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Luxury: Tomorrow is (way) different

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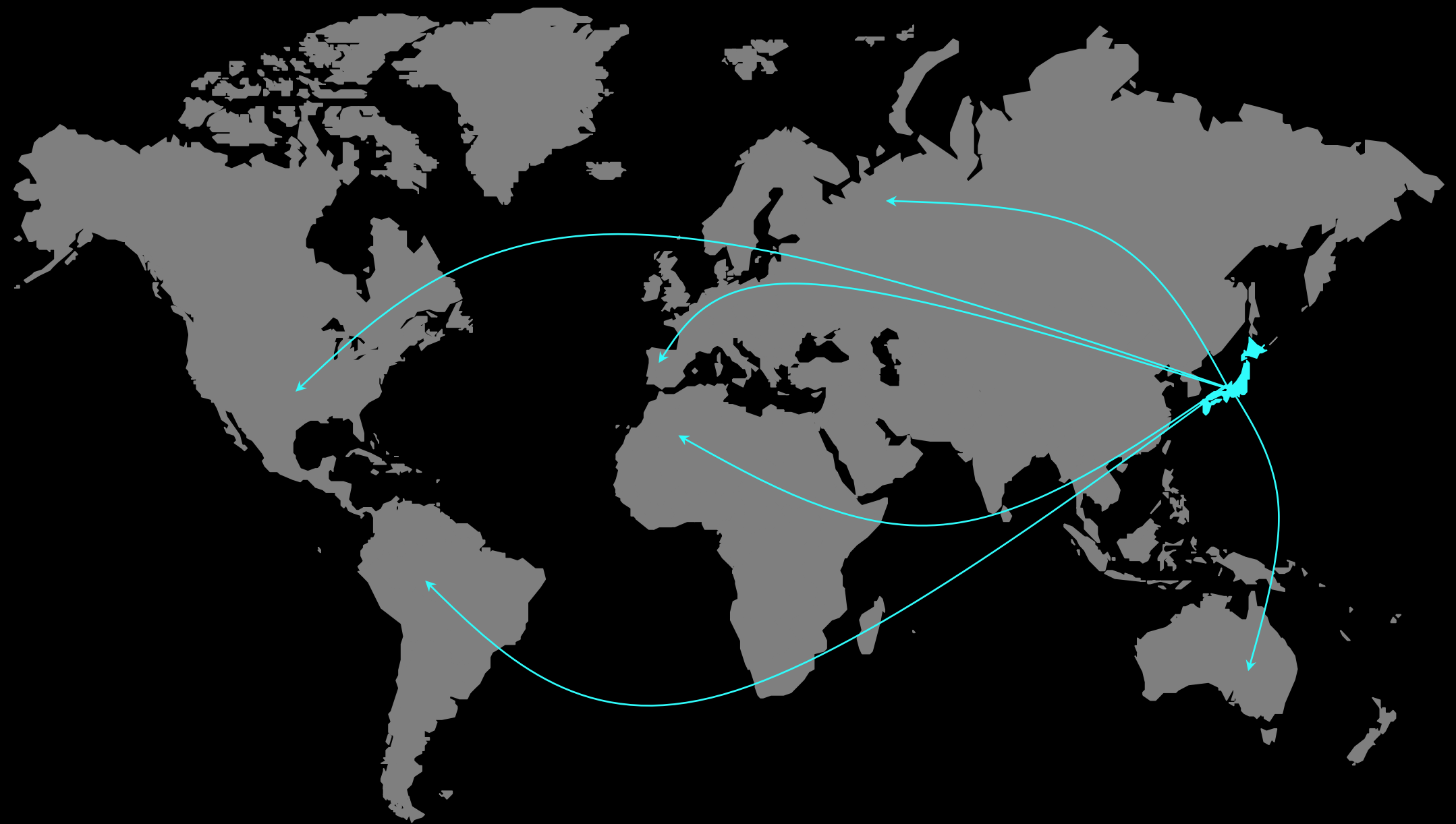
Luxury Forward 2016

WE ARE LIVING THE FIRST STRUCTURAL CRISIS IN THE
INDUSTRY

The **luxury industry**
has been created and developed by baby boomers in Europe



Became a global industry
with Japanese, travelling the
world and buying in **Japan**

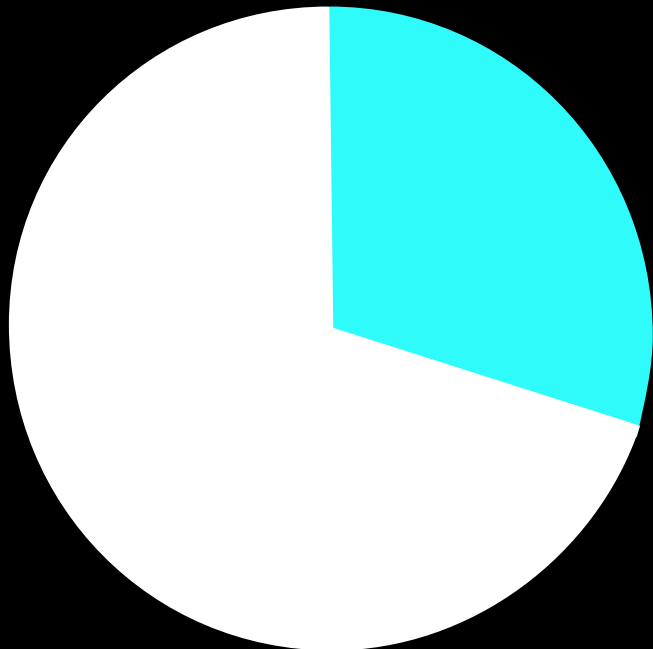


Grew dramatically more
recently
with **Chinese**



Indeed, in the **past decade, Luxury growth was all about emerging market consumers' spending**, especially Chinese who represent more than one third of Luxury sales globally

