TRUE-LUXURY GLOBAL CONSUMER INSIGHTS

7TH EDITION

June 2020

ALTAGAMMA
CREATIVITÀ E CULTURA ITALIANA

BCG

THE 7TH TRUE-LUXURY GLOBAL CONSUMER INSIGHT EDITION CONDUCTED IN TWO FIELD MOMENTS: PRE-COVID (JANUARY 2020) AND POST-COVID (JUNE 2020)

~19M True-Luxury Consumers (out of ~435M total consumers) generating **31% of global luxury market**

Fifth Ed. 2018	12,000+ Respondents	€37K+ Average spend[2]	10 Markets[1]
Sixth Ed. 2019	12,000+ • 2,000 in China • 2,000 in US	€39K+ Average spend	=
Seventh Ed. 2020			
Pre Covid-19 (Jan 2020)	=	=	+1 *Arabs* market[1] (UAE & KSA)
Post Covid-19 (June 2020)	2000	=	=

Powered by

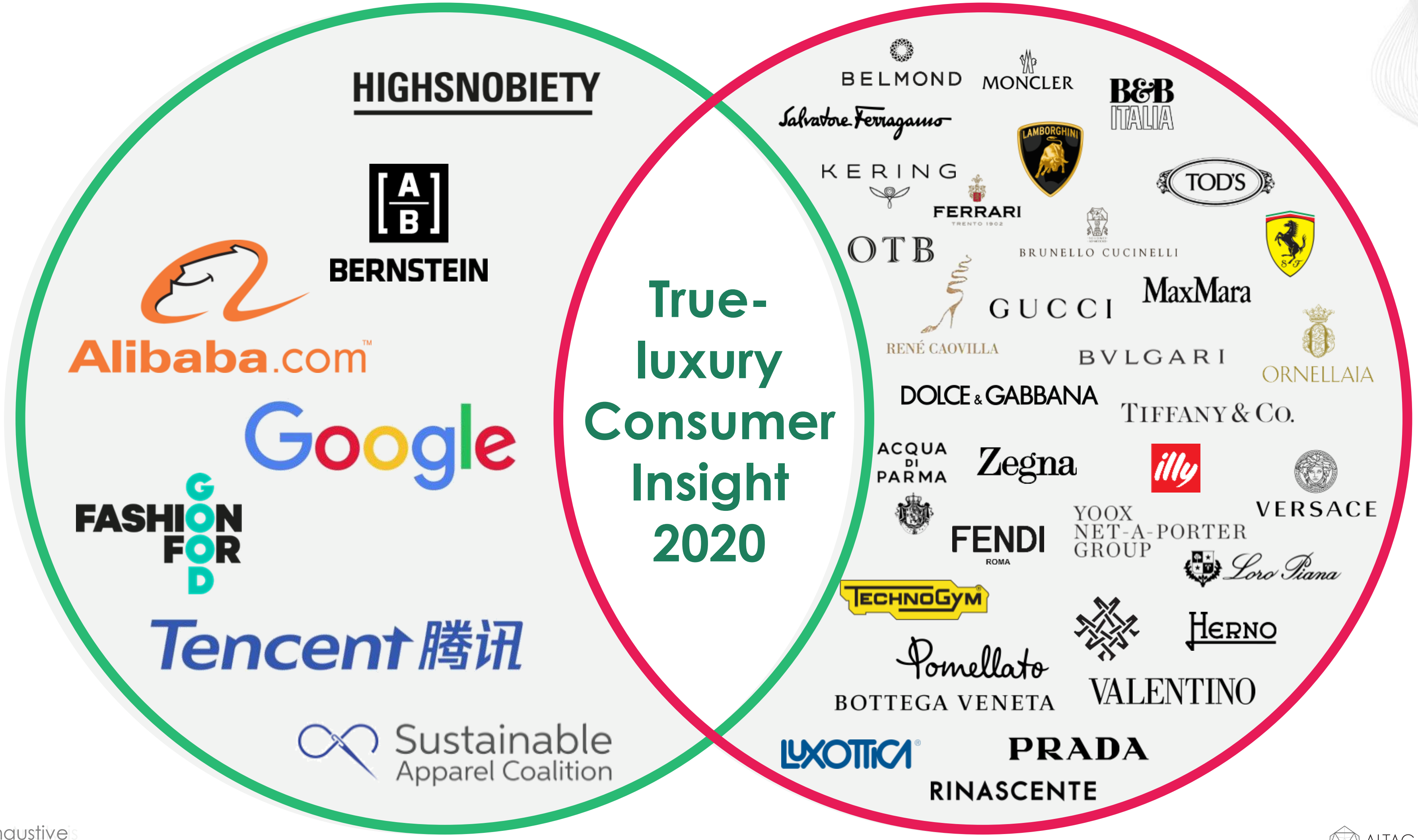
PHRONESISPARTNERS simplifygrowth

Research Partner for the all 7 editions of the BCG Altagamma True-Luxury Global Consumer Insights

1. Begun monitoring UAE /KSA market (300 respondents) 2. Includes personal and experiential luxury, excluding cars, yachts, smartphones and smartwatches

