

LUXURY RETAIL AND CONSUMERS: WHAT HAS CHANGED AFTER COVID-19

Experiential luxury is holding up, the gap between East and West is widening, and retail is facing a period of great change

*Post COVID-19, consumers are looking for a more discreet, intimate kind of **experiential luxury**. Trends are **polarizing**: Chinese consumers are more interested in coolness and brand visibility, while Western consumers prefer understatement and simplicity. Companies are responding by offering new ways of involving the consumer (**Clienteling 2.0**). Retail, under pressure due to social distancing and the growth of the digital channel, is rolling out new strategies of experiential engagement*

Milan, June 23rd, 2020. The seventh edition of the **Altagamma Consumer and Retail Insight** study examined the impact of COVID-19 on the luxury industry, with the usual focus on the evolution of consumer behavior and companies' distribution strategies.

The findings of the True-Luxury Global Consumer Insight (Nicola Pianon, Boston Consulting Group) and the Luxury Retail Evolution study (Luca Solca, Bernstein) were commented on by Matteo Lunelli (President of Altagamma,) Sabina Belli (CEO of Pomellato Group and Altagamma Vice President for Jewelry), and Scott Malkin (Founder and President of Value Retail), moderated by Stefania Lazzaroni (General Manager of Altagamma).

According to **Matteo Lunelli, President of Altagamma**: *"The COVID-19 emergency accelerated trends that were already taking hold. Experiences are becoming increasingly important in the world of luxury, as well as sustainability, which puts social and environmental scenarios at the heart of business strategies. The digital channel has become essential, but enhanced by personal contact, with bespoke services - Clienteling 2.0. Lastly, now more than ever, tourism is of strategic importance for the luxury industry, and the entire country, and we should be working to reposition it at a higher level with a strategic national plan".*

CONSUMERS

The True-Luxury Global Consumer Insight survey, presented by Nicola Pianon (Senior Partner and Managing Director of BCG), confirmed that the COVID-19 crisis did not spare the high-end market, with **57% of True-Luxury consumers stating that they intend to refrain from making significant purchases in the near future**. The sentiment regarding recovery is cautious, with **43% of consumers expressing the belief that recovery after the crisis will not be rapid**. The only exception to this is **Chinese** nationals, who are more **optimistic** (77% compared to 43%).

Some of the main trends identified by the survey (see *attached summary*):

- With regard to **high-end tourism, Italy is losing popularity as a destination** with the key Chinese market. In the long-term business trips are expected to decline (according to 54% of respondents) but leisure travel, while dropping in the short term (according to 60% of respondents) is expected to recover once the emergency is over.
- **40% of Top consumers (and more than 50% in the US) stated that they wanted to spend more on luxury experiences** and less on products, with a preference for more exclusive, private categories, such as home design, wellness and haute cuisine. With regard to tourism, they expect to resume international travel no earlier than 9 months from now.
- **Polarization of values** in the luxury market: "*Sobriety is the way*" in the West, "*Extra is cool*" in China. There is an increase of around **14% in the number of Chinese consumers opting for products with strong brand recognition**, confirming a pre-COVID-19 trend that showed a

preference for extravagance and fun elements as opposed to more traditional values (craftsmanship, timeless quality and aesthetics). In **Western markets, on the other hand, interest in the former has decreased by around 9%**, showing that there is greater appreciation for a more discreet kind of luxury, slow fashion and intrinsic product quality.

Chinese spending (which accounts for 35% of the luxury market and is traditionally carried out abroad for the most part) will now mainly be focussed on the domestic market.

- **Clienteling 2.0** means ensuring that the relationship with the consumer is seamlessly nurtured both in store and online, using advanced tools (e.g. machine learning) to combine people skills and data. In this new scenario, True-Luxury consumers will greatly appreciate digital personalization (examples include Gucci Live and Galleries Lafayette's Live Shopping). **46% of respondents stated that they would be more appreciative of personalized digital clienteling in the future**, above all Chinese (76%) and Italian (57%) consumers. Consumers have high expectations of the level of service, assuming they will receive the same treatment on- and off-line.