Serving Chinese abroad and **opening stores in China** was the name of the game for most Luxury players





Today, Chinese consumers spending
is slowing down,
esp. outside mainland China, and China
is "saturated" with Luxury stores

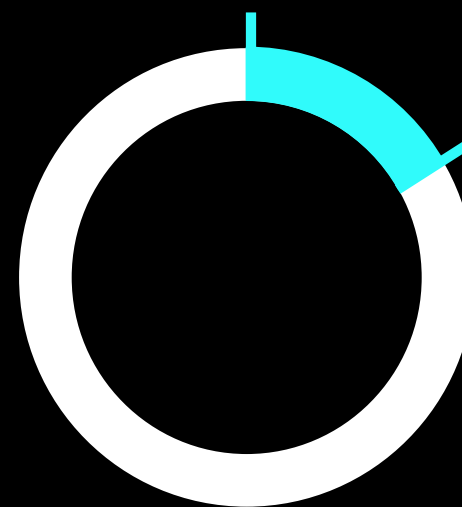
And **there is no "other China"** / no other like
"Chinese consumers" in the world in the near
future ...

Luxury industry growth in the future expected more around **2-5%** p.a. vs.
the **8-10+%** in the last decade

As a consequence,
growth is expected
to slow down: This is the
NEW NORMAL

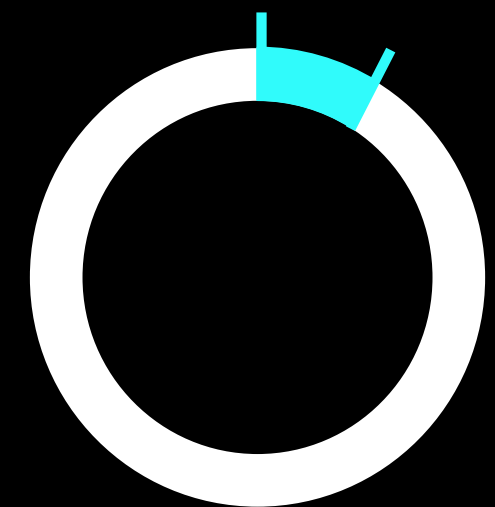
8-10+%

Last decade



2-5%

Future expectation



BCG

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Luxury **consumption behaviors**
are also deeply changing with consumers seeking