WE BRING ALTAGAMMA PARTNERS AND MEMBERS OF BCG LUXURY ECOSYSTEM TO THE TABLE TO GENERATE THE BEST CONSUMERS INSIGHTS

BCG partners



Altagamma partners

Note: List of brands not exhaustive

BCG EXPERT NETWORK READY TO DISCUSS IN EVERY LARGE MARKET THE OUTCOMES OF TRUE-LUXURY GLOBAL CONSUMER INSIGHT 2020

Source: BCG Knowledge & Analysis

1. COVID-19 IMPACT

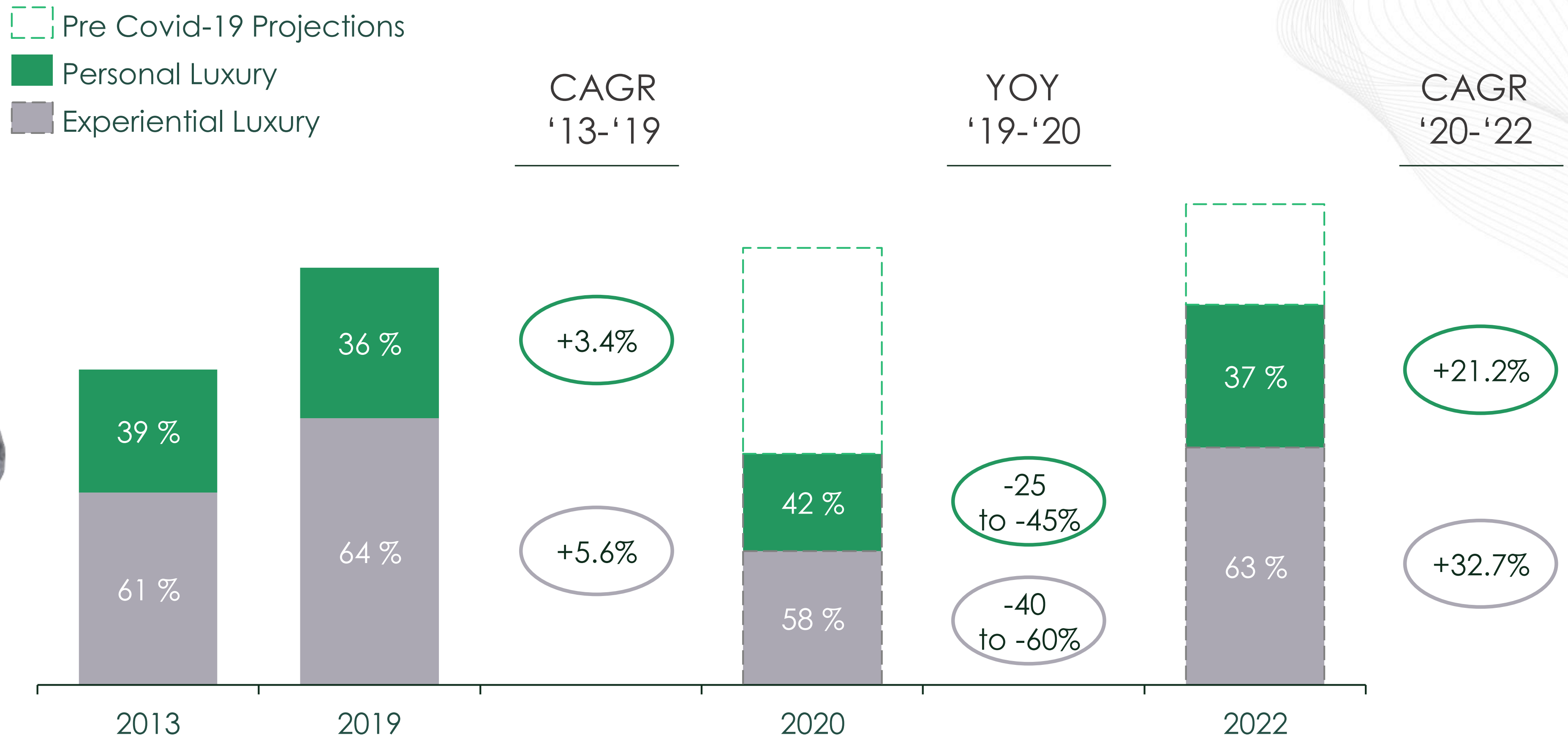
2. TRUE-LUXURY CONSUMER INSIGHTS

3. NEW REALITY & IMPLICATIONS FOR BUSINESSES

June 2020

SEVERE IMPACT OF COVID-19 ON LUXURY MARKET, WITH EXPERIENTIAL LUXURY FACING THE BIGGEST DROP

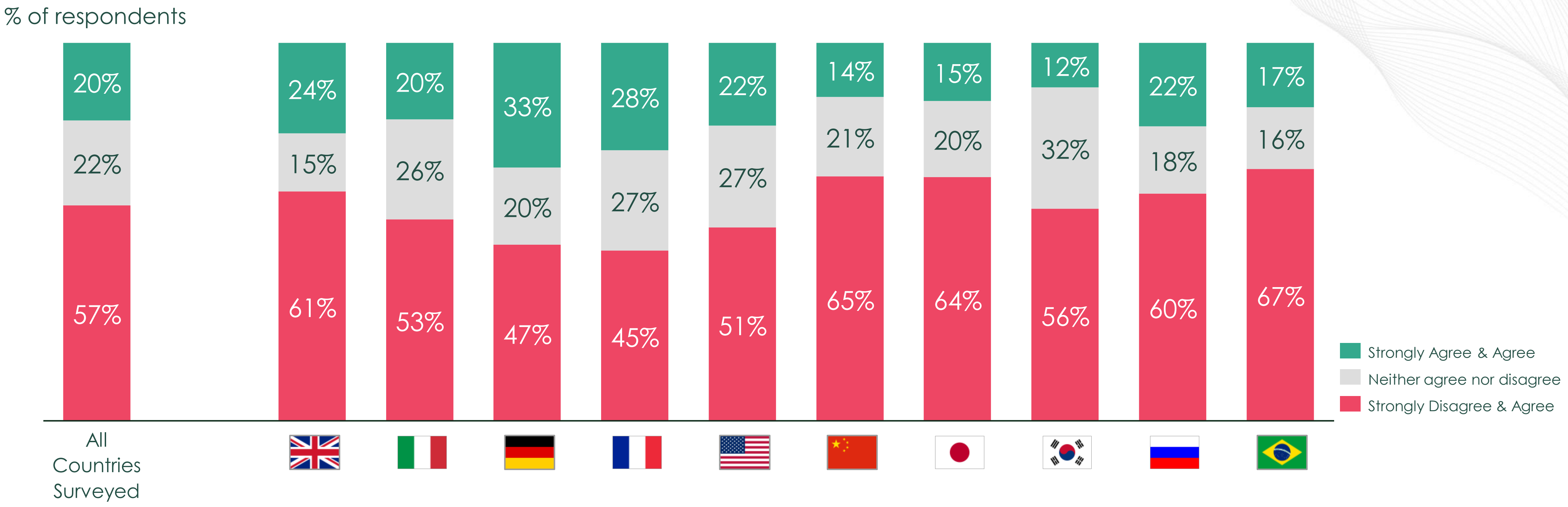
Global Luxury Market (Personal & Experiential), % of total



Note: Numbers rounded. Personal includes leather accessories, apparel, watches and jewelry (branded and unbranded) and perfumes and cosmetics; Experiential includes furniture, food and wine, fine dining & hotel and exclusive vacations
Source: BCG & Altagamma Market Model, BCG Analysis

THE CRISIS IMPACTED EVEN TRUE-LUXURY CONSUMERS, WITH 57% REFRAINING FROM MAKING PURCHASES AND INVESTMENTS THEY HAD PLANNED

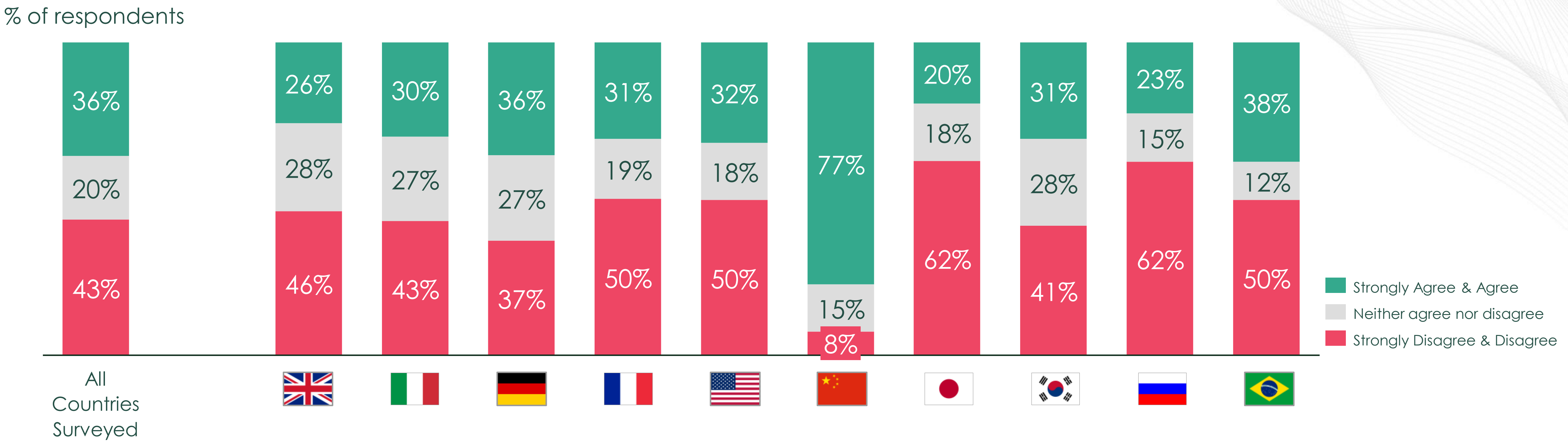
I will continue making the purchases and investments I had planned before



Note: % represents share of respondents
Source: Proprietary BCG-Altagamma True-Luxury Global Consumer Insight Survey & Analysis in two field moments: Pre-Covid (Dec-Jan 2020; 12K+ respondents in 10 countries) & Post-Covid (June 2020; ~2000 in 10 countries)

SENTIMENT TOWARDS THE RECOVERY IS MITIGATED, WITH ONLY CHINESE EMERGING AS THE MOST CONFIDENT, AS THEY ARE AHEAD IN THE VIRUS CYCLE

