

Good times for a **change**

DANGEROUS CROSSROADS,
SLIDING DOORS

CLAUDIA
D'ARPIZIO

FEDERICA
LEVATO

NOVEMBER 13, 2024

BAIN & COMPANY 

 **ALTAGAMMA**
CREATIVITÀ E CULTURA ITALIANA

Foreword on content and sources

Content of this document

- This document contains **an update** on the **luxury goods market**, in particular:
 - Insight into the **performance of the market** for the **first three quarters of 2024**, with expectations for the last quarter
 - **Estimates** for how the luxury market will evolve **beyond 2024**, with related emerging **macro trends**
 - Bain's **recommendations** for how luxury players can **steer the next phase of growth**

Sources of this document

- The **insights** are based on **Bain's** triangulation of **information** and **sources**, available as of **November 10, 2024**, and include:
 - **Macroeconomic data** (e.g., GDP, consumer confidence index) and the latest **forecasts**
 - **Current trading performance** from relevant luxury industry players
 - Annual **reports**, quarterly **results**, and analyst reports
 - **Consensus of 100+ expert interviews**
- Outlooks **do not consider disruptive changes** in the **global sociopolitical** situation vs. the **status quo**

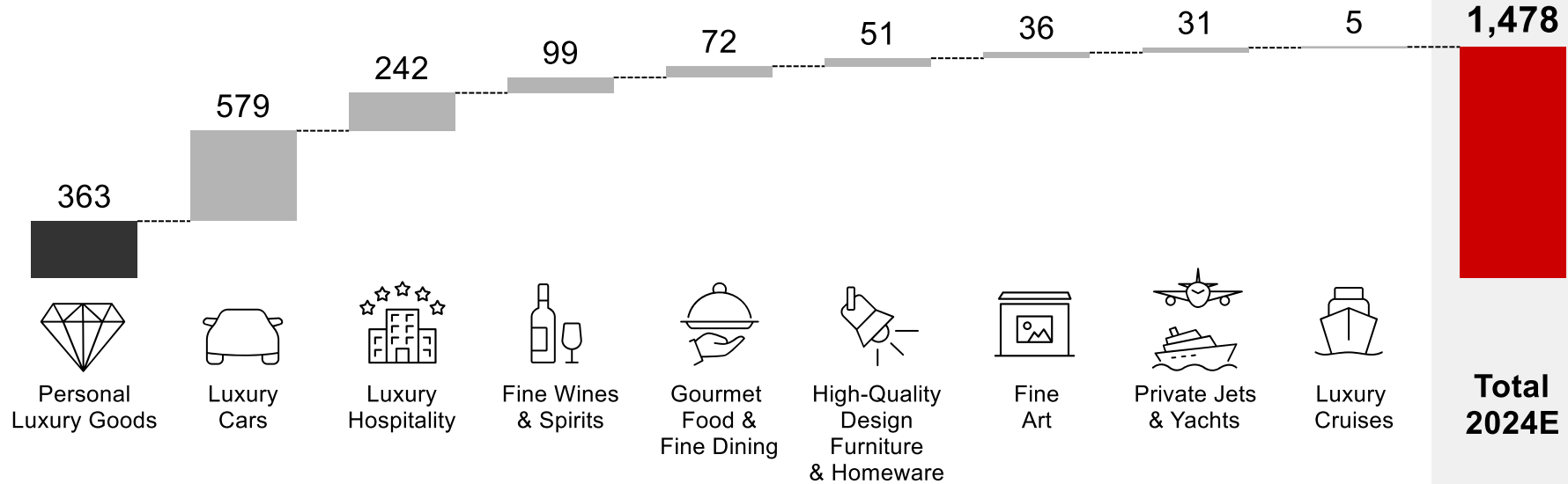
Note: Please refer to back-up for study methodology and perimeter adjustment for 2024E

Luxury markets 2024 in a slight slowdown

Bright spots from experiences and experiential goods

Global luxury markets

€B | 2024E



2024_E

-3/-1%
@Current FX vs. 2023

-1/+1%
@Constant FX vs. 2023

+15/17%
vs. 2019

Total 2024E

Year-over-year ('23-'24E) growth

@CURRENT FX	(2%)	(5%)	4%	0%	8%	(2%)	(7%)	13%	30%
@CONSTANT FX	0%	(3%)	5%	2%	10%	(1%)	(7%)	14%	31%
VS. 2019	+27/29%	+5/6%	+16/18%	+29/31%	+35/36%	+20/22%	-2/0%	+29/34%	+130/140%



Luxury vehicles

Luxury cars

Polarized across segments, with upper-premium suffering slowdown in demand, and competition from local players in APAC markets, while **absolute luxury holds strong**, consumers seek **ultra-personalized solutions** while brands continue investing in strengthening their **proximity to consumers**

Luxury yachts

Continue experiencing persistent growth in deliveries, rooted in significant backlogs accrued in last years, despite progressive orders slowdown, with **rising interest for tech-enabled solutions on board**

Private jets

On positive momentum, with fleet upgrade pushed by increasing **regulatory pressure toward biofuels** and rising interest for **fractional-oriented ownership models** and subscription services enhancing flexibility




Fine art & design furniture

Fine art

Sharp decrease, with **auctions facing setbacks from geopolitical tensions**, and weak **dealer performance** mostly limited to local clientele; continued **interest** from institutional investors and cultural promoters **toward minorities** – yet **still not cutting into broader clienteles**

High-quality design

Still on negative trend amid **heightened and persistent macroeconomic pressures**, with **stronger traction** in high-end projects for top-tier clientele, while traditional multi-brand channel suffers from sluggish consumer traffic and challenges in interpreting “new” client desires



Food & beverage experiences

Wine


Exhibiting negative growth, with **cautious consumer spending** and **de-stocking** driving short-term turbulence; **bubbles fatiguing** more than stills and **nuances across regions**, with US suffering from consumer downtrading, and **China slowing down**

Spirits

Low single-digit path, with **mixology-led consumption remaining resilient** while **meditation-driven use suffering**; **NextGens shifting elements of value** in drinking value propositions favoring **rise of NoLo** (no-low alcohol) **alternatives** and **RTDs** (ready-to-drinks)

Gourmet food and fine dining

Fine dining overgrowing at home food, with raising demand for **immersive, entertainment-oriented experiences**, blending traits from different worlds (art, perfumery, and design) to satisfy an **unquenchable desire for uniqueness**; growing emphasis for **ethical and environmentally conscious food**



Out-of-home experiences

Luxury hotels

Normalizing after last year surge, with strong **occupancy rate** and **ADRs** stabilizing significantly above pre-Covid levels; raising demand for cross-generational “family” trips, paired with increasing interest for **wellness and experience-driven travels**, steering brands offer toward encompassing more **holistic solutions**

Luxury cruises

On continued strong momentum fueled by reaffirmed **interest of HNWI**; **fleet expansion** within ultra-luxury segment paving the way for more **intimate cruising experiences**, complemented by increasing consumer interest for **adventure-focused itineraries** focused on **environmental conservation**

Luxury vehicles polarizing: ultra-high range holding up, aspirational suffering



Luxury cars

€579B

Market size 2024E (€B)

-6/-4%

YoY growth '23-'24E

-5/-3%

@K

+5/6%

Growth vs. 2019

Private jets and yachts

€31B

Market size 2024E (€B)

12/14%

YoY growth '23-'24E

13/15%

@K

+29/34%

Growth vs. 2019

- **Contrasting** effects across segments impacting overall luxury cars market growth
 - **Light growth in Absolute segment**, confirming its resilience rooted on **strong category palatability for HNWI**; however, sharp polarization, with some heritage brands dealing with hurdles in managing their product lifecycle
 - **Aspirational and Accessible segments suffering contraction**, due to **weaker customer demand within affluent consumers**, and clearance of post-covid order backlogs
 - **Nuanced trends across regions**, with positive performance within the West, while **Chinese market starts being impacted by rising demand shift toward local players**, especially within BEV (Battery Electric Vehicles) segment
 - **Bespoke, limited-edition models** and **personalization** paving their way, intercepting the demand of luxury customers by providing **unique, tailored driving experiences**
 - **AI-driven customization** playing a paramount role in enhancing **fully-tailored experience**, with vehicles enabled to learn and adapt to driver driving preferences progressively
 - Increasingly, direct **client-designer collaborations** allowing for creation of **one-of-a-kind vehicles**, emphasizing both **exclusivity** and **sustainability**, as consumers prioritize eco-conscious solution and cutting-edge technology
 - Luxury automakers **continue their push for narrowing their distance toward final consumers**, rising investments in **virtual showrooms** to cater to tech-savvy young generations
-
- **Luxury Yachts** market settled for another record year, with **sharp growth in deliveries** rooted on wide **backlog**, yet with emerging (light) **slowdown in new orders intake** expected to impact growth in the coming years
 - **European shipyards further advancing their market share**, with noticeable growth from both Turkish and Italian ones, at the expense of other areas
 - Increasing interest from NextGens owners in **fully-fledged outdoor solutions allowing for wide contact with nature**, leading to designs **blurring boundaries** between **indoor and outdoor** and **prioritizing wellness**, while preserving space **versatility** to adapt to multiple uses
 - Growing emphasis on **on-board technology, powered by AI** to enhance **personalized experiences for guests**, and **renewable energy sources**
 - **Private Jet market** on **positive growth trajectory**, with first signals of positive contribution emerging from “forced” fleet renewal on account of increasing regulatory push toward **Sustainable Aviation Fuels (SAFs)**
 - Growing diffusion of “**flying on demand**” services based on **fractional ownership** and / or **subscription models**, aimed at enhancing flexibility, airplane utilization, and accessibility for a broader audience

Design still suffering amid persisting macroeconomic pressures, fine arts impacted by global uncertainty



Fine art

€36B

Market size 2024E (€B)

-8/-6%

YoY growth '23-'24E

-8/-6%

@K

-2/0%

Growth vs. 2019

High quality design furniture & homeware

€51B

Market size 2024E (€B)

-3/-1%

YoY growth '23-'24E

-2/0%

@K

+20/22%

Growth vs. 2019

- Fine art market experiencing **sharp decrease** on account of **setbacks from geo-political disorders**, with **public auctions suffering more than private sales**
 - Public auctions experiencing high single digit decline, on account of intensified geo-political tensions and lower volume of high-value lots being allocated
 - Private dealers exhibiting weak performance on both leading players and small-scale ones, with mid-single digit decline with dealers struggling to expand beyond hyper-local clientele
 - Asian, particularly Chinese market the most resilient across sectors given strong intra-country trade of old masters and Chinese old masters
 - Modern and contemporary market growing, mainly volume driven, with Old Masters losing market share
 - Continued interest from **institutional investors** and **cultural promoters** toward minorities – yet still not **cutting into broader clienteles**
 - Higher female artist representation in both public and private, especially in primary market galleries
 - Increasing demand for diverse voices especially within the contemporary and ultra contemporary
 - **Digital sales outgrowing third-party platforms** within private dealers' market, in attempt to gain proximity to HNWI, with growing role of online viewing rooms (OVRs)
-
- Core high-quality design **market still suffering** amid persistent macroeconomic challenges and a cooling real estate market, with presence of **selected strong demand pockets driving high polarization in brands' performance**
 - Strong traction for upper-end luxury contract market across segments (residential, hospitality, marine, ...), with focus on exclusivity and hyper-tailoring
 - Conversely, lower growth within entry-to-luxury segment as well as within more B2C-oriented channels
 - Across regions, stronger Southern Europe, polarized trends in Americas and UK, while Central Europe and Asia suffers the most; GCC maintaining sound growth of account of large-scale luxury residential and commercial projects development
 - Multi-brand channel **grappling** with **decreasing foot traffic** and **shifting consumer patterns**, impacting overall channel growth
 - Significant portion of dealers struggling with decoding the evolving needs of younger, experience-driven clients, leading to a need for brand repositioning and more dynamic consumer engagement
 - **Similar growth paces across categories**, with **outdoor normalizing toward indoor spaces**, and kitchen growing alongside living-and-bedroom spaces

Food still on trend (within and outside homes), wines impacted by downtrading



Fine wine and spirits

€99B

Market size 2024E (€B)

-1/1%

YoY growth '23-'24E

1/3%

@K

29/31%

Growth vs. 2019

Gourmet food and fine dining

€72B

Market size 2024E (€B)

7/9%

YoY growth '23-'24E

9/11%

@K

+35/36%

Growth vs. 2019

- **Fine Wine** exhibiting **slightly negative growth**, with cautious consumer spending and de-stocking driving short-term turbulence
 - Sparkling wines exhibiting stark declines within Europe, given adverse weather conditions and the US, especially for French bubbles while Italian sparkling remaining resilient
 - Luxury stills fatiguing across denominations, especially for reds exception made for Tuscan origins, proving to outgrow market
 - Resort-location led consumption of rosé wines remaining relevant
 - US consumption suffering on account of consumer downtrading, yet holding up above pre-Covid levels; conversely, polarized picture in APAC, with positive Japan, while China suffers from curbing spending on celebration-oriented sparkling wines (e.g., Champagne)
 - **Spirits on low single-digit positive path**, with **mixology-led consumption remaining resilient** while **meditation-driven use suffering**
 - **Cognac and spirit** remain impacted by US slower demand and macro-economic uncertainty
 - **Agave-based** spirits' growth as status spirits has continued rising
 - **Baijiu** remaining dominant in China, yet impacted by overall slowdown of Chinese consumer spending
 - NextGens shifting **elements of value in their drinking value propositions** favoring rise of **NoLo** (no-low alcohol) alternatives and **RTDs** (ready-to-drinks)
-
- Sound **high-single digit growth for fine dining**, propelled by raising demand for new concepts with **multisensory and unforgettable** atmosphere
 - Ultra-private dining clubs leverage artists, perfumers, and designers to elevate the experience and **craft immersive environments offering unique culinary journeys**
 - Rediscovery of **traditional cuisine and vintage dining** experiences evoking nostalgia, with retro dishes served on classic tableware gaining popularity
 - Growing emphasis on **locally sourced, seasonal menus** with less-refined ingredients, supporting local economies while promoting **personal health**
 - Expansion of **plant-based foods and alternative proteins** driven by rising demand, particularly in the tourism sector, as consumers seek **healthier, ethical, and environmentally** conscious options
 - **Food recycling and zero-waste initiatives** gain momentum, with creative techniques to minimize waste and repurpose ingredients
 - **Technology and AI** are increasingly embraced to **push the boundaries of personalization** and craft unique, tailored experiences
 - **AI-curated tasting menus** with tailored suggestions based on past preferences contribute to making each dining experience more personal
 - **3D Food Printing technology** allows for intricate edible designs and personalized cuisine options

