single-brand retail records a fall in traffic and sales**, especially due to an unsatisfactory shopping experience and poor range, but remains, nonetheless, the heart of the multi-channel purchase process.

- **Word of mouth** is the **primary factor that influences purchasing**, thanks in particular to social media, used by 72% of True-Luxury consumers.
- As regards **consumer profiles, the top 3 segments account for 90% of growth: Absolute Luxurers** (top spenders, refined and elegant connoisseurs, account for 27% of total consumption), **Megacitiers** (globalised metropolitans, trendy, 17% of the total), and **Social Wearers** (focused on **social and environmental sustainability**, 7% of the total). The surveys conducted show how a marketing strategy targeted at individual segments rewards companies in terms of attracting consumers to their brand.

**Altgamma Retail Evolution**, presented by *Luca Solca* (EXANE BNP Paribas), surveys the evolution and prospects of luxury firms' retail strategies, considering more than 16,000 sales points. The luxury brands are strengthening their distribution networks, with **very few new openings** and increasingly **greater integration between physical retail and the digital channel**: a process that leads to **smaller stores and higher productivity**. With respect to the approved single-brand store model in use up until now, a trend of **counter-standardisation** of retail formats is anticipated, which takes account of the fragmented nature of consumers' profiles and their different needs and spending capacities.



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