I believe that the recovery after the crisis will be fast

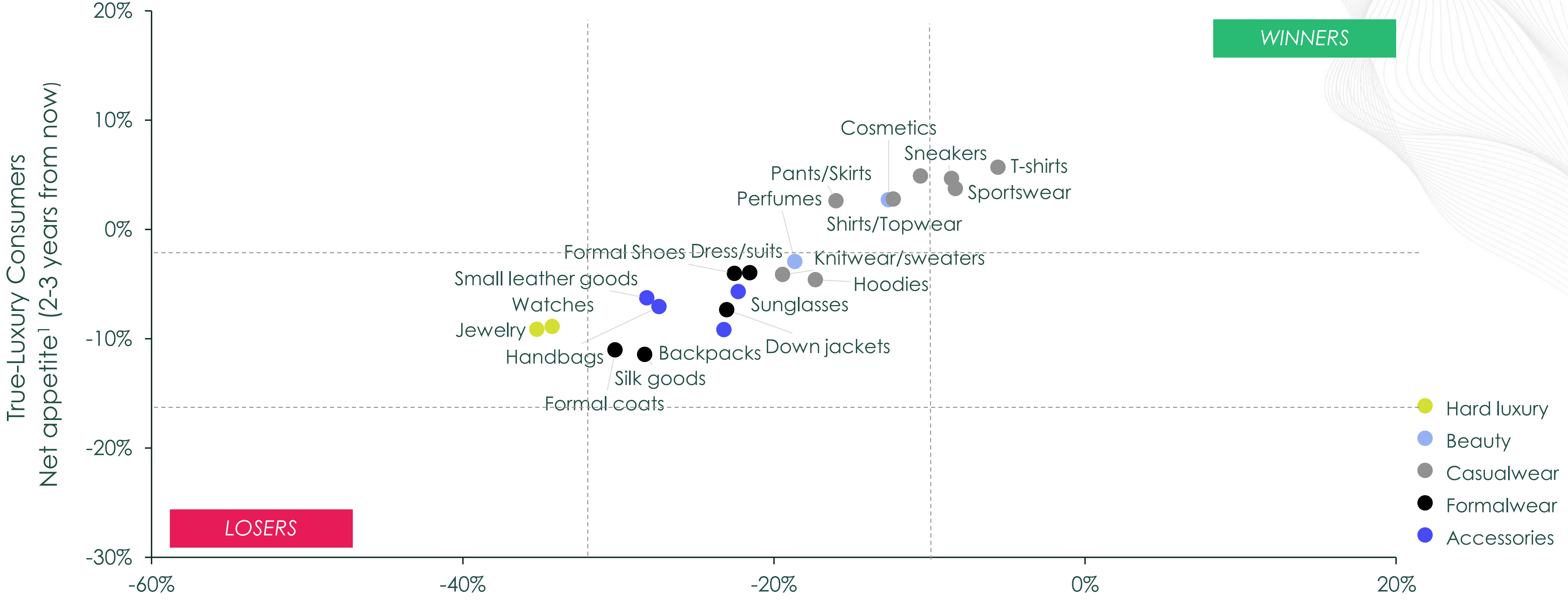


Europe & US extensively affected by Covid-19, especially in key areas for economic development. Strict lockdown imposed to **all citizens**.

Chinese express **optimistic** sentiment towards recovery as **the country** is now **ahead in the virus cycle.**

Note: % represents share of respondents
Source: Proprietary BCG-Altagamma True-Luxury Global Consumer Insight Survey & Analysis in two field moments: Pre-Covid (Dec-Jan 2020; 12K+ respondents in 10 countries) & Post-Covid (June 2020; ~2000 in 10 countries)

WITHIN PERSONAL LUXURY, CASUALWEAR & COSMETICS EXPECTED TO REBOUND IN 2 YEARS, WHILE OTHER CATEGORIES IMPACTED BY CRISIS ON THE LONG TERM

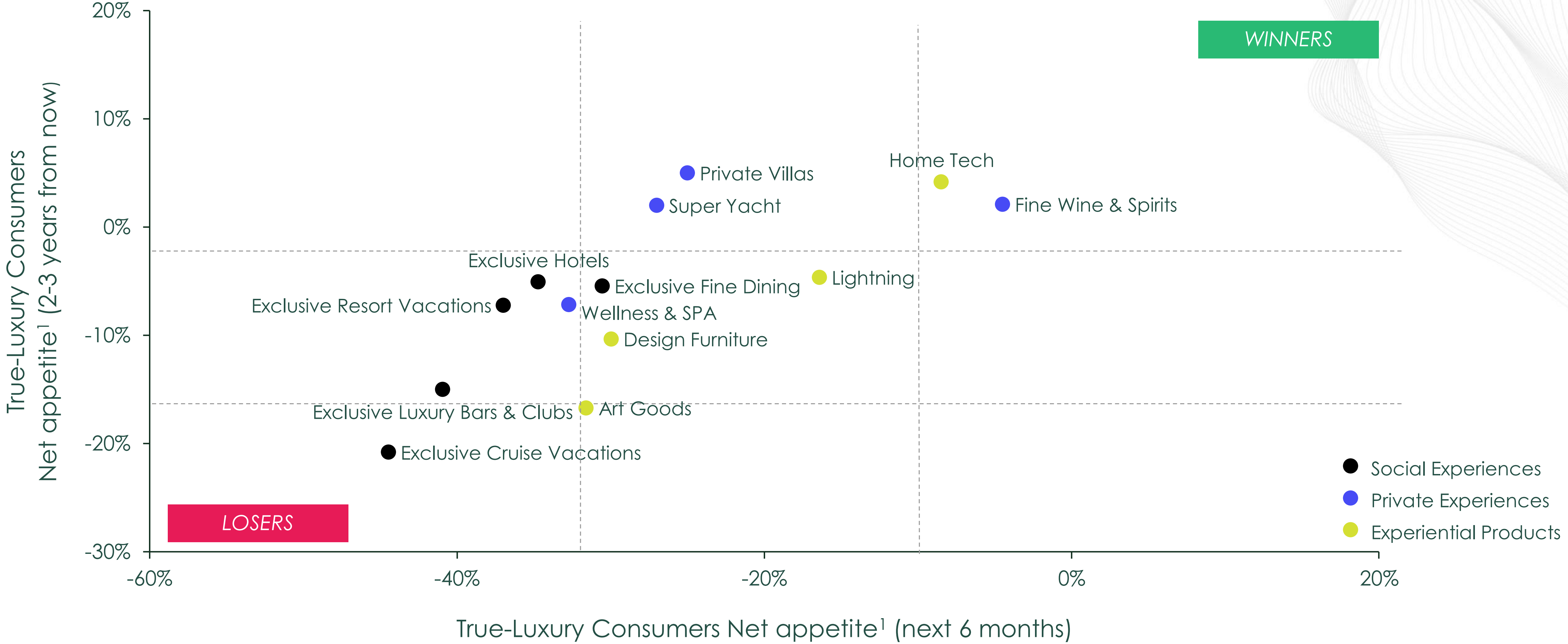


Question text : "How does your luxury spending over the next 6 months will compare to your luxury spending in the 6 months prior to the coronavirus outbreak (i.e. 2nd half of 2019) and in 2-3 years from now? Note: 1. Net appetite: (% of a lot more + % of a bit more) – (% of a bit less + % of a lot less)

Source: Proprietary BCG-Altagamma True-Luxury Global Consumer Insight Survey & Analysis in two field moments: Pre-Covid (Dec-Jan 2020; 12K+ respondents in 10 countries) & Post-Covid (June 2020; ~2000 in 10 countries)