Travel experiences continue to burgeon, emphasizing uniqueness and authenticity



Luxury hospitality

€242B

Market size 2024E (€B)

3/5%

YoY growth '23-'24E

4/6%

@K

+16/18%

Growth vs. 2019

Luxury cruises

€5B

Market size 2024E (€B)

29/31%

YoY growth '23-'24E

30/32%

@K

+130/140%

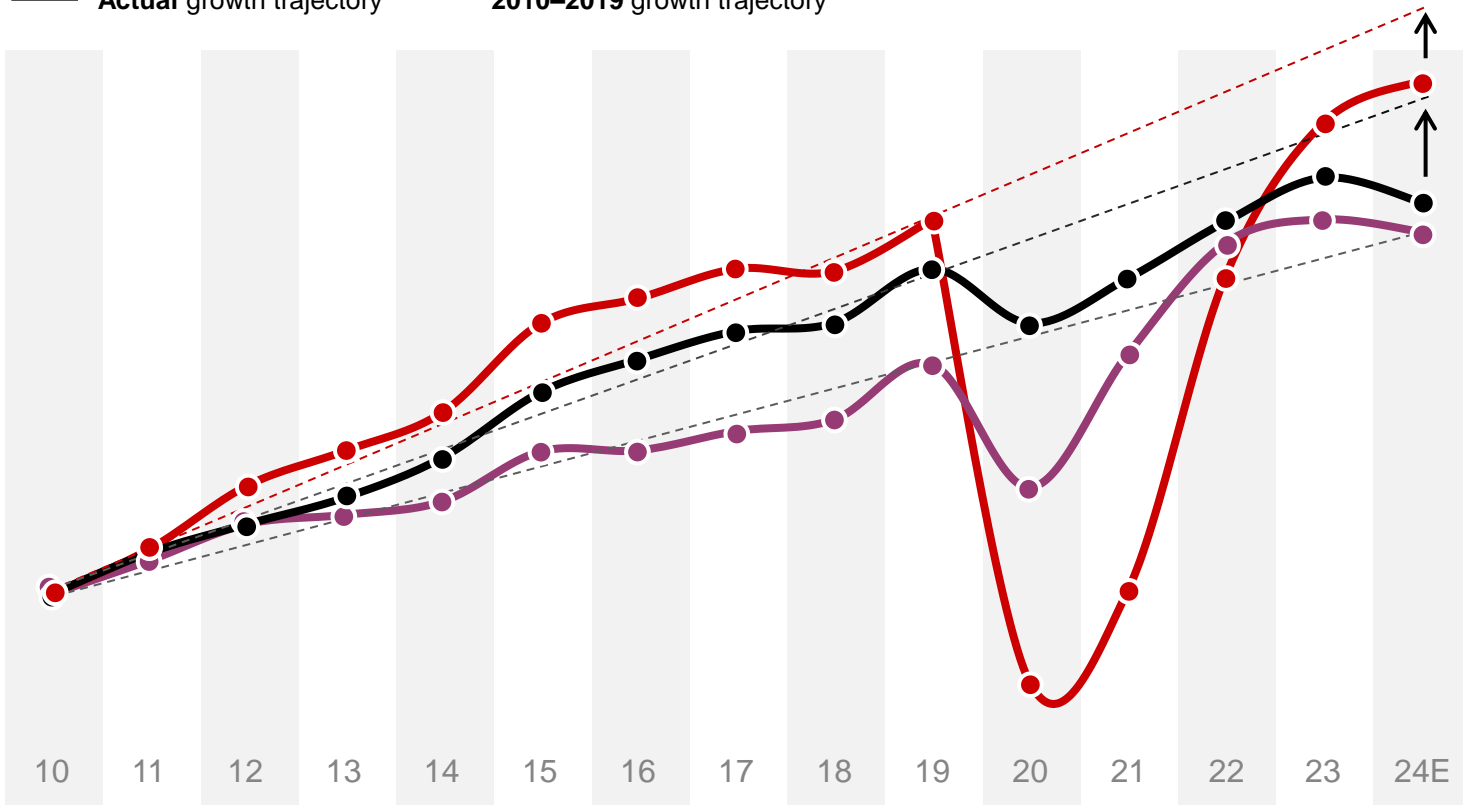
Growth vs. 2019

- **Performance normalization** in luxury hospitality market, led by a **stabilization of occupancy** rates and strong **ADRs**, trending well-above prepandemic levels, with potential quests for **price re-calibration in the longer term**
 - Growing focus on **(hyper)-personalized experiences** to meet ever-increasing expectations of travelers, leveraging on **technology and data collection**
 - Advanced **data analytics and AI** are helping luxury hotels in **personalizing guest experiences**, from room preferences to tailored itineraries and streamlining operations (e.g., automated check-ins, dynamic pricing...)
 - **First-party data emerging as crucial enablers** for personalization and tailored marketing campaigns to **foster customer loyalty**, conversion and mitigating the surge of digital marketing costs
 - **Rise in high-value bookings**, often linked with cross-generational **family trips**, and increase in **advance reservations** one to two years ahead, suggesting a heightened interest in securing **priority access to exclusive experiences**
 - **Wellness tourism** and demand for **experience-driven travel** are steering the industry toward more **holistic offerings**
 - Young travelers increasingly **looking for cultural immersion and authenticity** (especially Safari) as well as a **health and well-being services** (e.g., yoga retreats, spa treatments, smart sleep technology) with strong **polarization across generation** as Baby Boomers prefer traditional services
-
- Luxury Cruise market continue to expand at sound paces, **with double digit growth** fueled by re-affirmed **customer interest** and **fleet expansion**
 - Offer expansion mostly focused on ultra-luxury segment, with hospitality-born players stepping in to diversify the bundle of experiences they can offer to their top-customers, as well as on experiential cruises, with progressive growth of fleet sizes
 - Opposite trend across segments
 - Entry-to-luxury brands progressively **increasing their ship sizes** and berth numbers seeking for **economies of scale** and fuel savings
 - Conversely, ultra-luxury brands pushing either for **small ships ensuring intimacy**, or for **larger ones** yet designed to **preserve exclusivity** through set-up of large-scale “personal” areas
 - Increasing **interest in adventure-focused itineraries**, with voyages to remote and extreme destinations paying special **attention to sustainability** and **environmental conservation**

Amid global uncertainty, experiences leading over products

Growth of global luxury goods segments, indexed to 2010

— Actual growth trajectory - - - - 2010–2019 growth trajectory



Notes: Growth shown at current exchange rates; experience-based goods include fine art, luxury cars, private jets and yachts, fine wines and spirits, and gourmet food; luxury products include high-end furniture/housewares and personal luxury goods; experiences include luxury hospitality, cruises, and fine dining

	CAGR '10-'19	CAGR '19-'24E	YoY '23-'24E
Total Market	7%	3%	-3/-1%
Experiences	9%	4%	5%
Experience-based goods	8%	2%	-3%
Luxury products	6%	5%	-2%

Experiences

Maintaining sound traction, as luxury consumers continue shifting spending toward **travel experiences** and **social events**, favoring personal treatment and wellness over consumerism

Experience-based goods

Showing **twofold trend**, with **contraction within entry-to-luxury segment**, while **absolute luxury** continues **catering strong interest from HNWIs**

Luxury products

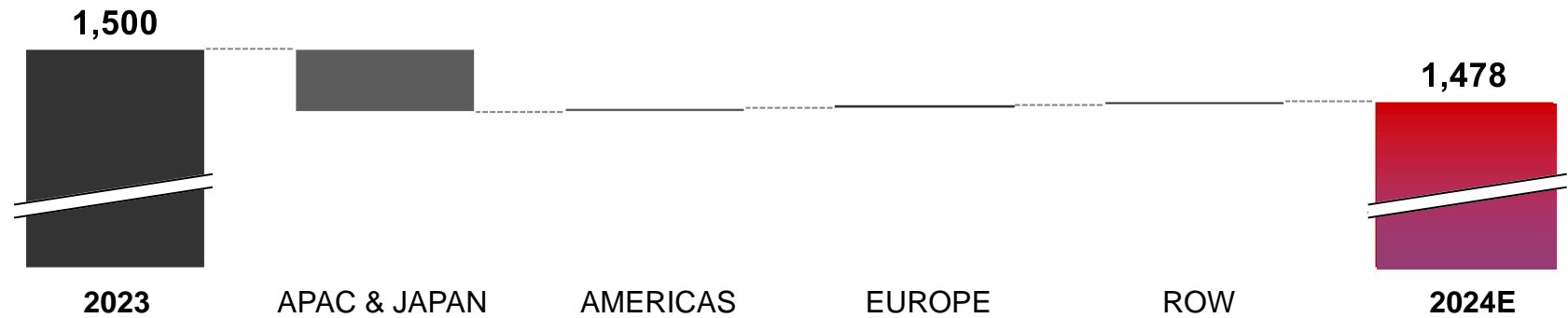
Slowing down, **pressured by last year's inflationary spikes and elevation**

Slowdown of broad luxury markets

Mainly led by Asia, stable within other regions

Global luxury market evolution by region

€B | 2023–2024E



APAC & Japan

- Adverse **macroeconomics** impacting **locals spending** across countries, more extensively within China
- **Fine dining** holding up better, favored by touristic inflows and by increasing **demand for local and authentic experiences**
- **Local competitions** in **selected segments rising** and capturing share of luxury consumers' demand

-3/-5%

Americas

- Americas pressured by **fluctuating consumer confidence** and aspirational customers downtrading
- **HNWI-oriented categories** overperforming, favored by **resilient consumer appetite**
- **Luxury hospitality** maintaining traction in Americas, led by intra-regional tourism and **revamp of business travel**

+0/1%

Europe

- **Stronger performance within Southern Europe**, across all categories
- **Olympics** undermined **France** performance outside hospitality
- **Central and Northern Europe** showing signs of polarization across categories
 - UK suffering from weaker-than-before touristic spending, DACH slowing down on locals

+0/1%

ROW

- Nuanced picture in Middle East across countries, with **stronger UAE**, **slower Saudi**, and some areas impacted by escalating **geopolitical tensions**
- Best performing region for **high quality design** (led by projects segment) and **experience-based goods**

+1/3%

YoY '23-'24E

Uncertain – yet stable – macroeconomic scenario, but with rising wealth polarization



	FY24E	
Real GDP growth	~3% stable vs. 2023	Stable yet polarizing Slower growth in China and Japan; Americas stable vs. last year, Europe, GCC and other Asian markets improving
Inflation	-1p.p. vs. 2023	Still high, but reducing Confirmed downward trend after '22 bump, progressively aligning to Central Banks long-term targets
Consumer confidence	~0.8p.p. vs. 2023	Slightly improving, yet continuously shaken Upward trajectory since 2022, but with large swings across months and regions
Currency exchange rate (vs. EUR)	FLAT vs. 2023	Euro remaining strong Japanese Yen and Asian currencies depreciating, Swiss Franc and Sterling appreciating

Luxury goods market growth **-1/+1%**
GROWTH @K | '23-'24E

Yet in a context where different consumers cohort are pressured dichotomously

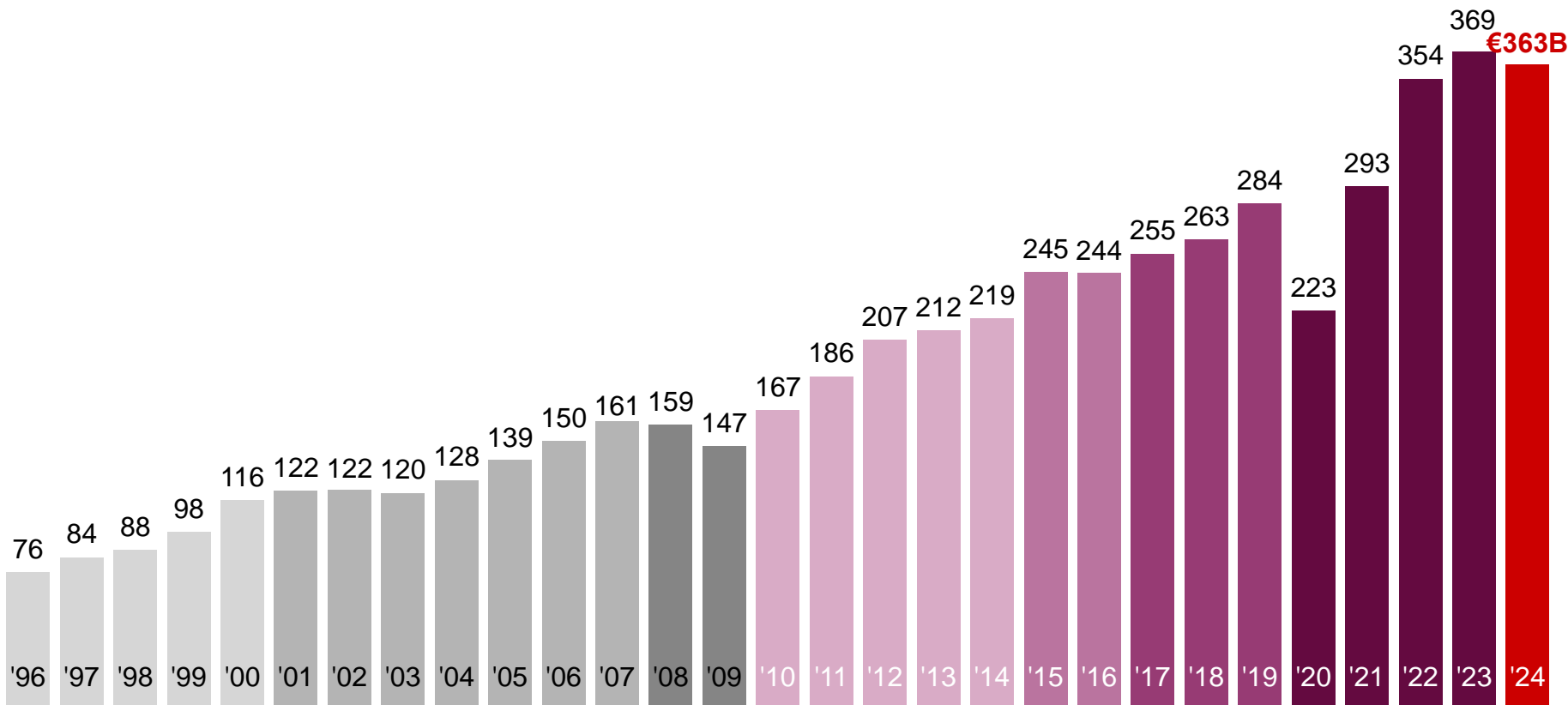
Aspirational consumers' disposable income curbing, impacted by **reducing job opening**, and **increasing involuntary turnover rates**