More experiences



More digital and more ecommerce

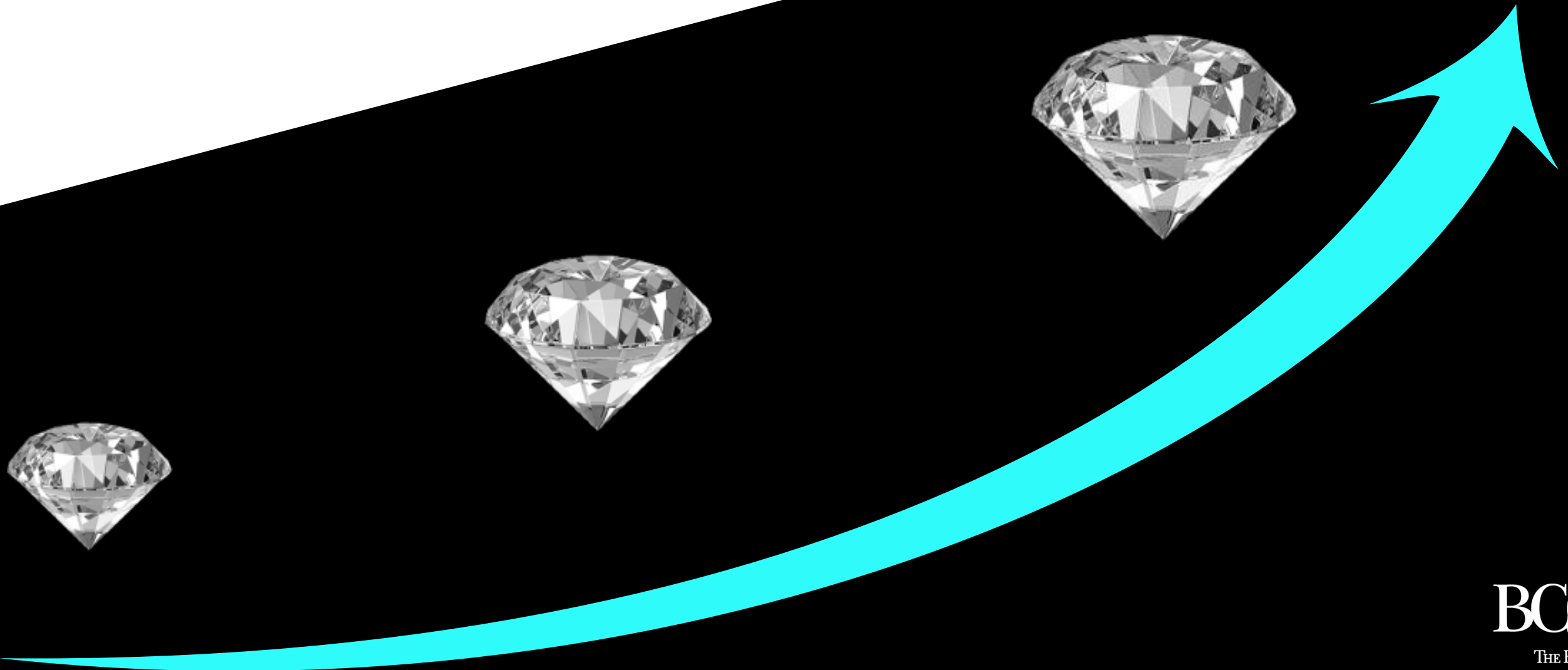


New business models



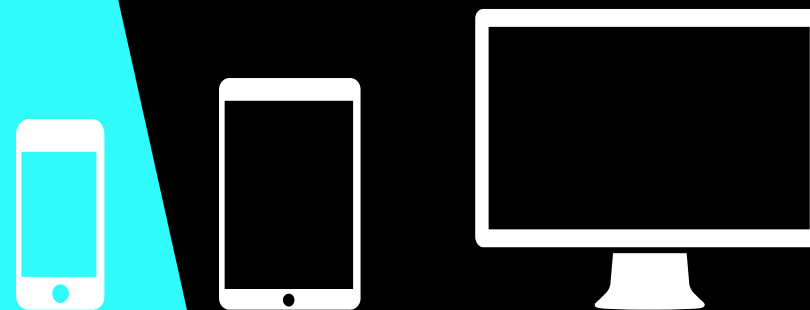
In this new slower growth world for Luxury,
**Luxury groups must pursue each
and every new source of growth**

Key is now to **grow Luxury spending** of local clienteles both
in mature and emerging markets, and create more loyalty





Necessary to recruit more new clients, especially the
younger generations (millennials)



Get the most out of "Digital" - ecommerce, digital marketing, social media, CRM, omnichannel: rethink all touchpoints along the customer journey

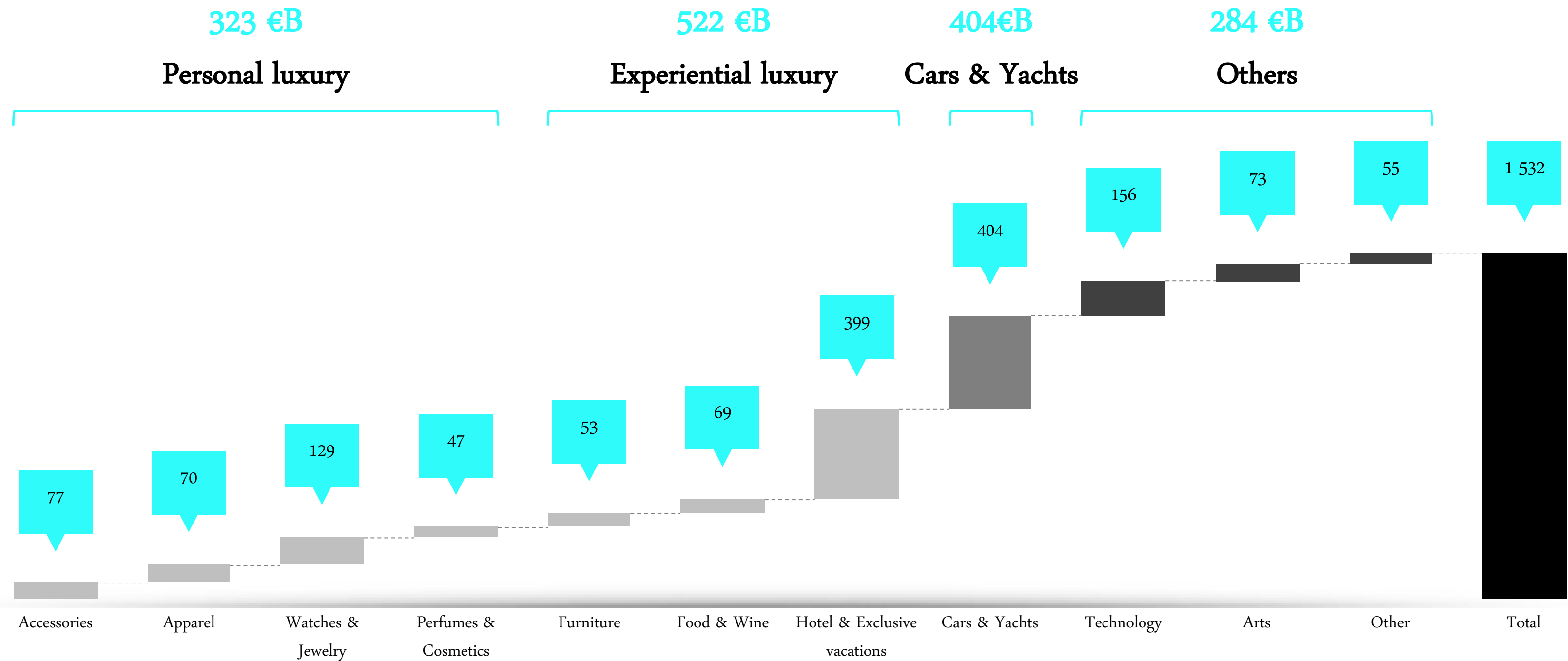
**Come back to the basics of retailing –
adapted merchandizing to local clienteles,
enhanced experience in stores, relevant
local marketing and eventing and
personalized relationships with clients**





Rethink product offerings (categories, product mix)
to further recruit new clients, esp. millennials

Luxury market (€B, 2015 retail value @current)