ALTAGAMMA CREATIVITÀ E CULTURA ITALIANA BCG

IN EXPERIENTIAL, TRUE-LUXURY CONSUMERS ARE STILL RELUCTANT TOWARDS HOTELS, RESORT AND CRUISE VACATIONS, PREFERRING MORE INTIMATE EXPERIENCES



Question text : "How does your luxury spending over the next 6 months will compare to your luxury spending in the 6 months prior to the coronavirus outbreak (i.e. 2nd half of 2019) and in 2-3 years from now? Note: 1. Net appetite: (% of a lot more + % of a bit more) – (% of a bit less + % of a lot less)
Source: Proprietary BCG-Altagamma True-Luxury Global Consumer Insight Survey & Analysis in two field moments: Pre-Covid (Dec-Jan 2020; 12K+ respondents in 10 countries) & Post-Covid (June 2020; ~2000 in 10 countries)

1. COVID-19 IMPACT

2. TRUE-LUXURY CONSUMER INSIGHTS

3. NEW REALITY & IMPLICATIONS FOR BUSINESSES

June 2020

ALTAGAMMA
CREATIVITÀ E CULTURA ITALIANA

BCG

8 CONSUMER TRENDS SHAPING THE NEW LUXURY REALITY, WITH 5 ACCELERATED BY THE COVID-19 CRISIS THAT ARE HERE TO STAY

Temporary trends, here today

Experiential luxury & tourism: more secluded and short-hauled

Deep-dive today

Chinese: from global spenders **to local consumers**

Millennials take a hit, but are most hopeful for the future

Accelerating trends, here to stay

Luxury values polarizing between West and China

Deep-dive today

Purpose at the heart of ***Sustainability 360°***

Next generation relationship driven by **Clienteling 2.0**

Deep-dive today

A new shopping equation:
online acceleration & **in-store** brand experience

New business models reshaping ownership:
rise of 2nd hand and rental

Temporary trends, here today

EXPERIENTIAL LUXURY & TOURISM: MORE SECLUDED AND SHORT-HAULED

Business Travel

54%

Of True-Luxury consumers say they **plan to travel less for work compared to before**

Long-term impact

Travel & Tourism most affected by the crisis

Leisure Travel

60%

Of True-Luxury consumers say they **can't wait to travel again for leisure**

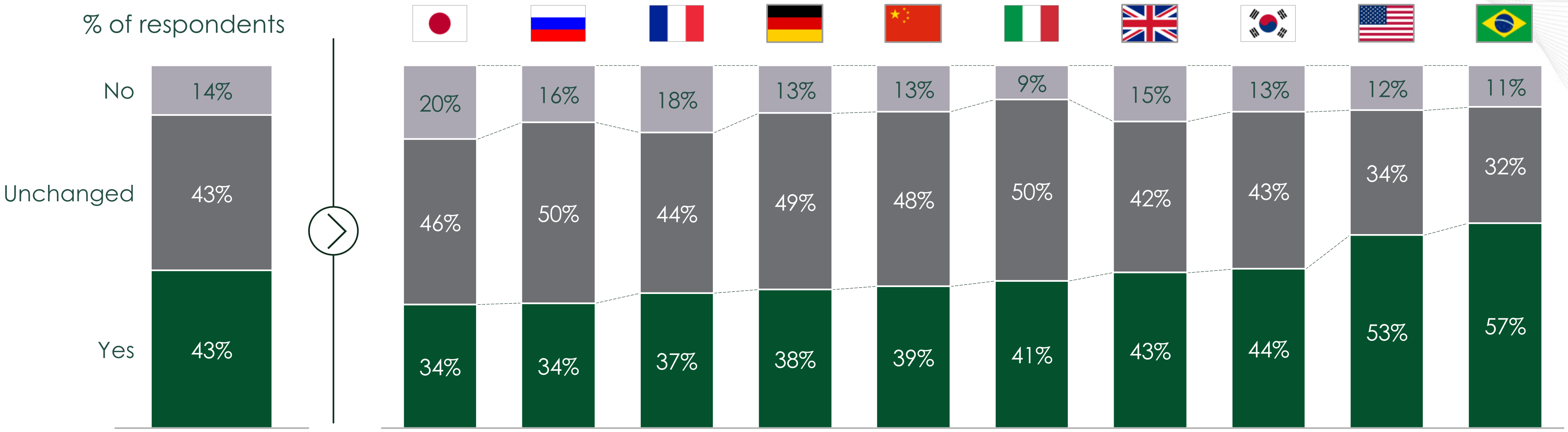
Temporary impact

Focus of the study: experiential luxury within leisure

Source: Proprietary BCG-Altagamma True-Luxury Global Consumer Insight Survey & Analysis in two field moments: Pre-Covid (Dec-Jan 2020; 12K+ respondents in 10 countries) & Post-Covid (June 2020; ~2000 in 10 countries)

43% OF CONSUMERS WERE SHIFTING THEIR SPENDING TOWARDS EXPERIENTIAL LUXURY BEFORE PANDEMIC HIT, AND TREND IS RESISTING

Compared to 2/3 years ago do you feel that you are buying fewer personal products and more leisure experiences? (Pre-Covid Survey)



~43% HAVE SHIFTED THEIR SPENDING TO EXPERIENTIAL **BEFORE COVID-19**
AND **40% STILL CONFIRM** THEY ARE MORE LIKELY TO **DO SO AFTER COVID-19**

Source: Proprietary BCG-Altagamma True-Luxury Global Consumer Insight Survey & Analysis in two field moments: Pre-Covid (Dec-Jan 2020; 12K+ respondents in 10 countries) & Post-Covid (June 2020; ~2000 in 10 countries)

AMONG THOSE WHO ARE SWITCHING, ~88% ARE SHIFTING SINCE EXPERIENCES PROVIDE GREATER SATISFACTION AND EXCLUSIVITY

Compared to 2/3 years ago why do you feel that you are buying fewer personal products and more experiences? (Pre-Covid Survey)

