

ALTAGAMMA 2018 WORLDWIDE LUXURY MARKET MONITOR

THE FUTURE OF LUXURY:
A LOOK INTO TOMORROW
TO UNDERSTAND TODAY

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BAIN & COMPANY

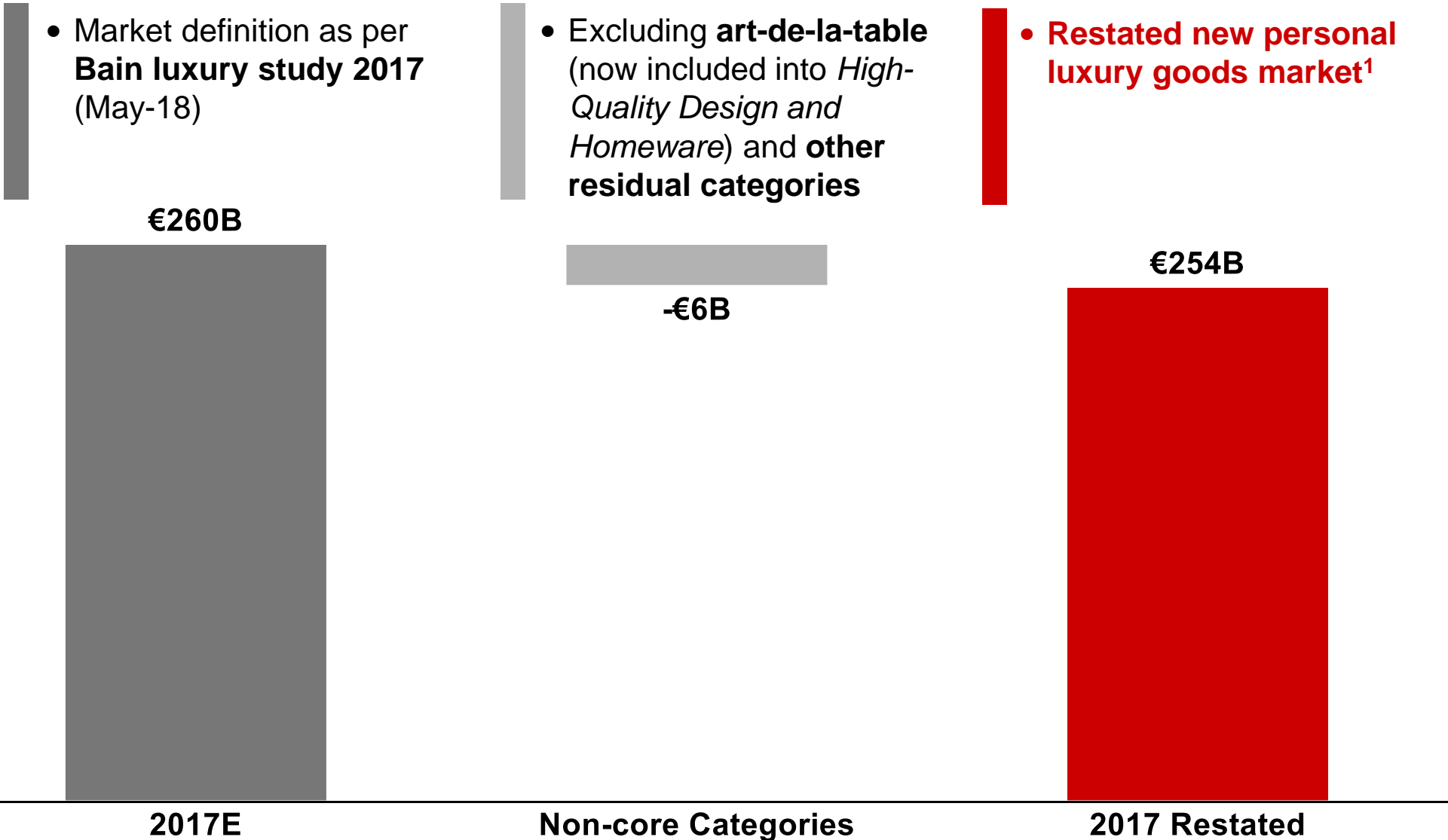


ALTAGAMMA
CREATIVITÀ E CULTURA ITALIANA



METHODOLOGICAL FOREWORD – SCOPE REVISION, TO FOCUS PERSONAL LUXURY GOODS MARKET ON CORE CATEGORIES

Personal luxury goods market | €B



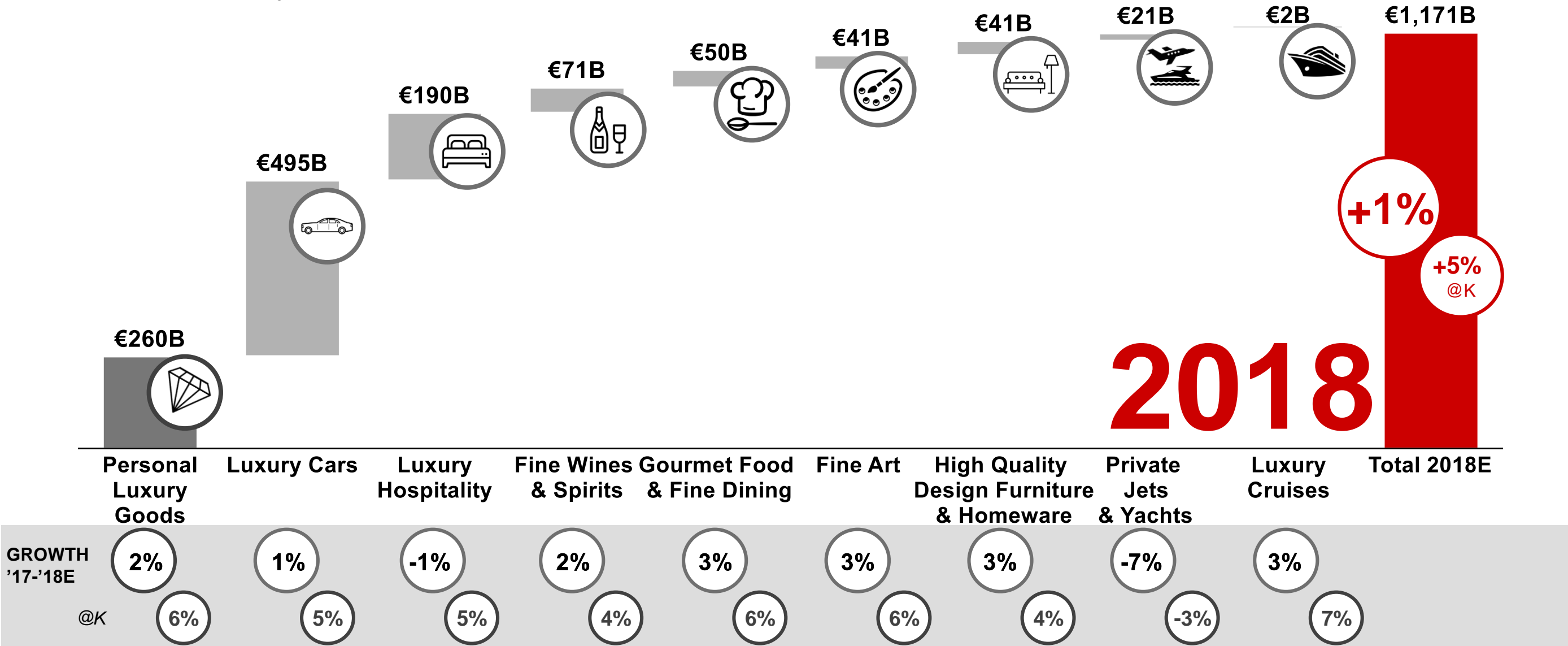
GLOBAL
PERSONAL
LUXURY GOODS
MARKET
RESTATEMENT

Note: (1) Personal luxury goods market includes Apparel, Accessories, Hard luxury and Beauty

GLOBAL LUXURY MARKETS: ~1.2T€, WITH 5% REAL-TERM GROWTH IN 2018

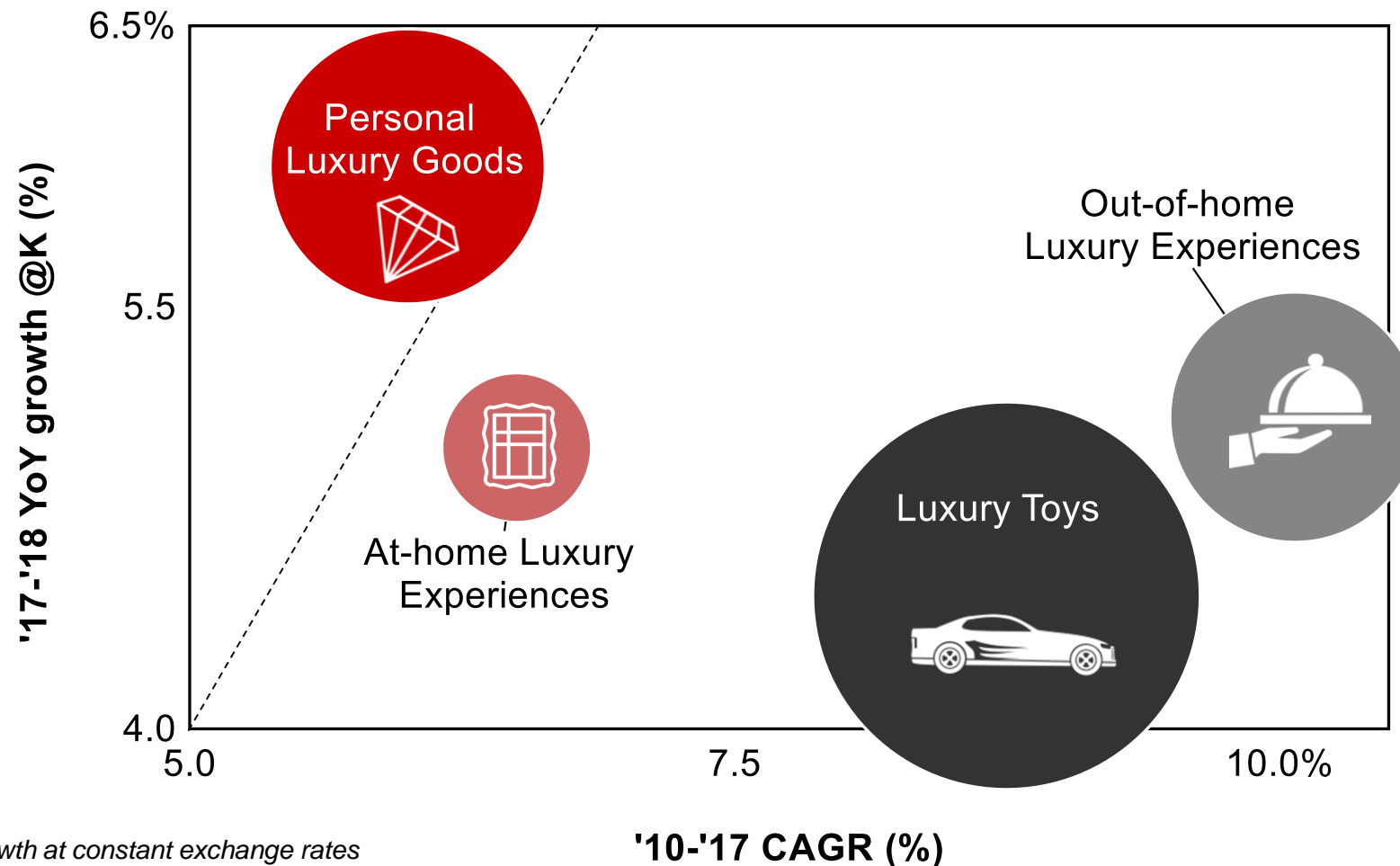
Global luxury goods markets | €B

@K: Growth at constant exchange rates



PERSONAL LUXURY GOODS MARKET OVERPERFORMING OTHER LUXURY SEGMENTS IN 2018

Global luxury market by category | %



- **Personal luxury goods** gaining **traction** in the last year
- **Intimate** and less “**showy**” **experiences are expected to be** more valued by consumers, in particular younger ones
- **Luxury Toys** and **Out-of-home** experiences keeping a **positive trend**, but **slowing down** vs. the past, approaching a **maturation** phase

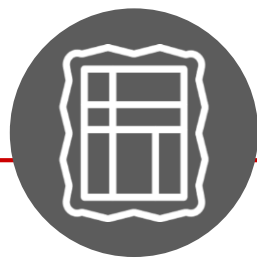
@K: Growth at constant exchange rates

Note: At-home luxury includes Fine Art, High-quality design furniture & homeware, Fine Wines&Spirits and Gourmet Food; Out-of-home luxury includes Luxury hospitality, Cruises and Fine dining; Luxury Toys includes Luxury cars, Private Jets and Yachts



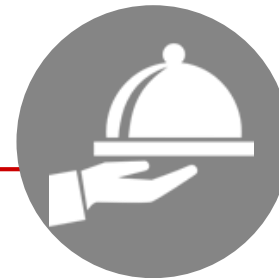
LUXURY TOYS

- **Positive (but softening) luxury cars** market; **Aspirational** segment outperforming
- **Lackluster** trend for luxury **yachts**, despite surging interest among **Chinese consumers**
- **Private jets** market on the **decline**, hit by **cannibalization** from **second-hand** segment



FINE ART & DESIGN FURNITURE

- **Recovery of public auctions** boosting **fine arts** market, **online** penetrating **higher price** ranges
- **Solid growth** in real terms for **high quality design furniture**, sustained by **living & bedroom** and **outdoor**; **direct channel** thriving; ongoing **consolidation trend**



FOOD&BEVERAGE EXPERIENCES

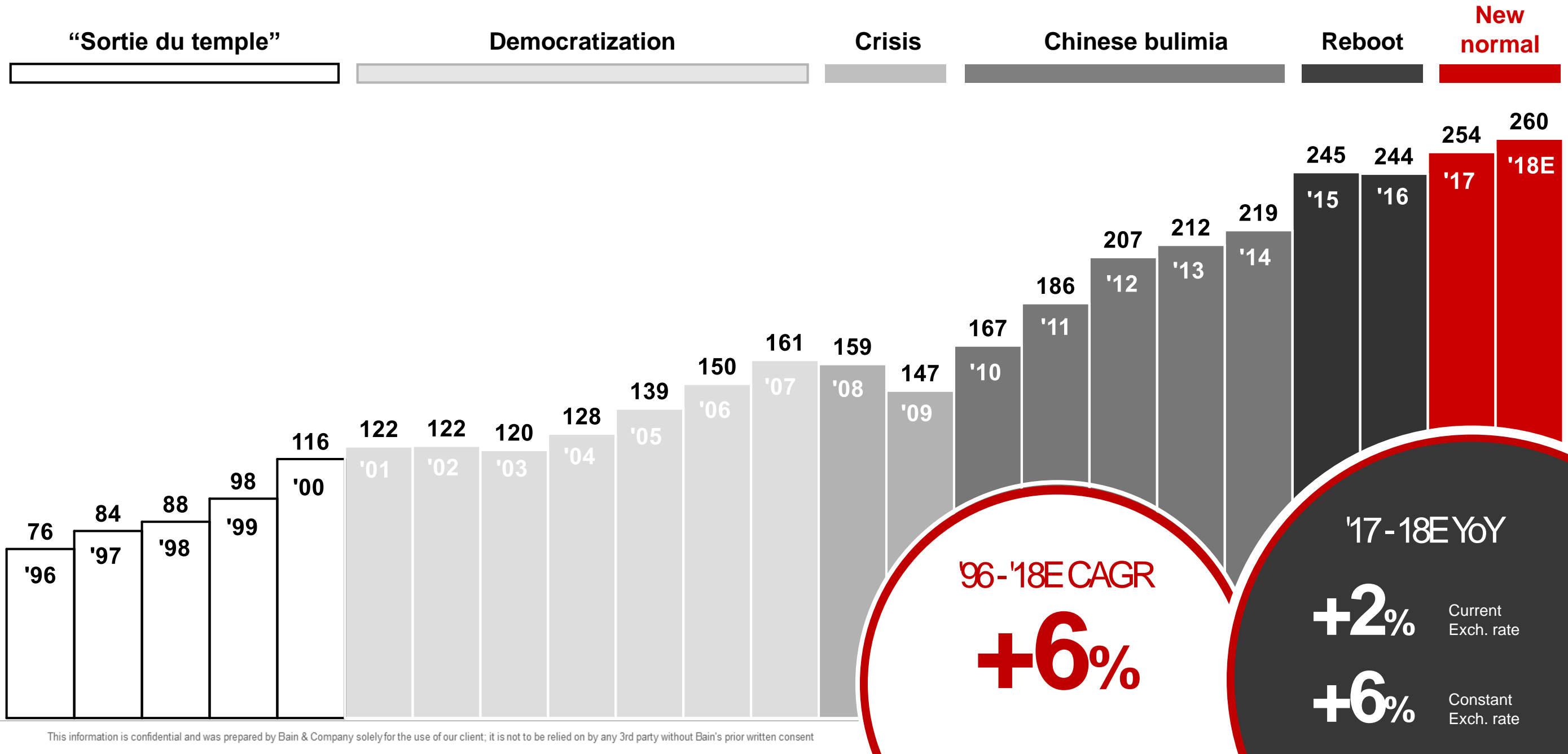
- Continuing **positive momentum** for **Spirits**, boosted by increasing demand for **exclusive clubs** and **craft spirits**
- **Low single-digit growth** for **Wines**
- **Strong Food** market; “**ethical eating**” **paramount trend**, with constant quest for **transparency** on food **quality** and **origin**