UNEMPLOYMENT RATE
~0.2p.p.
vs. 2023

Wealth polarizing further, with ultra-wealthy benefitting from sound stock market performance

STOCK MARKET
~10/20%
YTD Growth

Personal luxury goods: first slowdown in 15 years (excl. Covid), after the Great Recession



2023–2024E YoY

Current exch. rates **-2%**

Constant exch. rates **0%**

1996–2019 CAGR

+6%

2019–2024E CAGR

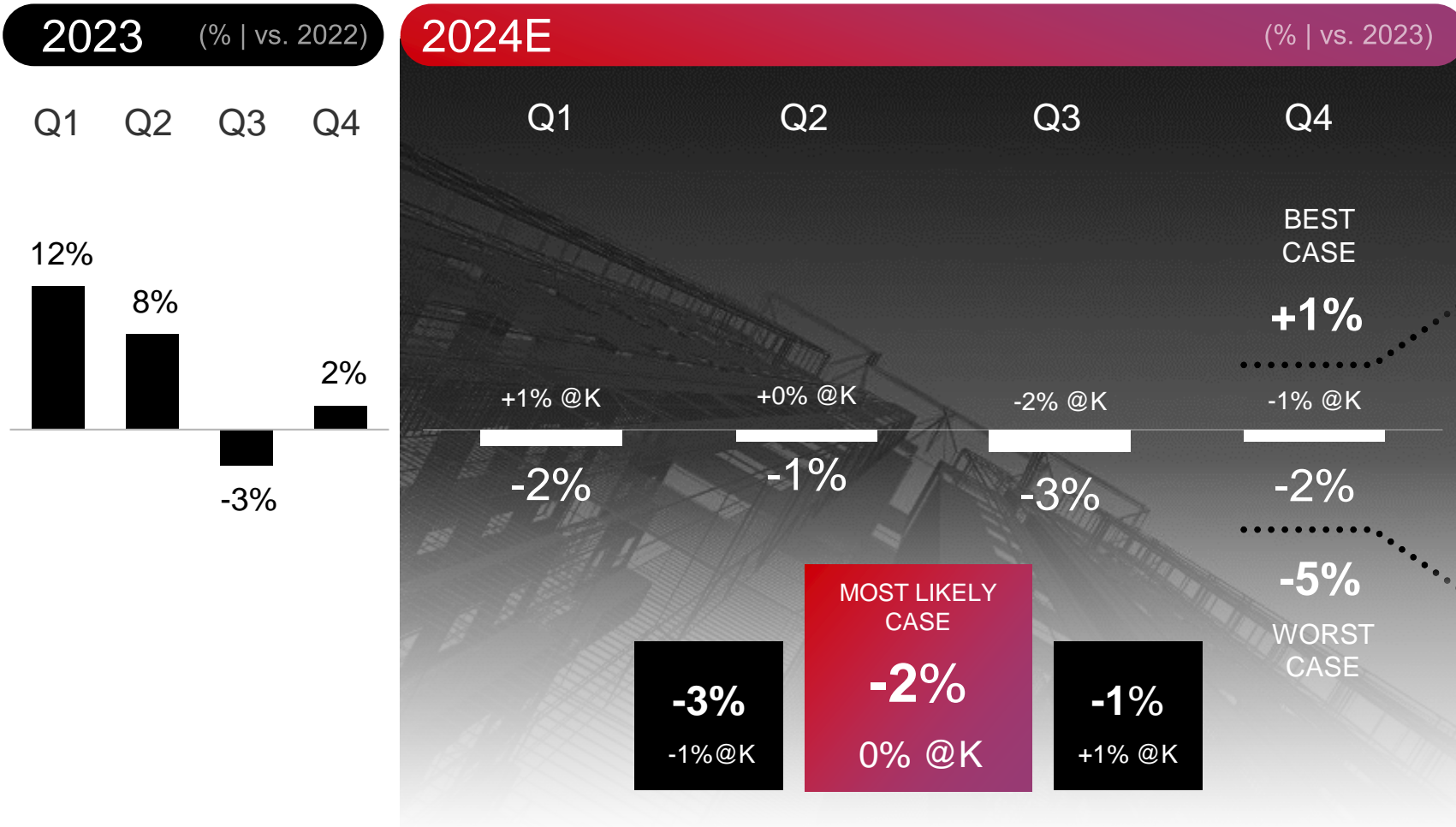
+5%



Lowering quarterly trajectory

Q4 performance highly exposed to short-term winds

Personal luxury goods market evolution by Quarter



- **Improving conditions in China**, with unemployment further reducing, and encouragement of **stimulus packages**
- **Japan** continues flourishing
- **EU and US** on good momentum, driven by **improved consumer confidence** and underlying **macroeconomics**

- **US** progressing to a **slow-paced upswing scenario**
- **Continued negative performance in China**
- **Japan and Europe** continue posting growth, yet locals **facing harder times vs. H1**

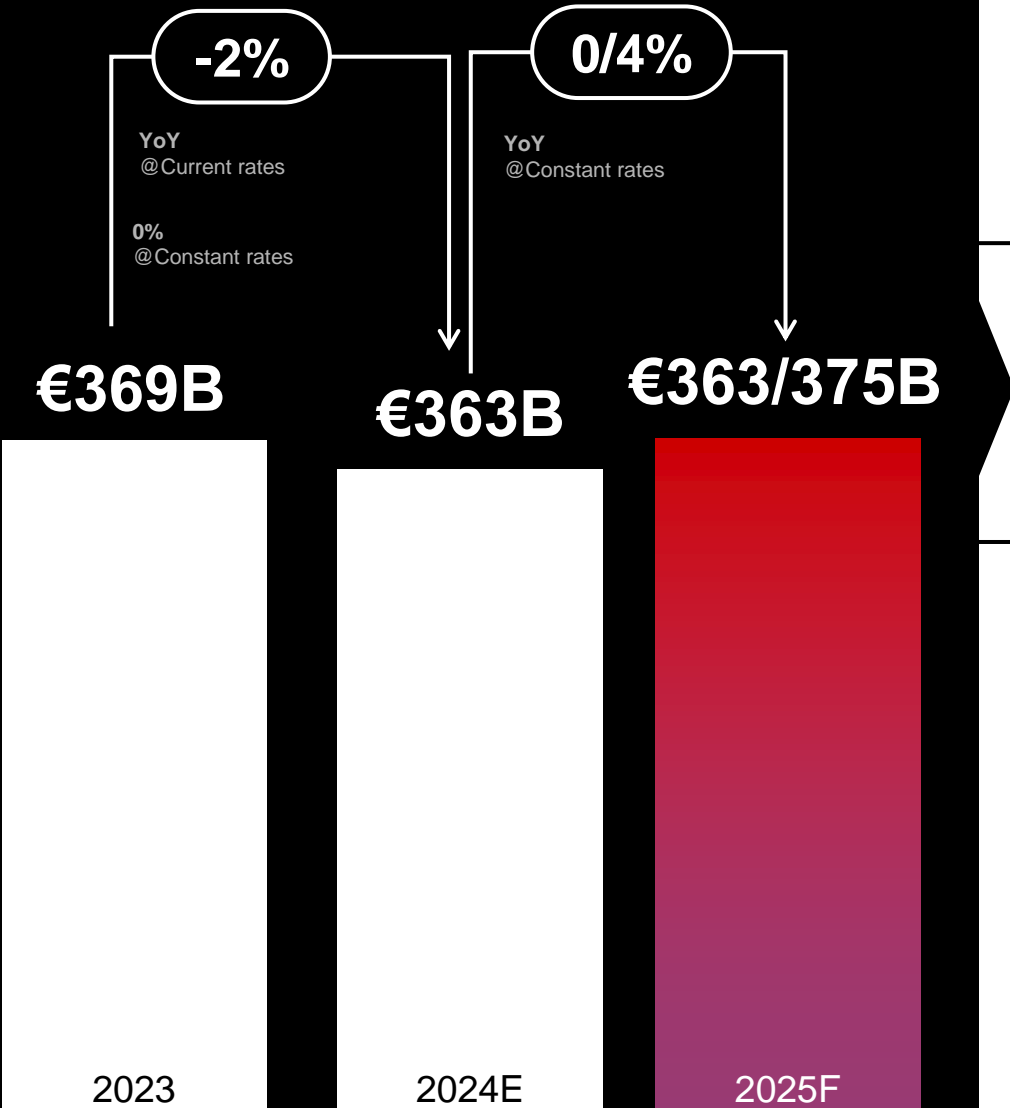
- **US post-election volatility cuts** into holiday season spending
- **China deceleration worsens**
- **EU lacks resilience on locals**
- **Tourism inflows in Japan halting down** as yen reinforces

FULL-YEAR MARKET GROWTH (2024 E VS. 2023)

Note: @K = growth at constant exchange rates

Personal luxury goods market

% GROWTH | 2024E AND 2025F AT CONSTANT EXCH. RATES



What should we expect for 2025?



Note: 1 – Referring to People's Republic of China; @K = Growth at constant exchange rates

2024E at a glance

YoY growth 2023–2024E (%)



Japan leading,
China under
pressure



Shrinking
customer base,
curbing volumes



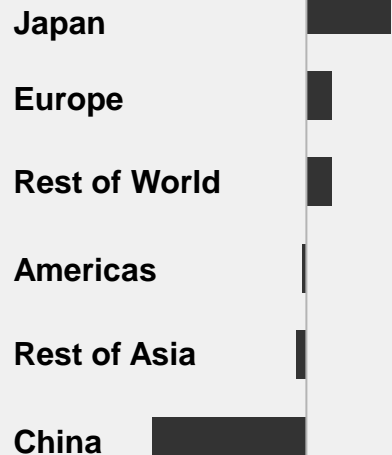
Outlet winning
over full-price
as gateway



Beauty and
eyewear holding
up



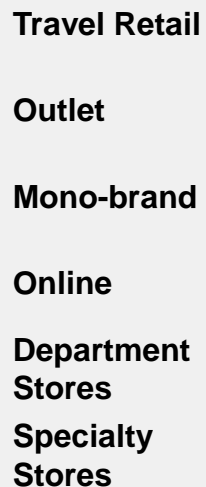
Younger
generations
pulling back



2022
~400M

2024E
~350/360M

Price Volumes



2024E

Time to (re-)establish **creativity, customer and coherence** as core pillars of the **luxury equation** where **old and new playbooks coexist**

LEVERAGING ALL THE **VISIBLE MARKET SIGNALS AND WARNINGS**

TODAY



Sustained tourist flows
moving consumption from **US and China** to **Europe and Japan**, while **local customers** suffering globally



Diffused downturn
Most product **categories, brands,** and **channels** suffering



Consumer base shrinking
in response to continued elevation, with **older generations** gaining share and further concentration on **top customers**



Advocacy dropping
for luxury, across **generations** and **spending tiers**



Skyrocketing polarization
in performances, pressuring **profits**



Dangerous crossroads
and **sliding doors** ahead

YET

American and **Middle Eastern** customers growing

Some bright spots
in creative and content-rich products, "new" entry-to-luxury, value-for-money channels

Gen Z gaining share in **Asia**

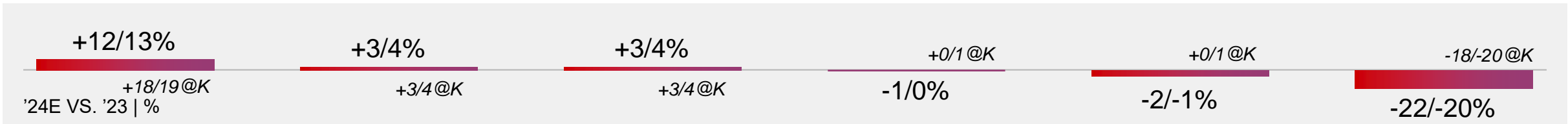
Appetite for luxury remaining strong

Tech, MarTech, and **Performance improvement** to help

Good times for a change

Glimmers of hope in Europe and Americas; Japan still championing although cooling down; China navigating turbulent waters