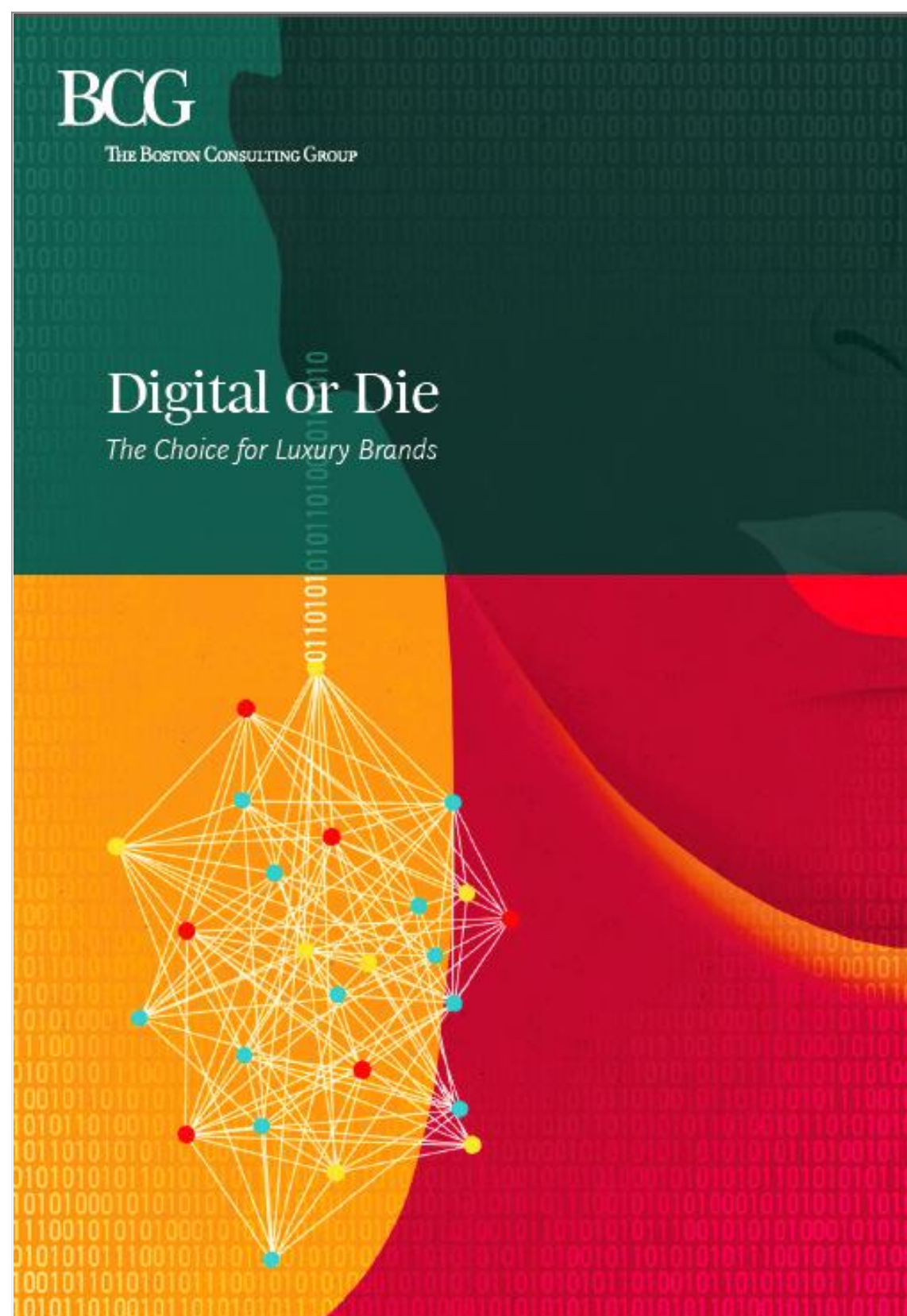
Personal luxury

Experiential luxury

Δ vs. 2014

+1.6%

+4.2%



Digital or Die

10.000+ **Top Luxury Consumers** analyzed in 10 luxury markets

Interviews with **Executives** from more than twenty luxury firms and groups

Data, research and work from **BCG luxury experts** throughout the world

Digital is happening
fast and forcefully ...

...whether luxury brands are
ready
for it or not

- E-Commerce as a **significant growth driver**: 40+% of future industry growth
- Already today **6 out of 10 luxury sales** are digitally influenced
- Digital initiatives have become **mandatory to recruit new customers**, esp. Millennials
- **Core Luxury customers**, including **older generations**, are **heavily online** for inspiration, interactions with brands, offer comparison, ecommerce & convenience

Luxury is no longer in-store
only

- Luxury consumers live in a digital world – **80% demand “omnichannel” interactions** from luxury brands
- Brand websites are still dominant, but **online marketplaces, dept. store websites and specialized retailers gaining share and influence**
- **US and UK leading** in digital luxury