OUT-OF-HOME EXPERIENCES

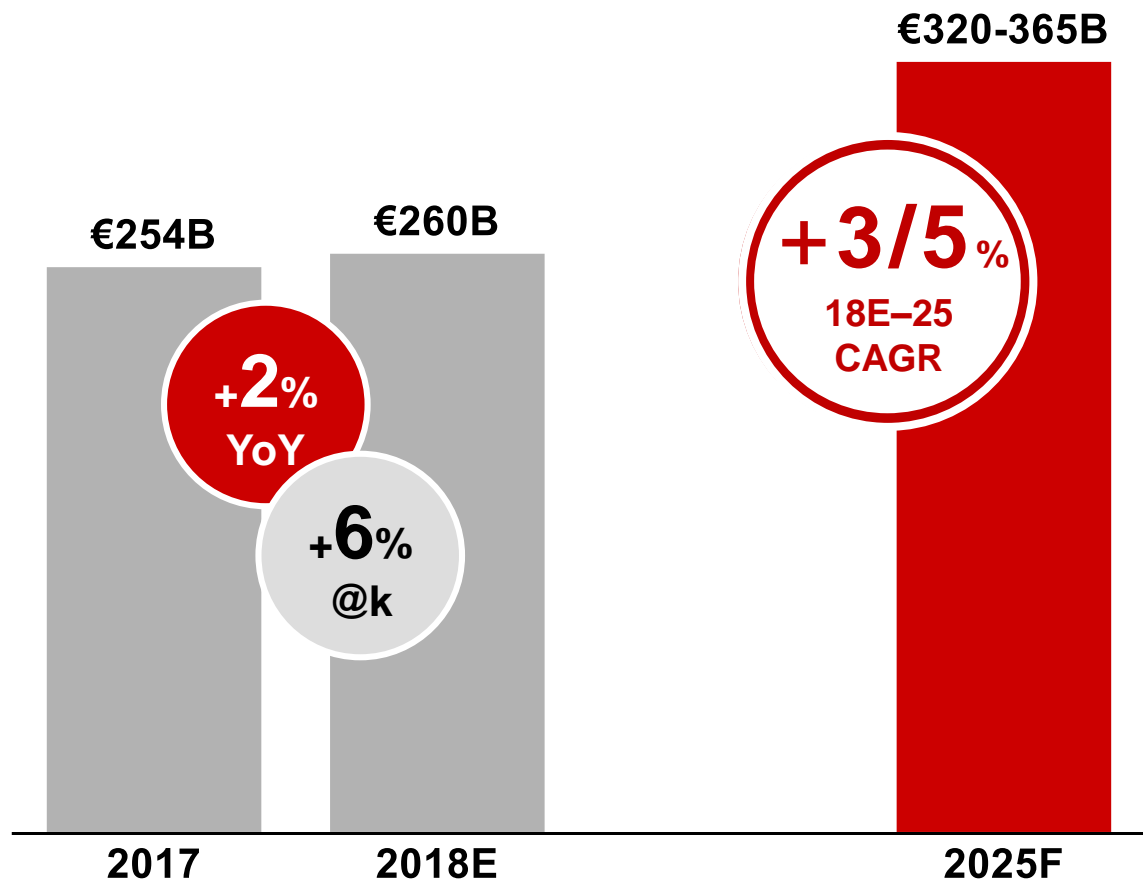
- **Positive growth** in real terms for **luxury hotels**; **travel** becoming a “**state of mind**” with hotel evolving into **social venues in-sync** with the **city**
- **Booming demand** for **luxury cruises – best performing luxury market segment in 2018** in real terms, with **expedition segment** confirmed as **star performer**

PERSONAL LUXURY GOODS MARKET IN 2018 CONFIRMED THE “NEW NORMAL” STARTED IN 2017



SOLID MID-TERM GROWTH TO 2025, DRIVEN BY POSITIVE FUNDAMENTALS, WITH SOME POSSIBLE BUMPS ALONG THE ROAD

Personal luxury goods market forecast | €B



SOLID MID-TERM MACRO FUNDAMENTALS

- **Comforting mid-term macroeconomic outlook** going forward, which will sustain a **positive consumer confidence**



BUMPY ROAD

- **Possible bumps** along the road (e.g. socio political issues, government commercial policies, possible short-term soft recessions,...) could make the **path less smooth**

@K: at constant exchange rates

LUXURY IN 2025 WILL BE A DIFFERENT PLACE

1

**MORE CHINESE-DRIVEN
PURCHASES**

...HAPPENING IN CHINA

2

**E-COMMERCE, ONLINE,
DIGITAL**

**...PERMEATING EVERY
SINGLE PURCHASE**

3

**FOOTPRINT
CONSOLIDATION**

**...RESHAPING THE STORE
OF THE FUTURE**

4

A YOUTHFUL MARKET

**...DISRUPTING GROWTH
PATHS**

5

**CULTURES AND
(SUB)CULTURES**

**...TAKING OVER
CONSUMPTION TRENDS**

6

ONE MARKET

**...SERVING MARKETS OF
ONE**

7

**DIFFERENTLY PROFITABLE BRANDS
...NIMBLE IS THE NEW BLACK**

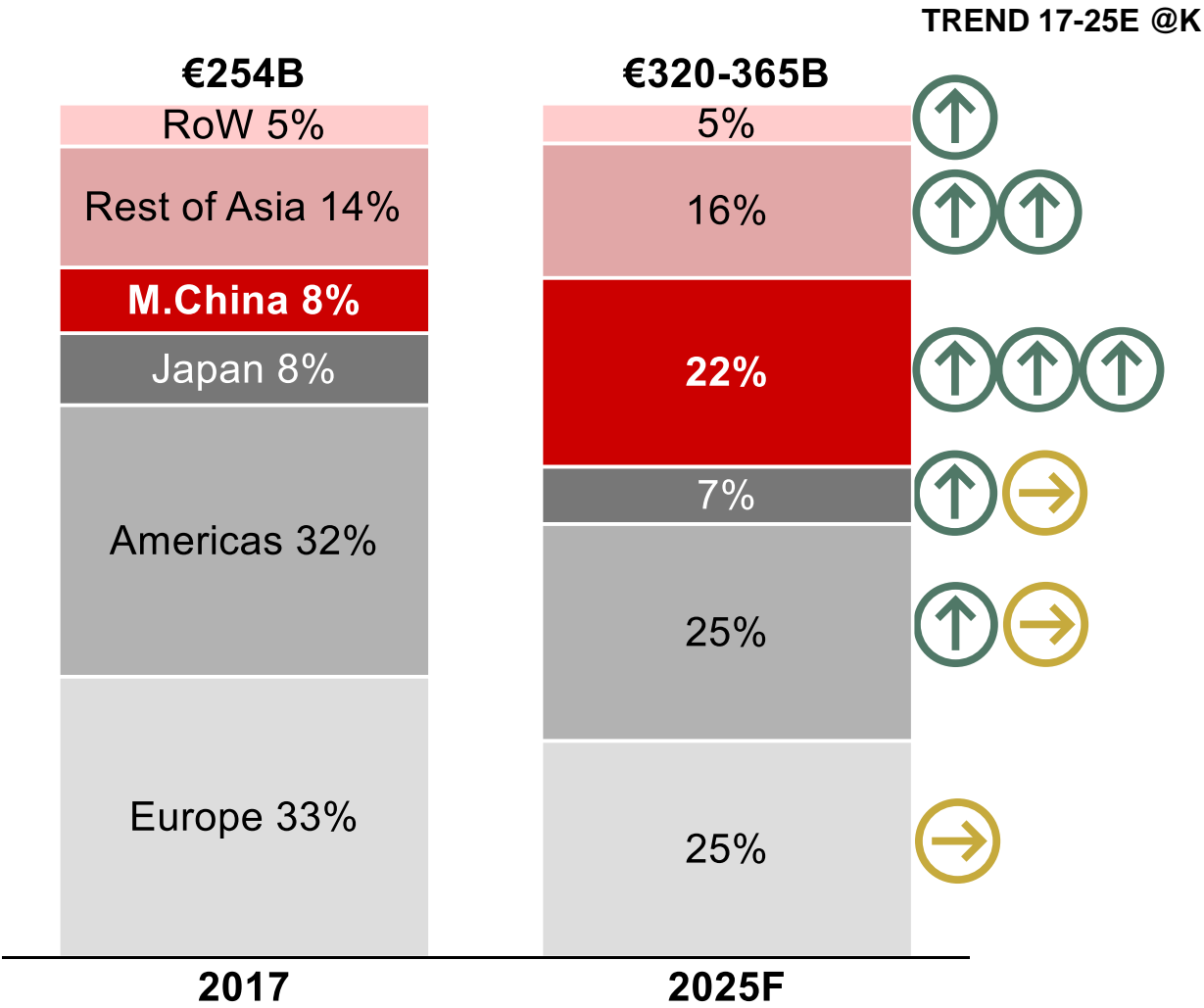
MORE CHINESE-DRIVEN PURCHASES... HAPPENING IN CHINA

CHINESE CUSTOMERS WILL ACCOUNT FOR 45%+ OF
THE MARKET... AND HALF OF THEIR LUXURY
PURCHASES WILL HAPPEN IN THEIR **HOME COUNTRY**

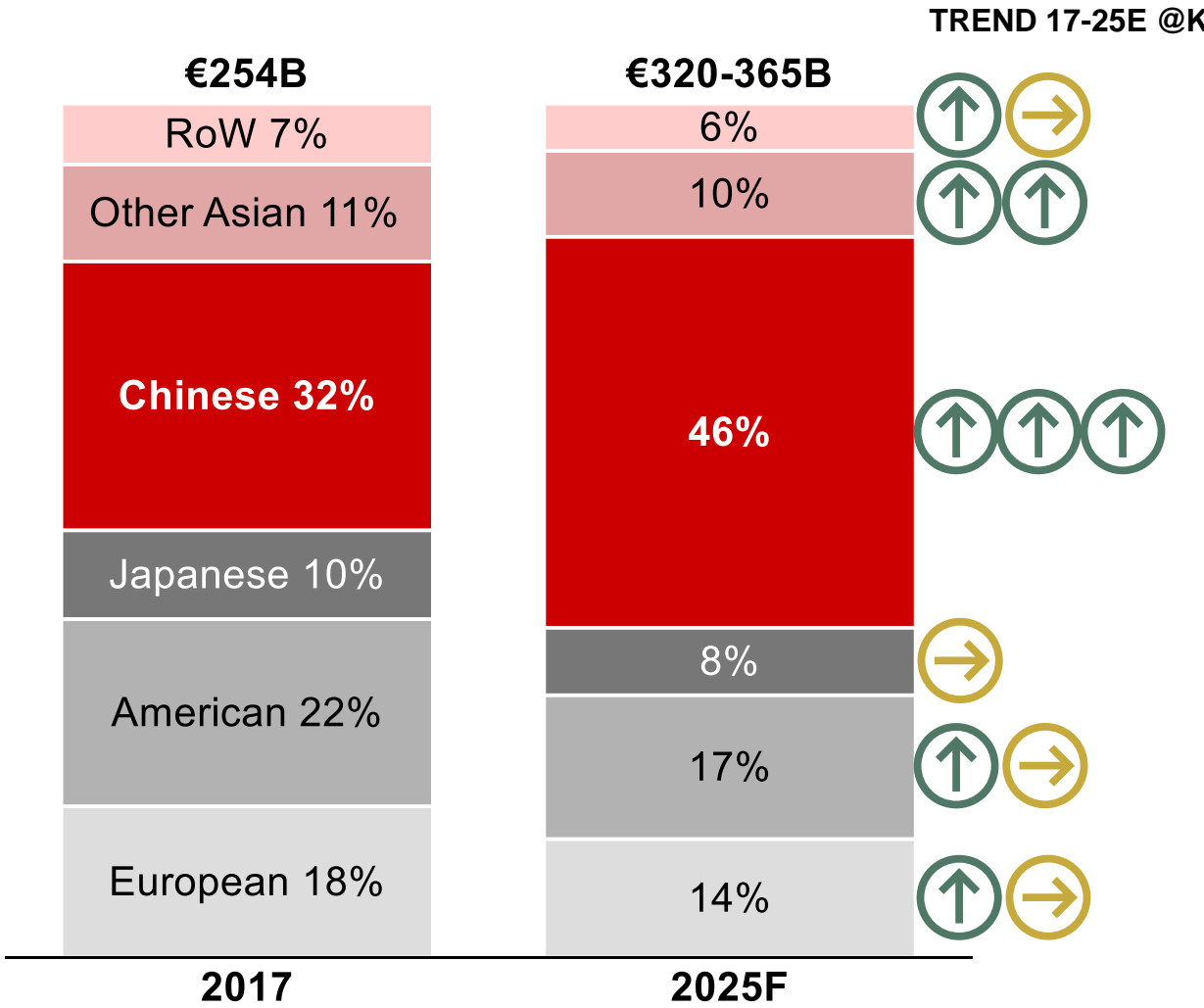
CHINA AND CHINESE CONSUMERS TO CONTINUE DRIVING THE INDUSTRY: LION'S SHARE IN 2025; MATURE MARKETS DECREASE THEIR RELEVANCE



Personal luxury goods market
by geography | €B



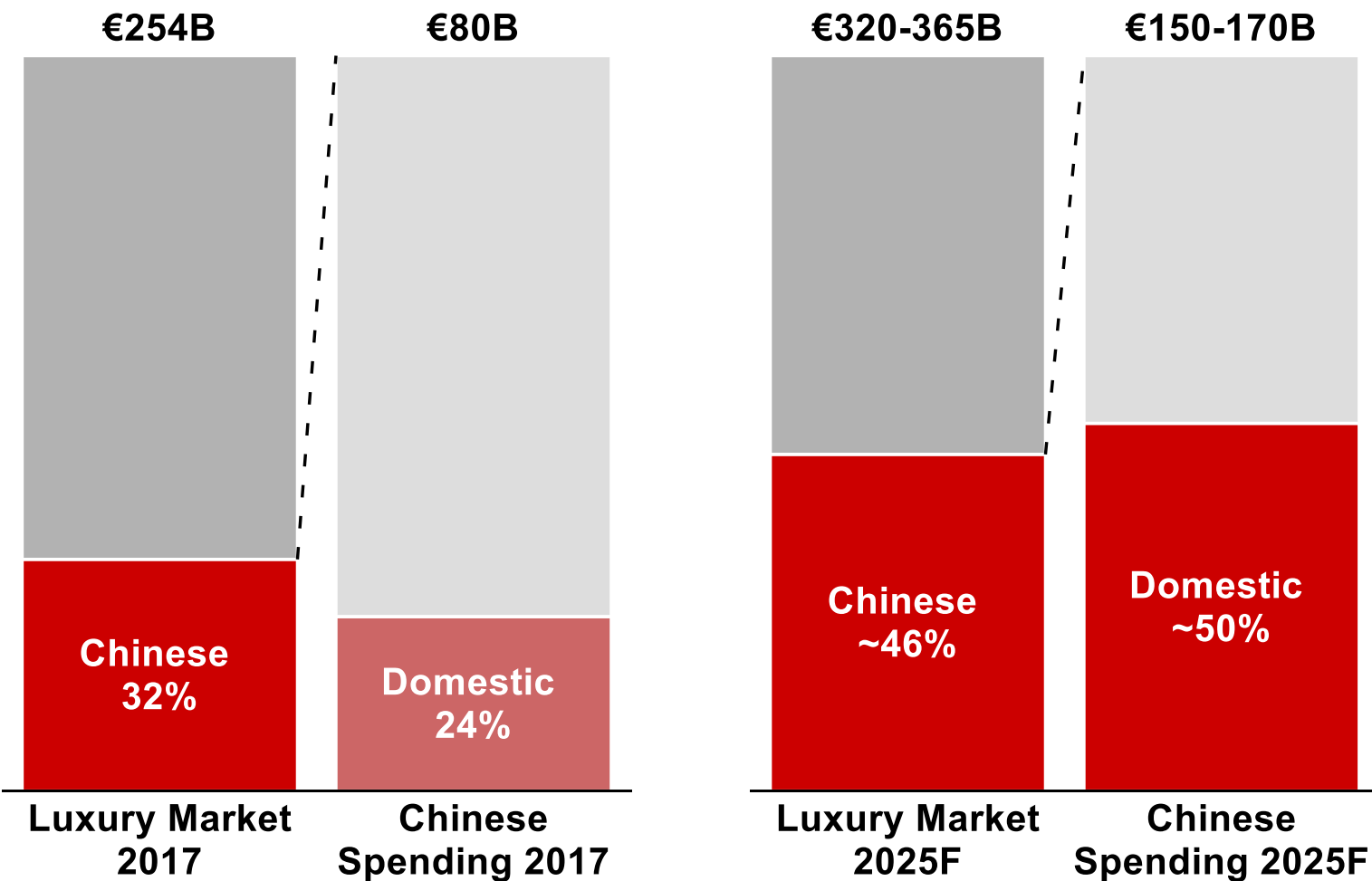
Personal luxury goods market
by consumer nationality | €B