JAPAN	EUROPE	REST OF WORLD	AMERICAS	ASIA	MAINLAND CHINA
<p>Favorable currency rates continue to fuel surge in tourist spending throughout the first half of the year</p> <p>Momentum slowing down in H2 as currency and pricing realigned</p> <p>Locals losing ground, progressively shifting spending toward entry categories and upper-premium brands</p> <p>Strong appetite for jewelry through the year across consumer pools</p>	<p>Southern Europe still solid, with fairly notable performance of Tier-1 cities and resort locations, whereas Tier-2 hubs suffer</p> <p>Tourism sustaining growth with continued appetite of Americans; Chinese progressively slowing down after strong start during Chinese New Year</p> <p>UK and Northern Europe facing harder times with more limited luxury tourist inflows; Paris summer season undermined by Olympics</p>	<p>Varying picture within the Middle East: positive UAE across the board, more polarized performance within Saudi</p> <p>Local escalating tensions impacting selected consumer pools' spending and partially affecting touristic inflows</p> <p>Jewelry still most resilient category this year, followed by good traction of Beauty market – sustained by both local and tourist consumption</p>	<p>US shows greener shoots, despite fluctuating consumer confidence: upward quarterly trajectory, though foot traffic across key cities slows down</p> <p>Aspirational consumer pressured, flowing their spending toward contemporary and upper-premium brands</p> <p>Polarized performance outside US, with (Eastern) Canada suffering lack of Chinese tourists, while positive notes stemming from LATAM (Mexico, Brazil)</p>	<p>South Korea favored by last year comparable, still weak on local consumptions, but progressively benefitting from growing tourism</p> <p>HK and Macau suffering from lack of Chinese consumers, with large installed footprints likely to be rebalanced in the future</p> <p>Weak performance across Southeast Asian markets, with volatile locals and limited intra-regional touristic inflows; Australia suffering, on account of high interest rates</p>	<p>Sharp slowdown, worsening throughout the year, with weak macroeconomic fundamentals jeopardizing domestic spending, and continued consumer outflow</p> <p>More positive performance for understated and timeless styles, and brands able to deeply engage with local consumers</p> <p>Government stimulus plan yet to translate into consumption acceleration</p>



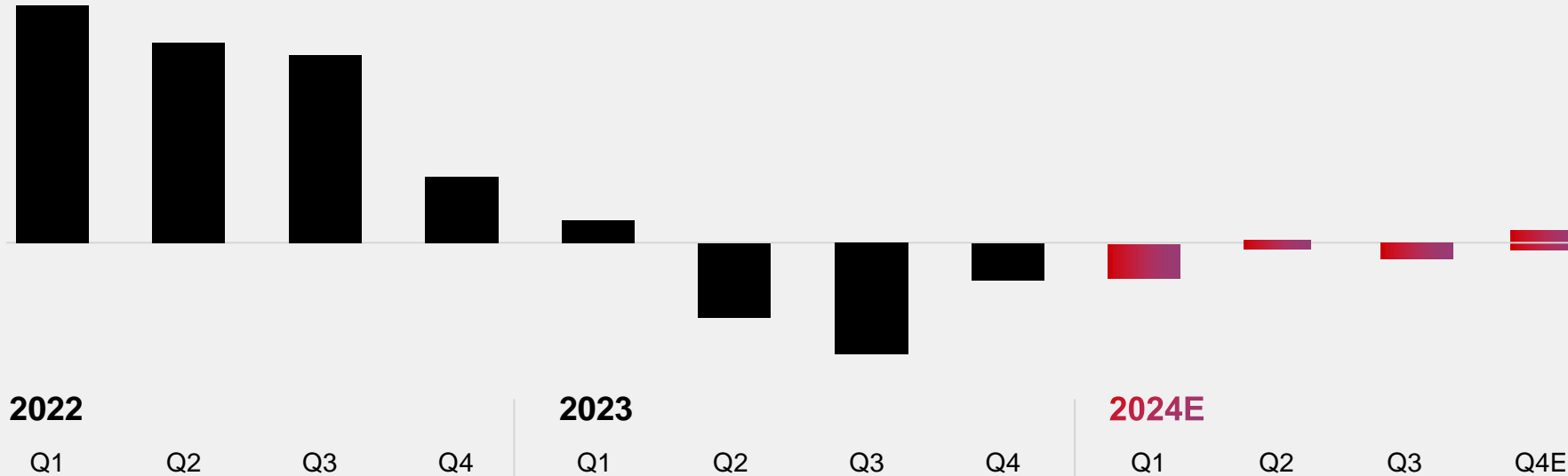
MARKET SIZE 2024E €B					
~€33B	~€110B	~€22B	~€100B	~€52B	~€45B

Note: @K: Growth at constant exchange rates

US market on improving trajectory, despite traffic halt and relevant outbound tourist flows

Americas quarter on quarter growth

% | Q1-22, Q4-24E



With some sweet factors rising over the horizon



Fed cut of interest rates refueling consumer spending



Presidential election ending turbulent season, with potential boost to economy



Reducing inflation freeing up disposable income



Potential tax cut further fueling retail spending.. yet **import tax** on the rise?

Downtrading of non-VIC

Luxury consumers downtrading toward more value-for-money luxury and non-luxury brands, especially within department stores and outlet malls

Unbalanced tourism impacting the region

Slow recovery of inbound flows, Latin American accelerating in Southern US, yet Chinese losing ground in Canada, while US consumers fly toward Europe

Experientiality & uniqueness on the rise

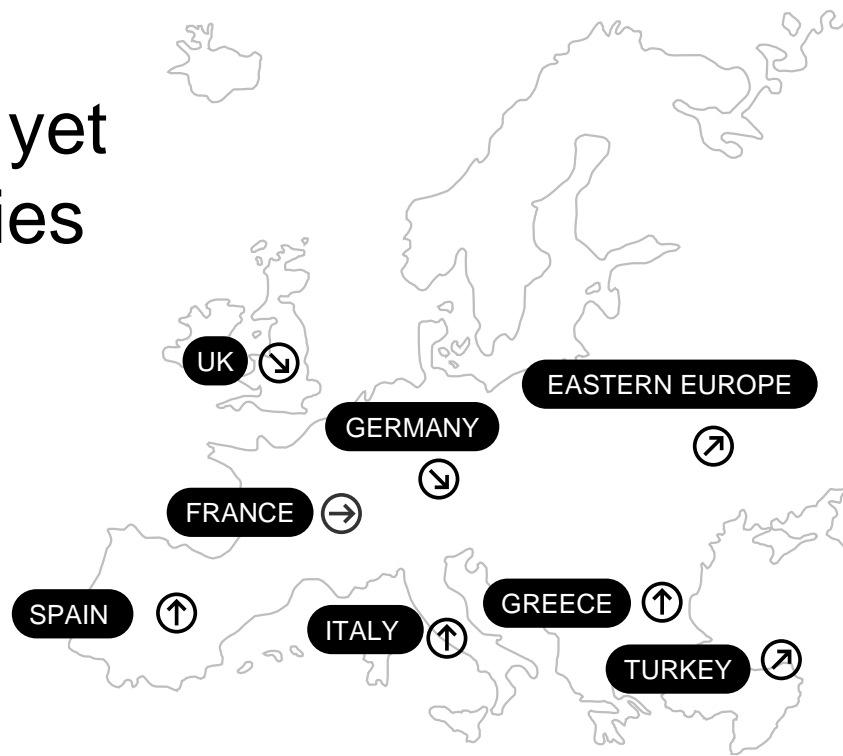
Hyper-personalized customer service gaining relevance as paramount purchase criterion for new generations, alongside increasing quest for product uniqueness

Sunbelt first, East over West

Continuing wealth flows toward “new” areas driving South performance, East outperforming West

Europe holding the bar, yet differently across countries

Real-term European luxury market trend 24E vs. 23



↑
International tourists

↗ ↘
Locals
nuanced by country

<p>Sound Mediterranean, sluggish northwest countries</p> <p>Sharp differentiation in performance across countries, Italy and Spain leading</p> <p>New rising hubs in the East for “nearby” consumer inflows</p>	<p>Tier-1 and resort driving, secondary locations suffering</p> <p>Tourism driving performance of Tier-1 cities and resort locations</p> <p>Weaker locals performance in Tier-2 areas</p>	<p>Curation and excellence over buzz</p> <p>High-end offer and hyper-precious materials over-performing</p> <p>Curation winning over hype to generate traction on the brand</p>
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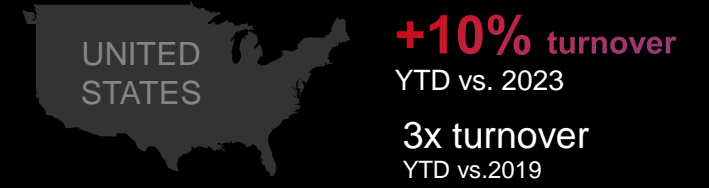
Sound tourist growth, well above prepandemic levels

Global Blue

24YTD vs. 23



Americans still attracted by Europe



...While Chinese (slowly) regaining share

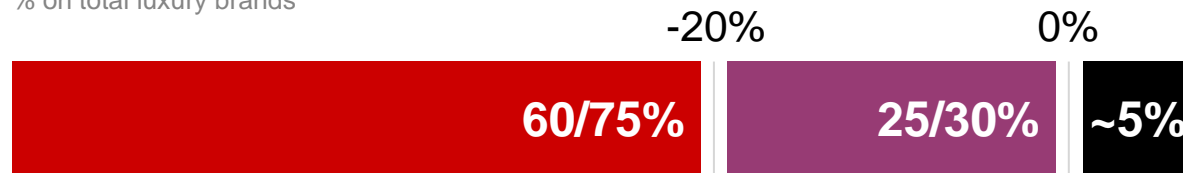


China experiencing substantial pressure, with few winners in a highly complex yet evolving environment

Diffused down-performance, with only few winners

BRANDS CLUSTERING BY GROWTH (2024YTD)

% on total luxury brands



In a highly complex scenario, where recent consumption dynamics are consolidating

Sluggish economic growth, jeopardizing **consumer confidence**



Set-back on events to stay **below the radar**: “small and private” winning



Rising consumer **savviness**, pushing growth of “**technical understatement**”



Gen Z still hot, shouting for enhanced **creativity** and **personalization**



2024E

-22/-20%
-18/-20@K

Q1	Q2	Q3	Q4E
⬇	⬇⬇	⬇⬇⬇	⬇⬇

JUL

300+

Long-term initiatives across sectors

SEP-OCT

STIMULUS PACKAGES

To relaunch consumer spending

Government is taking actions to address structural challenges and relaunch economy

...But **impact on consumers yet to unfold**

With different scenarios for next year

Most likely local market still pressured by luxury consumers spending (re-)drifting abroad

CHINESE SPENDING (24E–25F)

TOURISTS ⬆

LOCALS ⬇

Japan as growth driver

led by touristic inflows, yet largely driven by currency fluctuations



DIFFUSED GROWTH ACROSS LOCATIONS

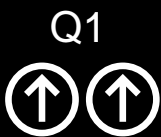


(MOSTLY) ALIENATED LOCAL, TOURISM LEADING



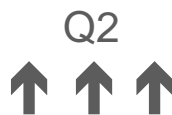
JEWELRY WINNING, BAGS' "ACCESSORIZATION" HAPPENING

Real-term Japan luxury market trend '24E vs. '23



2024E
+12/13%
+18/19@K

PRICE INCREASE BY QUARTER



Continued price increases in first half of the year, to rebalance price differentials against weakening Yen

