

LUXURY SECTOR:
SECOND-HAND MARKET AND COLLABORATIONS ON THE RISE.
MADE IN ITALY CONSOLIDATES ITS REPUTATION

18.5 million elite consumers (4% of the total) account for 30% of luxury consumption in the world (€920 billion in 2018). The Second-Hand Market and Collaborations between brands are the new trends. Good news for 'Made In Italy' whose positive reputation has grown compared with that of French products. Retail: while digital technology opens the door to new protagonists and new formats, competition for the most attractive locations remains high with advantages for mega brands and strong pressure on costs, investments and sales.

Milan, 17 April 2019. The **Altagamma Consumer and Retail Insight** conference has presented the True-Luxury Global Consumer Insight carried out by The Boston Consulting Group and the Altagamma Retail Evolution compiled by Bernstein.

The findings of the studies were commented on by **Carlo Alberto Beretta**, General Manager of Tods, **Stefano Sassi**, CEO of Valentino, **Claudio Marenzi**, Chairman and CEO of Herno and Chairman of Confindustria Moda, and **Giovanni Tamburi**, Chairman and CEO of Tamburi Investment Partners.

According to **Andrea Illy**, Chairman of Altagamma, *"Faced with the challenges laid down by new consumers, Italian businesses continue to demonstrate the necessary resilience to be protagonists in a dynamic market subject to new trends, such as crossovers with streetwear and artists and the growing focus on sustainability. 'Made in Italy' remains attractive to the world's more discerning clientele and is now the leading choice among Chinese consumers and Millennials"*.

MARKET AND CONSUMERS: THE NUMBERS

The True-Luxury Global Consumer Insight survey presented by Nicola Pianon (Senior Partner and Managing Director of BCG) revealed that in 2018 the **425 million luxury consumers** in the world spent around **€920 billion**, with Experiential Luxury (€590 billion, +5% vs. 2017) growing more than Personal Luxury (€330 billion, +3% vs. 2017). Driven by Millennials and the Chinese, consumption is expected to grow to up to around €1256 billion in 2025 (with an annual growth rate of 4-5%) with total consumers rising to almost 500 million people.

The sample analysed by the study represents 18.5 million Top consumers (out of a total of 425 million luxury consumers) who in 2018 spent €278 billion: **in other words, 4% of luxury consumers are responsible for 30% of total consumption.** The main trends identified were as follows:

- **The second-hand market is now worth €22 billion**, is driven by digital platforms and is undergoing major growth (**+ 12% YoY**) among Top Consumers with 60% interested in purchasing used products thanks to the quality-price ratio and the possibility of finding sold-out, limited edition and vintage items. All in all, around half (45%) of Top Consumers are active on the Second-Hand Market.
- **Collaborations between traditional luxury brands and streetwear brands and artists** are of increasing interest to Elite consumers: 90% know about them and half of them purchase special editions. Once again it is the next generations and the Chinese that are driving this trend. Bags and Sneakers are the biggest selling articles. These partnerships are attractive because they inject an original and special bit of style into the universe of traditional brands.
- **Made in: Italian products** have overtaken 'Made in France' items in terms of their popularity among two key categories for the luxury market: those of the Millennials and Chinese consumers.
- **Sustainability** has become a **crucial factor in 60% of purchases.**
- **Casualwear:** 74% of interviewees confirmed their preference for more informal clothing.

- **The Social Media and Influencers** remain the **main influence levers behind purchases** with 80% (95% in China) dialoguing with Brands and Bloggers via Social Media.
- **Online purchases** are also growing: 1/5 of the most recent sales took place via the Internet with 60% taking place in addition to, rather than in place of, purchases in physical stores.

For **Nicola Pianon**, Senior Partner and Managing Director of BCG, the research shows how: *“Half of True-Luxury consumers have purchased items realized in collaborations between traditional luxury brands and Streetwear brands and artists, and awareness reaches 90%. Collaborations purchases are boosted by Chinese and younger consumers”*. **Olivier Abtan**, Partner and Managing Director Paris of BCG, adds: *“Second-hand luxury is growing double-digit, and much faster than the overall personal luxury market, and by 2021 will already reach ~10% of the global personal luxury market. Interestingly 60% of True-Luxury consumers have already or would purchase pre-owned luxury items, with 1 in 5 searching for sold out, limited edition or vintage items”*

RETAIL FOCUS

The Retail Evolution Study, presented by Luca Solca (Senior Research Analyst, Luxury Goods at Bernstein), examines the evolution and prospects of the retail strategies of luxury businesses.

The development of digital luxury, which is creating new distribution and communication channels and opening the door to new players (like Amazon and Alibaba), represents an existential challenge to brands, which must engage new consumers attentive to the ways in which brands present themselves via stores.

The arrival of new consumers - who are largely driving the growth of the sector - is forcing brands to be more courageous and innovative. New consumers are looking for different experiences and products compared to those sought by their parents twenty years ago. They want to be surprised by new products, new stores, new forms of communication.

At the same time, **competition for the most attractive locations remains very strong for all:** Mega brands (at an advantage due to their size), niche brands and accessible luxury brands. As such there is strong pressure on costs, investments and sales.

And as economies of scale win out in markets in which costs explode, this pressure is felt most keenly by small- and medium-sized businesses which have less capital and are more exposed to the grey and wholesale markets.

The keys to success lie in **high productivity per square metre and creative and distinctive solutions**, as Luca Solca explains: *“the luxury industry is experiencing an explosion in terms of the number of fronts on which businesses have to compete and the cost of managing them. Smaller Italian businesses have to lead the way in terms of creativity. And they have to concentrate in an obstinate and maniacal way on the productivity of spaces. High sales per square metre is the way to stay competitive.”*

For more information:

Edoardo Carloni - Tel: 3391618463 Email: carloni@altagamma.it

Francesca Prospero - Tel: 335 8489800 Email: prosperi.francesca@bcg.com