% of respondents

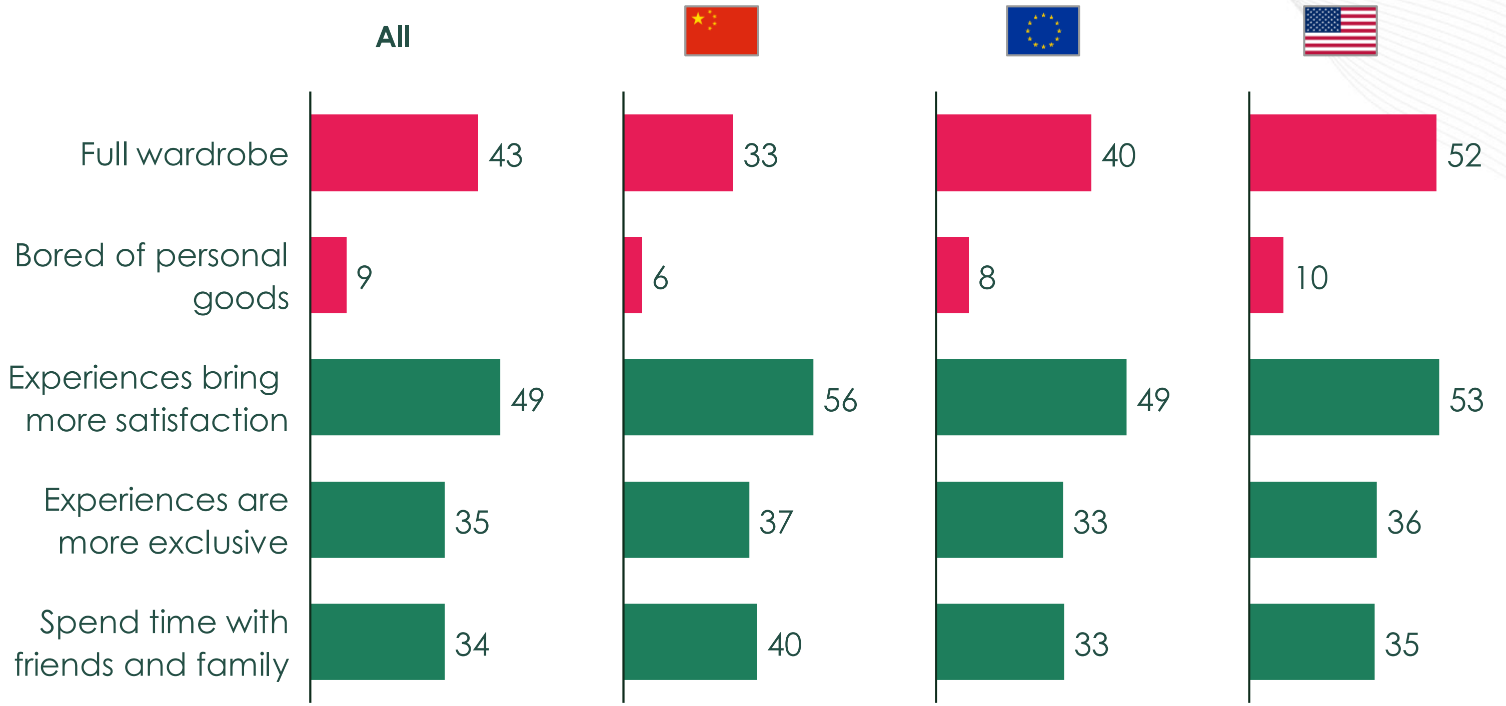
47%

Negatives of personal goods[1]

88%

Positives of experiences[2]

% of respondents[3]



Note: 1. Respondents who are switching because of at least 1 negative reason 2. respondents who are switching because of at least 1 positive reason 3. multiple choice question; Sample sizes are China = 876, Top 4 EU = 1294, US = 1194; multiple choice question
Source: Proprietary BCG-Altagamma True-Luxury Global Consumer Insight Survey & Analysis in two field moments: Pre-Covid (Dec-Jan 2020; 12K+ respondents in 10 countries) & Post-Covid (June 2020; ~2000 in 10 countries)

AMONG EXPERIENTIAL, *SOCIAL* EXPERIENCES MORE NEGATIVELY IMPACTED BY COVID-19 CRISIS, WITH CONSUMER SHIFTING TOWARDS MORE INTIMATE ACTIVITIES

“ How does your luxury spend in the future will compare to prior to the Covid-19 outbreak for the following categories?

more secluded

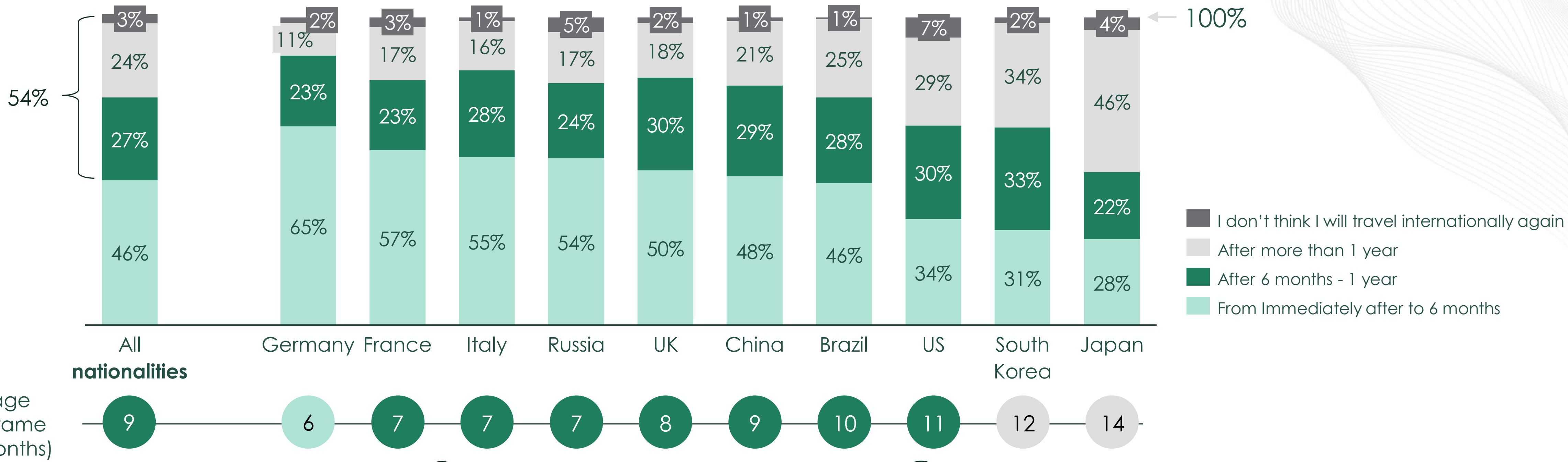
Net appetite[1]	Next 6 months	Next 2-3 years	Impact
Home Tech	-8%	4%	Less impacted by crisis as consumers enjoy more time at **home**
Lightning	-16%	-5%	
Design Furniture	-30%	-10%	
Art Goods	-32%	-17%	
Wine & Spirits	-4%	2%	Impacted in the **short term** but will recover faster as experiences become more **secluded**; super yacht and private villas positively affected
Private Villas	-25%	5%	
Super Yacht	-27%	2%	
Exclusive Fine Dining	-31%	-5%	
Wellness & SPA	-33%	-7%	
Luxury Hotels	-35%	-5%	More impacted both in the short and **long term** as consumers are structurally **shifting** their preferences towards intimate moments
Luxury Resort Vacations	-37%	-7%	
Luxury Bars & Clubs	-41%	-15%	
Luxury Cruise Vacations	-44%	-21%	

1. (% of a lot more + % of a bit more) – (% of a bit less + % of a lot less)

Source: Proprietary BCG-Altagamma True-Luxury Global Consumer Insight Survey & Analysis in two field moments: Pre-Covid (Dec-Jan 2020; 12K+ respondents in 10 countries) & Post-Covid (June 2020; ~2000 in 10 countries)

54% OF TRUE-LUXURY CONSUMERS DO NOT EXPECT TO RESUME INTERNATIONAL LEISURE TRAVEL BEFORE 6 MONTHS

"From the moment you will be allowed to travel for leisure internationally again, when do you think you will actually start doing so?



	All nationalities	Germany	France	Italy	Russia	UK	China	Brazil	US	South Korea	Japan
I don't think I will travel internationally again	3%	2%	3%	1%	5%	2%	1%	1%	7%	2%	4%
After more than 1 year	24%	11%	17%	16%	17%	18%	21%	25%	29%	34%	46%
After 6 months - 1 year	27%	23%	23%	28%	24%	30%	29%	28%	30%	33%	22%
From Immediately after to 6 months	46%	65%	57%	55%	54%	50%	48%	46%	34%	31%	28%
Average timeframe (in months)	9	6	7	7	7	8	9	10	11	12	14

On average, **Europeans & Russians** expected to resume international travel in 6-8 months, preferring neighboring countries and **short-hauled** trips

Non-Europeans will take a bit **more time** before they travel internationally again, with higher share of consumers waiting 1 year

Source: Proprietary BCG-Altagamma True-Luxury Global Consumer Insight Survey & Analysis in two field moments: Pre-Covid (Dec-Jan 2020; 12K+ respondents in 10 countries) & Post-Covid (June 2020; ~2000 in 10 countries)

ONCE THE COVID-19 WILL BE UNDER CONTROL, ITALY WILL BE THE PREFERRED LOCATION FOR EUROPEAN NEIGHBORS AND AMERICAN, BUT NOT FOR CHINESE