Global Blue

Continued growth in tourism, Chinese and beyond

TOTAL **~1.1x** turnover vs. 2023

CHINESE **~1.8x** turnover vs. 2023



With a different profile vs. those shopping in Europe

MORE ASPIRATIONAL

+10p.p.
non-top customers

BUYING LESS

-20%
transactions per shopper

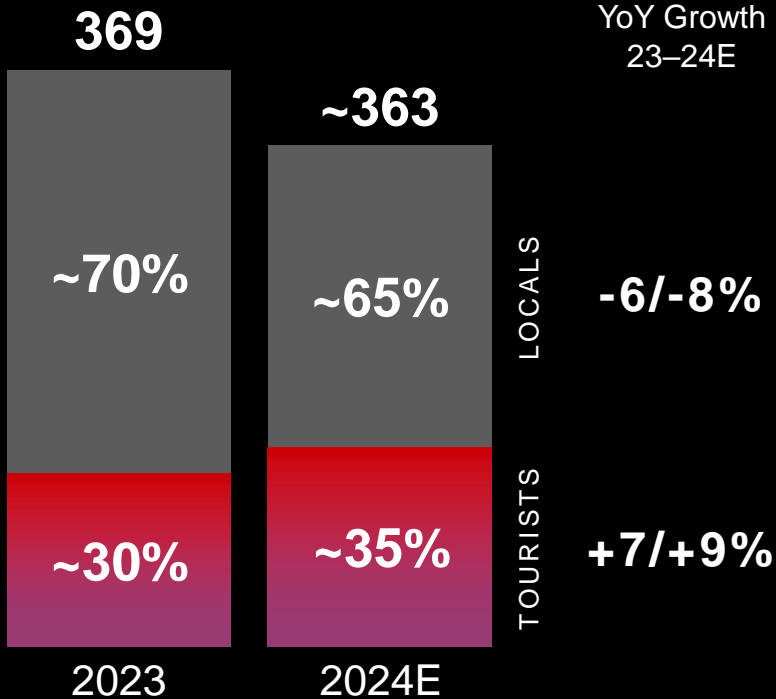
SPENDING LESS

-15%
average spend per transaction

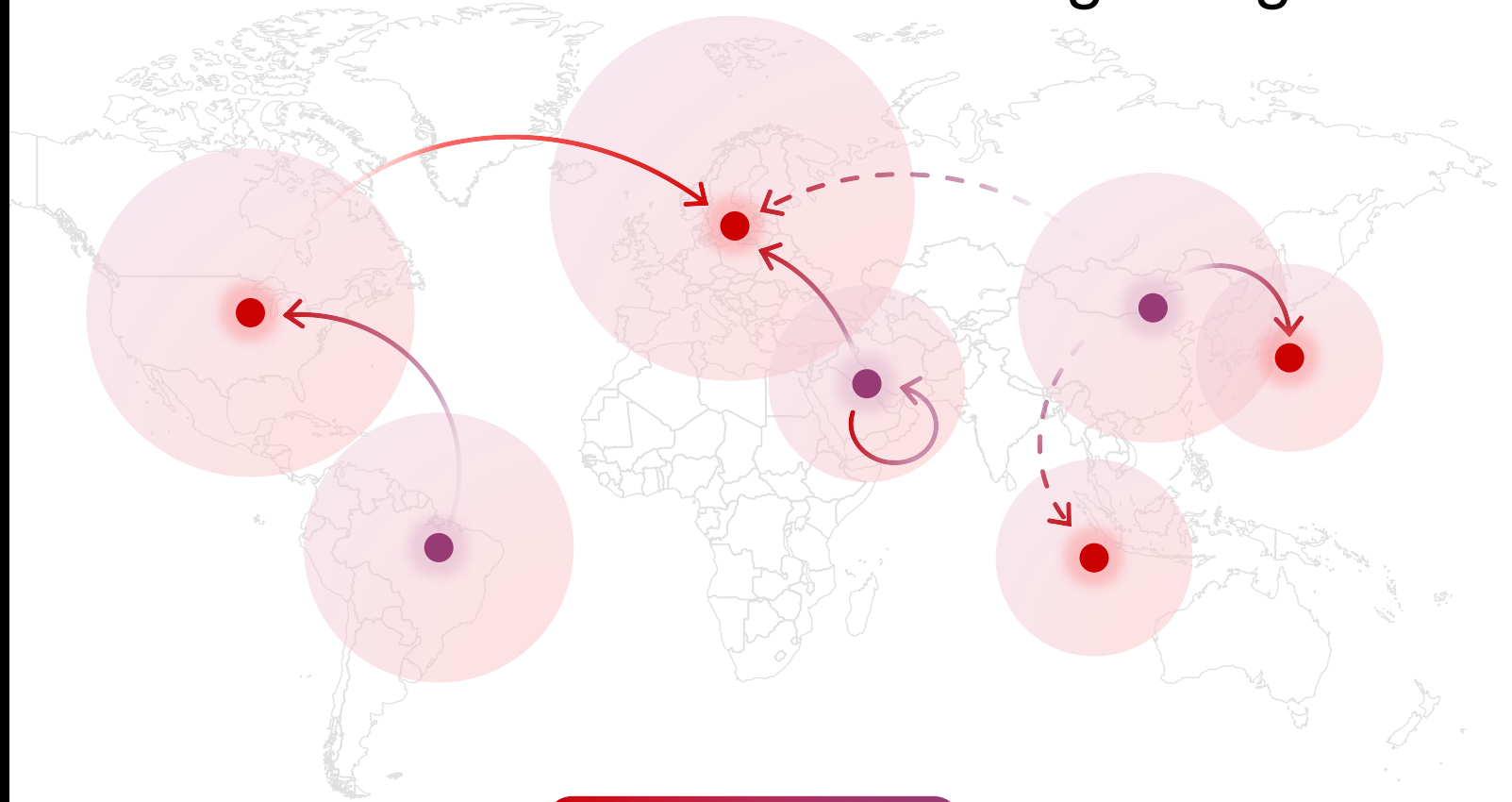
Touristic flows as key engine of personal luxury in 2024

Personal Luxury Goods growth by customer type

€B | 2023-2024E



... with **American** and **Middle Eastern** consumers gaining share



24E vs. 23 GROWTH TREND

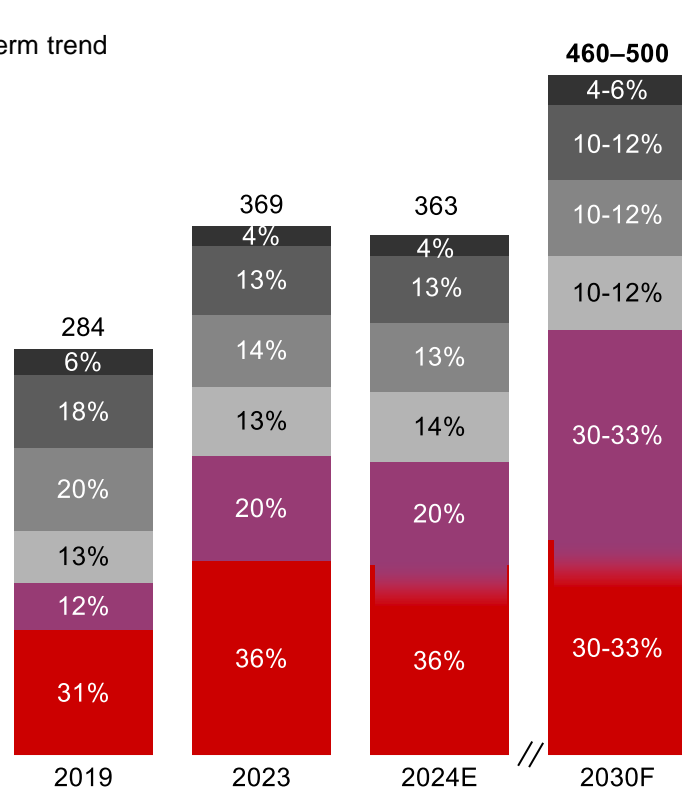
Region	Growth Trend (24E vs. 23)
Middle-Eastern	↑
American	↗
European	→
Japanese	↘
Rest of Asia	↘
Chinese	↘

Outlet winning over full price, online stabilizing, ongoing pressures on multi-brand

Personal luxury goods market by channel

€B | 2019–2030F

⬆️ ⬅️ ⬇️ Real-term trend



Channel	Delta '23-'24E	CAGR '24E-'30F
Travel retail	+1/5%	⬆️ ⬆️
Department store	-4/-2%	⬆️
Specialty	-8/-4%	⬆️
Outlet	+0/3%	⬆️
Online	-4/-1%	⬆️ ⬆️
Mono-brand	-4/-1%	⬆️

Wholesale %	60%	48%	48%	40/45%
Retail %	40%	52%	53%	55/60%



Travel retail

Positive channel growth on account of tourism acceleration and tax free advantage, yet hampered by turbulence within Asian beauty market



Department and specialty stores

Ongoing sluggish performance of physical multi-brand environment; lowering markdown pressure as players achieve healthier stock levels vs. last years, but future equation yet to be decoded



Outlet

Outlet channel overperforming, driven by raised quest for value-for-money purchase and gaining popularity as preferred entry channel in the market



Online

Direct online entering in normalization trajectory after postpandemic swings; polarization between winners and losers on multi-brand digital platforms



Mono-brand

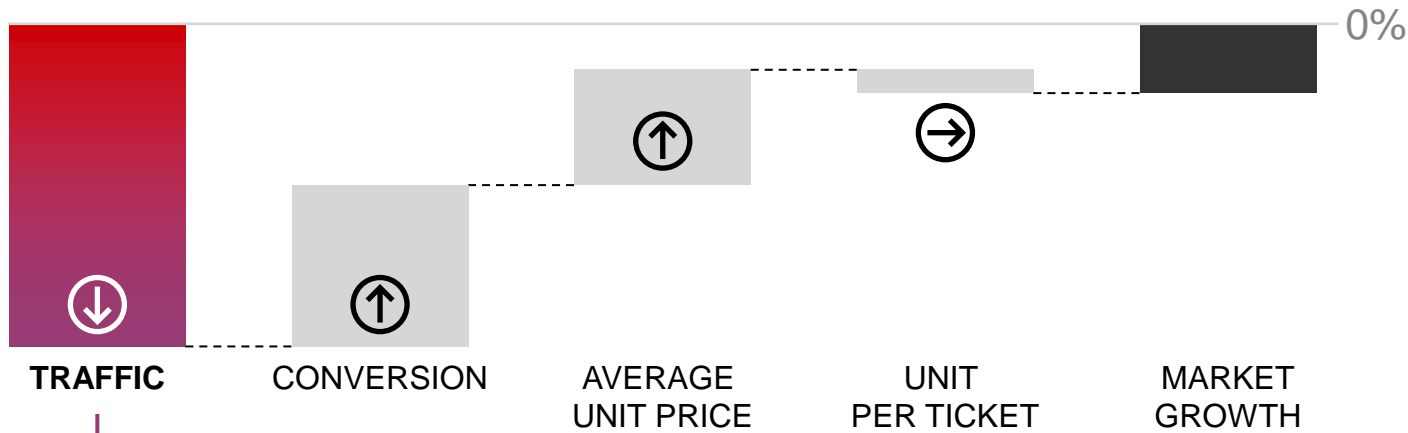
Traffic decrease hampering mono-brand stores, with performance driven by growing conversion through human touch effectiveness Conservative store expansion, with increased attention toward 2025

~1/3
net opening
pace vs. 2023

Retail walk-ins plummeting, hampering growth of physical channels

Walk-ins plummeting, ticket and conversion up

TREND '23-'24E



~Single digit

TRAFFIC DECREASE VS. LAST YEAR



HARD LUXURY BRANDS



SOFT LUXURY BRANDS

How to bring traffic back to store again?



Relaunch store relevance as destination for **experiences beyond transactions**



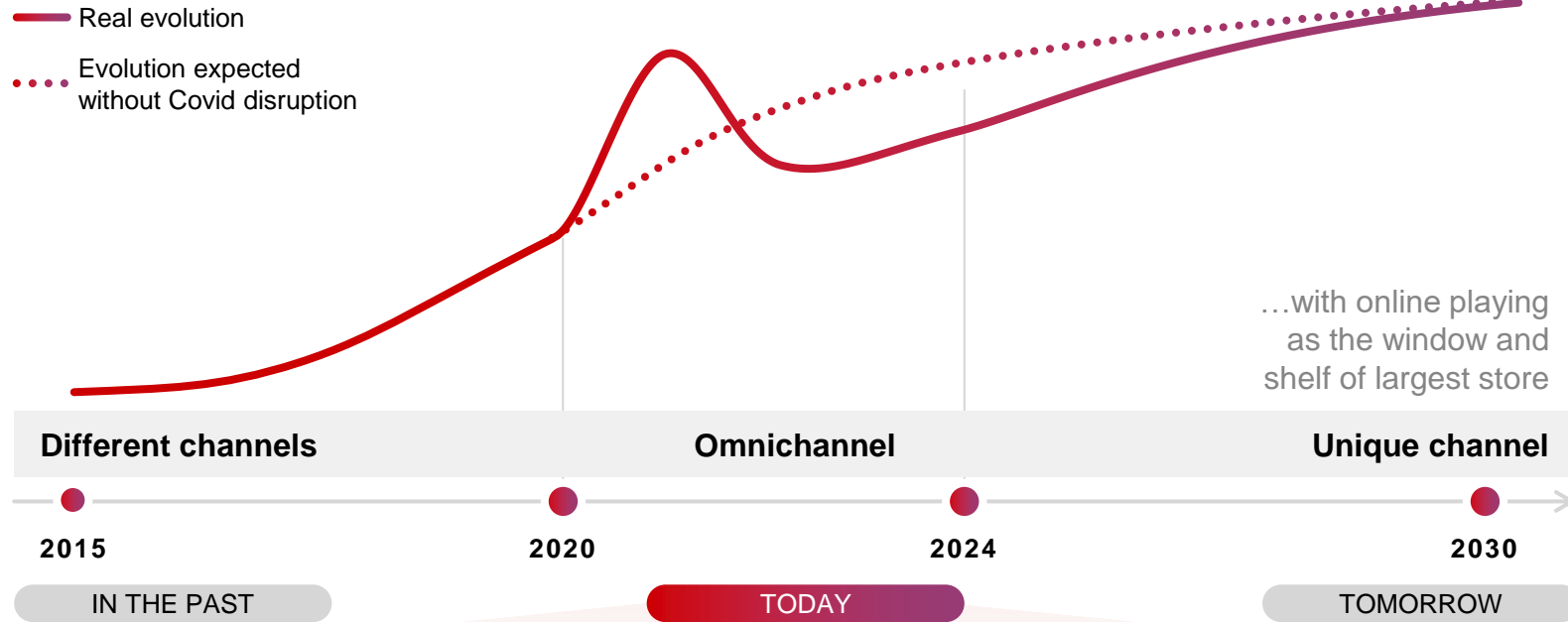
Re-engineer marketing spending to **drive both repeat and impulse traffic**



Rethink location strategy to **intercept flows relevant for the brand**

Online normalizing after postpandemic swings, with key challenges on value proposition to tackle

ONLINE CHANNEL PENETRATION IN THE MARKET



WITH KEY CHALLENGES TO SOLVE TO DRIVE LONG-TERM CHANNEL PERFORMANCE

Weakening traffic
(in line with retail)

-5/10%
VISITS

Worsening UX

-10/15%
TIME PER VISIT

Narrowing exploration

-5/10%
PAGES PER VISIT

And significant performance swings across ecosystems

ONLINE MONO-BRAND

Mono-brand showing twofold trend: over-growing for winners, suffering for lower-performers

ONLINE MULTI-BRAND

Multi-brand struggling: new hopes from consolidation ahead?

