BCG ALTAGAMMA
CREATIVITÀ E CULTURA ITALIANA

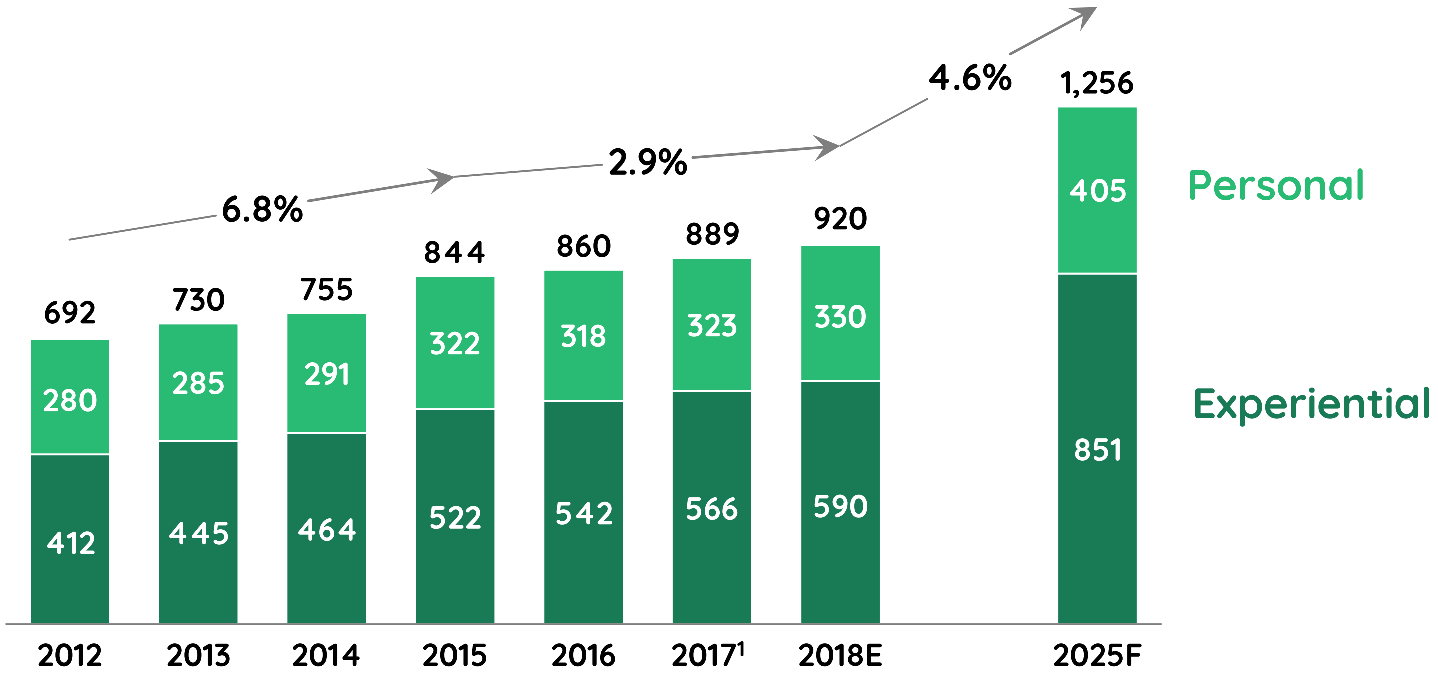
2020 Luxury FirstLook

6th Edition

New York, January 15, 2020

Luxury market reaches ~920 B€ in '18, expected to grow at 4.6% per year until '25, experiential 2pp faster

Personal and Experiential Luxury Market (B€)