Note: RoW = Rest of the World @K: At constant exchange rates

CHINA IS EXPECTED TO REMAIN THE MAIN GROWTH ENGINE OF THE LUXURY MARKET IN THE COMING YEARS

Personal luxury goods market by nationality and consumption location | €B

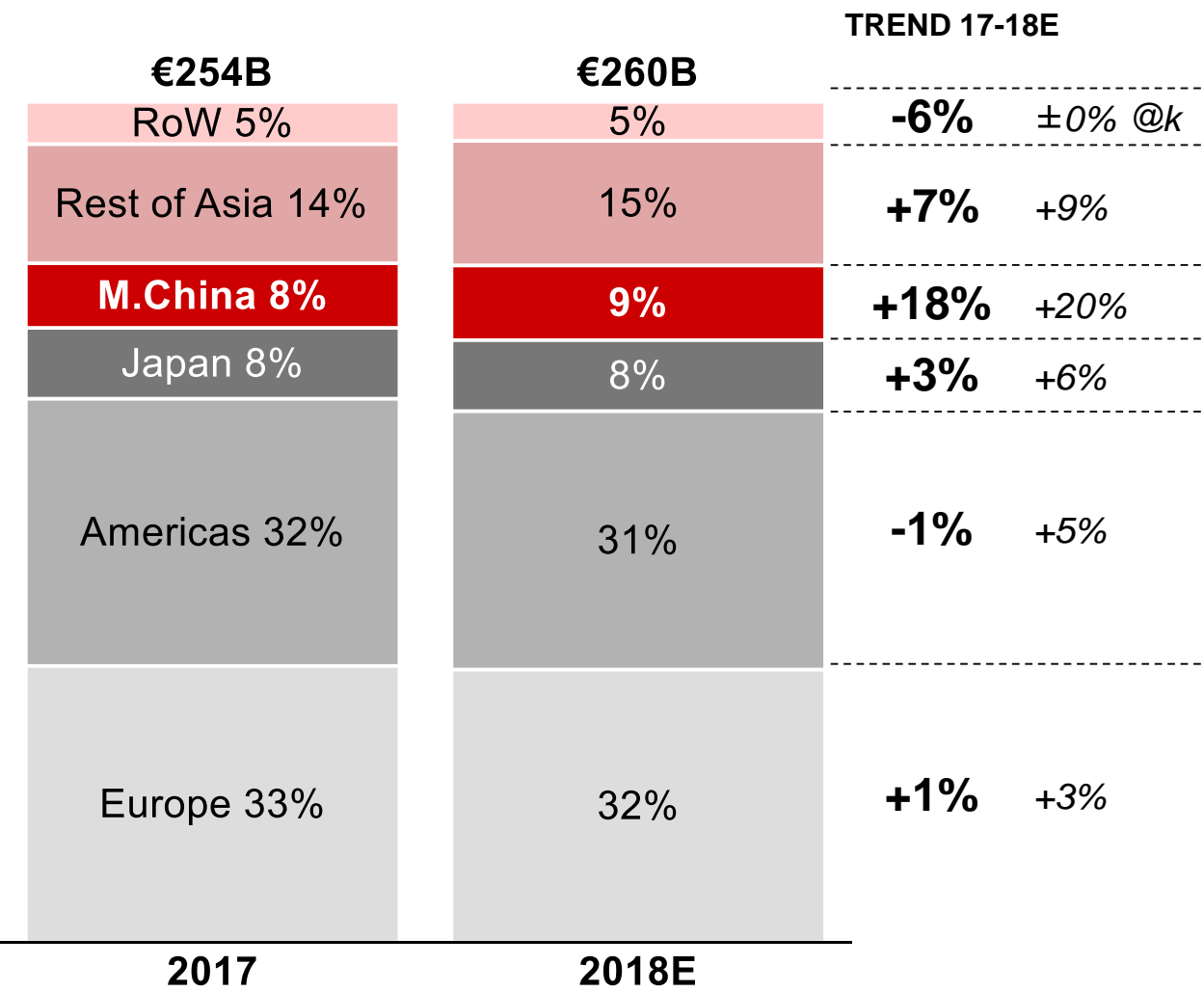


- **Chinese** consumers continuing to **grow their purchases**: both **enthusiastic international shoppers** and **local consumers**
- **Chinese local consumption booming** and expected to **grow rapidly going forward**, due to **healthier fundamentals**
 - Lower price differentials
 - Improved customer experience and reach (safer to buy also online vs. the past)
 - Possibly reduced import taxes
 - Chinese government policies on boosting internal consumption (e.g. Daigou channel crack down)

POSITIVE GROWTH ACROSS THE BOARD IN 2018. CHINA AND CHINESE CONSUMERS LEADING THE GROWTH

1

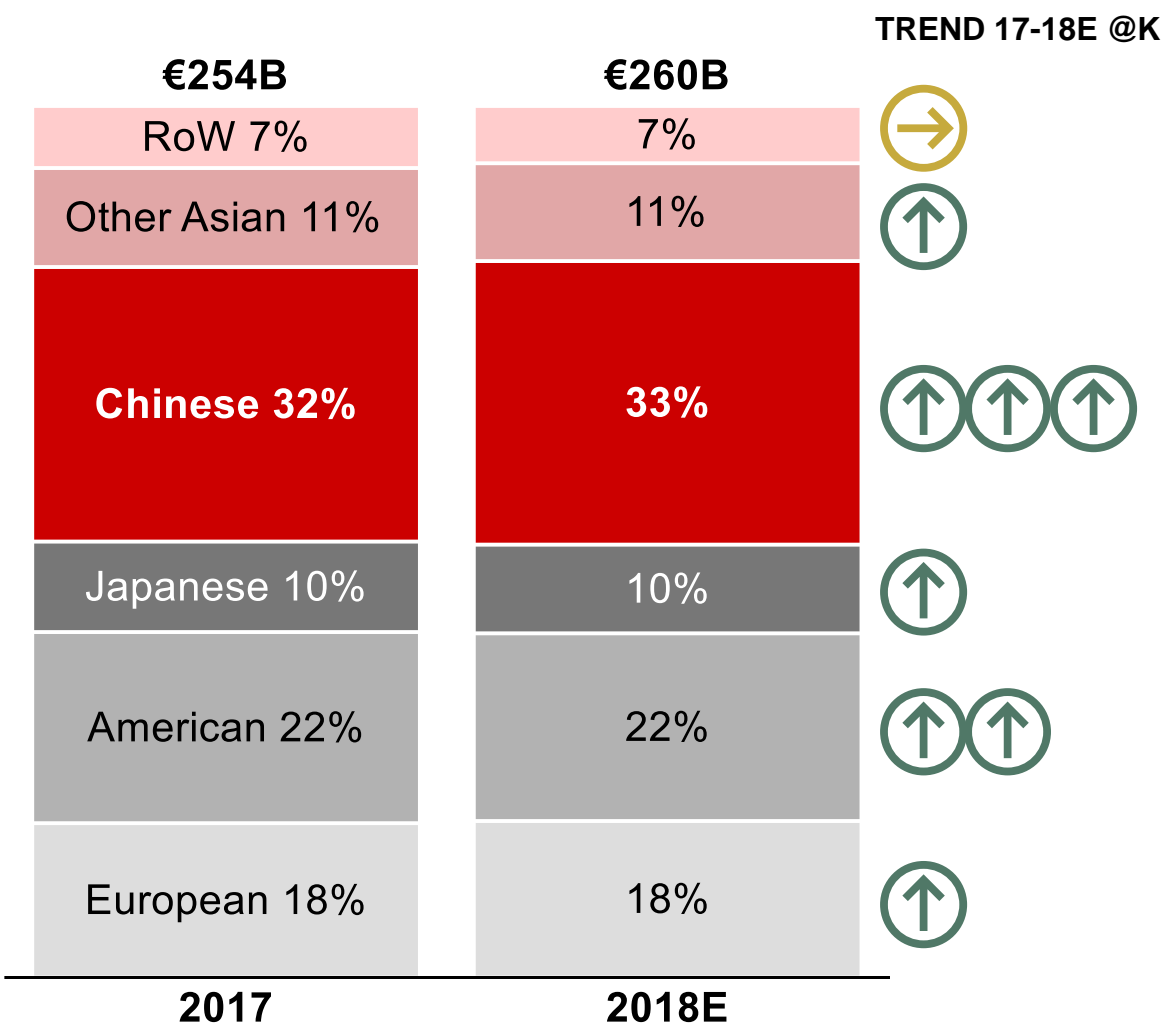
Personal luxury goods market
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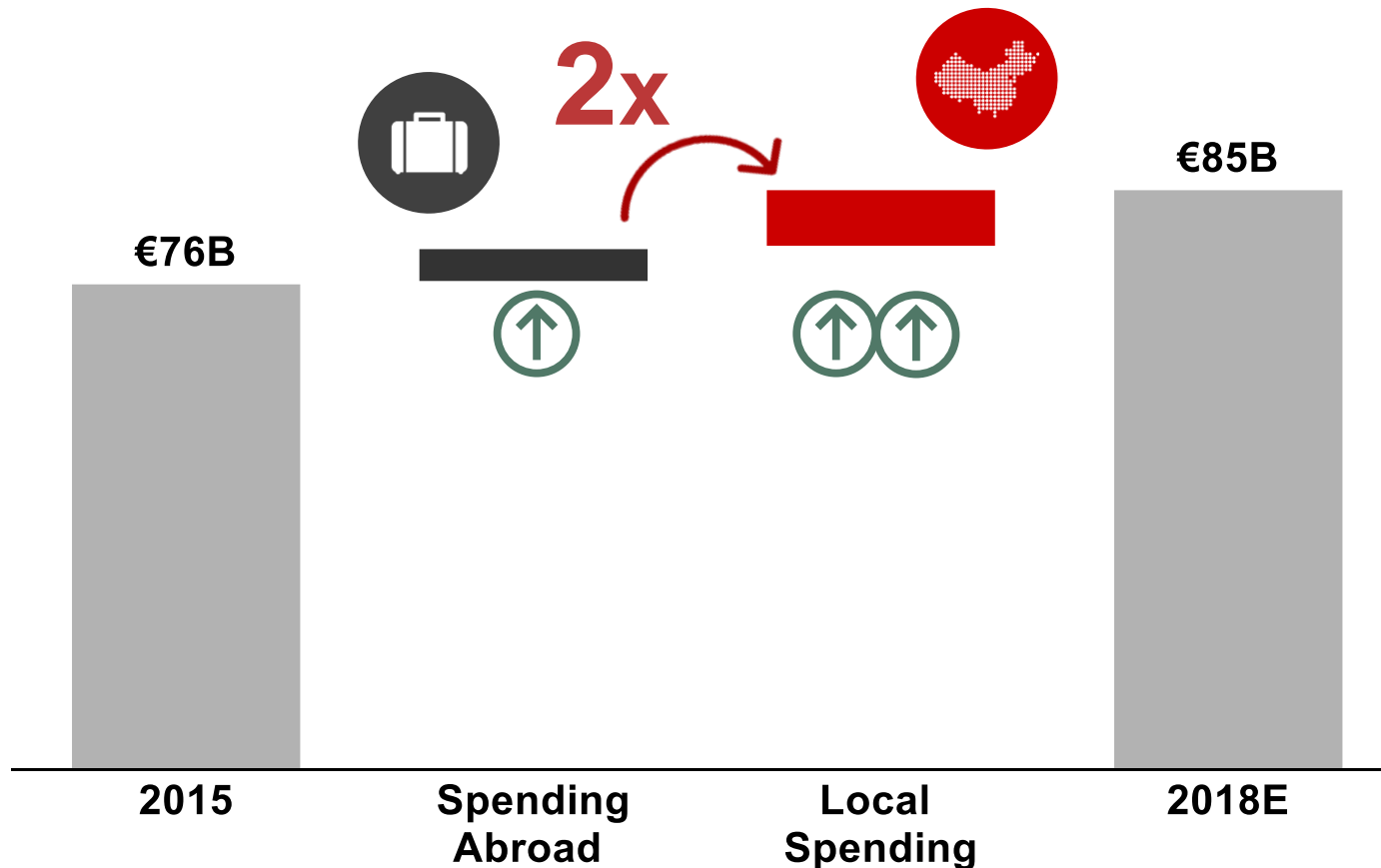
@K: At constant exchange rates

Personal luxury goods market
by consumer nationality | €B



OVER THE LAST 3 YEARS, CHINESE SPENDING IN CHINA HAS CONTRIBUTED TWICE AS MUCH GROWTH AS CHINESE SPENDING ABROAD

Chinese spending growth contribution: Locally vs. abroad | €B



Local Spending major drivers: Price-Volumes effects



LOCAL SPENDING

PRICE



- Price harmonization



- Global price evolution



- Product mix effect



- Currency effect

VOLUMES



- New-to-market customers (Mid-class and Gen Z)



- Government import tax reduction

EUROPE LAGGING BEHIND DUE TO STRONG CURRENCY; SOLID AMERICA (IN REAL TERMS); ASIA AND CHINA OUTPERFORMING

1

China

- **Lion's share** of the growth
- Consumers valuing **trendy products** and **tailored initiatives**
- **Online** booming, supported by **increased investments**

+18%

@K: +20%

€23B

Asia

- **Good performance** of **HK** and **Macau**, benefitting from Chinese purchases
- Dynamic **S. Korea**, with strong **local consumption**
- **Brisk growth** in other Asian countries (Singapore, Thailand & Taiwan)

+7%

+9%

€39B

Japan

- **Soft local purchases**, increasingly pushing brands to find new solutions to bring them back to stores
- Brands starting to **rethink distribution** model in light of **increased touristic consumption**

+3%

+6%

€22B

Europe

- **Mildly positive local consumption**, with **mixed country performance**
- Strong currency **impacting tourist spending**

+1%

+3%

€84B

Americas

- Boost of **local purchases**, driven by **positive US economic cycle**; yet brands are mindful of a **possible short-term soft recession**
- **Strong dollar** impacting **Asian** and **Latam** tourists
- **Canada** and **Mexico** strong; **Brazil** impacted by **political uncertainties**

€80B

+5%

-1%

RoW

- **Negative Middle East** due to **low local consumer confidence**, hit by **government spending restriction**

€12B

±0%

-6%

'18E vs '17

Note: RoW = Rest of the World

@K: Growth at constant exchange rates

AMERICAS AND ASIA ENJOYING ROBUST LOCAL DEMAND, WHILE EUROPE AND JAPAN CONTINUING ON A SOFT TREND

↑

2017-2018E Personal luxury goods market by consumers: local vs. tourists

	EUROPE	AMERICAS	M. CHINA	JAPAN	ASIA	ROW
↑ = ↓ TREND 17-18E						
LOCALS	↑ →	↑ ↑	↑ ↑ ↑	↑	↑ ↑	↓ ↓
TOURISTS	↓ →	→	→	↑ ↑	↑ ↑	↓
MAIN DRIVERS	<ul style="list-style-type: none"> Strong Euro affecting tourists' purchasing power 	<ul style="list-style-type: none"> US strong economy driving up disposable income and spending from locals US West Coast still "hot destination" for tourists, yet offset by drop of tourists elsewhere 	<ul style="list-style-type: none"> Lower price differentials and stricter controls on borders fueling local consumption 	<ul style="list-style-type: none"> Continued interest from Chinese tourists Tourists leveraging cheap flights to reach main shopping cities (e.g. Kyoto and Osaka) 	<ul style="list-style-type: none"> Local consumption on the rise sustained by strong economic growth of emerging markets (Vietnam, Philippines) Chinese tourists continuously providing an extra-boost 	<ul style="list-style-type: none"> Oil price drop in Middle East affecting locals' disposable income Turbulent political situation impacting tourist flow (both extra and intra regional)

17-18E
GROWTH

+4% LOCAL
SPEND

+0% TOURIST
SPEND

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Growth trend (increasing, decreasing, flat)



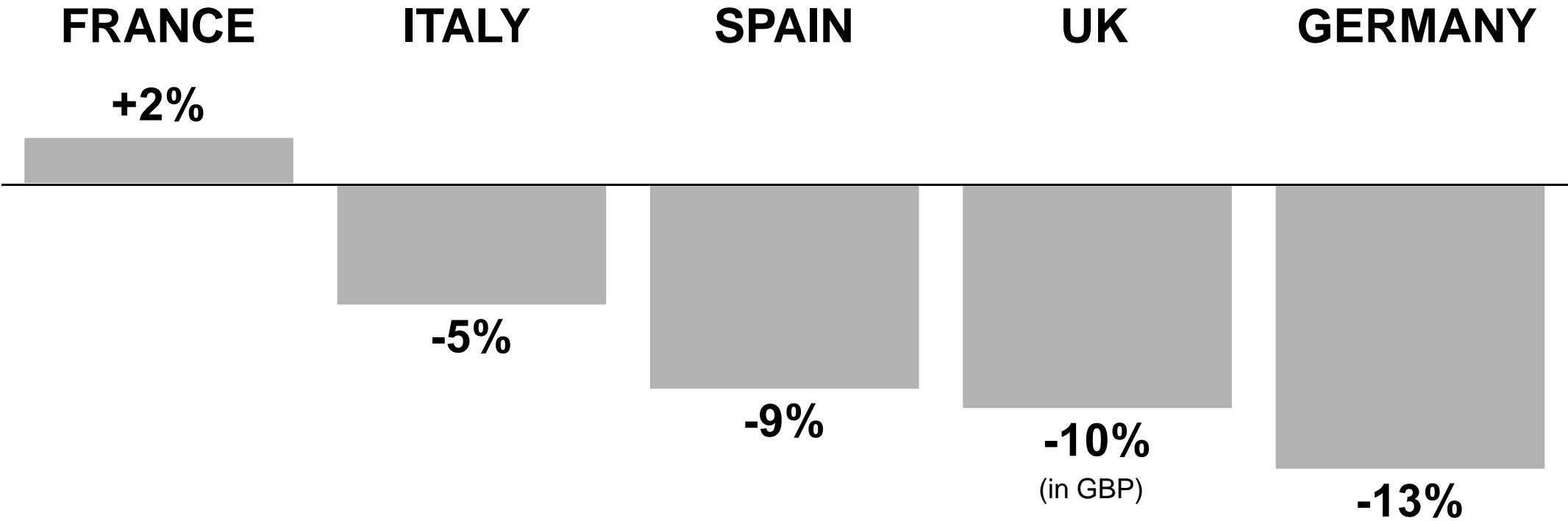
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15

STRONG EURO IMPACTING TOURIST SHOPPING, EXCEPT FOR FRANCE; AVERAGE TICKET INCREASE PARTIALLY OFFSETTING VOLUME REDUCTION



2017-2018E European personal luxury goods tax free shopping growth in local currencies



AVERAGE TICKET	⬆	⬆	⬆⬆	⬆	⬆
TRANSACTIONS	⬇	⬇	⬇⬇	⬇⬇	⬇⬇

NOTE: figures refer to Jan-Sep period

A black and white photograph of a person wearing a VR headset, with their hands near the device. The image is overlaid with a dense, pixelated digital effect that resembles a data stream or a digital explosion, primarily concentrated on the right side and bottom. The background is a solid dark color.