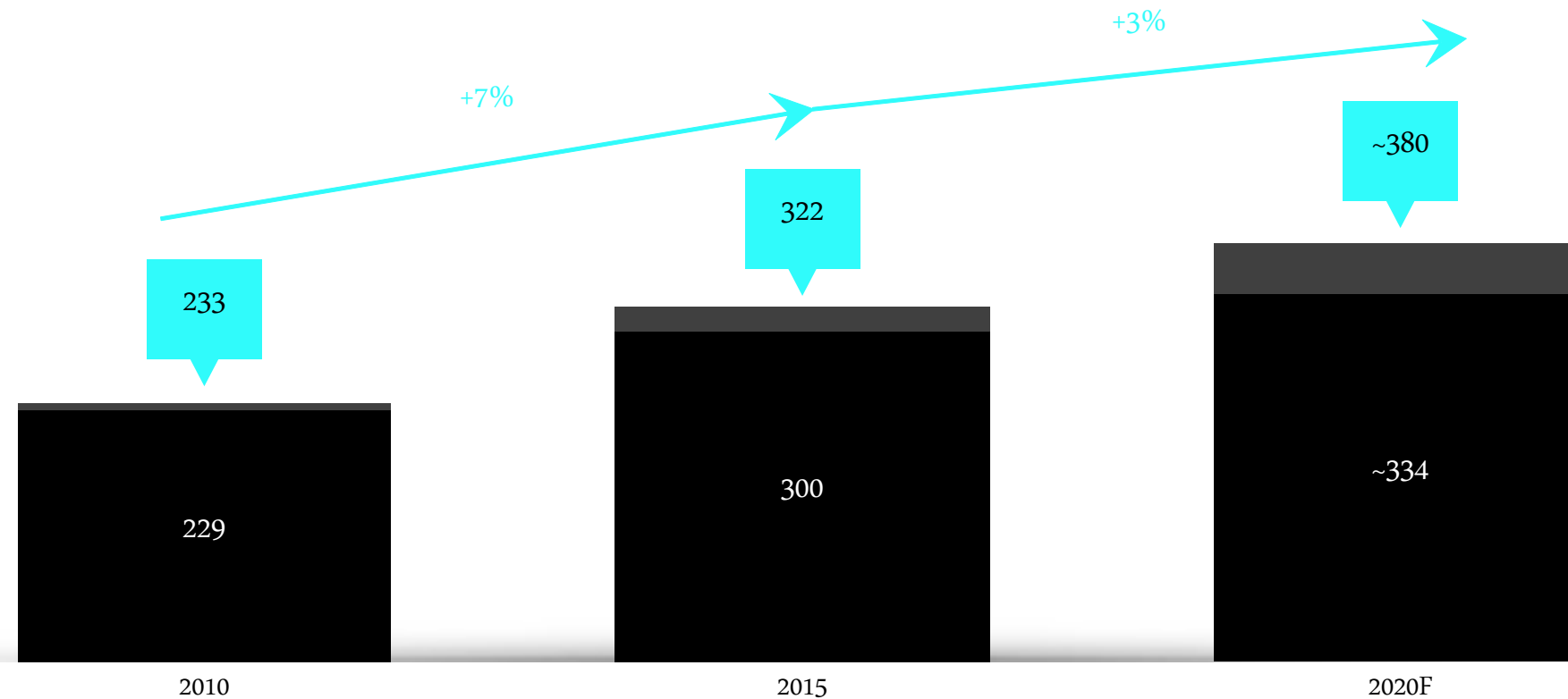
Luxury brands
to adopt a digital /
omnichannel mindset to
succeed

- Managing the **customer’s total brand experience** is what counts today
- **Omnichannel** is what matters; **Bringing customers to more experiential stores** the ultimate goal
- **Operational transformation of Luxury Maisons** is necessary

