

ALTAGAMMA RETAIL INSIGHT

E-tailers are on the rise, while single-brands stores remain a point of reference in luxury

Milan, April 27th, 2021. Developments in distribution strategies were the main focus of **Altagamma Retail Insight 2021**, the annual conference held by the Altagamma Foundation that explores the trends in luxury retail, and that this year was attended by more than 600 people.

The data presented in the ninth edition of the study Luxury Retail Evolution & the Digital Revolution, produced in collaboration with **Bernstein**, was commented on by **Matteo Lunelli**, President of Altagamma; **Chris Morton**, CEO & Founder of Lyst; **Michele Norsa**, Executive Vice President of Salvatore Ferragamo SpA; **Michael Ward**, Managing Director of Harrods; **Luca Solca**, Senior Research Analyst, Global Luxury Goods at Bernstein, and **Nicola Pianon**, Managing Director and Senior Partner of Boston Consulting Group, coordinated by **Stefania Lazzaroni**, General Manager of Altagamma.

According to **Matteo Lunelli, President of Altagamma**, *"For decades retail has driven growth in our industry, and in recent years it has been at the center of a process of evolution, above all, but not only, related to the growth of the digital channel. Italian companies are engaged in transforming their business models to respond to this, with consequences on the retail sector, especially in view of how the digital dimension was boosted in 2020 due to Covid-19. This is something that calls for large investments that require financial solidity and specific skills. In this regard, the Italian National Recovery and Resilience plan, and the 14 billion euro ringfenced for the 4.00 Transition Plan represent tangible support for Italy's luxury firms too"*.

Michele Norsa, Executive Vice President of Salvatore Ferragamo SpA, added: *"The retail experience is one of the cornerstones of the luxury industry, as well as a vital driver of tourism and the promotion of European culture. Just think of the difference between a home delivery and dining in famous chef's restaurant: the same goes for purchases of luxury goods."*

"The acceleration of the 'digital revolution' is not 'neutral' in terms of strategy: it actually puts a lot of pressure on the system of Italian fashion and luxury companies", observed **Luca Solca, Bernstein's Senior Research Analyst for Global Luxury Goods**. *"Italian companies have three elements of relative weakness: their small scale compared to their international competitors, which penalizes them when faced with the hike in overheads generated by online operations; being more dependent on the multi-brand wholesale channel, which is now in irreversible decline, and lastly, the fact that they lag behind in the digital transformation"*.

For **Nicola Pianon, Managing Director and Senior Partner of BCG**, *"Luxury companies will have to respond to a context characterized by a prevalence of short-haul consumers over long-haul, at least for the next few years, with many Chinese consumers switching from global to local; in this scenario, they will need to devote closer attention, both on and offline, to their highest spending customers, now increasingly significant in terms of total revenue. Brick-and-mortar retail will only continue to play a key role, attract sufficient foot traffic and generate sufficient profit if brands succeed in offering their customers more care and attention, a more personal approach and an experience that genuinely adds value"*.

"The rise of digital is a major force in the industry, further accelerated by the pandemic," stated **Chris Morton, CEO & Founder of Lyst**, *"Consumers increasingly expect to be able to do everything from their smartphones, and the best approach adds value for both consumers and brands, while complementing luxury's physical experiences. Data and personalization sit at the heart of everything, with digital unlocking new approaches to retail that wouldn't be possible offline."*

For **Michael Ward, Managing Director of Harrods**, *“The rise of digital is a major force in the industry, further accelerated by the pandemic. Consumers increasingly expect to be able to do everything from their smartphones, and hundreds of millions of fashion shoppers already use the Lyst app and website to decide what to buy. The best approach adds value for both consumers and brands, while complementing luxury’s physical experiences. Data and personalisation sit at the heart of everything, with digital unlocking new approaches to retail that wouldn’t be possible offline.”*

LUXURY RETAIL EVOLUTION & THE DIGITAL REVOLUTION

The pandemic **strongly accelerated the development of digital distribution**, which in 2020 was worth around € 50 billion, and out of total sales the percentage of luxury sales that took place online rose from **12% in 2019 to 23% in 2020**. And while it is true that even before Covid-19, high-end brands were experiencing a drop in foot traffic and productivity in their direct single-brand stores, the surge in digital retail has exacerbated the situation still further.

The strategies needed to counteract the decline in foot traffic and productivity – such as boosting the efficiency of flagship stores, developing capsule collections, etc. ... - **entail an increase in overheads**, which is easier to sustain if brands can take advantage of economies of scale. This therefore represents a critical issue for small and medium-sized Italian companies.

Another implication of this digital development is the **structural consolidation of multi-brand distribution**. On the web traffic moves at lightning speed, and can gravitate towards those who manage to offer the broadest assortment - creating a "winner takes all" situation.

The new e-tailers and marketplaces perform better than almost all traditional department stores when it comes to generating web traffic, and also compared to most structured luxury companies. Furthermore, the growth of e-concessions - a model in which shipping is handled by the brands themselves - requires the ability to leverage brands' global stock (and not just that allocated to a specific retailer), once more favoring the emerging major digital players, which can already count on a high number of stock locations.

THE ALTAGAMMA FOUNDATION

Founded in 1992, Altgamma gathers Italy's top cultural and creative companies, which promote the country's excellence, distinctive identity and lifestyle worldwide. With a uniquely transversal approach, Altgamma represents 107 brands in seven different industries: fashion, design, jewellery, food, hospitality, automotive and yacht-building. Altgamma'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. The Italian luxury industry has a turnover of € 115 billion, and accounts for 6.85% of the country's GDP. 53% of its revenues comes from exports, and the sector employs 402,000 people directly and indirectly.

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