Nationality	Top Abroad Destinations for luxury experiences, Pre-Covid 1	2	3	Top Abroad Destinations for luxury experiences, Post-Covid Era (x%) – Sum of share of respondents who ranked the country 1st, 2nd or 3rd 1		2		3	
Italy	France	US	Spain	=	(54%)	=	(51%)	UK	(42%)
France	Italy	US	Spain	=	(61%)	=	(41%)	UK	(35%)
UK	Italy	US	Spain	=	(57%)	=	(48%)	=	(45%)
Germany	Italy	France	US	=	(51%)	=	(49%)	=	(36%)
Russia	Italy	France	Spain	=	(64%)	=	(56%)	=	(52%)
US	Italy	France	Spain	=	(62%)	=	(57%)	UK	(44%)
Brazil	US	Italy	France	=	(51%)	France	(51%)	Italy	(43%)
China	Italy	France	US	France	(63%)	Japan	(52%)	Italy	(39%)
Japan	US	Italy	France	=	(62%)	=	(60%)	=	(60%)
South Korea	Italy	US	France	US	(51%)	France	(49%)	Italy	(44%)

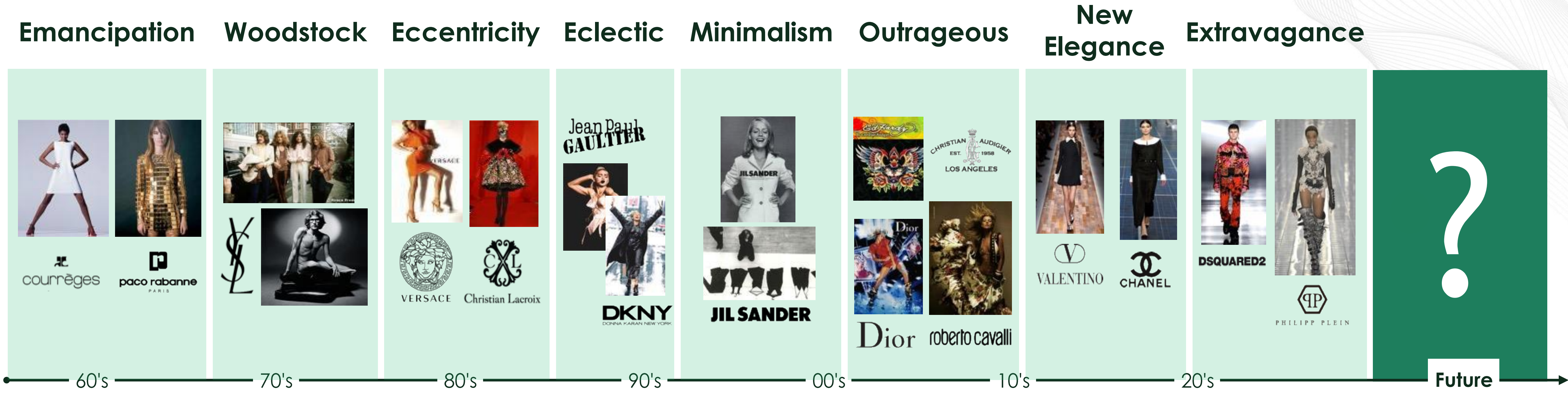
Note: Pre-Covid: question asked was 'How many trips of each type have you done to each destination in the last 12 months"; Post-Covid: Question was "Once the Covid-19 will be under control, which will be your 3 top international destinations (outside of your country of residence) for luxury experiences (e.g. luxury resorts, cruises, wellness)?"
Source: Proprietary BCG-Altagamma True-Luxury Global Consumer Insight Survey & Analysis in two field moments: Pre-Covid (Dec-Jan 2020; 12K+ respondents in 10 countries) & Post-Covid (June 2020; ~2000 in 10 countries)

ALTAGAMMA CREATIVITÀ E CULTURA ITALIANA BCG

Accelerating trends, here to stay

LUXURY VALUES POLARIZING BETWEEN WEST AND CHINA

LUXURY ALWAYS CHARACTERIZED BY ALTERNATION OF GLOBAL STYLE ERAS

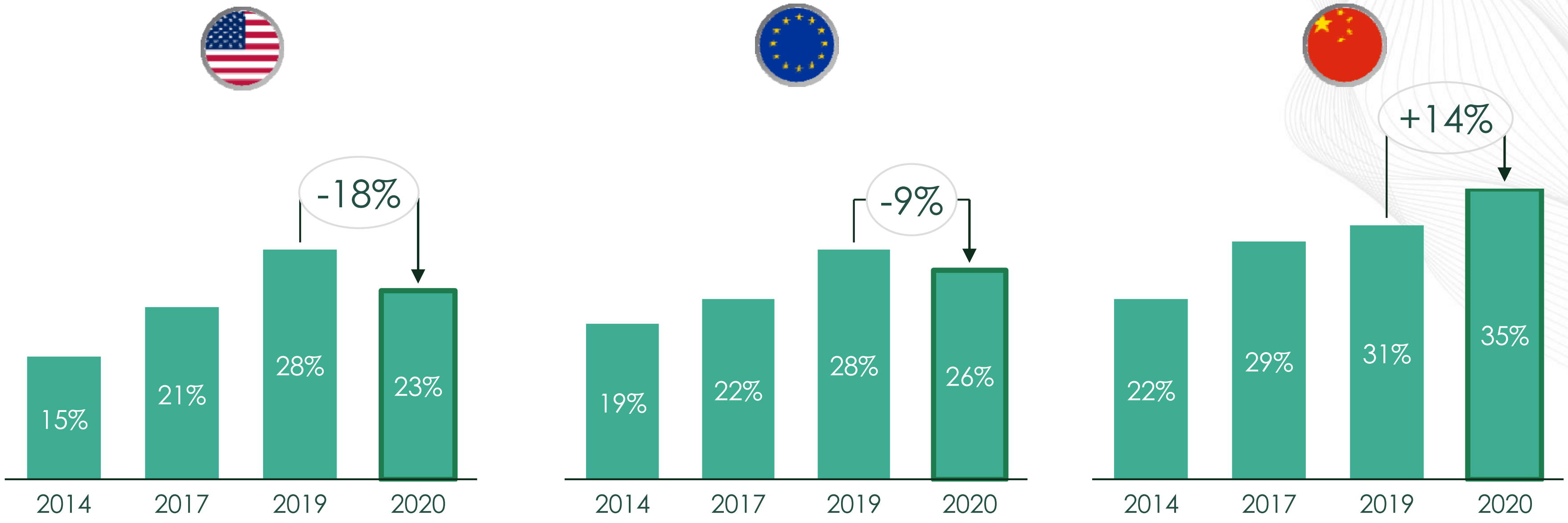


Source: desk research

THE GROWTH TRAJECTORY OF *EXTRO* VALUES PROGRESSES FAST IN CHINA BUT HALTS IN THE WESTERN WORLD: TWO DIVERGING DIRECTIONS

Preference for
New luxury values
***Extro Values*[1]**

Extravagant & fun
Identity statement
Brand visibility & patterns
Adorned aesthetics
Cool & Sexy
…



More significant values compared to global average	Timelessness Craftsmanship	Craftsmanship Heritage	Brand iconic patterns An identity statement
Less significant values compared to global average	Adorned aesthetics Exclusivity	Brand iconic patterns Brand visibility	Exclusivity Craftsmanship

Note: 1. % of new luxury values indicated as a response to the question "Luxury to me is…"
Source: Proprietary BCG-Altagamma True-Luxury Global Consumer Insight Survey & Analysis in two field moments: Pre-Covid (Dec-Jan 2020; 12K+ respondents in 10 countries) & Post-Covid (June 2020; ~2000 in 10 countries)

LUXURY WORLDS TRAVELS NOT ONLY AT TWO SPEEDS BUT ALSO TOWARDS TWO DIFFERENT DIRECTIONS

Towards the Sober Era:

