

## THE POST PANDEMIC HIGH-END CONSUMER

### Solid recovery and virtualization of the luxury experience

- **The recovery of the high-end market is led by China and the US**, with Americans quicker than expected to restart domestic consumption.
- **Virtualization** gains momentum through innovative digital engagement tools (e.g. gaming and livestreaming).
- In 2020 the **highest consumer segments** have doubled their market share.

*Milan, June 17, 2021.* A year and a half after the onset of the pandemic, the 8th edition of the **ALTAGAMMA CONSUMER INSIGHT** online conference takes a deep look into the evolution of the high-end consumer behavior.

After a year in which the only increase in consumption was recorded in the upper part of the luxury consumer pyramid<sup>1</sup>, whose market share doubled compared to the previous year, the global market is gradually recovering and is estimated to return to pre-pandemic levels by 2022.

The push comes above all from US consumers, whose luxury purchases have restarted more quickly than expected, thanks to the strong government support, and from Chinese consumers, who confirm the trend towards the repatriation of purchases, started during Covid-19.

Millennials and Gen. Z are the other growth drivers and will account for 60% of total consumers by 2025. Among the major trends in consolidation: the increasing virtualization of luxury (new digital tools for engaging the consumer), the polarization of values between Western and Eastern styles, an omnichannel-centered distribution system and a growing attention towards the values of brands, in terms of environmental sustainability and inclusiveness.

The evidence emerged from the **True-Luxury Global Consumer Insight**, (Sarah Willersdorf and Filippo Bianchi, Managing Directors & Partners, Boston Consulting Group) were commented by Matteo Lunelli (President of Altagamma); Laura Burdese (President and CEO, Acqua di Parma), Lelio Gavazza (Executive Vice President Sales and Retail, Bulgari), Nicola Pianon (Managing Director & Senior Partner, Boston Consulting Group), Paolo Riva (GM Brand Partnerships & Merchandising, Neiman Marcus) and Luca Solca (Senior Research Analyst, Global Luxury Goods Bernstein), moderated by Stefania Lazzaroni (General Manager of Altagamma).

According to **Matteo Lunelli, President of Altagamma**: "The Altagamma Consumer Insight shows positive signs for 2021, beyond expectations. China and especially the US are driving growth with more than a third of international consumers planning to increase spending on high-end goods and experiences, including travel. The sector has shown solidity and quickly captured the new socio-cultural trends. Sustainability is certainly one of these, but the strong virtualization of the luxury experience is also striking, as highlighted by the success of sales in livestreaming and by gaming, a sector that reached the value of \$178 billion in 2020".

"Americans are back" says **Sarah Willersdorf**, Managing Director and Partner, Boston Consulting Group. "US consumers are bullish on both domestic and abroad luxury consumption expectations, showing Americans are poised to regain their importance in the Global Luxury market. Such renewed optimism is expected to produce a share increase versus pre-covid forecasts of +2-3 p.p., estimated at ~19-21% by 2025. Consumers from China are also planning to increase their spend but also continuing to repatriate it, with an acceleration here as well versus pre-pandemic estimates in terms of share, amounting to +3-

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<sup>1</sup> "Beyond Money" e "Top Absolute" segments with yearly spending more than \$20.000

*4 p.p., to reach 43-45% in 2025. Brands will need to take a strategic stance towards these two consumers clusters that, besides diverging tastes in terms of style, entail different implications in terms of marketing and distribution footprint investments”*

Among the highlights of the study ([VIEW REPORT AND SUMMARY HERE](#)):

