Luxury: Tomorrow is (way) different

Olivier Abtan, Partner & Global Leader Luxury Sector, The Boston Consulting Group

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.
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**
  - Accessories: 77 €B
  - Apparel: 70 €B
  - Watches & Jewelry: 129 €B
  - Perfumes & Cosmetics: 47 €B
  - Furniture: 53 €B
  - Food & Wine: 69 €B

- **Experiential luxury**
  - Hotel & Exclusive vacations: 399 €B
  - Cars & Yachts: 404 €B
  - Technology: 156 €B
  - Arts: 73 €B
  - Other: 55 €B

- **Cars & Yachts**: 404 €B
- **Others**: 284 €B

Total: 1,532 €B

**2014 vs. 2015**
- Personal luxury: +1.6%
- Experiential luxury: +4.2%
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
• 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

Luxury brands to adopt a digital / omnichannel mindset to succeed

Luxury is no longer in-store only

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 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

US and UK leading in digital luxury
Luxury is no longer in-store only
Retail value by channel in B €

- **E-Commerce**: 37% (Act.) ➔ 15% (Exp.)
- **Offline**: 6% (Act.) ➔ 2% (Exp.)

- **2010**: 229 B € (Offline)
- **2015**: 300 B € (Offline)
- **2020F**: ~334 B € (Offline)

**~40%** of overall market growth in next five years coming from E-Commerce.
"Where have you bought the last item purchased? Where have you researched it?"

58%

- Store solo
- Researched Online Purchased Offline
- Showrooming (viewed in store, purchased online)
- Online solo
- Total
"How important is it for you that a brand can be reached through different channels?"

- Millennials: 86% (Very Important)
- Gen. X: 84% (Very Important)
- Baby B. & Silver: 75% (Very Important)

Average: 44%

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

- Integrated delivery service: 31%
- Same promotions & rewards: 24%
- Consistent brand image: 22%
- Integrated CRM: 13%
- Same product assortment: 10%
Where are you buying Luxury?

- Brands website: 29% (-9 pp)
- Online marketplace: 25% (+5 pp)
- Dept. store website: 21% (+3 pp)
- Luxury specialized retailers: 17% (+2 pp)
- Flash sales sites: 9% (-1 pp)

What is important for you online?

1. Navigability of website
2. Price discount
3. Free return
4. Payments accepted
5. Quality of customer care

Δ 2015-2014
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

Digital ecosystem and mindset

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 & 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
Contact

Olivier Abtan, Partner & Global Leader Luxury Sector, The Boston Consulting Group

abtan.olivier@bcg.com

+33 (1) 40 17 43 81