E-COMMERCE, ONLINE, DIGITAL... PERMEATING EVERY SINGLE PURCHASE

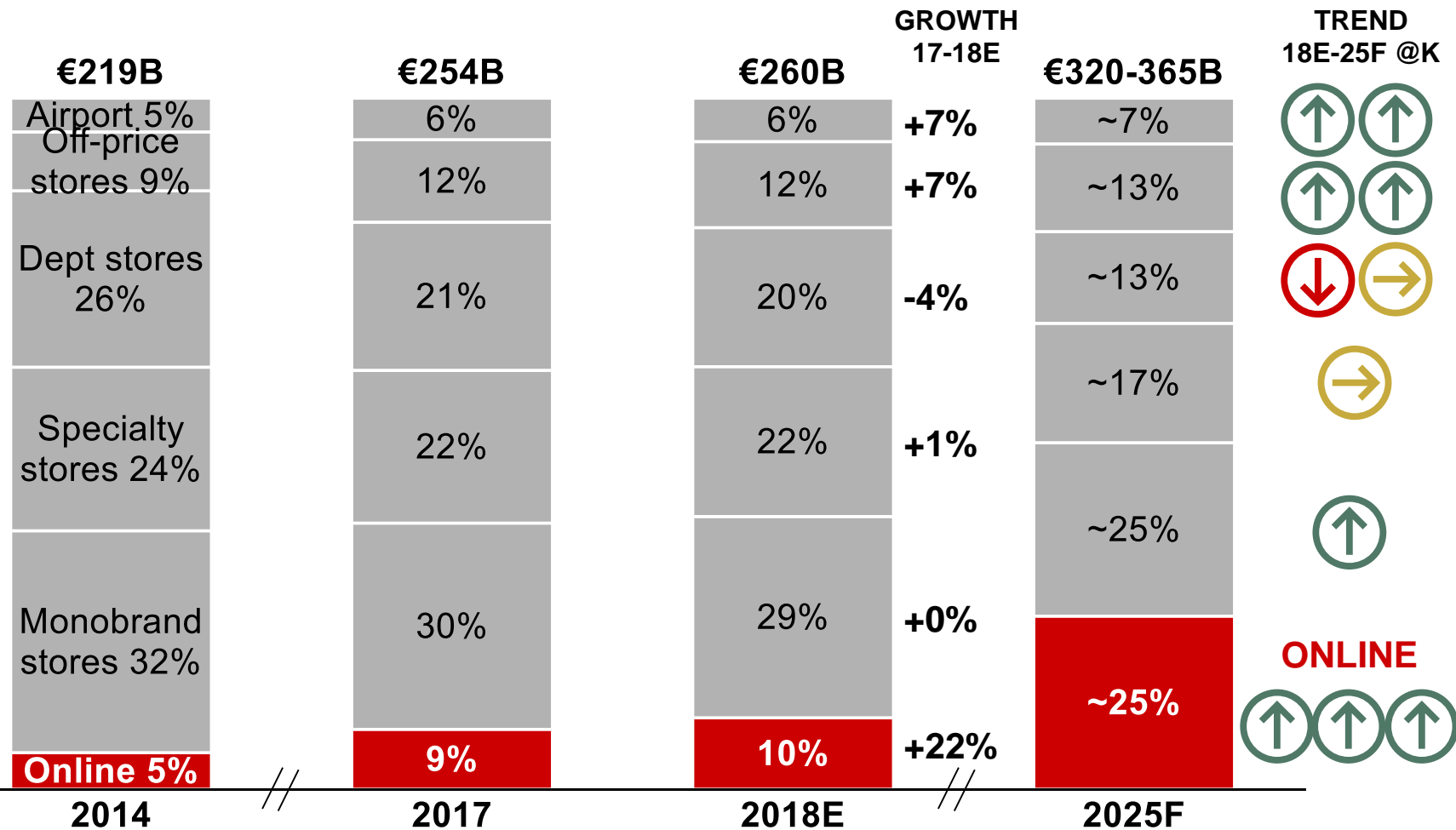
ONLINE CHANNEL WILL REPRESENT **25%** OF THE
MARKET VALUE.

100% OF LUXURY PURCHASES WILL BE INFLUENCED
BY AN **ONLINE INTERACTION**

ONLINE FASTEST GROWING CHANNEL, CONTINUING ITS FULL INTEGRATION WITH PHYSICAL: FROM 10% IN 2018 TO 25% BY 2025

2

Personal luxury goods market by channel | €B



- **Online** accelerating and **gaining share** toward physical channel: **ecosystem** of **business models**, going **beyond regional** boundaries

- **New technologies** will further enrich **shopping experience** and **connectivity**: mobile and beyond

- **Physical channels** will re-shape their **purpose and mission**, focusing on the core elements of value: Airport retailing and Off-price to reach full-potential; more traditional channels **downsizing** and **evolving** their roles

IN 2025 ONLINE WILL INFLUENCE EVERY SINGLE LUXURY PURCHASE AND DIGITAL WILL ENABLE ~50% OF THEM

2

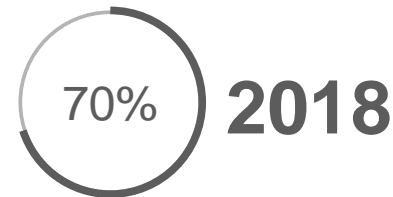
Awareness

Consideration

Purchase

Loyalty

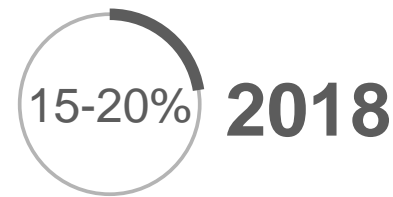
Online-**INFLUENCED** purchases in the luxury market



Continuous **integration** and **convergence** between **e-commerce websites** and **digital content/marketing** platforms:

- **Social media** enhanced with **E-commerce capabilities**
- **E-commerce website** enriched with **editorial content**

Digitally **ENABLED** purchases in the luxury market



Implementation of **technologies** throughout the **entire value chain** to support the digital enabling:

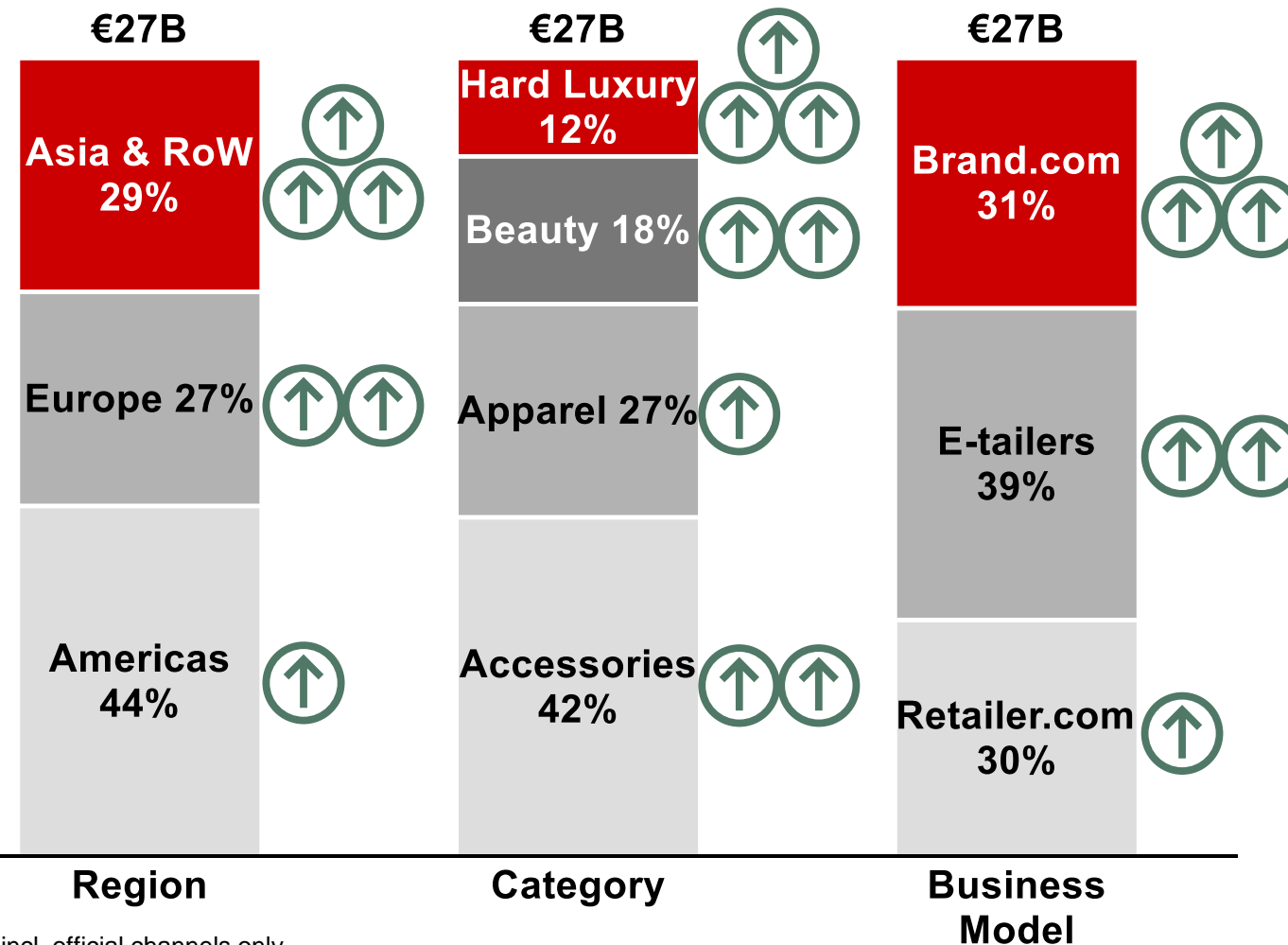
- **Virtual Reality**
- **Internet-of-Things**
- **Mobile payments**
- **“Smart” Inventory** and **Supply Chain management**

ASIA CHAMPION REGION, BOOMING HARD LUXURY AND KEY PARTNERSHIPS AMONG PLAYERS ENABLING THE ONLINE CHANNEL

2

Personal luxury goods online market by key segment | €B

↑ = ↓ TREND 17-18E



China incl. official channels only

ONLINE
'13-'17
CAGR

24%

ONLINE
'17-'18E
YOY

22%

- Asia still the **main growth engine**, yet with **room to further grow** in some countries
- Europe with **positive** trend; **US** growing **slower** than other regions
- **Booming hard luxury**, enjoying the **initial focus** of **specialized players** on the channel
- **Accessories** and **beauty** confirming to be “**ideal**” **categories** for an online purchase (e.g. no fit issues)
- **Apparel lagging behind**, penalized by the category slowdown in the market
- **Brands** implementing **dedicated strategies** to take the **channel at full potential** through their own websites
- **E-tailers** continuously **innovating** their **value proposition** also leveraging **exclusive partnerships** with brands

FOOTPRINT CONSOLIDATION... RESHAPING THE STORE OF THE FUTURE



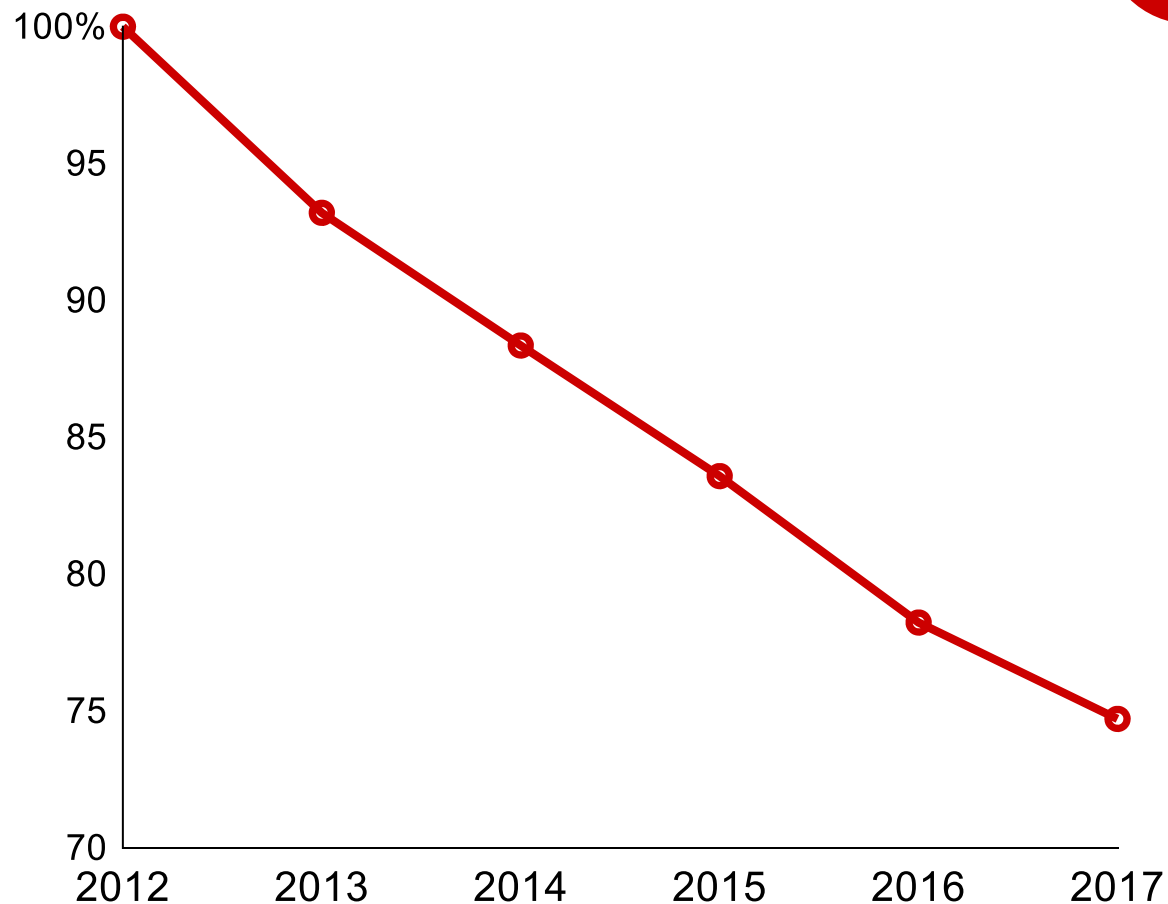
DIGITAL PENETRATION WILL LEAD TO **PHYSICAL
DISRUPTION: NETWORK CONSOLIDATION.
STORES WILL INEVITABLY CHANGE: FROM **POINT OF**
SALES TO **POINT OF TOUCH****

MONOBRAND NET STORE OPENINGS IN CONTRACTION – DUE TO IN-STORE TRAFFIC DECLINE – RESHAPING THE ROLE OF PHYSICAL STORES

3

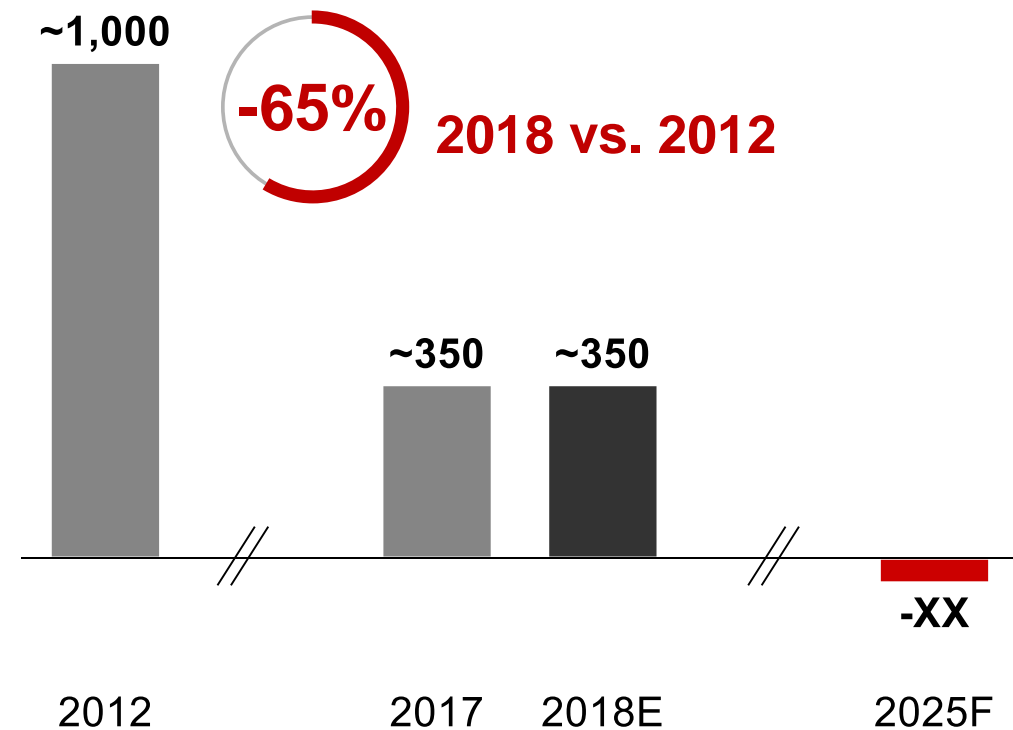
Fashion & Accessories same-store traffic declining in recent years...