For **Filippo Bianchi, Managing Director and Partner, The Boston Consulting Group**: *“Experiential luxury has become more secluded and short-hauled in the aftermath of Covid-19 crisis. 54% of True-Luxury consumers do not expect to resume international travel before six months from now. Italy is confirmed as a top international destination for True Luxury consumers, except for Chinese nationals, who now rank it only third, while before Covid-19 it was first. To re-capture Chinese interest and reassure all, the priority for Italian authorities and luxury brands is to collectively support the national branding of our country”.*

FOCUS ON RETAIL

The Luxury Retail Evolution Study, now in its eighth edition, presented by Luca Solca (Senior Research Analyst, Luxury Goods, Bernstein), examines the developments and prospects for luxury brands' retail strategies.

The global impact of COVID-19, with the lockdowns and social distancing policies imposed by the various governments, has seriously challenged physical points of sale, single-brand stores in particular, already tested by Digital Luxury, which in recent years has succeeded in offering consumers an increasingly complete range of services and experiences. Thanks to the online channel, consumers can learn about products and brands from opinion leaders and social media; they can get good deals on multi-brand digital platforms, and they can shop conveniently from their mobiles.

These advantages of the digital channel, combined the growing success of factory outlets, has slashed store traffic, forcing fashion and luxury brands to respond, for example by reducing exposure to wholesale and the gray market, in an attempt to defuse the short circuit with multi-brand digital platforms.

Brands are also investing heavily in in-store events, pop ups, temporary art exhibitions, exclusive capsule collections, locally rooted stores, in-store restaurants and cafes, and VIP rooms. As **Luca Solca, Bernstein's Senior Research Analyst for Luxury Goods**, summed up, *“Fashion and luxury companies are essentially turning into a particular type of retailer. It is in their stores that customers can fully appreciate the character of the brands, be awed and inspired. It is also in the stores that fashion and luxury brands have invested most of their capex. Retail space productivity is vital in both strategic and financial terms”.*

According to **Sabina Belli, CEO of Pomellato Group and Altagamma Vice President for Jewelry**: *“The hard luxury sector has always been person-centred and the human element is now more important than ever. Boutiques will become lounge-like settings where customers will be able to admire the new creations and their stories, with the Master Goldsmiths present virtually or during exclusive events. The new normal will revolve around sparking interest and awe by means of ongoing engagement, both on- and off-line, to give customers experiences that celebrate the traditions and superlative quality craftsmanship of high end jewelry”.*

Scott Malkin, Founder and President of Value Retail, commented *“The future of retail distribution is digital, the future of brands is physical. A magical bond forms when consumers interact with a brand in real life. Post-COVID19, consumers will be more demanding: companies have to earn their love once more, with better quality and better service. We have always been committed to creating exceptional experiences and we have rapidly adapted our vision of the future of retail to make it correspond to the post-pandemic expectations of our brands and our guests.”*

For further information:

ALTAGAMMA

Edoardo Carloni - Tel: 339 1618463 E-mail: carloni@altagamma.it

Giorgio Bocchieri - Tel: 334 6853078 E-mail: bocchieri@altagamma.it

BOSTON CONSULTING GROUP

Francesca Prosperi - Tel: 335 8489800 E-mail: prosperi.francesca@bcg.com

FONDAZIONE ALTAGAMMA

Founded in 1992, Altagamma gathers Italy's top cultural and creative companies, which promote Italy's excellence, distinctive identity and lifestyle worldwide. With a uniquely transversal approach, Altagamma has 22 partners and represents 108 brands from seven different industries: fashion, design, jewellery, food, hospitality, automotive and yacht-building, which together boast more than 9,000 years of history. 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. In a worldwide market worth almost € 1,300 billion, the Italian high-end sector has a turnover of € 115 billion, in Italy, 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