- Preference for temperance and "slow fashion"
- This preference is also linked to a general appreciation for sustainability 360°: consumers in mature fashion countries increasingly thoughtful in their consumption habits

Extra is still cool:

- Chinese consumers still appreciate bold and extravagant values
- Luxury items represent a way to express fun identity statements

Would they **sober-up**

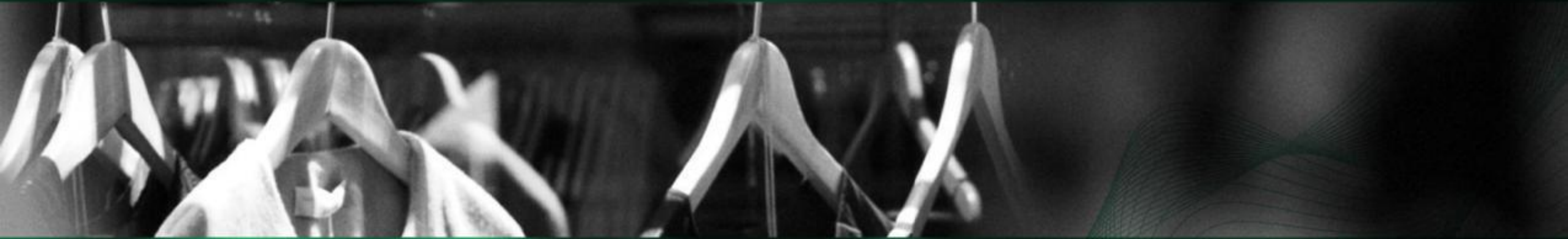
to appeal Westerns?

Would they follow ***extro* values**

to appeal Chinese consumers?

Source: BCG Knowledge & Analysis

Accelerating trends, here to stay



NEXT-GENERATION RELATIONSHIP DRIVEN BY CLIENTELING 2.0

A NEXT-GENERATION TYPE OF RELATIONSHIP: CLIENTELING 2.0

CLIENTELING…

Establish **long-term relationships** with consumers leveraging **data** about what they like, what they purchase, how they behave…

…2.0

…ensuring that the relationship is seamlessly nurtured **both in store & online**, combining capabilities of **people** and **data** using advanced tools (e.g. machine learning)

Source: BCG Knowledge

IN THE NEW REALITY CONSUMERS WILL HIGHLY VALUE DIGITAL CLIENTELING, WITH HIGH EXPECTATIONS ON LEVEL OF SERVICE

46% SAY THEY WILL BE MORE APPRECIATIVE OF **DIGITAL PERSONALIZED CLIENTELING** COMPARED TO BEFORE

EVEN MORE SIGNIFICANT FOR

76%

57%

TO THE POINT THEY WILL EXPECT TO RECEIVE THE **SAME LEVEL OF SERVICE** IN BOTH ONLINE AND OFFLINE CHANNELS

Source: Proprietary BCG-Altagamma True-Luxury Global Consumer Insight Survey & Analysis in two field moments: Pre-Covid (Dec-Jan 2020; 12K+ respondents in 10 countries) & Post-Covid (June 2020; ~2000 in 10 countries)

THE OLD MODEL DOES NOT WORK ANYMORE, AS CLIENTS WISH TO REPLICATE ONLINE THE OFFLINE RELATIONSHIP THEY HAVE WITH BRANDS

	PAST			FUTURE		
	Inspiration	Purchase	Clienteling	Inspiration	Purchase	Clienteling
PHYSICAL CHANNELS		**80% of True-Luxury consumers conclude their purchase in store** (of which 39% ROPO[1])	**Personalized in-store treatment**, selling ceremony, with 1to1 knowledge of taste and preferences			
DIGITAL CHANNELS	**50%** of True-Luxury consumer **starts their journeys online**, searching for **inspiration**				**Online penetration will increase** strongly up to **20%** of luxury sales in **2022** (**+ 8 pp** vs 19)	Digital clienteling will become **as relevant as physical** (**46%** preference vs. **49%** for physical)

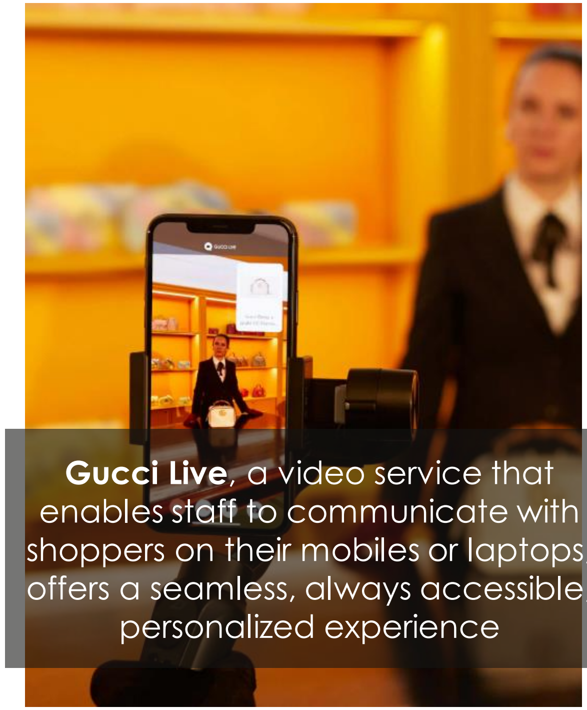
PHYSICAL CHANNELS

DIGITAL CHANNELS

Note: 1. ROPO: Research Online, Purchase Offline
Source: BCG Analysis & Knowledge

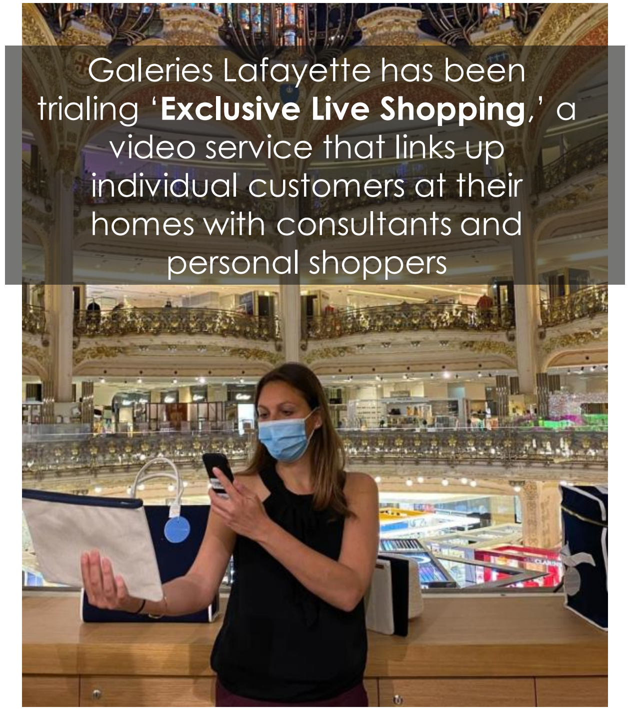
SOME BRANDS HAVE STARTED EXPERIMENTING NEW AND PERSONALIZED WAYS OF ENGAGING WITH CONSUMERS DURING LOCKDOWNS

Gucci's new tech bet: Personalised video shopping



Gucci Live, a video service that enables staff to communicate with shoppers on their mobiles or laptops, offers a seamless, always accessible, personalized experience