Fashion & Accessories same store traffic YoY change | %



...impacting future luxury retail net store openings

Luxury retail net openings evolution (#DOS)

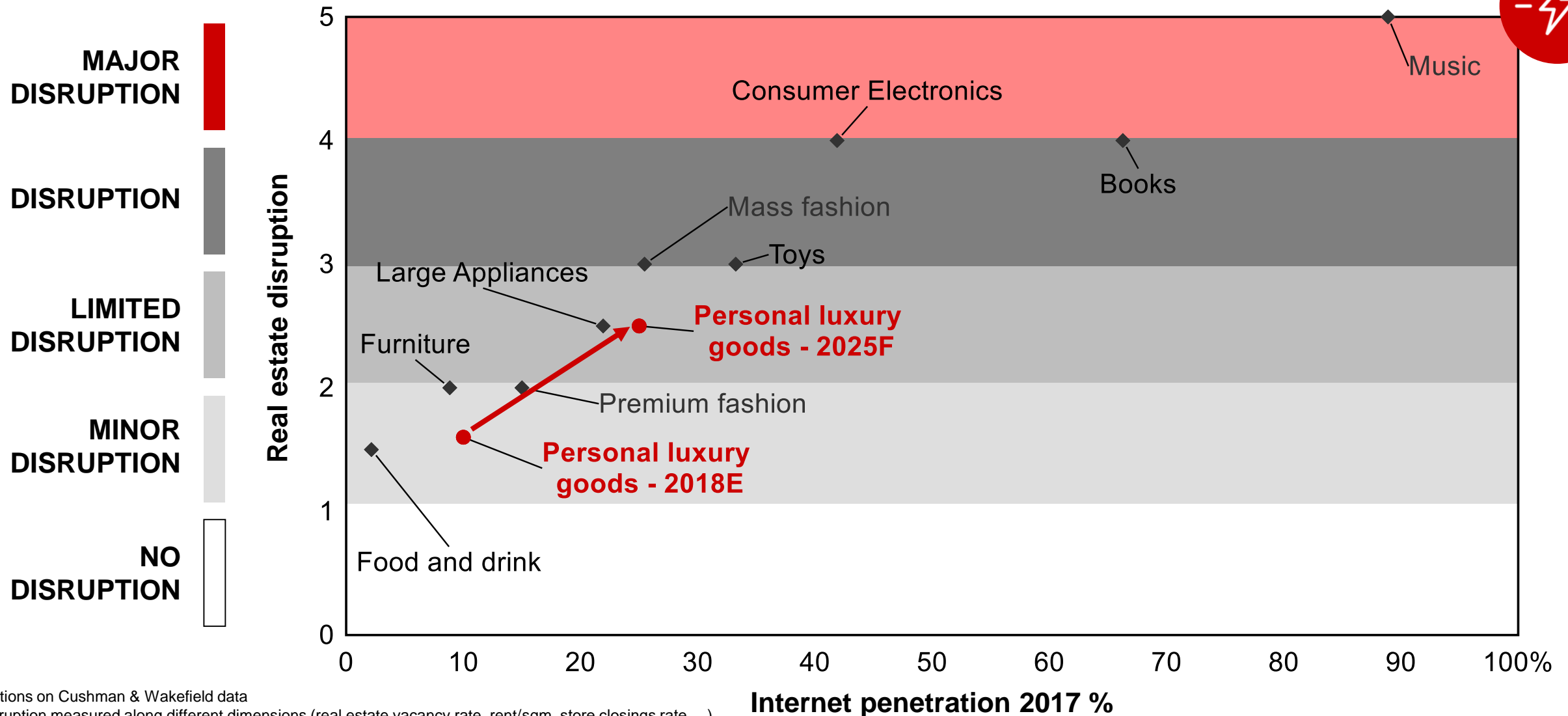


Source: ShopperTrak and Wells Fargo Securities

DIGITAL PENETRATION WILL LEAD TO FOOTPRINT CONSOLIDATION WITHIN LUXURY INDUSTRY, AS ALREADY HAPPENED IN OTHER SEGMENTS

3

Real estate disruption index by internet penetration level

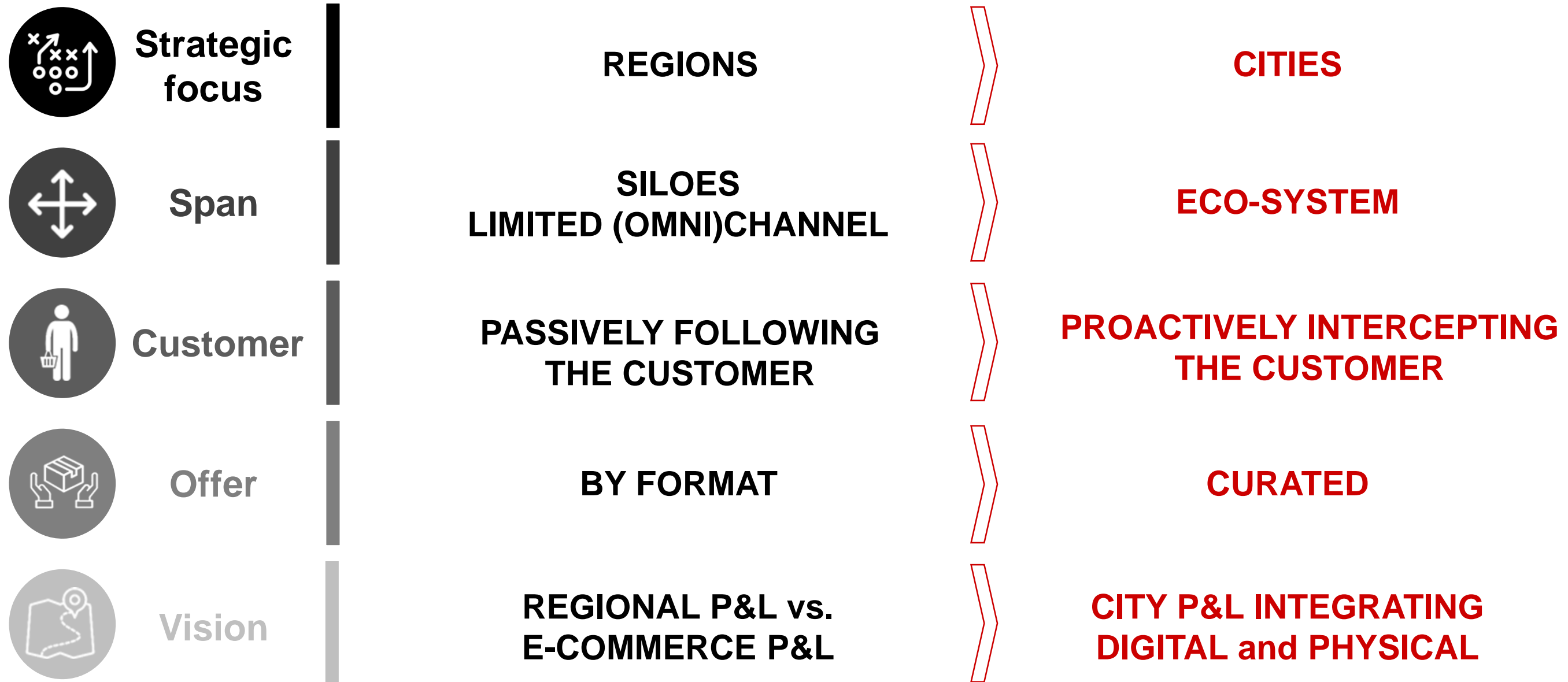


Source: Bain elaborations on Cushman & Wakefield data

Note: Real estate disruption measured along different dimensions (real estate vacancy rate, rent/sqm, store closings rate,...)

ROLE OF THE STORE TO INEVITABLY CHANGE: FROM POINT OF SALES TO POINT OF TOUCH, A 360° CHANGE IN THE APPROACH TO CUSTOMERS

3



IN 2018 SUSTAINED RETAIL PACE, DRIVEN BY ORGANIC GROWTH; WHOLESALE SLOWED DOWN DUE TO WEAK DEPT. STORES & SPECIALTY

3

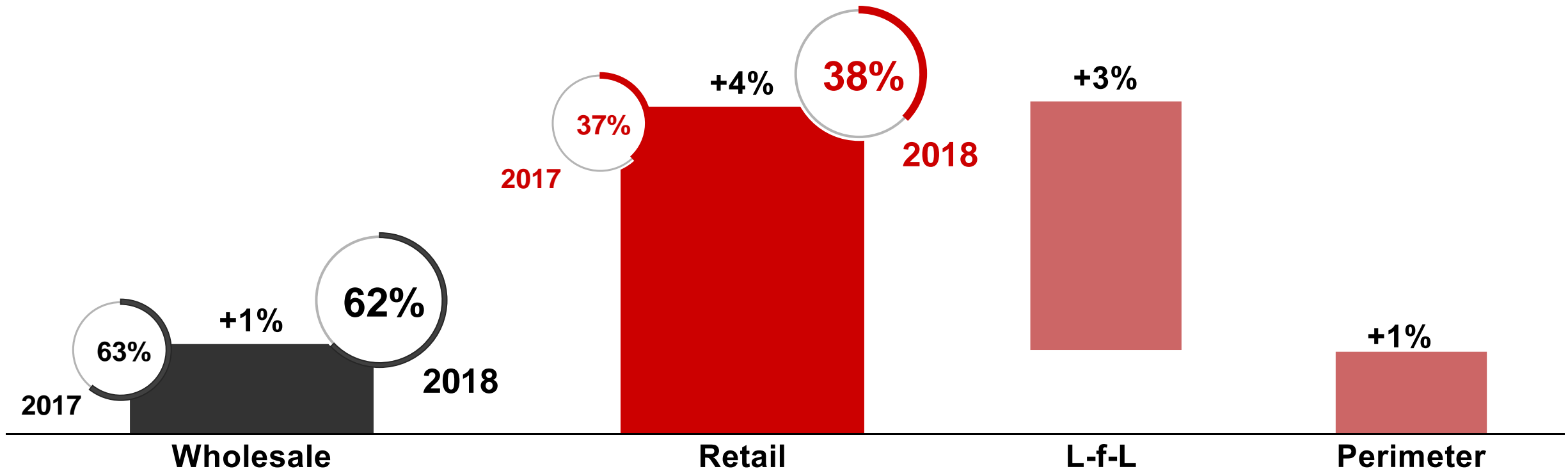
Personal luxury goods growth by channel | %

WHOLESALE

- High-end department store under recovery, accessible segment struggling
- Specialty stores slowing down suffering from tough online competition


RETAIL

- Like-for-like performance driving 2/3 of retail channel growth
- Perimeter expansion sustained also by network buybacks in specific geographies



XX% Incidence on total market

A YOUTHFUL MARKET... DISRUPTING GROWTH PATHS

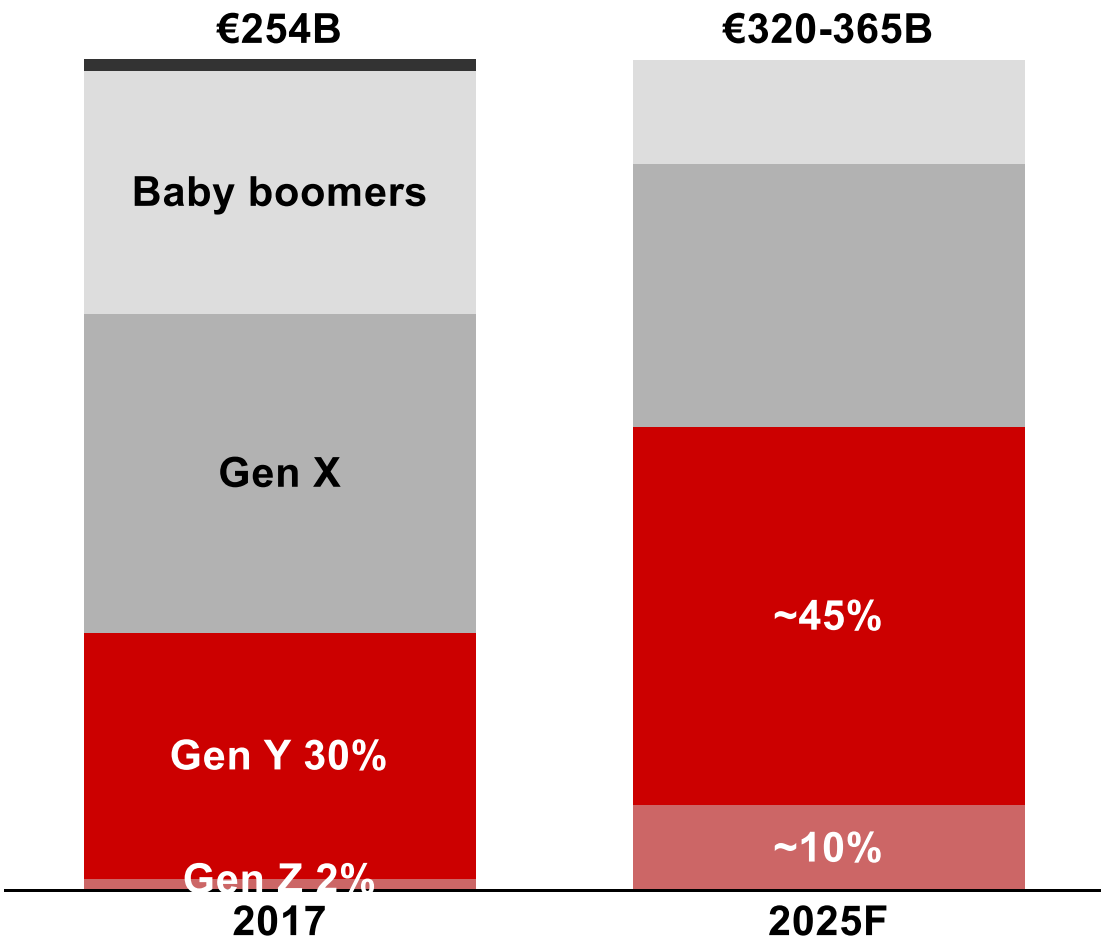


NEW GENERATIONS WILL DELIVER ~130% OF THE
MARKET GROWTH... WITH **GEN Z** SHOWING ORIGINAL
TRAITS VS. **GEN Y**, TO BE PROPERLY ADDRESSED

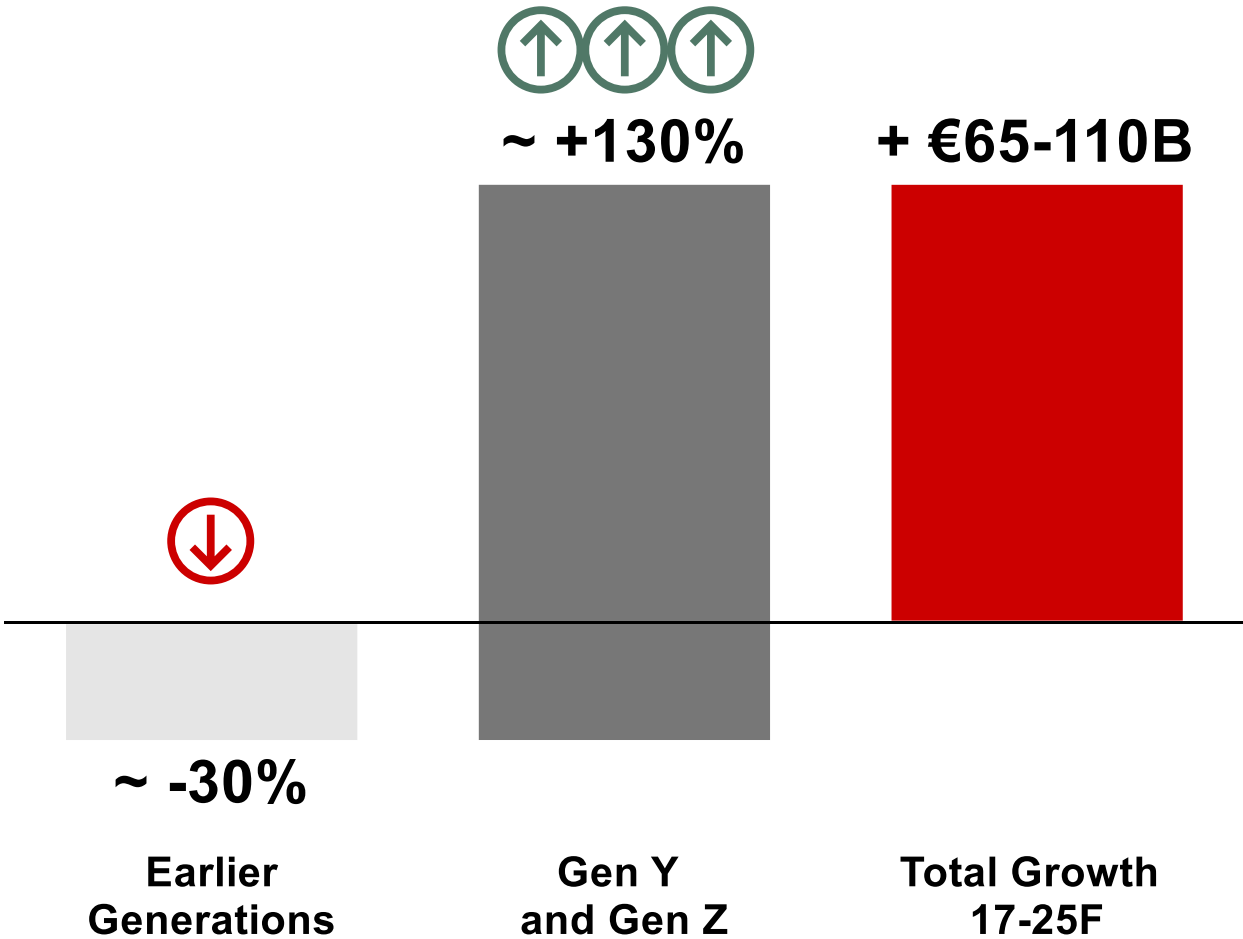
YOUNGER CUSTOMERS WILL REPRESENT ~55% OF THE MARKET IN 2025 AND WOULD DELIVER ~130% OF TOTAL GROWTH OVER THE 2018-2025 PERIOD