CAGR



Retail value by channel in B €



~40%
of overall market
growth in next five years coming
from
E-Commerce

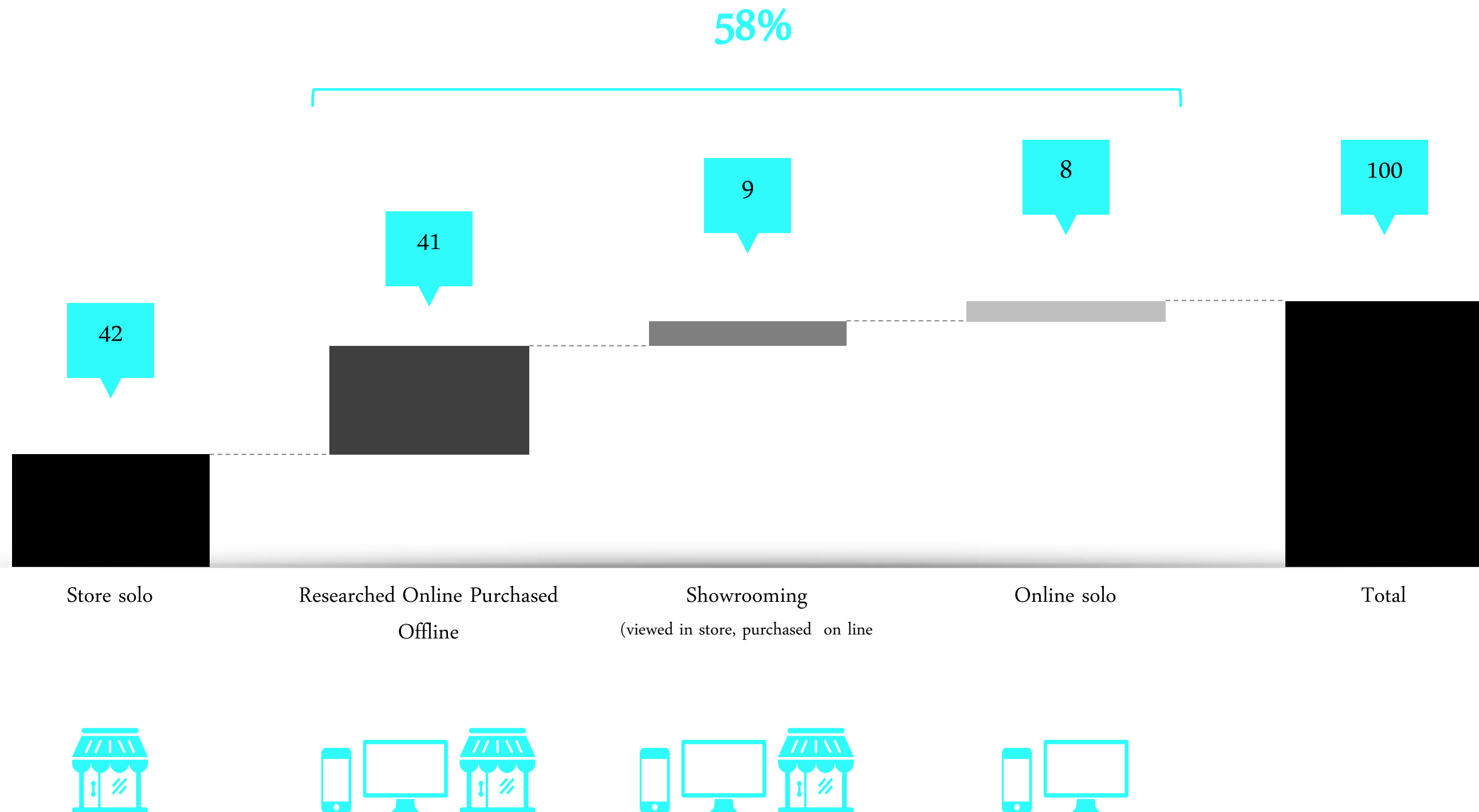


Offline

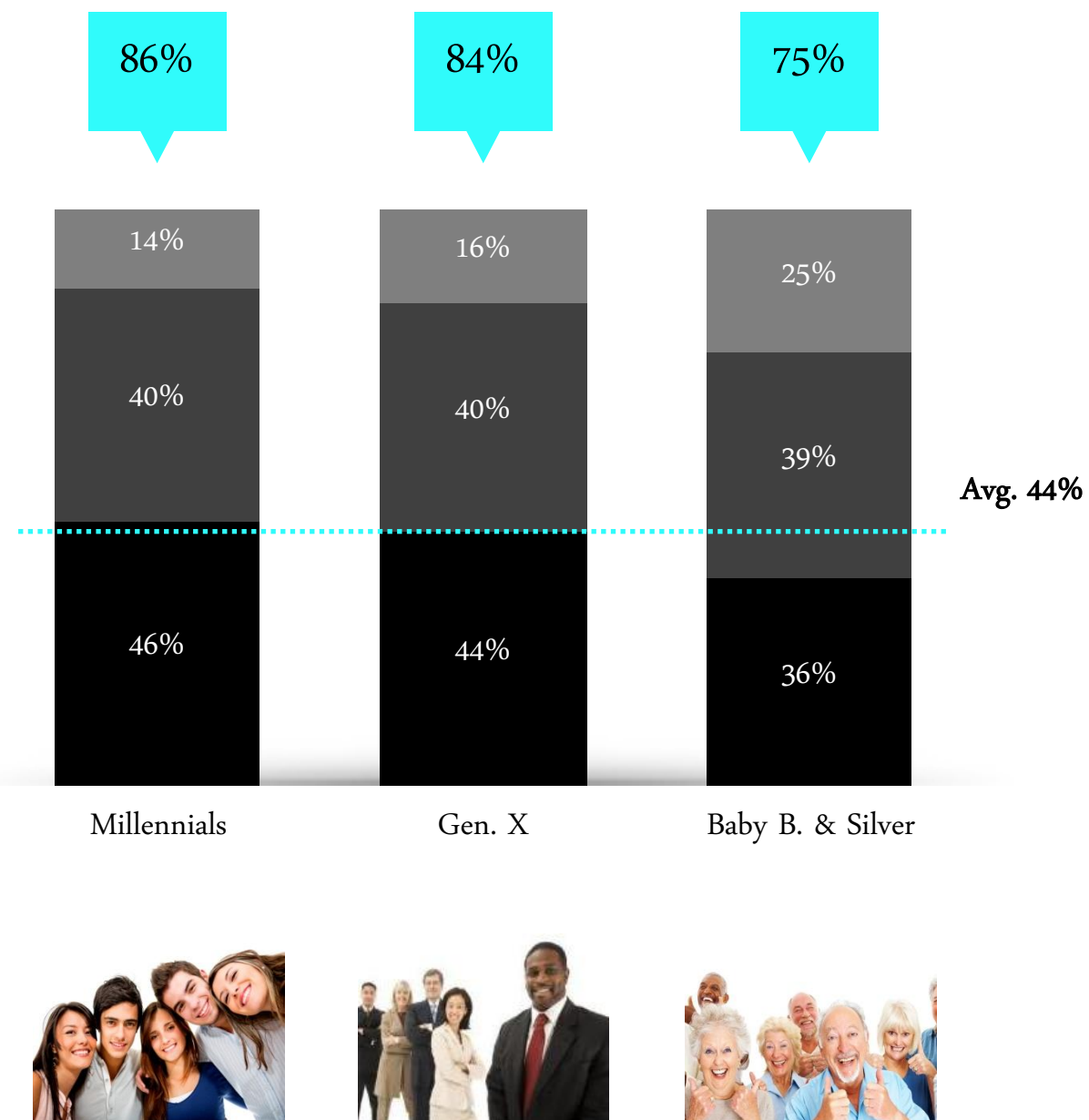


E-Commerce

"Where have you bought the last item purchased? Where have you researched it?"