CAGR

	'12-'15	'15-'18	'18-'25F
Personal	4.8%	0.8%	3.0%
Experiential	8.2%	4.2%	5.4%

Personal goods regaining strength and experiential goods maintaining growth

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

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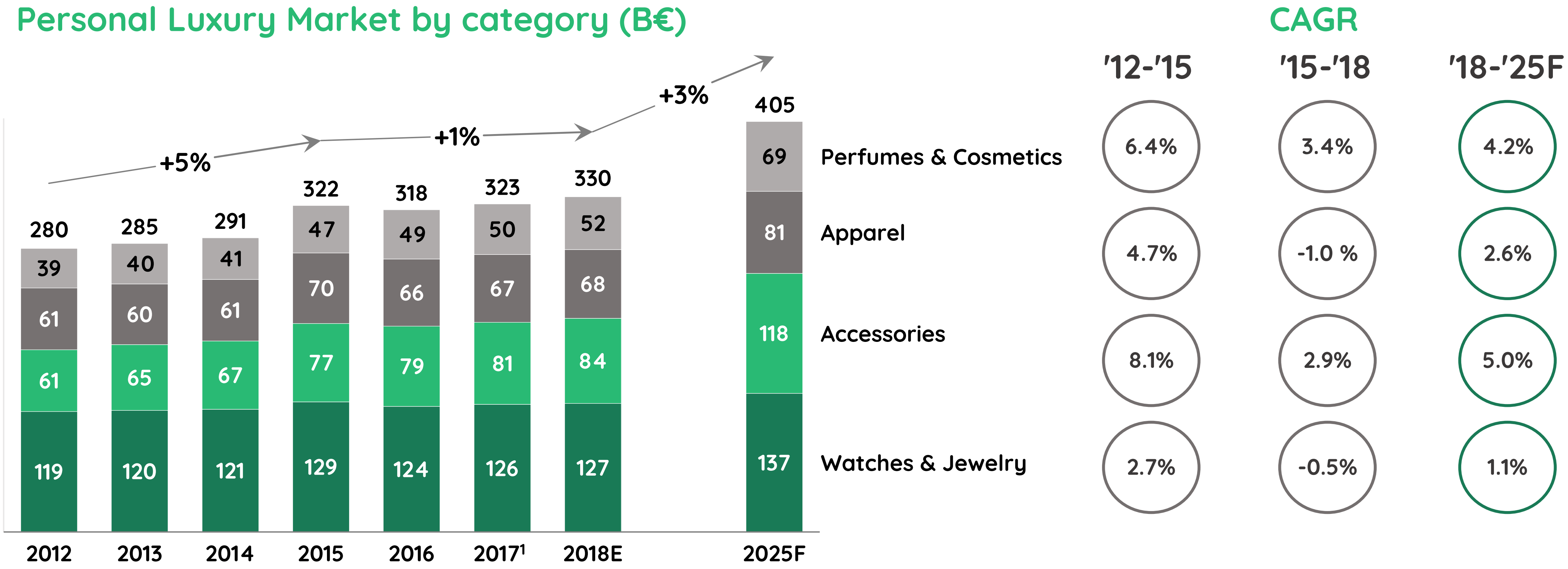
Personal luxury reaches 405 B€ by '25, growing at 3% p.a. from '18, driven by perfumes, cosmetics and accessories

Personal Luxury Market by category (B€)