Personal luxury goods market
by generation | €B



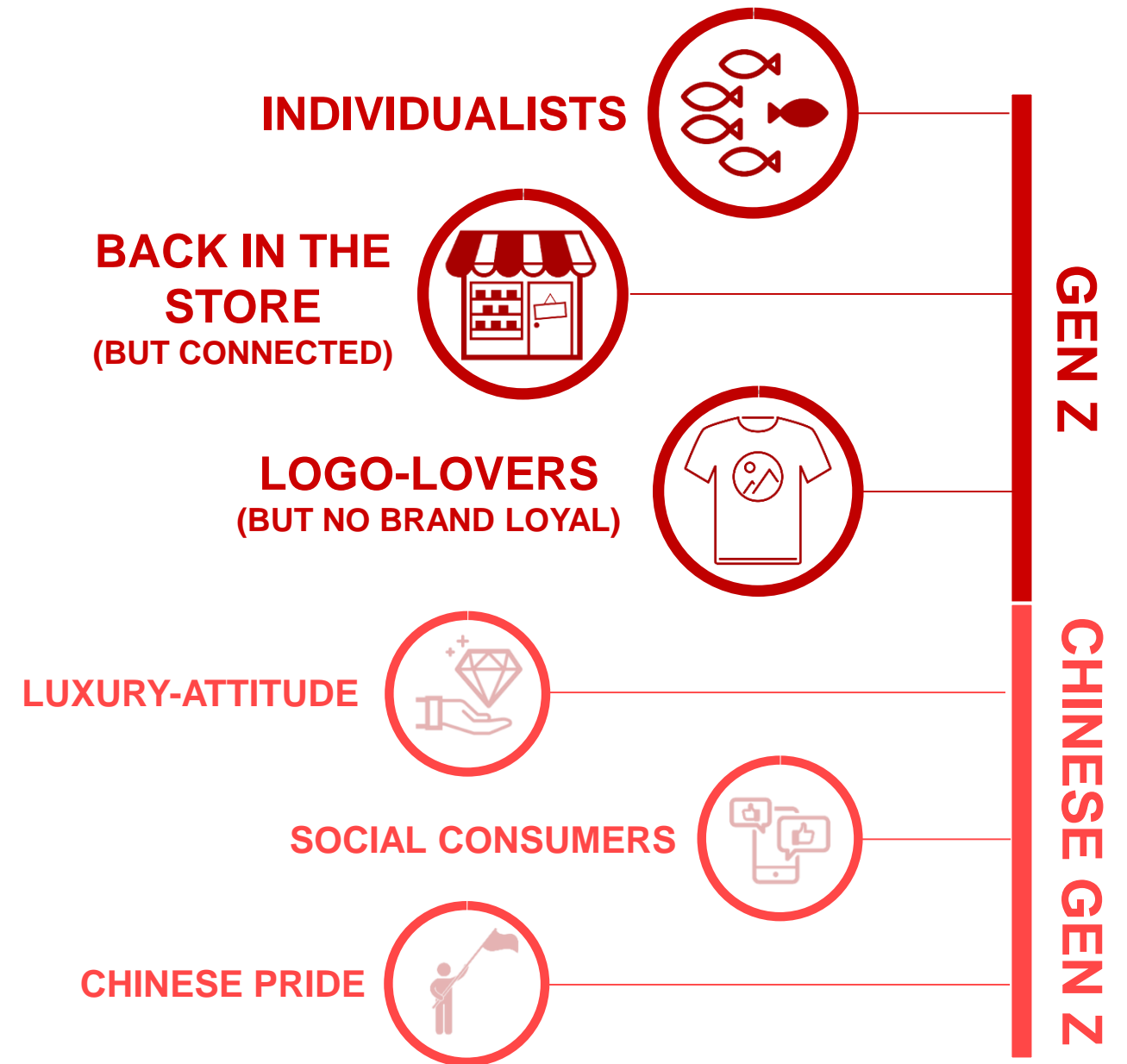
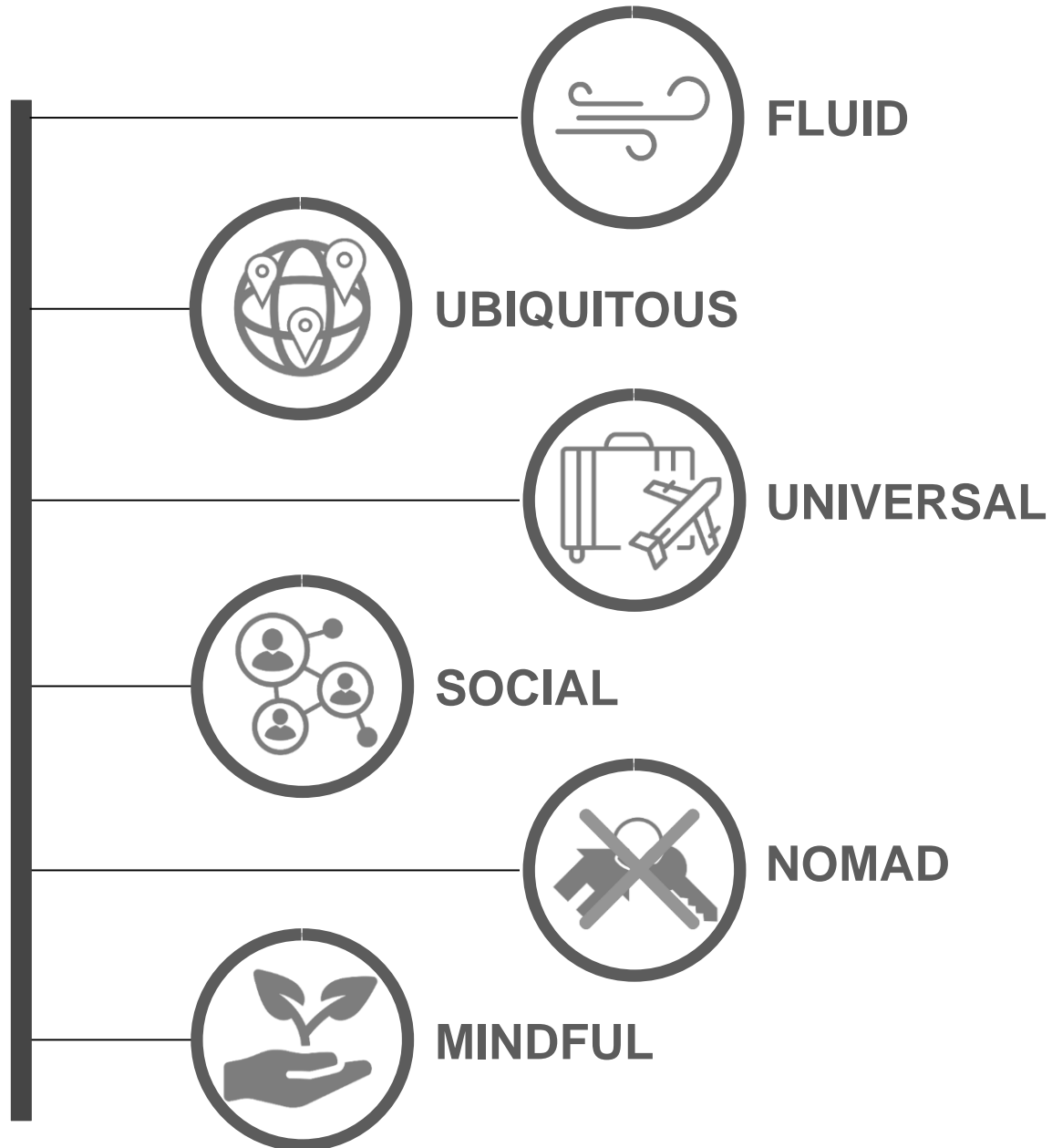
Personal luxury goods market growth
by generational contribution | €B



GEN Z ALREADY SHOWING ORIGINAL TRAITS vs. MILLENNIALS, WITH LOCAL SPECIFICITIES EMERGING

4

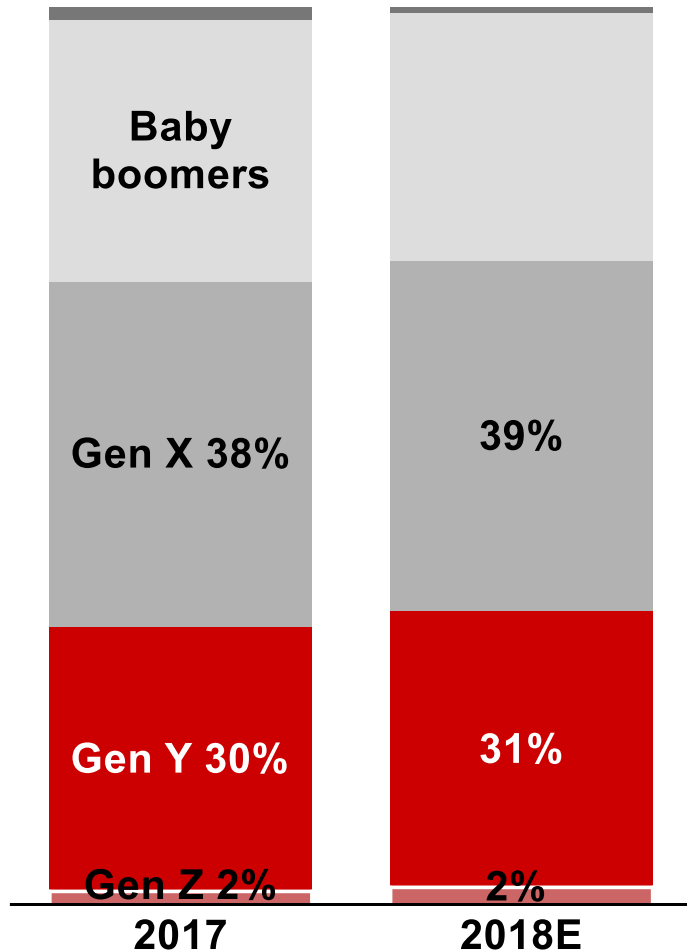
MILLENNIALS



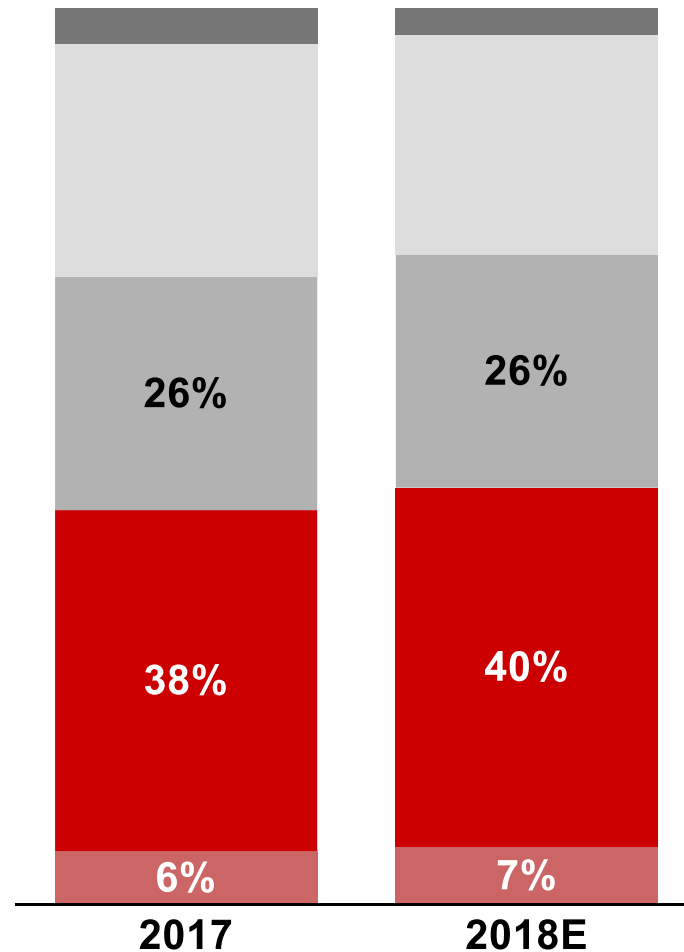
YOUNGER GENERATIONS DELIVERED THE ENTIRE MARKET GROWTH IN 2018; GEN Y WITH A LEADING ROLE; GEN Z READY TO TAKE OFF



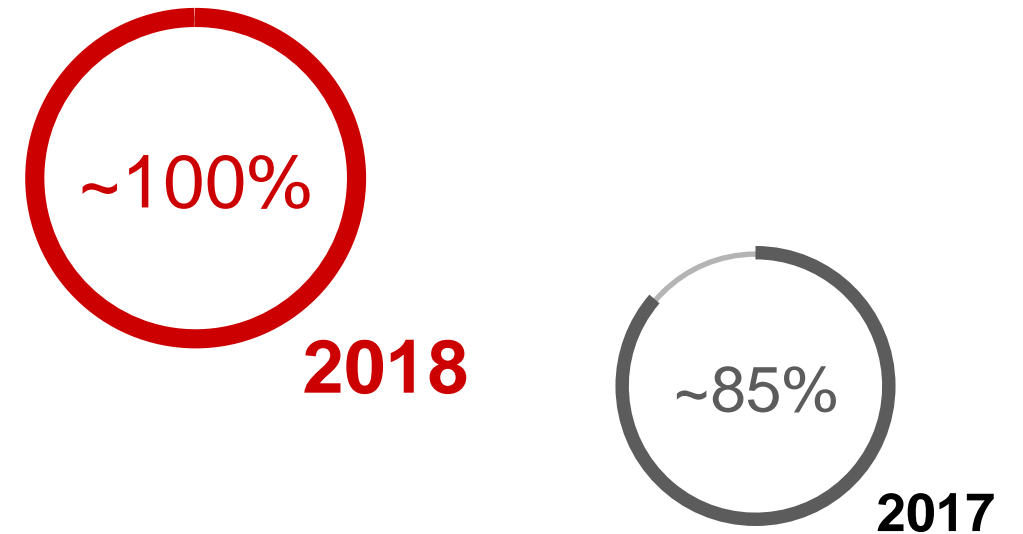
Personal luxury goods consumers by generation | €B



Personal luxury goods millions of consumers by generation



Contribution to total market growth of Gen Z and Gen Y (%)



- **Younger generations** are the **key driver** of “changes” in the industry, forcing brands to **evolve** and **innovate** across different **dimensions** (e.g. product offering, communications territories and media,...)

CULTURES AND (SUB)CULTURES... TAKING OVER CONSUMPTION TRENDS



CULTURES/SUB-CULTURES AND
NEW CONSUMPTION PATTERNS WILL ARISE...
CATEGORIES WILL BLEND: BRANDS MUST BE
DYNAMIC AND **RESPONSIVE** TO ADAPT