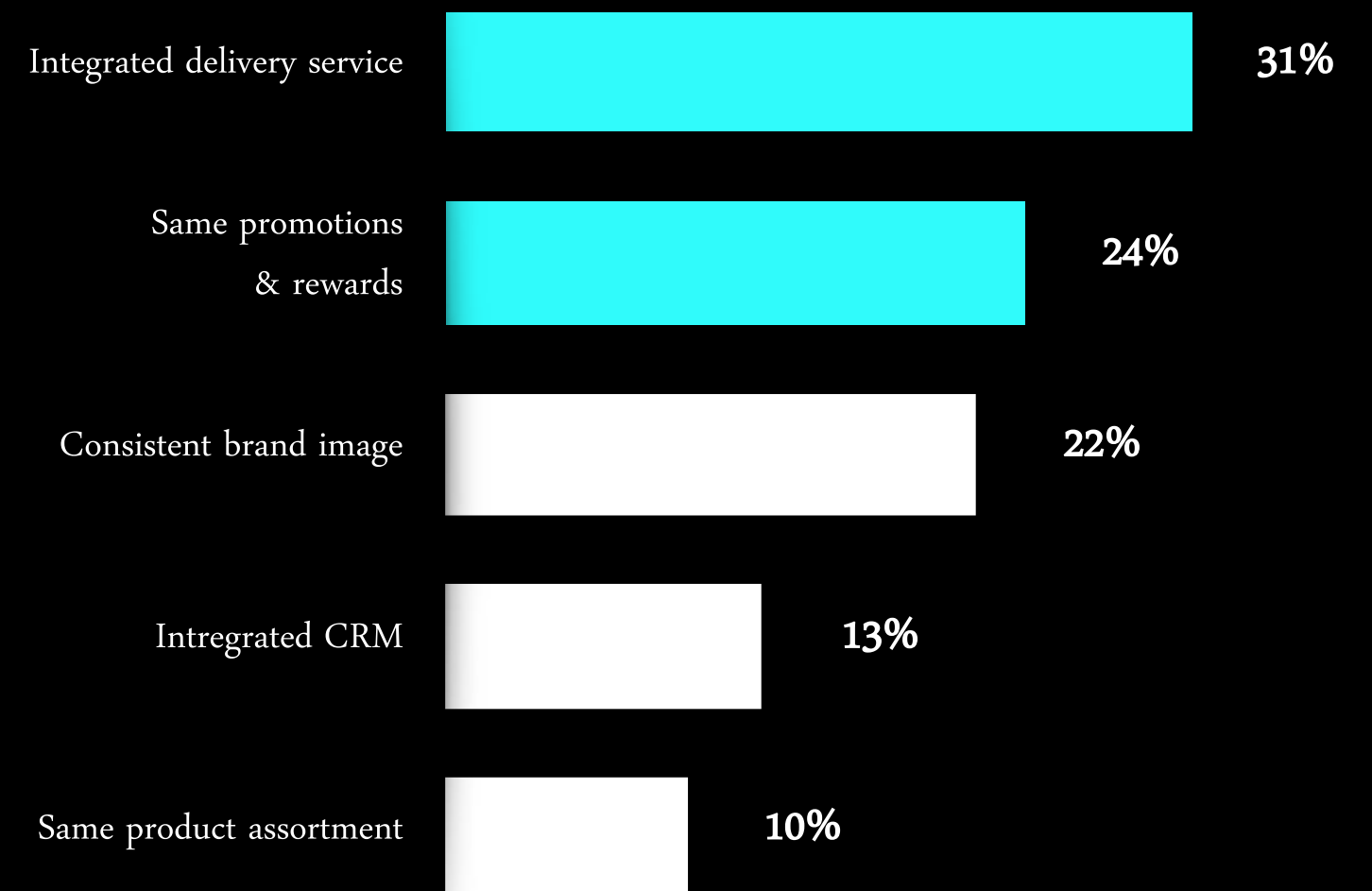


"How important is it for you that a brand can be reached through different channels?"