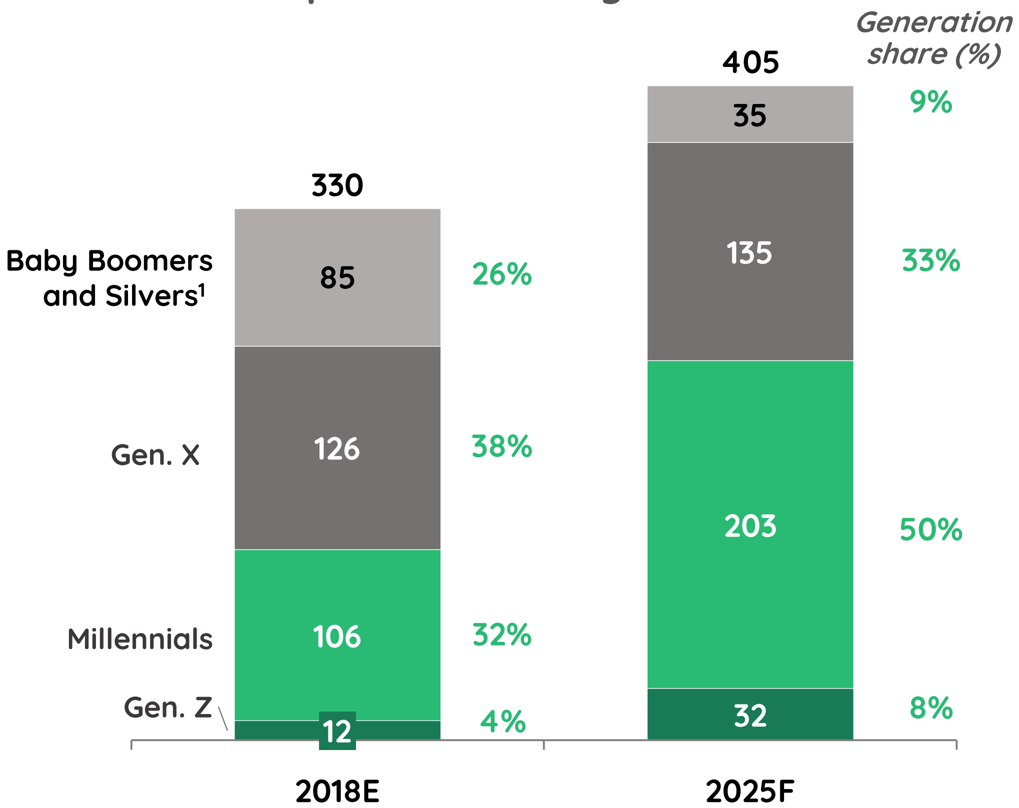
1. Restated

Note: Numbers rounded. Watches and jewelry category includes high quality unbranded jewelry (with growth of -0.4% between '18-'25) and branded jewelry (with growth of 5.9% between '18-'25)

Source: BCG Luxury Market Model

By 2025, ~50% of the market will made by Millennials

Generation predictions (B€)
on the personal luxury market



Between 2018 and 2025…

130% of the growth in luxury personal goods market is expected to come from Millennials

By 2025…

50% of luxury personal goods market is expected to be made by Millennial consumption