CULTURES AND SUB-CULTURES ARE TAKING OVER THE CONSUMPTION

5

**CULTURES WILL EAT
(PRODUCT) STRATEGY
FOR BREAKFAST**

**(SUB)CULTURES AND
IDEAS WILL BECOME
MAINSTREAM**

**FASHION
2025**

**CULTURALLY
INCLUSIVE MODELS**

**NEW SHAPES EMBRACING
BODY DIVERSITY**

**(NEW) CHANNELS FOSTERING
2nd LIFE OF LUXURY**

RELIGIOUS

CULTURAL

ETHNIC

C-Millennials



M-Millennials

POLITICAL

ALTERNATIVE

INCLUSIVE

Gender



Minorities



...CURRENTLY GENERATING MATERIAL RESULTS

5

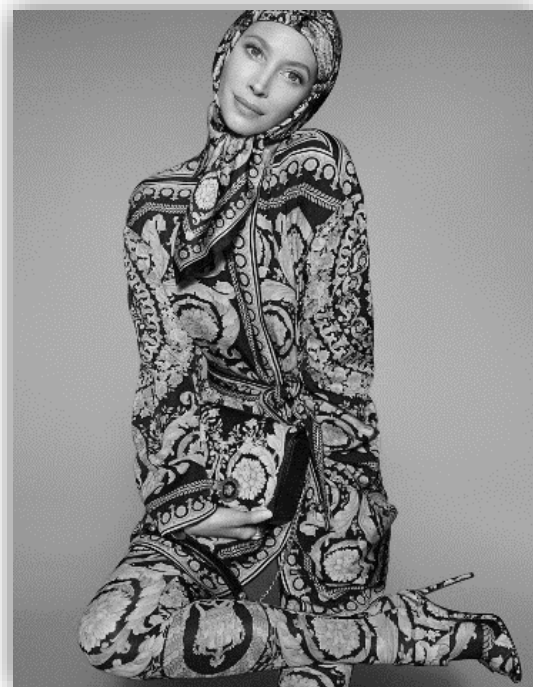
**CULTURES WILL EAT
(PRODUCT) STRATEGY
FOR BREAKFAST**

**(SUB)CULTURES AND
IDEAS WILL BECOME
MAINSTREAM**

**THE RISE OF FASHION
M-MILLENNIALS**

~40%

**SHARE OF MODEST
«ACCEPTED» FASHION IN
TOTAL WOMAN LUXURY
READY-TO-WEAR**



**THE LIBERATION OF WOMEN AND
DEMOCRATISATION OF SHAPES**

~20%

**SHARE OF «INCLUSIVE»
LUXURY APPAREL ON
TOTAL WOMAN LUXURY
READY-TO-WEAR**



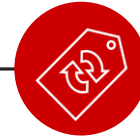
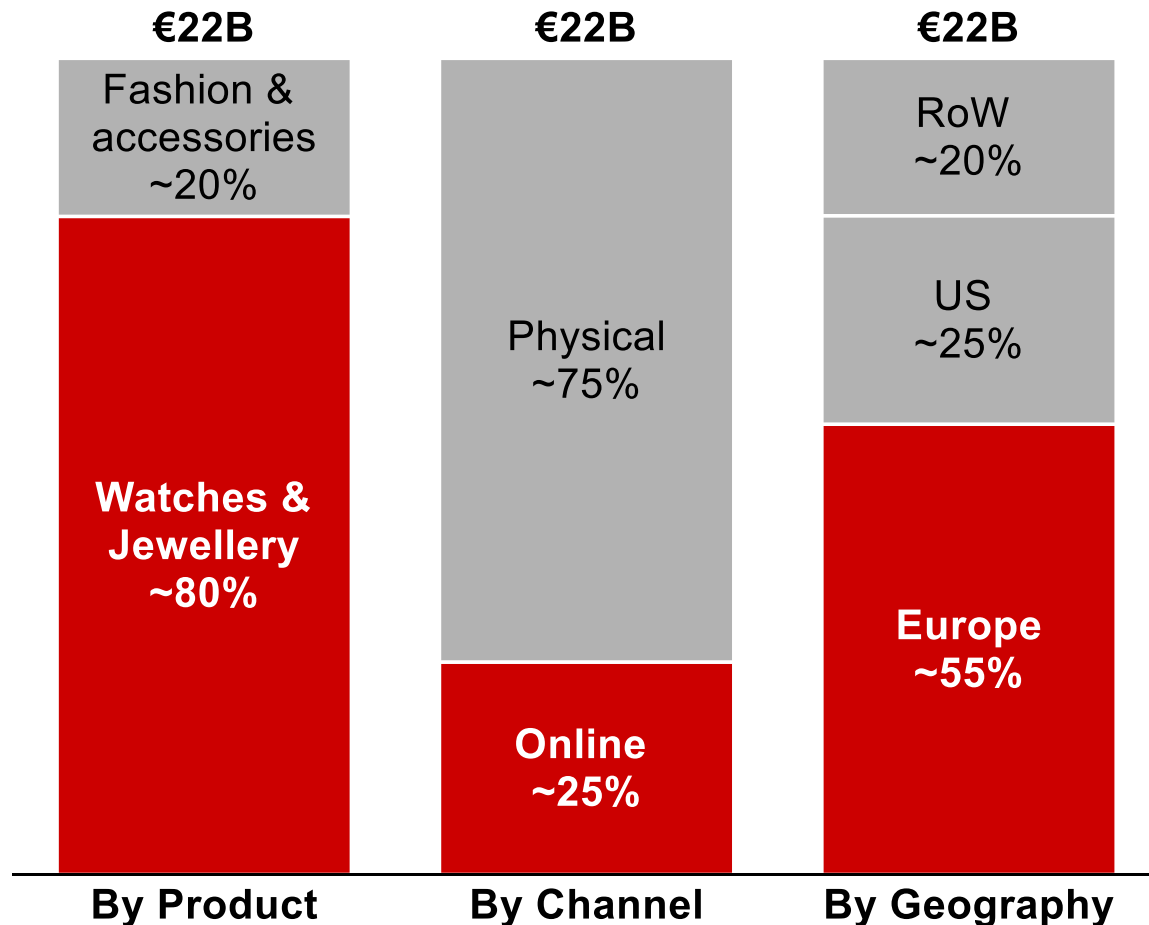
LUXURY 2ND-HAND MARKET SURGING SPECIALLY IN EUROPE, ONLINE AND HARD LUXURY; STRONG TRACTION AMONG YOUNGER GENERATIONS

5

Personal luxury goods second-hand market | €B

9%

CAGR '15-18E



PRODUCT

- **Hard luxury** (watches mainly) & **Accessories** (bags)
- Strong presence of **Limited editions** & **Iconic items**

CHANNELS

- Still mainly **physical** (small local stores)
- **Online** fastest growing, boosted by emerging specialized platforms

GEOGRAPHIES

- **Europe** key geography, followed by **US**
- Dynamism in **Japan**, while **China** (still) **marginally present**

GENERATIONS

- Strong traction from **younger generations**, particularly “**opinionated**” millennials

BENEFITS FOR LUXURY PLAYERS

- **New customers** acquisition and **brand awareness**
- **Sellers reinvesting their gains** in new luxury purchases

SHOES AND JEWELRY CONFIRMED GROWTH DRIVERS IN 2018, FOLLOWED BY ACCESSORIES AND BEAUTY; APPAREL SUFFERING

5

Shoes

- **Still on the rise**, on the tailwind of the ongoing **casualization** trend

Jewelry

- Confirmed among **top performing category**, sustained by **Asians** and **growing younger customers**

Bags

- **Confirmed brisk growth**, sustained by **entry** and **trendy** items

Beauty

- **Cosmetics driving growth**, with make-up maintaining a positive growth, and **skincare** booming
- Beauty at the **forefront** of **high-tech innovation**
- **Indie brands** (skin care and make-up) on the rise thanks to new business models
- **Flattish** performance of fragrances

Watches

- **Flat performance** of watches, with mixed regional trends (lackluster Europe, more dynamic Asia)
- Women watches **gaining share**, mainly on jewel-watches

Apparel

- **Womenswear positive** growth offset by **negative menswear** performance (particularly from **US & European giants**)

'18E vs '17

7%

7%

5%

4%

0%

-1%

€19B

€18B

€51B

€56B

€37B

€60B



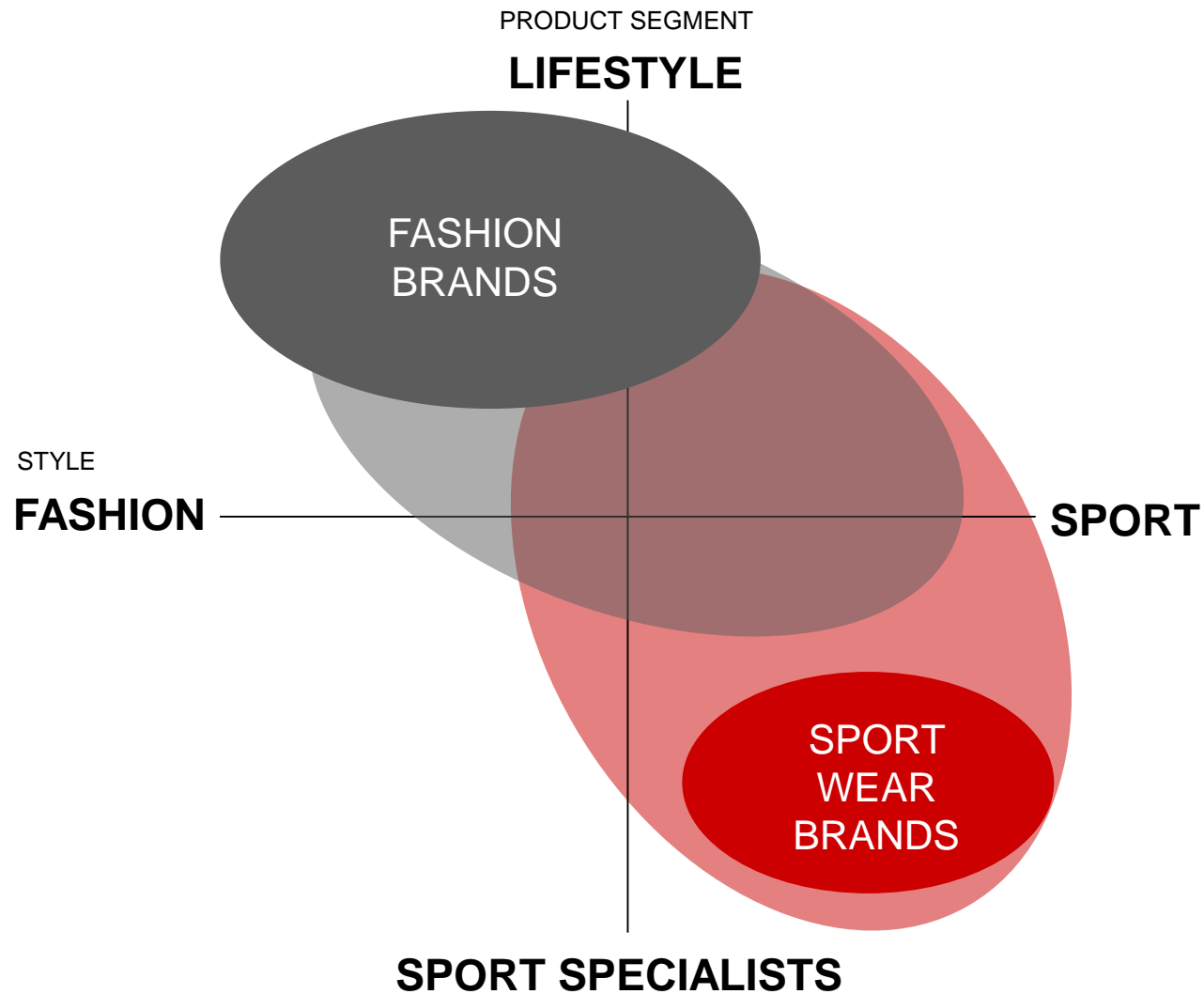
ONE MARKET... SERVING MARKETS OF ONE

GROWTH MODEL WILL OVERCOME CURRENT
BOUNDARIES, SHAPING **NEW COMPETITIVE MAPS.**
BRANDS WILL BECOME **EXCELLENCE/IDEA**
PLATFORMS, ENLARGING THEIR **RELEVANCE**

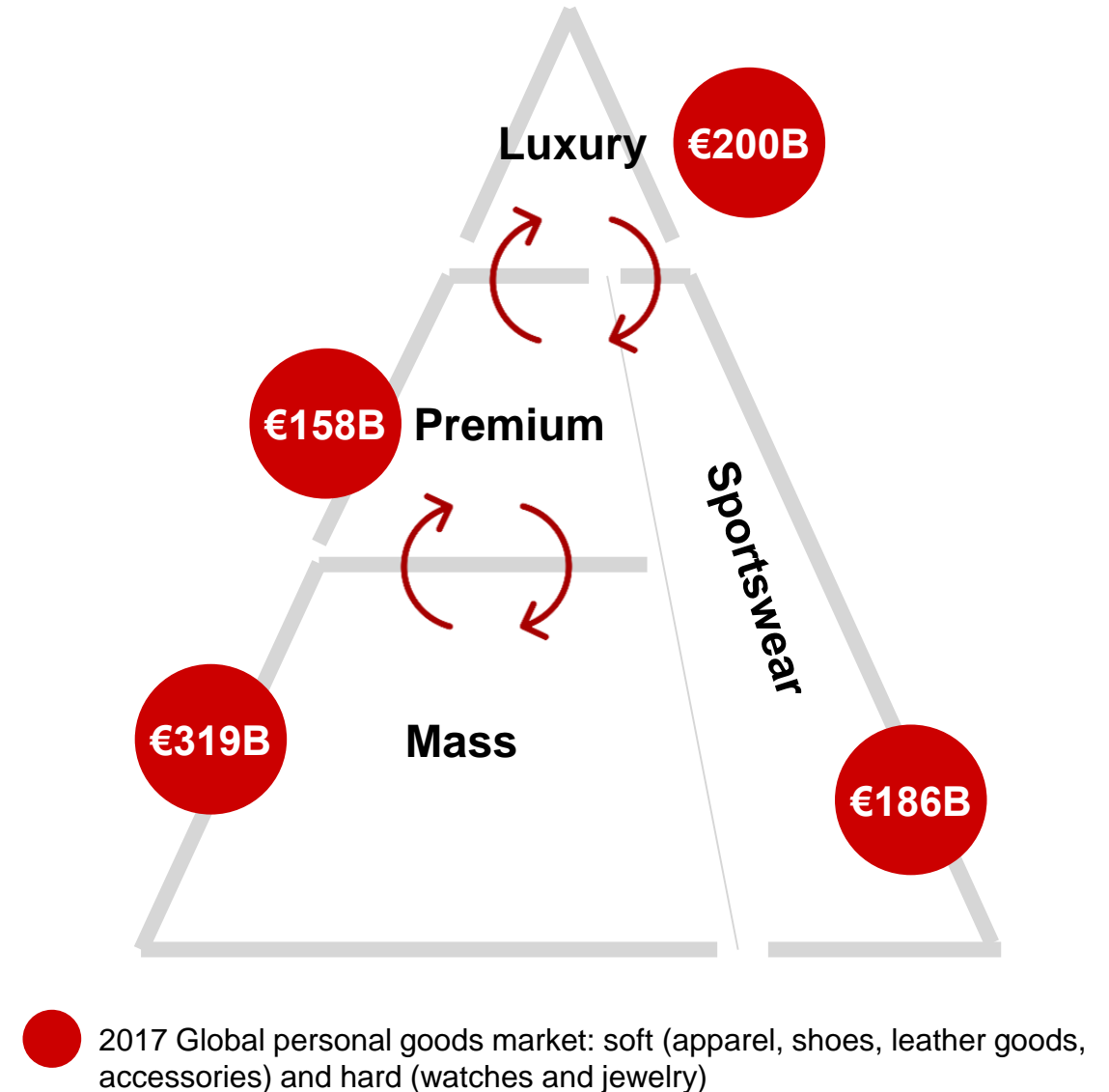
BRANDS WILL CROSS-OVER TYPICAL COMPETITIVE BOUNDARIES, CONVERGING INTO ONE MARKET

6

Fashion & sportswear cross over

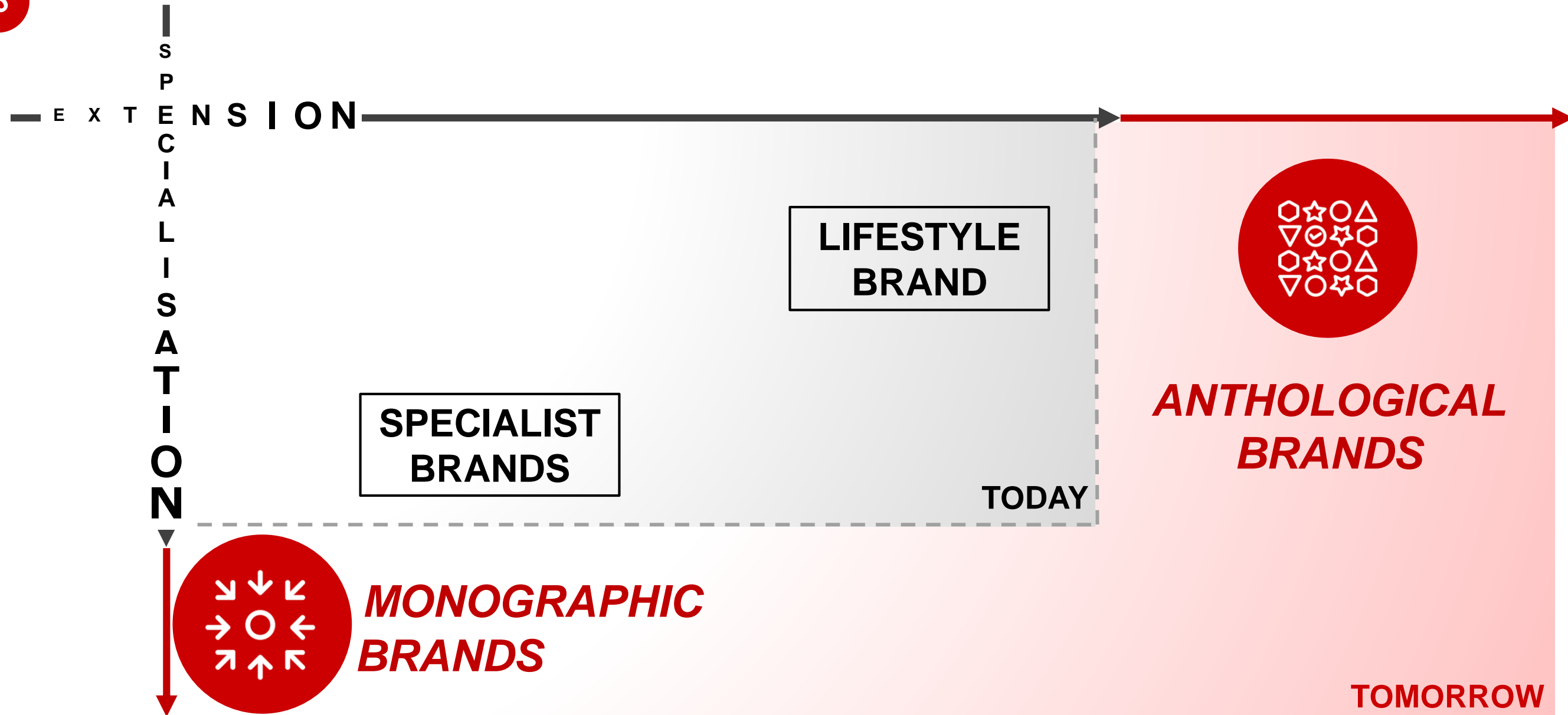


Cross-segment competition in 2017 personal goods market



THE GROWTH MODEL WILL EVOLVE LEADING TO THE RISE OF MONOGRAPHIC BRANDS AND ANTHOLOGICAL BRANDS...