- **In 2020, only the two highest luxury spender cluster grew.** While the "Aspirational" segment (which was 90% in terms of population and 62% in terms of value, pre-Covid) suffered the most (-20% in population and 55% market share), the True-Luxury category the market share has increased from 30% to 40%. This growth is driven by the highest consumers, the “Beyond Money” and the “Top Absolute”: both categories achieved a growth of around 17% in terms of value and increased their overall share from 6% to 12%.
- **Rebound effect: the desire for luxury increases in post-Covid.** The spending expectations of high-end consumers in the 12 months are generally positive: the consumers’ feeling is slightly opposite for Personal and Experiential Luxury, with the Personal Luxury expected to benefit from Domestic consumption, and Experiential Luxury forecasted to be increasingly supported by abroad spending.
- **Millennials & Gen-Z, which will represent more than 60% of the luxury market in 2025, are looking to the future with optimism.**
- **The United States and China are growth engines:** if Europeans are cautious about domestic spending and more pessimistic about foreign spending for the next 12 months, US and Chinese consumers stand out for their optimism, placing themselves as potential growth drivers of the personal luxury market in the near future.
- **Virtualization of luxury** is an increasingly defined reality that can pose great opportunity of additional revenues stream for the brands. Particularly **gaming**: amongst the 39% of consumers who have claimed to be aware of the existence of virtual online games that involve a luxury brand, 55% of them state to have bought in-game items. Amongst them, 86% state to have then purchased the corresponding physical version
- **Polarization in brand values between Western and Eastern styles.** On one side, European and US consumers expressed the intention to shift to a more sober style, while Chinese respondents substantially confirmed the intention to continue in the same direction as before the emergency, hence embracing Extrovert features such as “Brand iconic patterns” and “Extravagance”.
- **Continued reset of distribution ecosystem towards seamless online / offline (omni) experience.** Last year, 46% of true luxury consumers concluded their purchases in store, and 30% of them had made researches about them online beforehand. This highlights the importance of having a seamless experience and the need to re-think the role of each touchpoint, with the objective of creating a mutually reinforcing ecosystem and effectively catering to consumers that are increasingly establishing a relationship with the brand that cuts across this or that channel.
- **Social and live commerce (i.e. livestreaming) boosted.** With the interactions between customers and brands becoming increasingly direct and digitally focused, there is a growing need to engage consumers through different channels and ways. Some of the most effective tools are virtual livestreams, well-renowned for new needs activation, provision of highly interactive shopping experiences, possibility to reach different audiences and high dynamism in showing the experience. In the US, in particular, the market potential of livestreaming has been estimated to reach \$25 billion by 2023.
- **Clienteling 2.0 - the importance of the "human" touch:** compared to last year, a personalized "touch" remains key for consumers when reached across all digital and physical avenues by a brand, confirming the need for brands to create a more 1-1 relationship with the customer across all touchpoints.

- **Brand purpose & responsibility table stakes.** Sustainability issues are increasingly being taken into account by consumers in their purchasing decisions, with more than 6 out of 10 respondents highlighting their influence over decision making. The topic seems to be particularly relevant for Millennials and Gen Z, with almost 7 out of 10 people being influenced by sustainability on purchasing decisions.
- **New business models continue to accelerate (second-hand commerce & rental):** consumers are increasingly embracing the possibility to rent second-hand luxury items, with 18% of consumers on average testing this possibility over the last year (+13% vs previous year preferences). For renting as well, a strong difference persists among different generations, ranging from 21% of Gen Z and Millennials to 9% of others. For what concerns second-hand, average % of consumers that have sold second hand items over the last 12 months has increased compared to last year and is now at 35%. When broken down by age clusters, data reveal that the GenZ and Millennials are driving the trend, with 44% and 37% respectively, against an average 26% for others.

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For further info:

ALTAGAMMA

Edoardo Carloni - Tel: 339 1618463 E-mail: [carloni@altagamma.it](mailto:carloni@altagamma.it)

Giorgio Bocchieri - Tel: 334 6853078 E-mail: [bocchieri@altagamma.it](mailto:bocchieri@altagamma.it)

BOSTON CONSULTING GROUP

Edoardo Bellio - Tel: 366 7872001 E-mail: [bellio.edoardo@bcg.com](mailto:bellio.edoardo@bcg.com)

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Since 1992 Altagamma has brought together the best companies of the High Cultural and Creative Industry that promote Italian excellence, uniqueness and lifestyle throughout the world. Unique for its transversal nature, Altagamma gathers 107 brands operating in fashion, design, jewelry, food&beverages, wines&spirits, hospitality, automotive and yachting, which together accumulate more than 9,000 years of history and 22 partners. Altagamma's mission is to contribute to the growth and competitiveness of companies in the Italian cultural and creative industry, thus also offering a contribution to the country's economic development. In a world market of almost € 1,300 billion, the Italian luxury sector represents an industry of € 115 billion in Italy, and contributes with 6.85% to GDP. The export share is 53%. It employs 402,000 people, directly and indirectly. [www.altagamma.it](http://www.altagamma.it)