~3x Gen Z expected to ~triple by 2025, growing double digit p.a

~2x Millennials expected to ~double by 2025

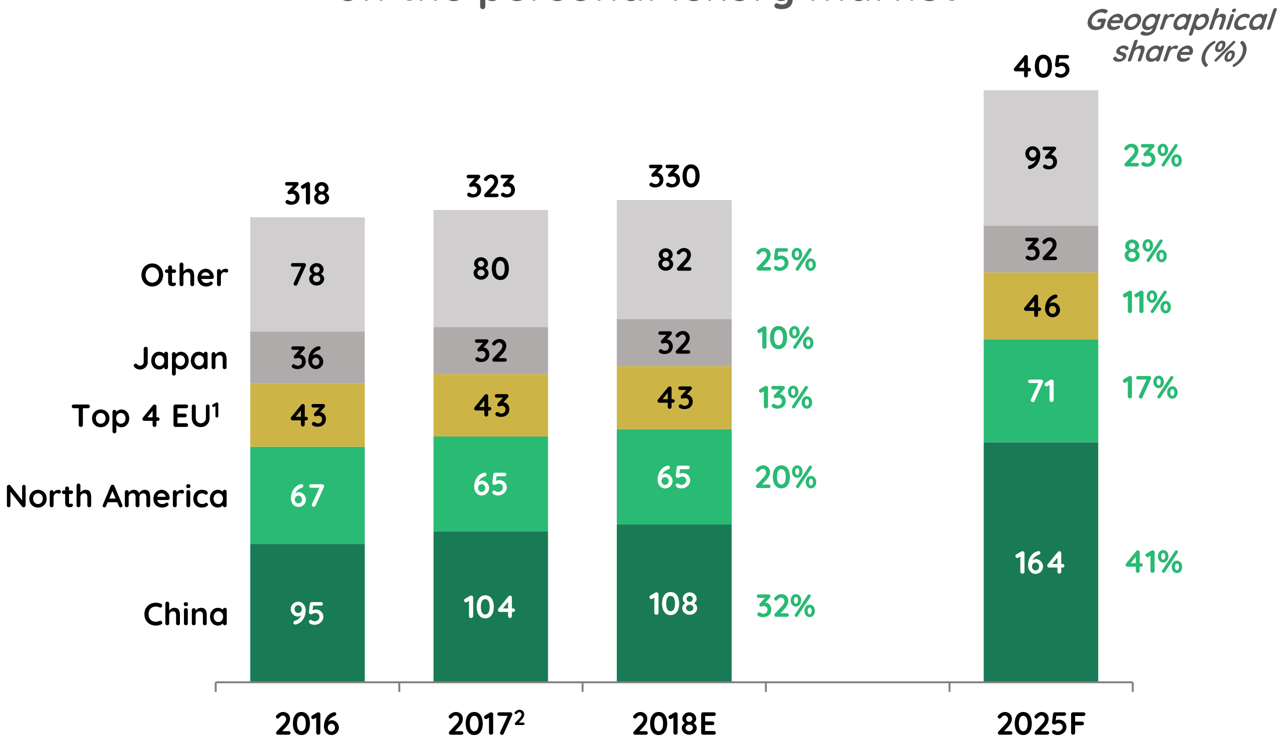
1. Includes €7B from Silvers in 2018

Note: Numbers rounded. Personal includes leather accessories, apparel, watches, jewelry, perfumes and cosmetics. Gen Z, 1993-2001; Millennial, 1978-1992; Gen X, 1963-1977; Baby Boomers, 1946-1962; Silvers, <1945

Source: BCG Luxury Market Model

Chinese will represent ~40% of the market by 2025

Nationality predictions (B€)
on the personal luxury market



Between 2018 and 2025…

75% of the growth in personal luxury goods market expected to come from Chinese

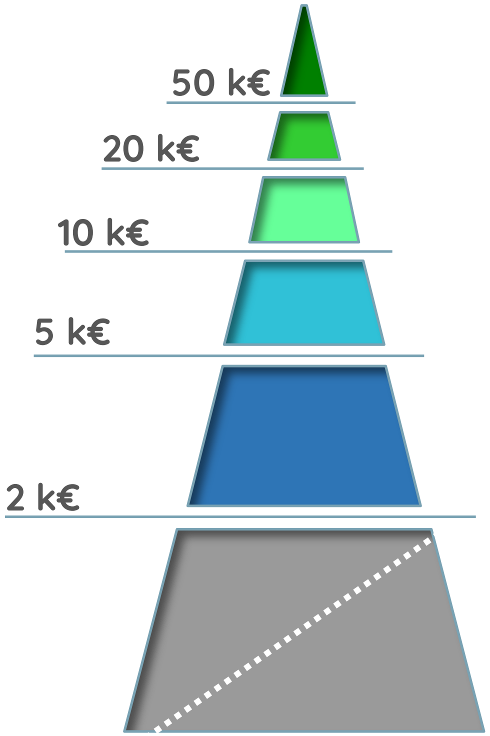
By 2025…

40% of the personal luxury goods market expected to come from Chinese consumption

2x Chinese affluent class expected to ~double by 2025, growing double digit p.a

1. Italy, France, UK, Germany 2. 2017 restated
Note: Numbers rounded. Personal includes leather accessories, apparel, watches and jewelry and perfumes and cosmetics
Source: BCG Luxury Market Model

18.5M True-Luxury Consumers generating ~30% of global market, continuing to polarize in the next years



CLUSTER	2018		2025F	
	Pop. (M)	Size (B€)	Pop. (M)	Size (B€)
Beyond money	0.4	22	0.6	41
Top Absolute	1.4	33	2.2	54
Absolute	5.2	105	6.5	145
Entry Absolute	11.5	118	13.9	155
Total True-Luxury	18.5	278 (30%)	23	395 (31%)
Top Aspirational	21.5	64	28	90
Other Aspirational	385	578	443	771
Total Luxury Consumers	~425 M	~920 B€	~494 M	~1,256 B€

+117 B€

+219 B€

+336 B€

+69M

In 2018

30% of total luxury market value was generated by just 4% of consumers … the "True-Luxury" ones