6



...DRIVEN BY A CONSOLIDATION OF THE POST-ASPIRATIONAL VALUE DRIVERS: THE REDISCOVERY OF EXCELLENCE AND THE GROWING POWER OF IDEAS

6



EXCELLENCE

EXPERTISE

MATERIALS



EMOTIONS

STATUS

AESTHETIC



IDEAS

EXPERIENCE

POINT OF VIEW

ALREADY CLEAR SIGNS OF THIS TRAJECTORY AS COMPANIES ARE RATHER
DEFINED BY THEIR CORE COMPETENCES THAN THEIR CONTINGENT OFFER

6

FROM

TO

“IT BAG”

“IT (*)”**

CORE OFFER

CORE COMPETENCES

POSITIONING

ONE MARKET

AS SIGN OF THIS ERA, THE TWO CENTRAL FUNCTIONS OF THIS INDUSTRY
ARE CONVERGING, DESPITE IN CONSTANT TENSION

6

MERCHANDISE DESIGN

3

Art

Analytics

Advanced

Printing

Artificial Intelligence

DIFFERENTLY PROFITABLE BRANDS... NIMBLE IS THE NEW BLACK

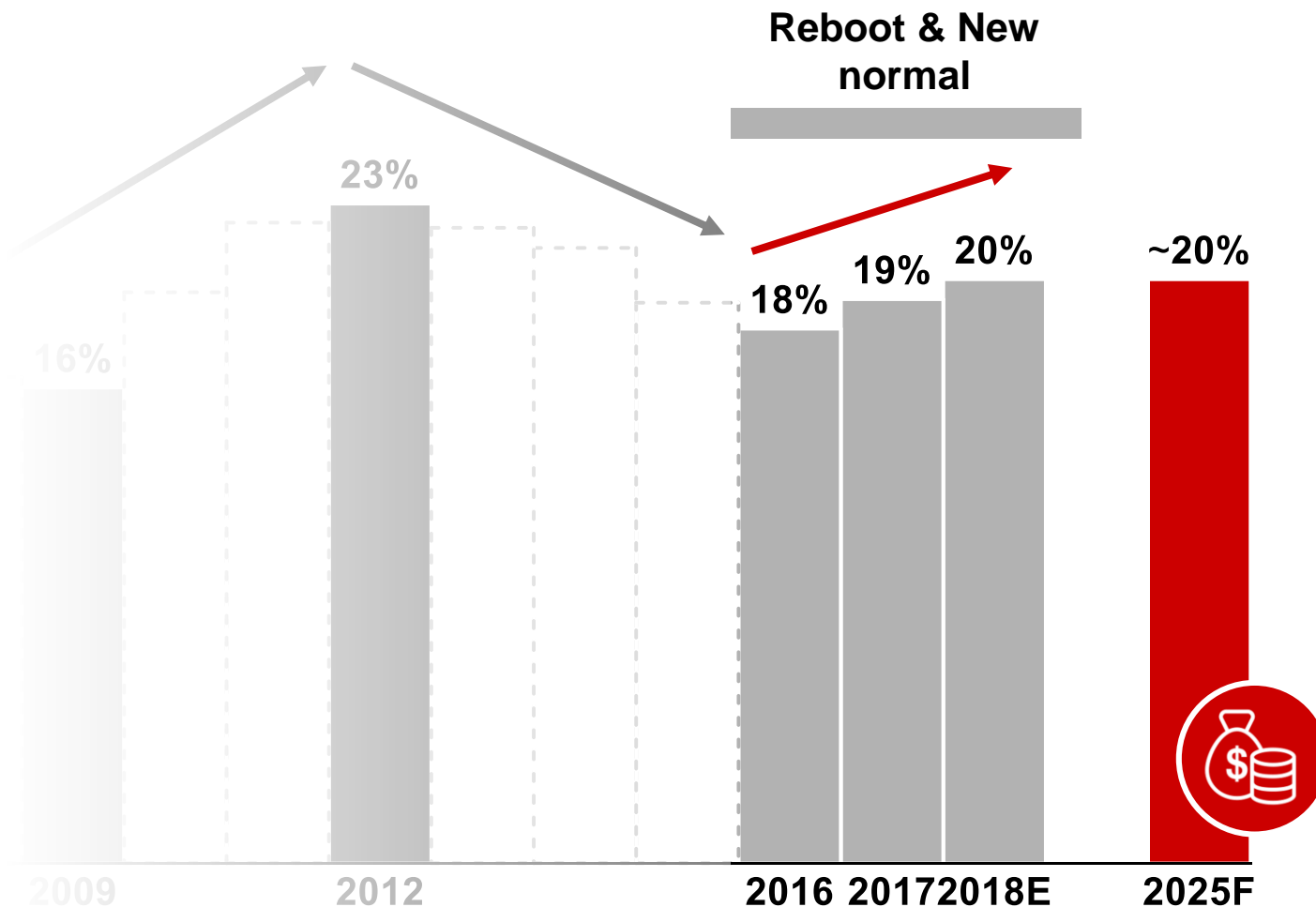


DIGITAL DISRUPTION CHANGING PROFILE AND
NATURE OF **OPEX** AND **CAPEX**... **NIMBLE APPROACH**
TO SUSTAIN **MARGINS**

DIGITAL DISRUPTION SHIFTING PROFILE AND NATURE OF EXPENDITURE ITEMS; PROFITABILITY LIKELY TO STABILIZE IN THE COMING YEARS

1

Evolution of EBIT of selected personal luxury goods brands | % of revenues



WHAT COULD IMPACT PROFITABILITY GOING FORWARD?

- Network consolidation **reducing “brick-and-mortar” investments, changing Capex into “rolling” maintenance needs**
- Increasing **headquarter Capex** (e.g. systems, infrastructure, logistics...) to align toward **omnichannel environment**
- **Lower Opex** on **physical retail** network following consolidation (e.g. rents)
- **Higher Opex** on **digital channel** (e.g. digital marketing,...)
- **Slightly higher Central Opex** (e.g. brand/marketing/merchandising competences,...)



LUXURY BRANDS WILL NEED TO ADOPT A MORE “NIMBLE” APPROACH IN ORDER TO SUSTAIN THIS PROFITABILITY LEVEL

1

A MORE “NIMBLE” APPROACH



“TEST & LEARN” PROCESS

- Manage processes and spending through a “**micro battle**” approach
- **Testing for results** to enable a “**smart**” spending and **allocation of budget**

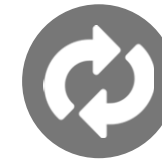
**INCREASED
PERFORMANCES**



CASH LIGHT

- Progressively switch to a **demand-driven model**, with faster lead times
- **More efficiently manage inventory and logistics** (e.g. Stock mutualization, Mega-City hubs,...)

**INCREASED CASH
GENERATION**



“CIRCULAR” OPERATING MODEL

- Transition from a **cascade operating model** (from market insight, to design, to manufacturing,...) to a **circular approach**, based on **real time data**, impacting cross-functional learnings and improvements

**INCREASED
EFFICIENCY**

LUXURY IN 2025 WILL BE A DIFFERENT PLACE

1

CHINESE CUSTOMERS WILL ACCOUNT FOR **45%+** OF THE MARKET...

...AND HALF OF THEIR **LUXURY PURCHASES** WILL HAPPEN IN THEIR **HOME COUNTRY**

2

ONLINE CHANNEL WILL REPRESENT **25%** OF THE MARKET VALUE

100% OF **LUXURY PURCHASES** WILL BE INFLUENCED BY AN **ONLINE INTERACTION**

3

DIGITAL PENETRATION WILL LEAD TO **PHYSICAL DISRUPTION**: NETWORK CONSOLIDATION

STORES WILL INEVITABLY CHANGE: FROM **POINT OF SALES** TO **POINT OF TOUCH**

4

NEW GENERATIONS WILL DELIVER **~130%** OF THE MARKET GROWTH...

...WITH **GEN Z** SHOWING **ORIGINAL TRAITS** VS. **GEN Y**, TO BE PROPERLY ADDRESSED

5

CULTURES/SUB-CULTURES AND **NEW CONSUMPTION PATTERNS** WILL ARISE

CATEGORIES WILL BLEND: **BRANDS** MUST BE **DYNAMIC** AND **RESPONSIVE** TO ADAPT

6

GROWTH MODEL WILL OVERCOME CURRENT BOUNDARIES, SHAPING **NEW COMPETITIVE MAPS**

BRANDS WILL BECOME **EXCELLENCE/IDEA PLATFORMS**, ENLARGING THEIR RELEVANCE

7

DIGITAL DISRUPTION CHANGING PROFILE AND NATURE OF **OPEX** AND **CAPEX**...
...**NIMBLE APPROACH** TO SUSTAIN **MARGINS**

LUXURY IN 2025: NEW TECHNOLOGIES PLAYING A CRUCIAL ROLE AS A FUNDAMENTAL ENABLER OF LUXURY BRAND STRATEGIES

1 MORE CHINESE-DRIVEN PURCHASES... HAPPENING IN CHINA

DYNAMIC PRICING AND **ADVANCED MERCHANDISING STRATEGY** TO **OVERCOME** INTERNATIONAL DIFFERENCES AND CAPITALIZE ON CONSUMPTION BACK IN LOCAL BORDERS

4 A YOUTHFUL MARKET... DISRUPTING GROWTH PATHS

CRM AND **CXM** TO BE TAKEN TO THE NEXT LEVEL: **BIG DATA**, **AFFECTIVE TECH** AND **EMOTIONAL ADVERTISING** TO CUSTOMIZE CUSTOMER EXPERIENCE BY TASTE, TOUCHPOINT PREFERENCES AND EMOTIONAL SPECIFICITIES

7 DIFFERENTLY PROFITABLE BRANDS ...NIMBLE IS THE NEW BLACK

2 E-COMMERCE, ONLINE, DIGITAL... PERMEATING EVERY SINGLE PURCHASE

OPTIMIZATION OF SHOPPING EXPERIENCE (E.G. **HAPTIC FEEDBACK**) OVERCOMING DIGITAL BARRIERS AND **FULLY INTEGRATING PHYSICAL AND DIGITAL CHANNELS**

5 CULTURES AND (SUB)CULTURES... TAKING OVER CONSUMPTION TRENDS

“SMART AND AGILE” PROCESSES **RESPONSIVE** IN **CAPTURING** EMERGING CULTURES AND SUB-CULTURES AND **TIMELY ADAPTING VALUE PROPOSITIONS** ACCORDINGLY

3 FOOTPRINT CONSOLIDATION... RESHAPING THE STORE OF THE FUTURE

BIG DATA AND **ADVANCED ANALYTICS** TO DRIVE RETAIL EXCELLENCE – **TRACKING CONSUMERS** IN A PURELY OMNICHANNEL SETTING; **AUGMENTED REALITY** TO PROVIDE THEM WITH A **TAILORED EXPERIENCE**

6 ONE MARKET... SERVING MARKETS OF ONE

EXTREME PERSONALIZATION TECHNOLOGIES (E.G. **3D PRINTING**) TOGETHER WITH **ONLINE CUSTOMIZATION** AND **FITTING** TO DELIVER **UNIQUE PRODUCTS**, RESULT OF A **CO-CREATION WITH CONSUMERS**

PREDICTIVE ADVANCED ANALYTICS AND **ROBOTIC PROCESS AUTOMATION** TO **OPTIMIZE COST STRUCTURE, SUPPLY CHAIN AND INVENTORY**, INCREASING **PERFORMANCE AND EFFICIENCY**

AS WE LOOK AHEAD: 3 STRATEGY MANTRAS AND 1 FUNDAMENTAL ENABLER TO BEAR IN MIND



BE PROACTIVE...

- Win by developing **dedicated** and **proactive strategies** for customers



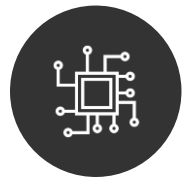
...DISTINCTIVE...

- **Stand-out** by designing a “**unique**” **winning formula** shaped around consumer needs



... NEXT GEN MINDED...

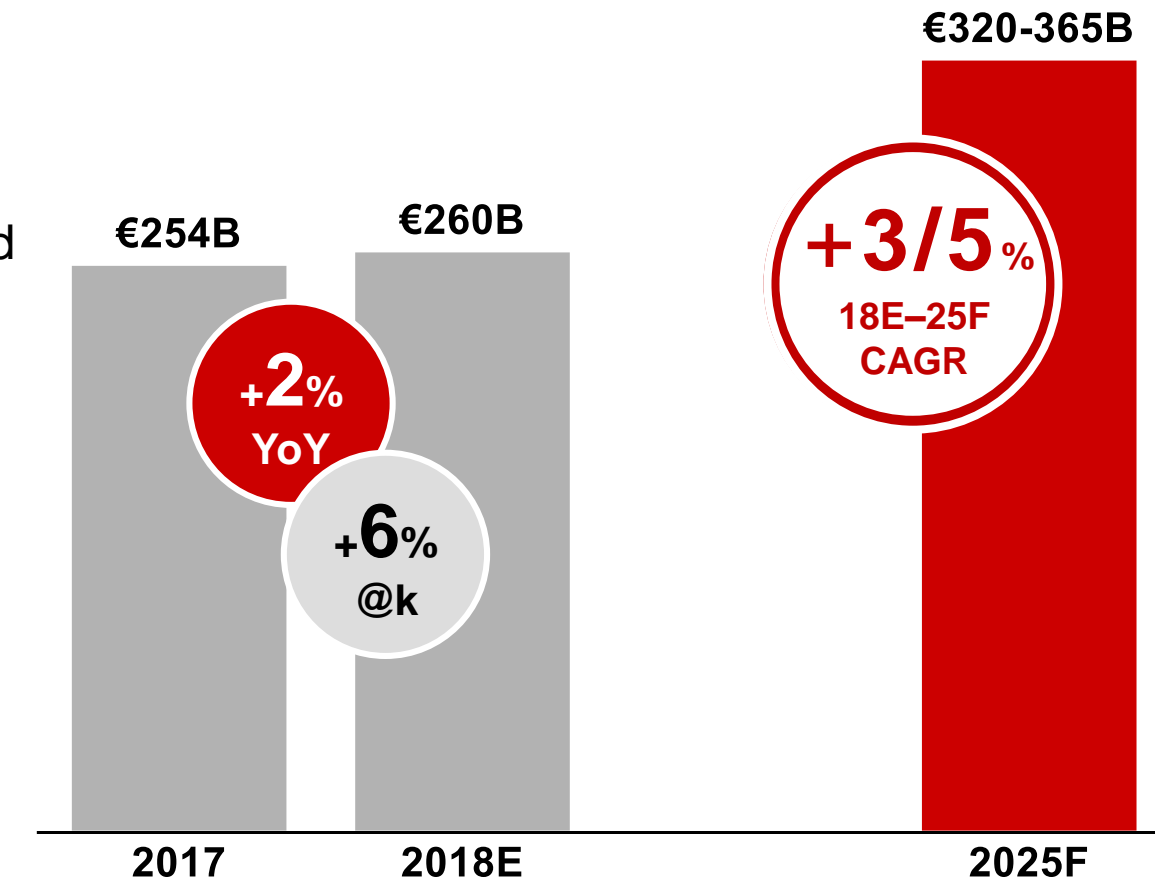
- **Focus** effort and strategy on **winning younger generations** as key engine of future market growth



... AND NEW TECH ENABLED

- Leverage **new advanced technologies** as fundamental **enabler** of the strategy

Personal luxury goods market forecast | €B



@K: Growth at constant exchange rates

BAIN & COMPANY 

PEOPLE PASSION RESULTS!

Claudia D'Arpizio, Partner

Bain & Company Luxury goods vertical



Claudia has spent 24 years advising multinational luxury and fashion clients on everything from strategy and new product development to innovation and organizational change.

She is the lead author of the Bain Luxury Study, one of the most cited sources of market information in the luxury industry.

In 2009, Claudia was also recognized as one of the 'Top 25 Consultants in the World' by Consulting Magazine.

Federica Levato, Partner

Bain & Company Luxury goods vertical



Over the last 14 years, Federica has led more than 200 assignments in the fashion and luxury industry on issues relating to corporate and brand strategy, portfolio management, merchandising, retail and wholesale excellence, digital acceleration, millennial strategies, marketing and communication, and more.

Alongside Claudia D'Arpizio, Federica is the co-author of the Bain Luxury Study, one of the most cited sources of market information in the luxury industry.

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METHODOLOGY OF THE STUDY

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:

$$\frac{\text{Retail} + \text{Wholesale} + \text{Licenses}}{\text{PLAYER CONSOLIDATED SALES}}$$

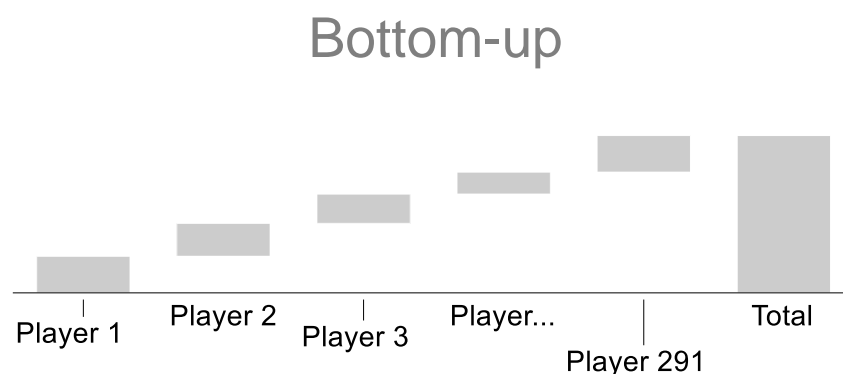


$$\frac{\text{Retail} + \text{Wholesale at retail value} + \text{Licenses at retail value}}{\text{PLAYER SALES AT RETAIL VALUE}}$$

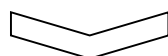
Application of **estimated mark ups** by geography and category

Application of **estimated royalty rates** and **mark ups** by geography and product category

Bottom-up and top-down estimates

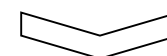


- We add brands individual retail values...



- 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



BAIN & COMPANY 

PEOPLE PASSION RESULTS!