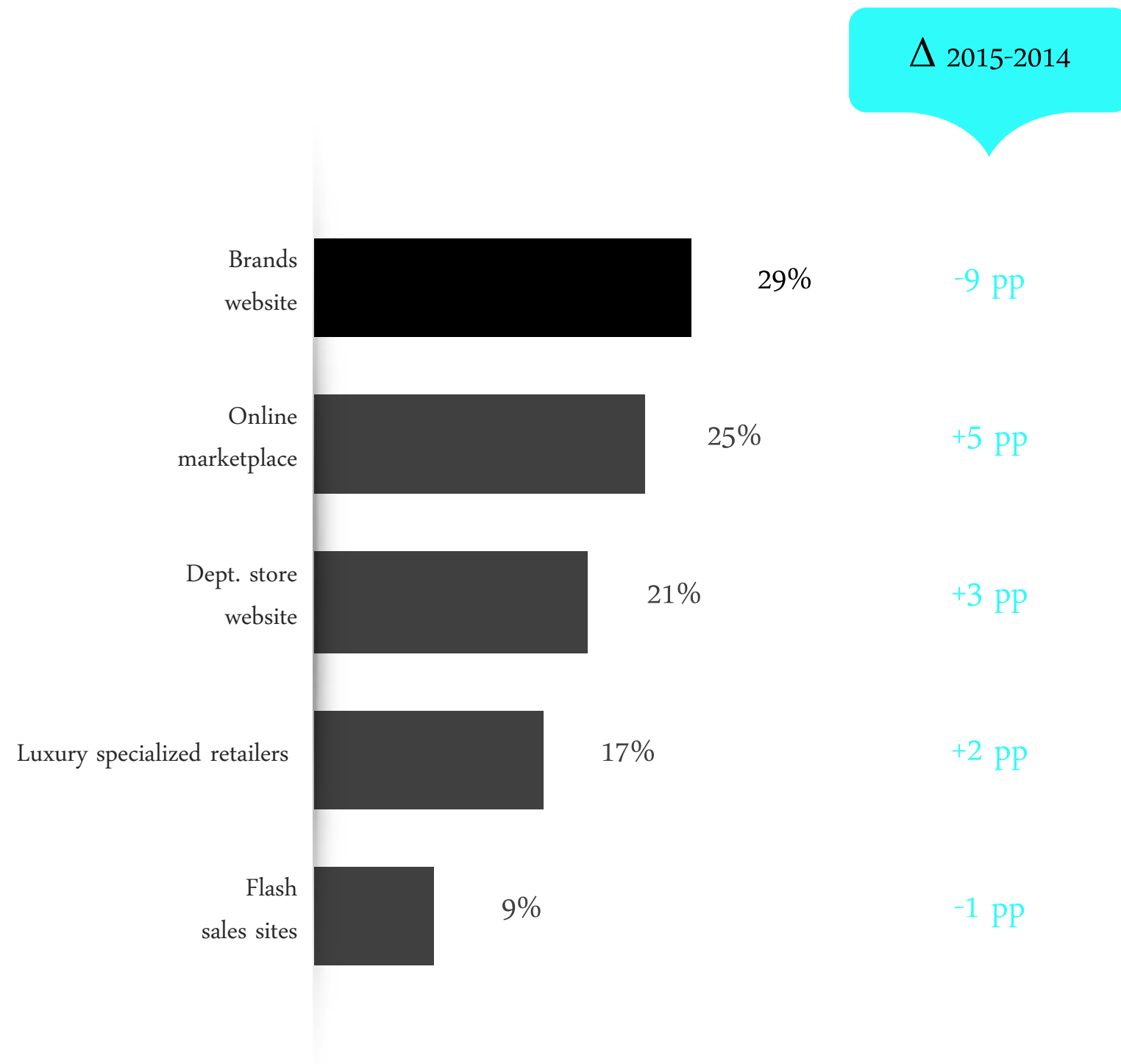


Not negotiable / Very Important
 Somehow important
 Not important

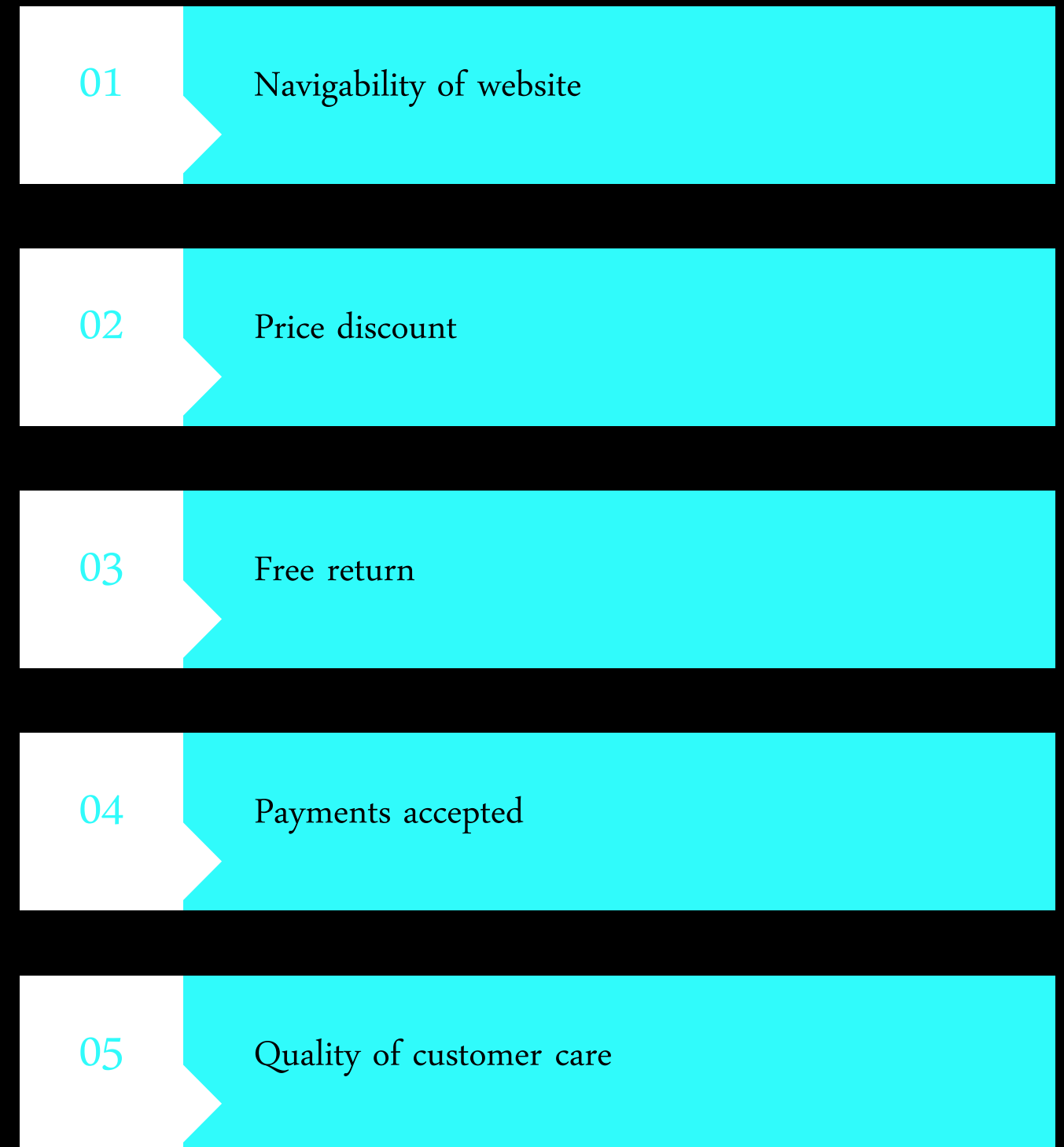
"What do you expect when dealing with multiple channels?"



Where are you buying Luxury ?

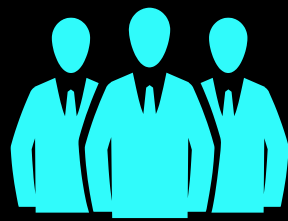


What is important for you online ?





How to win in digital: Eight digital lenses to look through



Customer-centric strategy

Digital Strategy

- Business model innovation
- Agility
- Scalability

Digital customer insight

- Consumer insight
- Digital listening & smart segmentation

Digitally enhanced touch points

Digital product & services portfolio

- Product innovation
- Experience innovation
- Pricing

Digital marketing & branding

- Precision marketing/audience targeting
- Tracking
- Community management

Digital channels

- E-/M-/S-Commerce:
- CRM:
- Omni-touch point:

Digital ecosystem and mindset

Digital ecosystem & partnerships

- Competitive intelligence
- Partnering

Digital organization & capabilities

- Organizational structure & processes
- Recruiting & training
- Change management/culture

Digital operations & infrastructure

- IT landscape
- Business intelligence
- Data integration & security



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