Stronger performance of affordable luxury and premium brands

ONLINE OFF-PRICE

Off-price growing as gateway to luxury purchases and alternative to downtrading for affluent consumers

Beauty and eyewear outshining among categories; accessories and watches facing harder times

BEAUTY

Beauty on positive growth trajectory in the West, benefiting from **consumer** seek for **small indulgences**

Conversely, **APAC market pressured**, with limited cross-country business

Niche fragrances as growth **engine**, alongside more **affordable local brands**, growing popularity among **younger Gens**

Technology increasing its role and **entering beauty routines**

EYEWEAR

Positive trend on eyewear across brands, with growth led by **expanding creativity** within the segment

Up-trading to top price ranges and **specialist brands** catering to specific customer **tastes, needs and passions**

Combination of **technology and craftsmanship** favoring the category consumption **across generations**

JEWELRY

The **most resilient core luxury** category thanks to **consistent high-low brand strategies** and upgraded **customer-centric** approach

High-jewelry overperforming, pushing **savoir faire and technique** to new heights

Competition heating up, with **luxury fashion houses thriving**, and **rising local giants** aiming to **expand outside domestic market**

APPAREL

Ready-to-wear holding up, led by **top-price items** and **renewed preferences** for **minimalist** and **understated pieces**

Aspirational customers **driving their spending toward value-for-money brands**, while nurturing growth of **activewear** and **sportswear**

Escalation of **buy-now-wear-now trend**, with consumer moving beyond **traditional fashion calendars**

LEATHER

Challenging times for **leather goods overall**, with top customers **still shopping**, yet increasingly **selective** in their purchases

“Timelessness” ruling, but rising **demand for injection** of a **new wave of creativity** across price ranges

Small leather goods succeeding among Gen **Z-ers**, with **hyper-personalization** and **individualization** of products driving demand

SHOES

Footwear **performing below other soft luxury categories**, impacted by **price elevation** hampering consumptions of a broader luxury customer base

Consistent **downtrading** towards **non-luxury brands** and **continuous challenge** by **sport/outdoor performance** segment

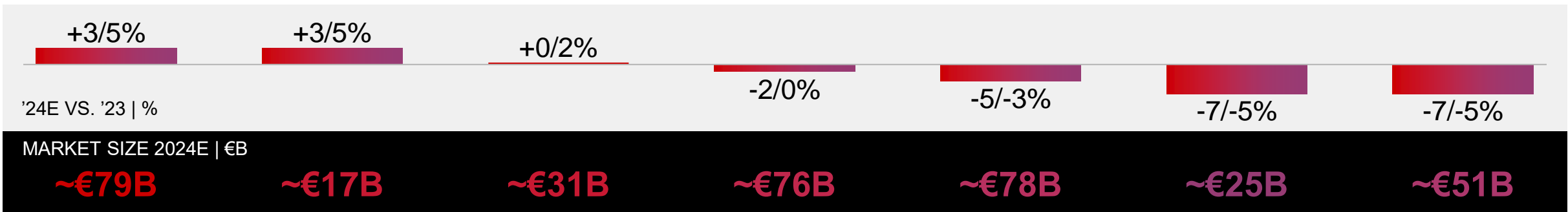
WATCHES

Watches **exiting their recent growth cycle**, losing ground in consumer interests' and seeing price drop on **secondary market**

High **polarization**: only top brands on a positive trajectory

Continued distribution **retailization**, as **brands seek deep connections** with customers

Increasing blur across **genders**, with rising demand for **unique shapes** and precious materials



Volumes continue curbing in light of sustained price/mix elevation

Market growth

Price EFFECT

Volume EFFECT

LIST
PRICE

ASSORTMENT
MIX

CATEGORY
& CUSTOMER
MIX

GEO-
PRICING



Limited list price increase across categories

Re-injection of newness toward entry prices balancing last years' hikes

Driving price mix up, led by higher growth of top customers and loss of aspirational

Turbulent China environment driving price mix down, Yen depreciation impacting differentials toward Japan

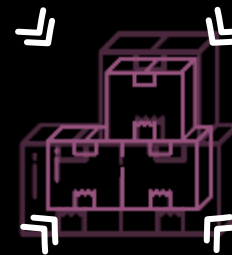
Continue volumes shrinking
Beauty and eyewear only pockets of (limited) growth, jewelry showing more stability, shoes and watches suffering

HEIGHTENED EFFECTS ON THE WHOLE SUPPLY CHAIN

-20/25%

SUPPLY CHAIN VOLUMES DROP

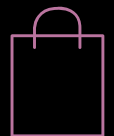
(% | 2022-2024E)



STOCK LEVEL REDUCTION TO UNFREEZE CASH



PRODUCT RE- ENGINEERING TO DRIVE COGS SAVINGS



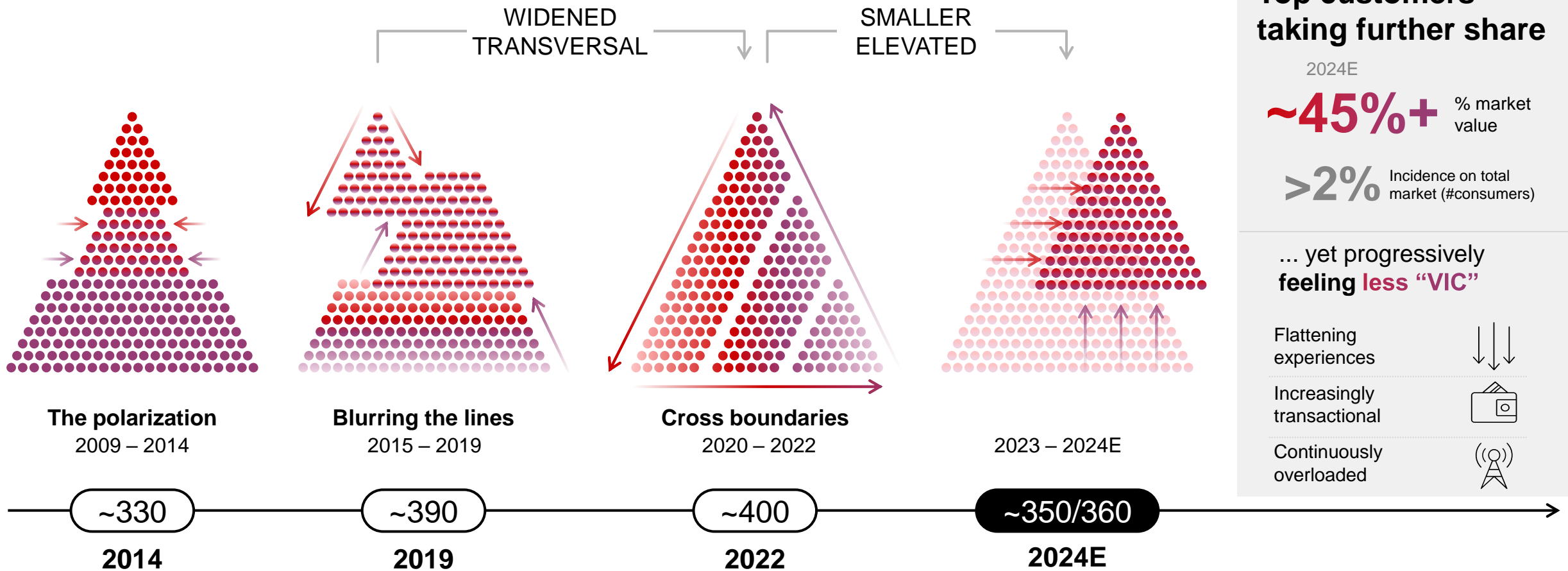
DEMAND FORECASTING AND PLANNING OPTIMIZATION

Luxury customer base shrinking for the first time in history, while top customers taking further share

~50M lost customers over the last 2 years

Luxury customer base evolution

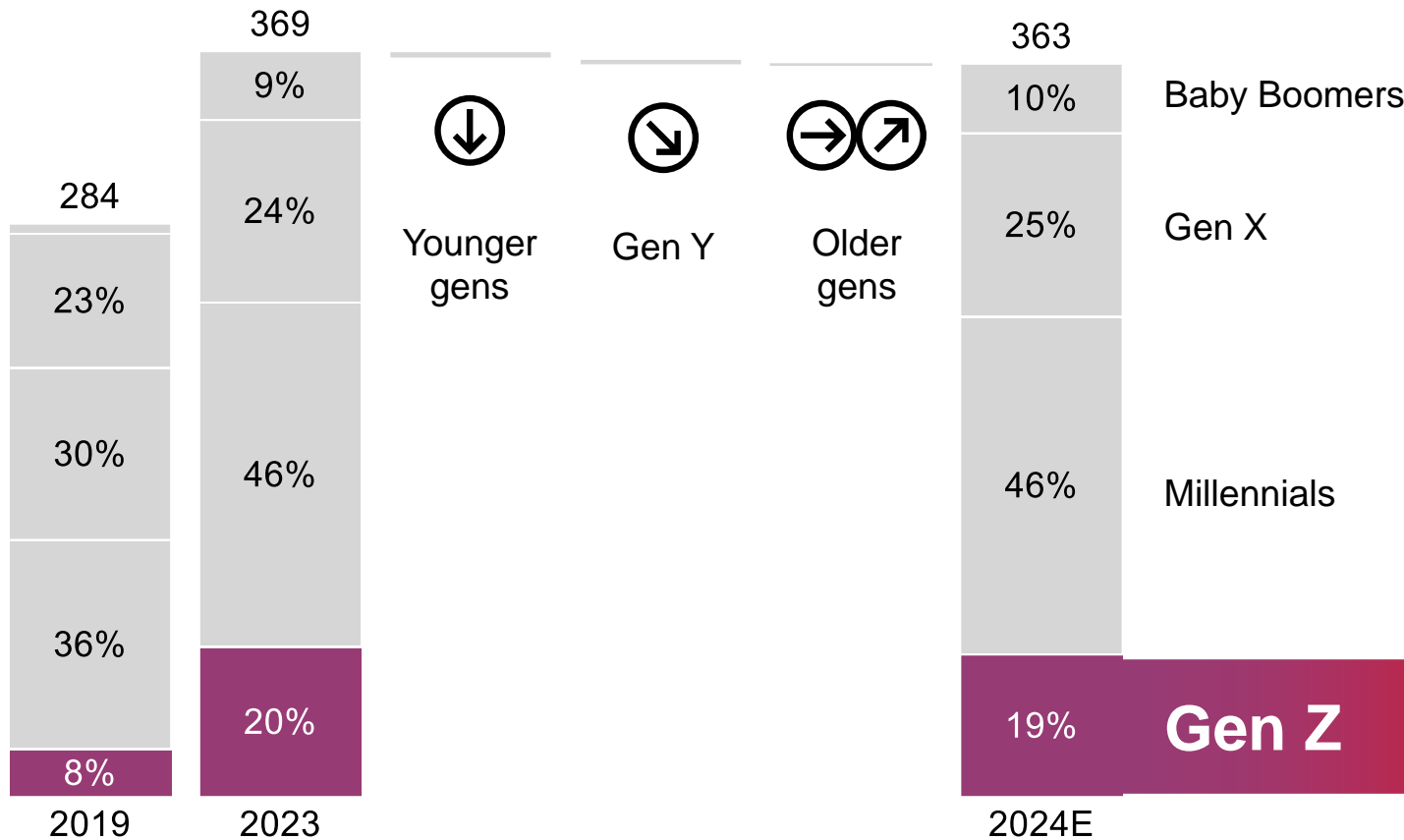
MILLIONS



Younger generations pulling back spending on luxury

Personal luxury goods market by generation

€B | 2019–2024E



Although Gen Z showing nuances across regions

CHINA AND SOUTH-EAST ASIA

Appetite for luxury still there, yet embracing new consumption traits, with increasing attention to **product quality** and **performance**

Strong demand for **hyper-personalization** across all steps of the customer journey customers reclaim their **individuality** and look for “small” moments of joy

WESTERN COUNTRIES AND JAPAN

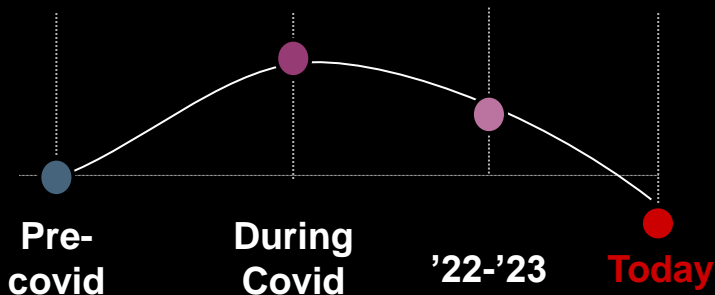
Stronger detachment of Gen Z-ers, with curbing engagement on marketing platforms

Spending increasingly **shifting away from luxury products** toward more **value-oriented purchases**, 2nd-hand platforms taking share



Customer advocacy dropping below pre-pandemic levels

LUXURY INDUSTRY NPS®



Trend '24E

Gen X



Gen Y



Gen Z



Next Gen
hit the hardest
 despite
brands over-investments
in last years
-25/30p.p.
 vs. Gen Y

Brands to **decode customer dissatisfaction drivers**, to win back consumer hearts

Weakened value equation from creativity to price

50%+ CONSUMERS CONSIDER LUXURY BRANDS OVERPRICED

Disconnection with true brand DNA and heritage

Limited personalization and engagement

Narrow product focus within value proposition



Reimagine creativity

add-back intrinsic value to products



Expand conversation topics

foster deeper emotional connection, widen occasions



Scale up the one-to-few

Upgrade (hyper)-personalization, bring 1-1 clienteling at scale



Leverage experiences

Diversify, cross-sell on existing, attract new audiences

BLEND THE

customer lens

INTO

THE VALUE PROPOSITION

Lifetime

To tune and personalize the value proposition across all axes

Journey
To enhance experience across all consumer touchpoints

Interests
To craft high-impact stories, to become relevant into their lives

Share-of-wallet
To look at full consumer luxury spending, within and beyond current categories