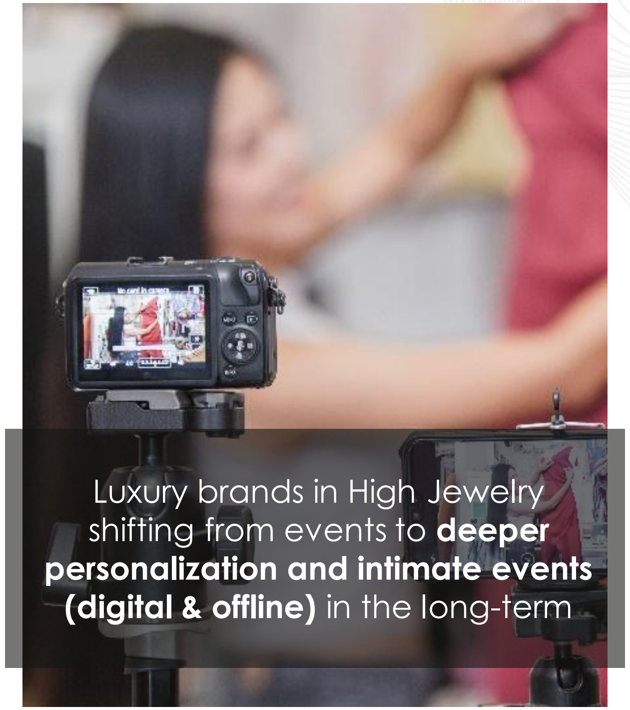
Parisian department store Galeries Lafayette Haussmann launches personalised remote shopping



Galeries Lafayette has been trialing '**Exclusive Live Shopping**,' a video service that links up individual customers at their homes with consultants and personal shoppers

High-End Luxury Labels Adapt to Life Without Events

The sky is the limit when it comes to tailoring marketing initiatives for the clients of high jewelry, in the view of Mario Ortelli.



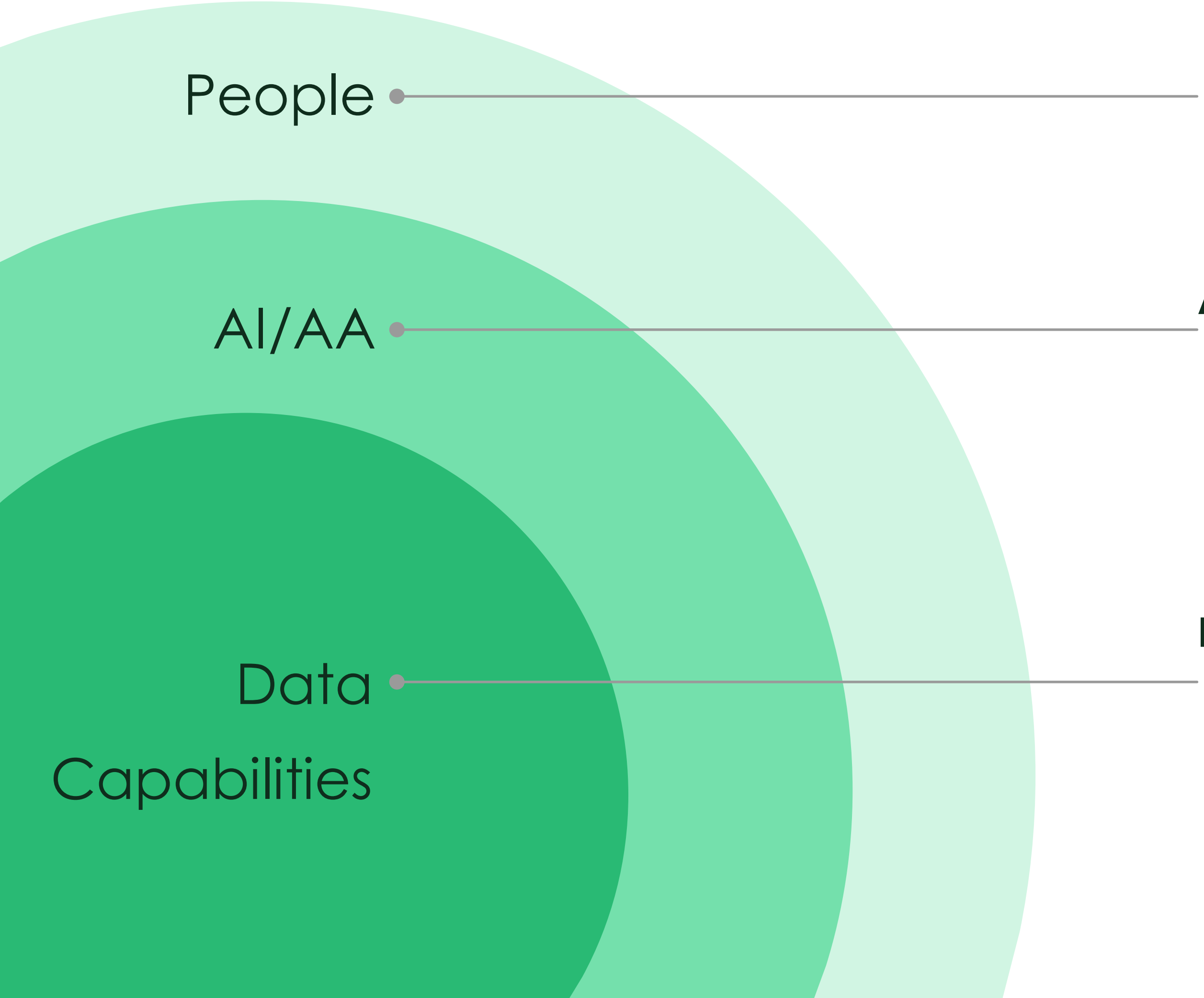
Luxury brands in High Jewelry shifting from events to **deeper personalization and intimate events (digital & offline)** in the long-term

During lockdowns, consumers and brands engage on a personalized level via digital…

..with brands imagining the **next-generation of relationship**

Source: desk search, brands' websites

HOW TO BUILD A STRONG CLIENTELING 2.0 BACKBONE, THROUGH ALL CHANNELS?



FROM DATA TO PEOPLE

- Enable sales associates to use customer targeting and recommendation
- Move from blast campaigns to personalization
  - Impact on content design, creation and validation process

ADVANCED TOOLS AND METHOD

- From data to action: advanced methods and tools such as machine learning to gather insights
- Customer-centric mindset

LEVERAGE DATA TO GET TO KNOW YOUR CLIENTS

- Gathering of client data (socio-demo; recent purchases; browsing data; third-party)
- Build an end-to-end automated flow from customer data capture to activation

1. COVID-19 IMPACT

2. TRUE-LUXURY CONSUMER INSIGHTS

3. NEW REALITY & IMPLICATIONS FOR BUSINESSES

June 2020

ALTAGAMMA
CREATIVITÀ E CULTURA ITALIANA

BCG

GIVEN THE CONTEXT, SEVERAL PRIORITY INVESTMENTS FOR BRANDS TO WIN IN THE NEW LUXURY REALITY

RESET & STREAMLINE

- RESET DISTRIBUTION
- MAKE SUPPLY CHAINS LESS COSTLY AND MORE AGILE
- ADJUST P&L
- RETHINK THE FASHION CALENDAR
- IMPLEMENT A ZERO-BASED ORGANIZATIONAL REDESIGN

INVEST

- ADDRESS CHANGING CONSUMER DEMAND
- INVEST IN INSPIRATION
- EMBRACE CLIENTELING 2.0
- ACCELERATE THE DIGITAL ECOSYSTEM
- BUILD AN AI-DRIVEN TECHNOLOGY BACKBONE
- BRING FRESH SKILLS TO THE WORKFORCE

Source: BCG Knowledge & Analysis

ALTAGAMMA & BCG TEAM FOR THE 7TH EDITION OF THE STUDY

Stefania Lazzaroni

General Manager Altagamma

Nicola Pianon

Managing Director & Senior Partner

Javier Seara

Managing Director & Senior Partner

Filippo Bianchi

Managing Director & Partner

Sarah Willersdorf

Managing Director & Partner

Guia Ricci

Principal

Source: BCG Knowledge & Analysis

Research Partner

THANK YOU