OUTSIDE THE BRAND

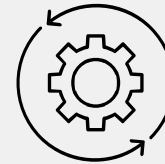
WITHIN THE BRAND

THROUGH



“4.0” Customer Intelligence

Blend internal and external data sources to advance customer knowledge



Real-time and Predictive NPS

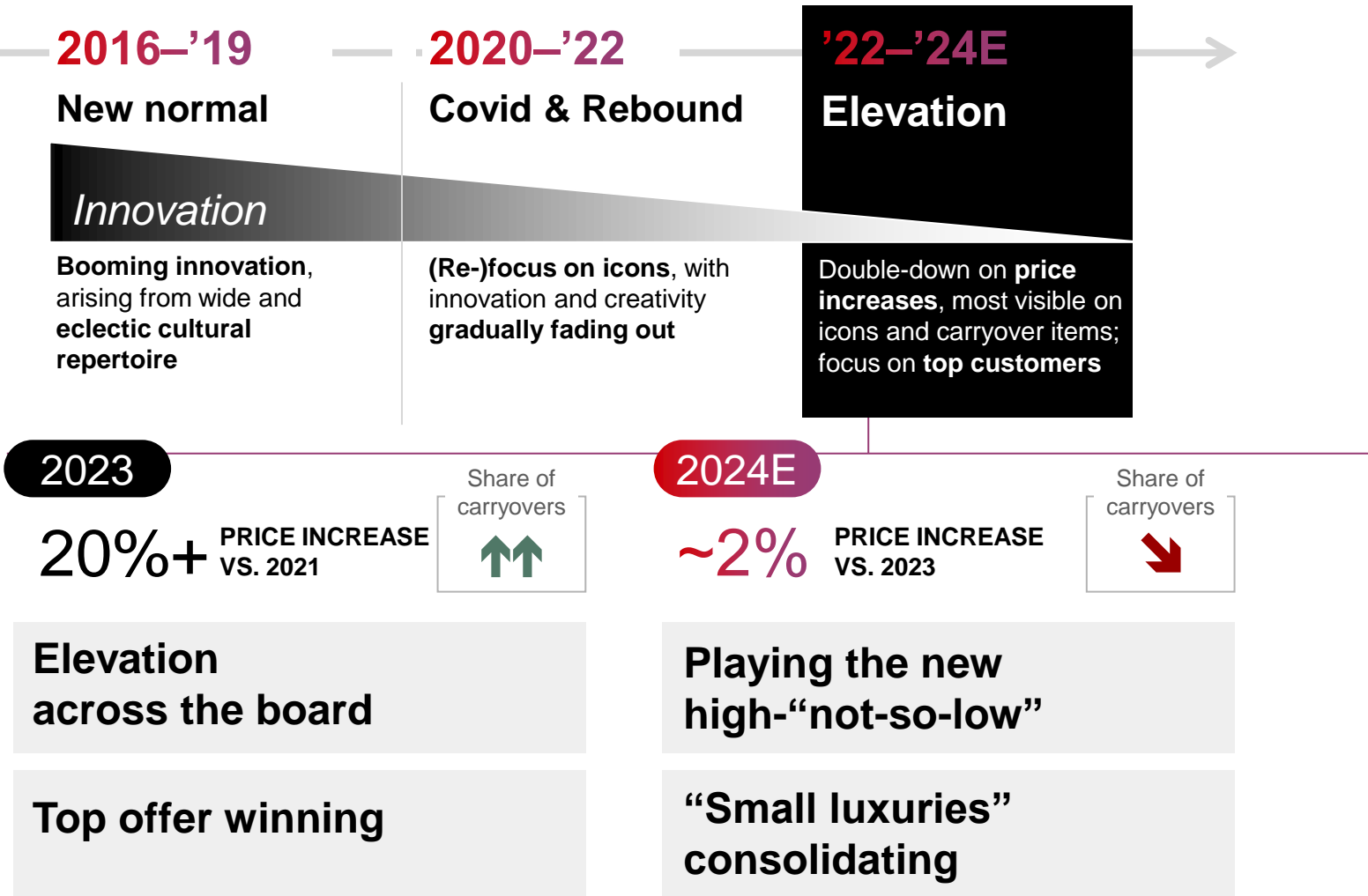
Embed advocacy monitoring in core processes, to drive continuous learning, and improvement



Modular Personalization

Create scalable customization solutions, tailored to each consumer segment, seamlessly combinable

Time for brands to rediscover the true luxury equation, finding the perfect blend between all ingredients



Complex luxury competitive arena, with pressures coming from multiple directions

Giants suffering
Size itself is not a driver of success anymore

TOP 8 BRANDS PERFORMANCE

~1/2 p.p.

BELOW MARKET

vs. 2X IN THE PREVIOUS 5 YEARS

NON-LUXURY BRANDS
Blinking to downtrading
Becoming viable solutions for redirecting spend to stylish and innovative offer at right price points



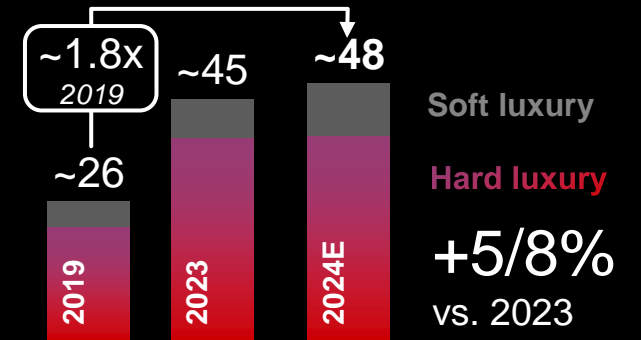
INSURGENTS

Priced smart bridging the gap opened by incumbents	Content creators driving new rules on customer engagement	Younger Gens' savvy forward-looking, appealing to younger crowds
--	---	--

+10p.p.
share of wallet in Next Gens vs. incumbents

2nd-Hand benefiting from value-for-money quest, across categories

LUXURY SECOND-HAND MARKET EVOLUTION BY CATEGORY
(2019-2024E | €B)



New gateway to luxury

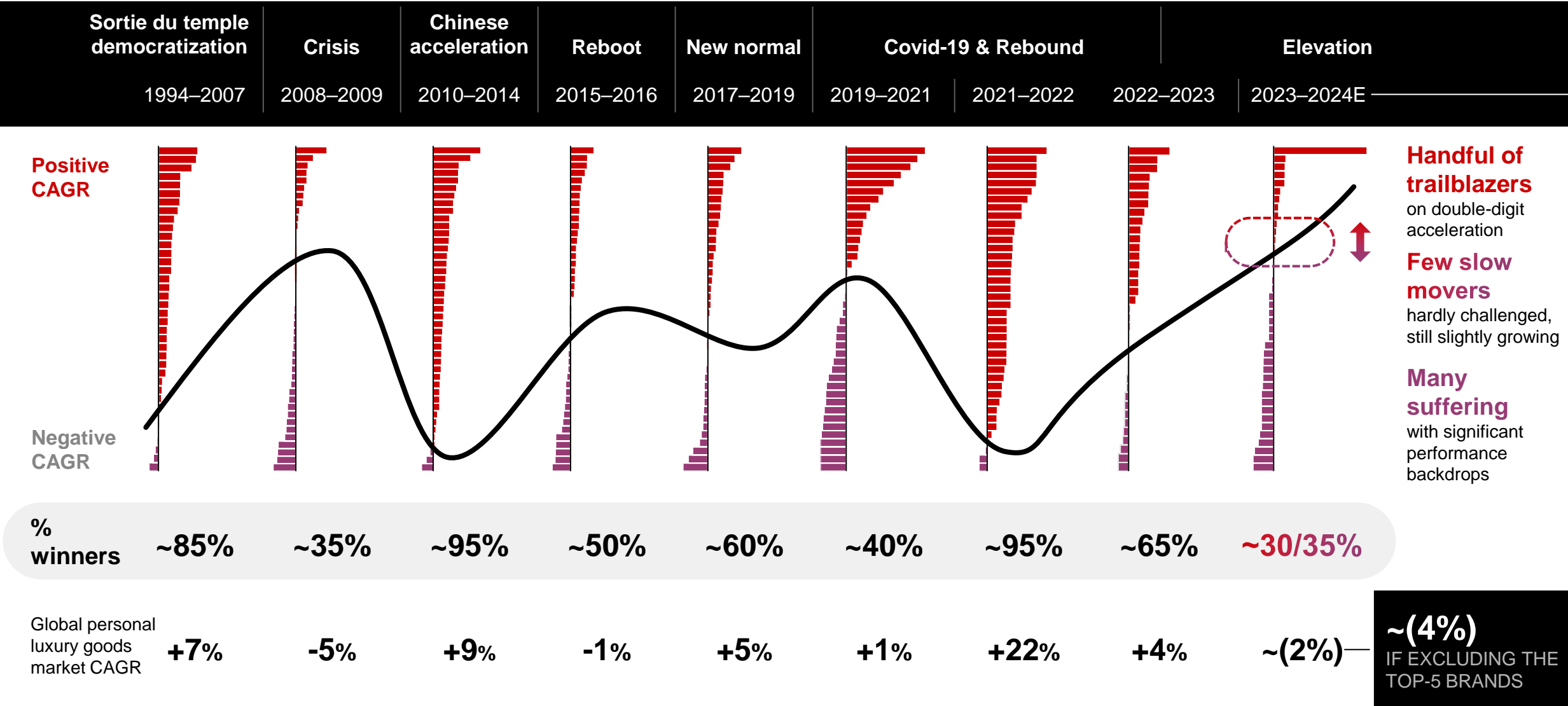
Jewelry and apparel fueling growth

From runways to own platforms

...with luxury brands still to crack the formula to manage the business

Skyrocketing polarization in 2024E

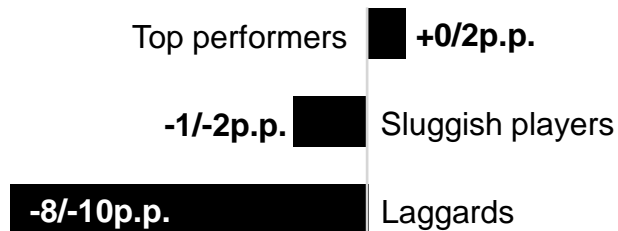
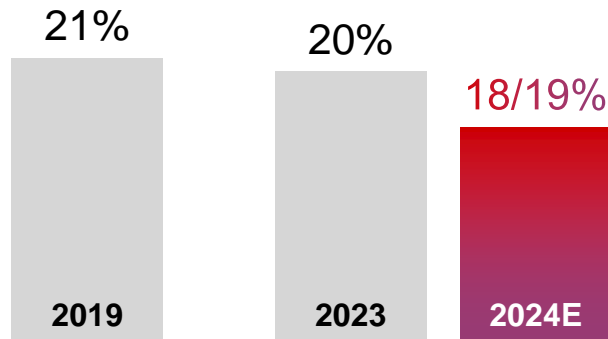
comparable only to last major crisis levels



Margins & cost pressures slowing down profitability, with mixed performance across categories (and players)

EBIT of selected personal luxury goods brands evolution

% | 2019–2024E



MAIN DRIVERS

Spending trend per key bucket

% revenues | Trend 2024E vs. 2023

- Pressured Gross Margin**
 Limited price lever available, attempts to offsetting inflation through manufacturing excellence

- Rising Marketing**
 Customer acquisition and retention cost rising, as brands push to sustain revenue growth

- Growing (slightly) OpEx**
 Balance between tight brands' control on budgets, and reducing scale effect on account of revenue decrease

- Reducing CapEx**
 As brands push to protect their cash position against revenue backdrop

EBIT trend by market segment and player type

Delta p.p. | 2024E vs. 2023



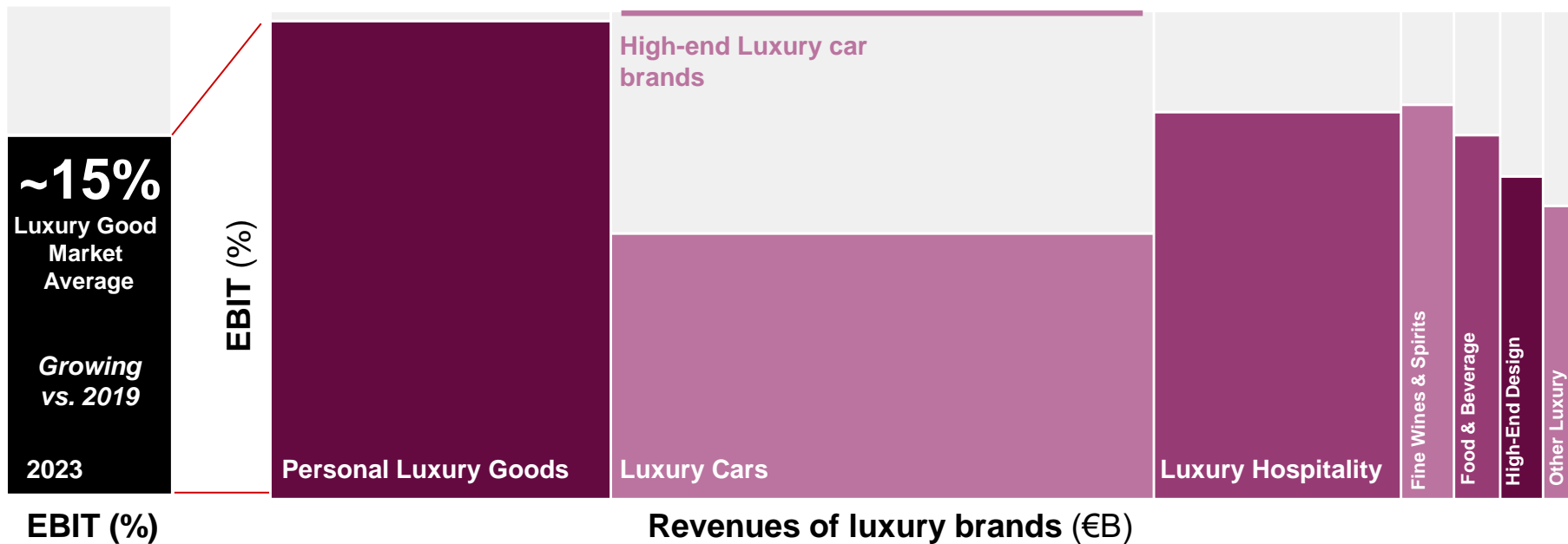
Ongoing pressures forecasted for 2025, yet gross margin upsides and operating deleverage to drive improvement

Luxury Good Markets holding strong profitability: amid upcoming challenges, need to focus on supply chain excellence and resilience

STRONG AND SUSTAINED PROFITS, DESPITE RECENT YEARS' TURBULENCE

...WITH SOME CHALLENGES TO FACE

Profit structure of global luxury market (€B | 2023)



- Constrained volumes
- Tightening ESG requirements and scrutiny
- Growing tech complexity
- Increasing market volatility

WITH BRANDS CALLED TO KEEP ENSURING AND NURTURING UPSTREAM EXCELLENCE

FAVOR CO-INVESTMENTS

to stay ahead of industry trends

SUPPORT UPSKILLING

of new talents and competences

SAFEGUARD EXPERTISE

committing to preserve craftsmanship

Brands to tackle performance improvement challenges

TO SECURE PROFITABILITY
RETOOL THE BUSINESS MODEL
ACHIEVE LONG-TERM SUSTAINABLE GROWTH

ITEMS	RELEVANCE ON P&L	PERFORMANCE IMPROVEMENT LEVERS	EST. IMPACT
COST ITEMS	COGS	Sourcing optimization Efficient product development Price and markdowns optimization	
	LOGISTICS	End-to-end supply chain flows review Logistic make-or-buy optimization	
	RETAIL OPEX	Store concepts re-engineering Store personnel workload optimization Process automation enhancement	
	PEOPLE & PROCESSES	Organization right-sizing Tech-enabled processes enhancement	
	OTHER G&A	Indirect procurement optimization Cost culture and cost monitoring obsession Cost base variabilization	
	WORKING CAPITAL	Integrated Business Planning upgrade	

ZERO-BASED COST STRUCTURE REDESIGN

~>5p.p.
EBITDA uplift

o/w 30%
Achievable in the first 12 months

~10/20% Decrease in inventory

Technology enhancing further (and enlarging) its role

Requiring brands to shift investment focus...

FROM

“Run”
the business

TO

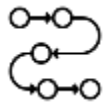
“Change”
the business

(Gen) AI serving as the pivotal turbocharger of performance, across axes



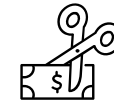
Enhance value proposition

- Optimize **demand planning**
- Unlock **hyper-personalized client interactions**, at scale (clienteling, configurators, ...)
- Ease **marketing experimentation**
- Accelerate **product development**



Upgrade processes efficiency and effectiveness

- Facilitate **product design, prototyping** and **industrialization**
- Speed up and automate **process execution**
- Support **decision-making activities**
- Accelerate **data-to-insight flow**



Drive cost optimization

- Enlarge **addressable cost base across SG&A**
- Expand **saving uplift beyond baseline**
- Reset **organizational set-ups**

Pressured marketing flywheel, with reducing brand visibility and weakened effectiveness

PRESSURES

Moved below-the-line

Performance marketing cost skyrocketing
New touchpoints asking for extra-investments

~5/7% → **~7/9%**
YESTERDAY TODAY
avg. marketing spend as % sales

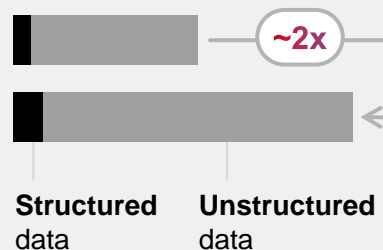
Losing engagement

Slowdown in new customer acquisition
Drop in existing customers' engagement

-30/35% YoY engagement rate
~(60%) YoY fanbase growth rate

Overloaded by data

More data, more complex and harder to leverage



CHALLENGES

...with **creativity** and **innovation** as clear priorities

Degree of creativity representing primary driver of campaign ROI, 2/3x above its reach



45/50% Campaign ROI driven by creativity

Experimentation at scale as tool to boost marketing performance



SPEED BOOST

content generation and deployment in near-real-time



HYPER-PERSONALIZATION

higher resonance...at larger scale



EFFICIENCY

more content, lower cost, in a virtuous learning cycle

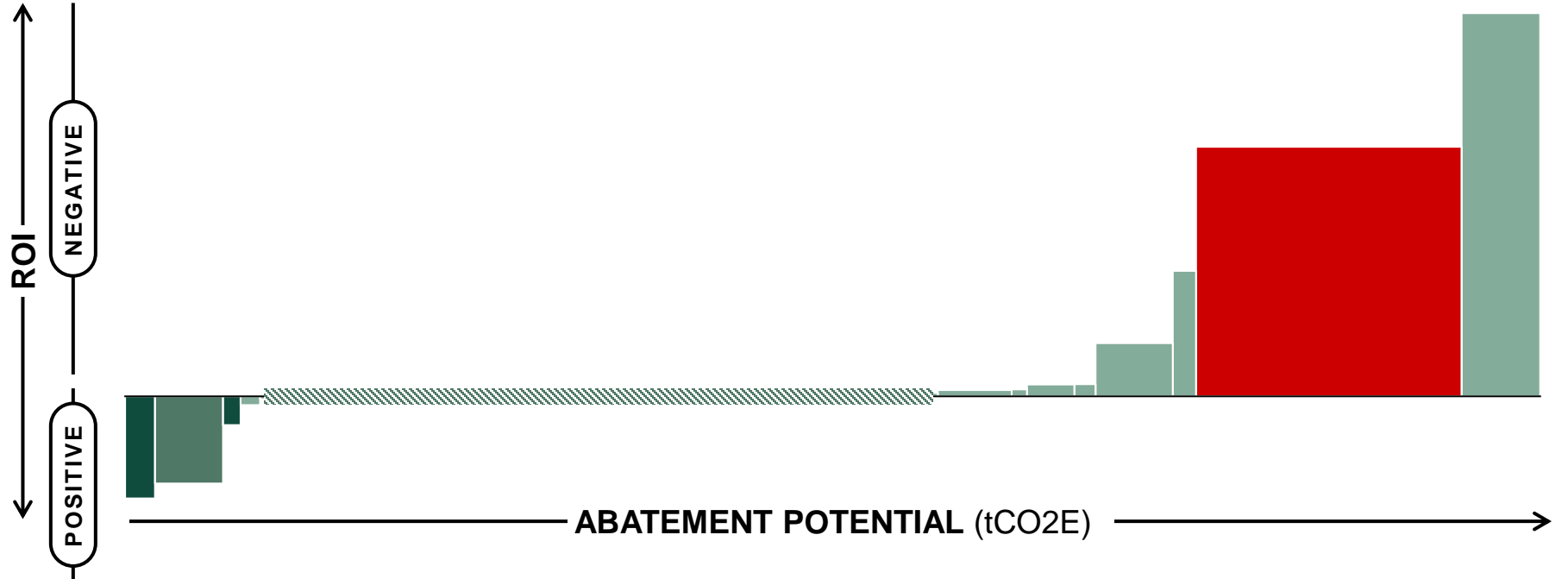
Decarbonization is a business imperative, and comes with costs, but, also, opportunities

Marginal abatement cost

€ | tCO2E SOFT-LUXURY

~€10/15B

Total investment to reach 2030 targets



Key levers

01

Sales planning and logistic optimization

Reduce overproduction through sales forecasting, planning, and product allocation optimization and optimize inbound/outbound logistics to favor low-impact transportation means

GEN-AI enabled

02

Manufacturing efficiency

Streamline manufacturing flows, double-down on electrification and green(er) sources of energy

03

Upstream procurement optimization

Revisit the raw material mix and increase low-carbon alternatives

04

Circular business model

Net-zero trajectory requires greater share of business from 2nd hand – profitability key priority

Sound fundamentals

...driving long-term positive perspectives

for market growth to remain strong

Growing addressable consumer base

Growing addressable population **>300M** Additional target consumers in next 5 yrs.

~150M from China **~20M** from LATAM **~15M** from India **~15M** from SEA **~2M** from Africa

Next Generations **>50%** O/w from Gen Z and Gen Alpha

Growing addressable wealth

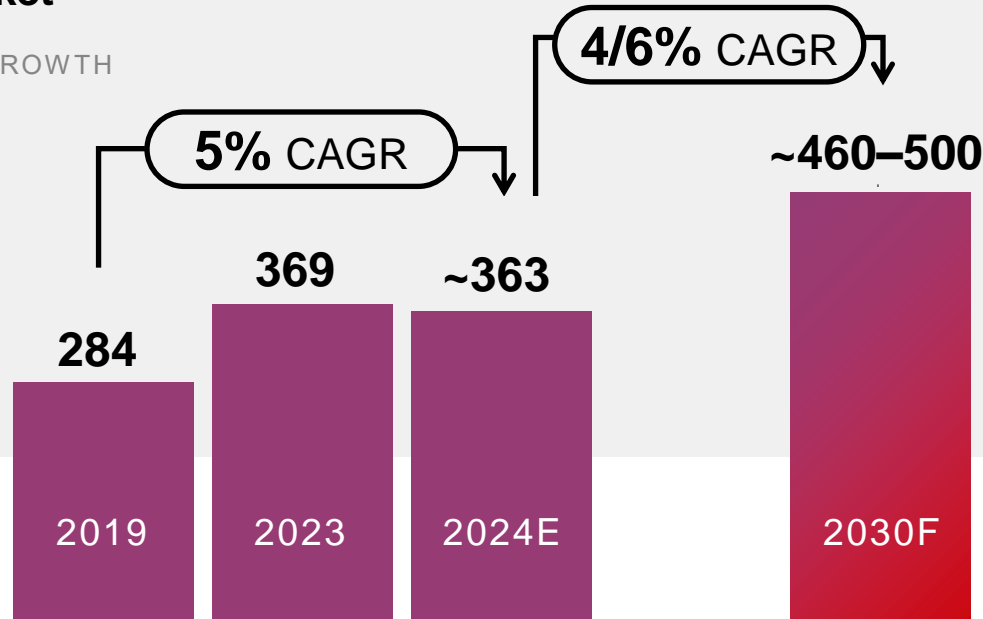
Growing incomes worldwide **~3/4%** Avg. income growth

“New wealthy” through wealth transfers **~€30T** Globally

HNWIs growing at fastest pace **~20%** Growth in # of HNWIs

Personal luxury goods market

€B | FUTURE GROWTH AT CONSTANT EXCH. RATES



TOTAL LUXURY MARKET 2030F

€2/2.5T

3-4x vs. 2010

KEY QUESTIONS

Future demand for luxury is strong, but unlocking it demands **clarity** in strategy and execution

Players need to **deliberately** navigate trade-offs and **define their path** ahead



DESIRE



LOVE



ASPIRATION



INSPIRATION



EXCLUSIVITY



INCLUSIVITY



ICONS



INNOVATION



CONTINUED ELEVATION



REDISCOVERED HIGH-LOW



TOP CUSTOMERS



BROAD CUSTOMER BASE



“BOOMERS”



NEXT GEN



Good times for a **change**

to rediscover **luxury**
foundations

and **intentionally**
shape the future
of this industry



Refocus on basics

Build lasting, high-quality products focused on content and creativity



Foster relationships

Create meaningful connections, beyond transactional activations



Favor reach over push

Expand toward new untapped and diverse audiences, instilling desire and love over hype



Deliver flawlessly

Create seamless end-to-end, customer-centric experiences, exceeding expectations

While flexibly

AMPLIFYING

INSPIRING

INNOVATING

ADAPTING

Embed Gen AI

Along the whole value chain

Tackle supply chain challenges

Secure capabilities amid suppliers' scarcity

Build end-to-end resiliency and enhance agility

Lead ESG development across all axes, from decarbonization to social

Enhance talent

Securing the top-notch competences relevant for tomorrow

THANK YOU



Claudia D'Arpizio

Partner, Bain & Company

Leader, Global Fashion-Luxury Goods vertical



Claudia has spent almost 30 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

Leader, EMEA Fashion-Luxury Goods vertical



Over the last 20 years, Federica has led more than 300 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 coauthor of the Bain Luxury Study, one of the most cited sources of market information in the luxury industry.

Bain contacts

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Andrea Steiner

- Senior Manager (Milan)
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For a copy of the study, please contact:

Press

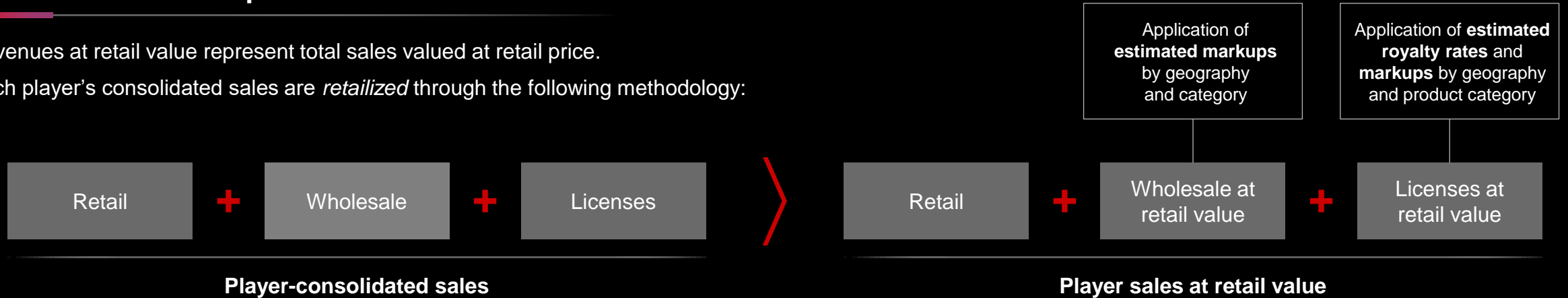
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- Katie Ware (US)
Katie.Ware@Bain.com or +1 646–562–8107

Methodology of the study

Revenues at retail equivalent value

Revenues at retail value represent total sales valued at retail price.

Each player's consolidated sales are *retailized* through the following methodology:



Bottom-up and top-down estimates

Bottom-up



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
- Interviews with industry experts (top management of brands, distributors, department stores, etc.)
- Consistency check on the data and fine-tuning

...we cross-check results

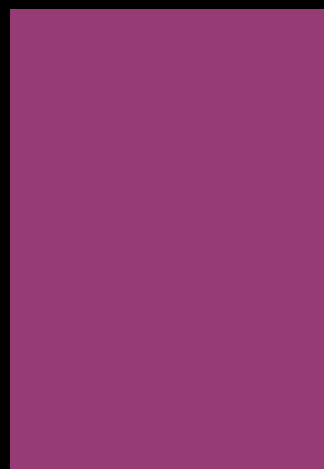
We have adjusted our Market perimeter for personal luxury goods

~2% perimeter adjustment: ~€369B in 2023

Personal luxury goods market (2023 | €B)

PERIMETER ADJUSTMENTS

362



369



Global insurgent luxury brands across categories
Former regional players achieving global scale

PERSONAL LUXURY
GOODS MARKET
NOVEMBER '23

HARD
LUXURY

SOFT
LUXURY

BEAUTY

PERSONAL LUXURY
GOODS MARKET
NEW PERIMETER

BAIN & COMPANY 