Between 2018 and 2025…

~90% Out of the True-Luxury growth, ~90% will come from new consumers…

~10% …~10% from increased spend per True-Luxury consumer

Note: Includes personal and experiential luxury, excluding cars and yachts
Source: BCG Luxury Market Model

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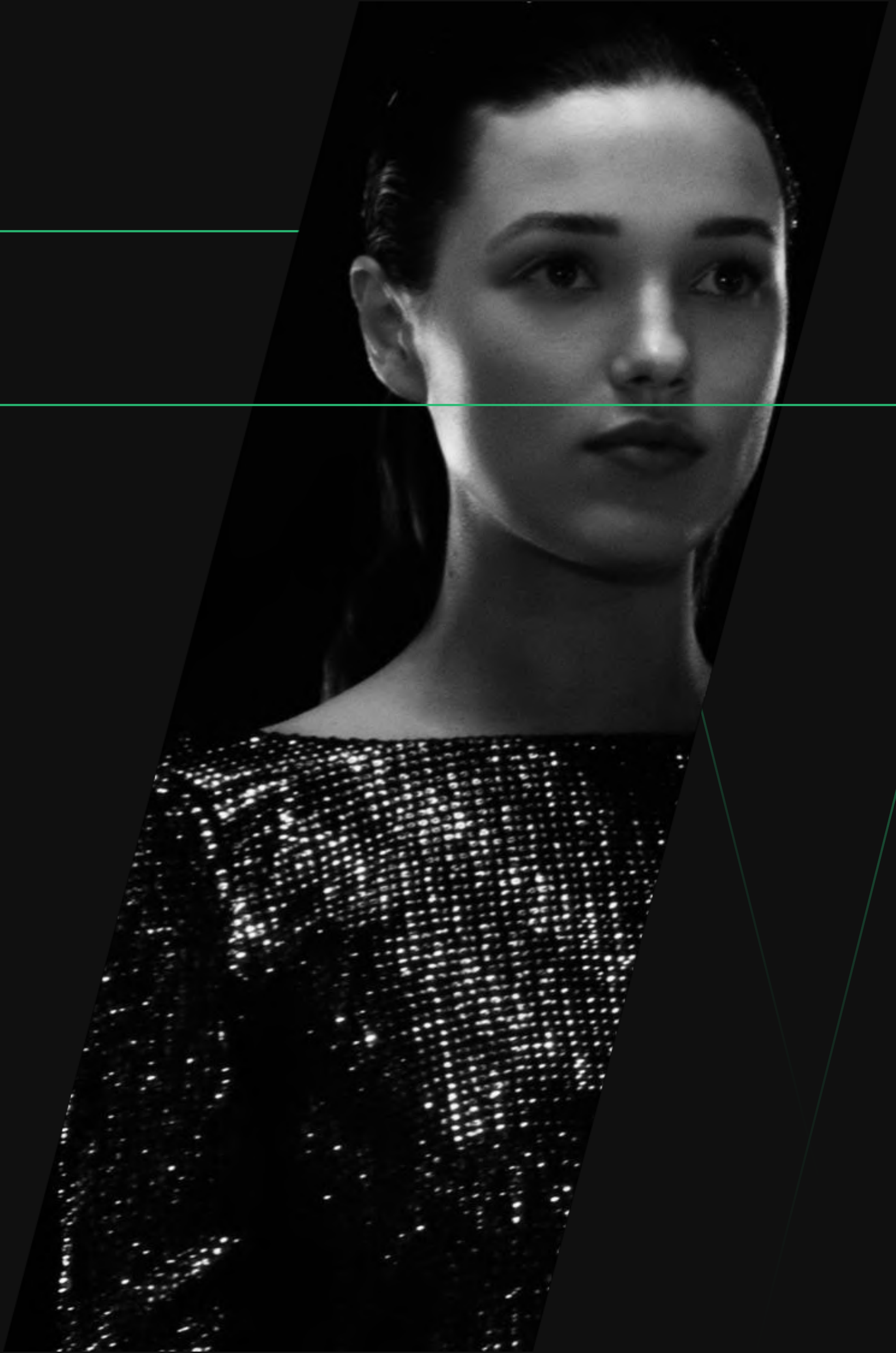
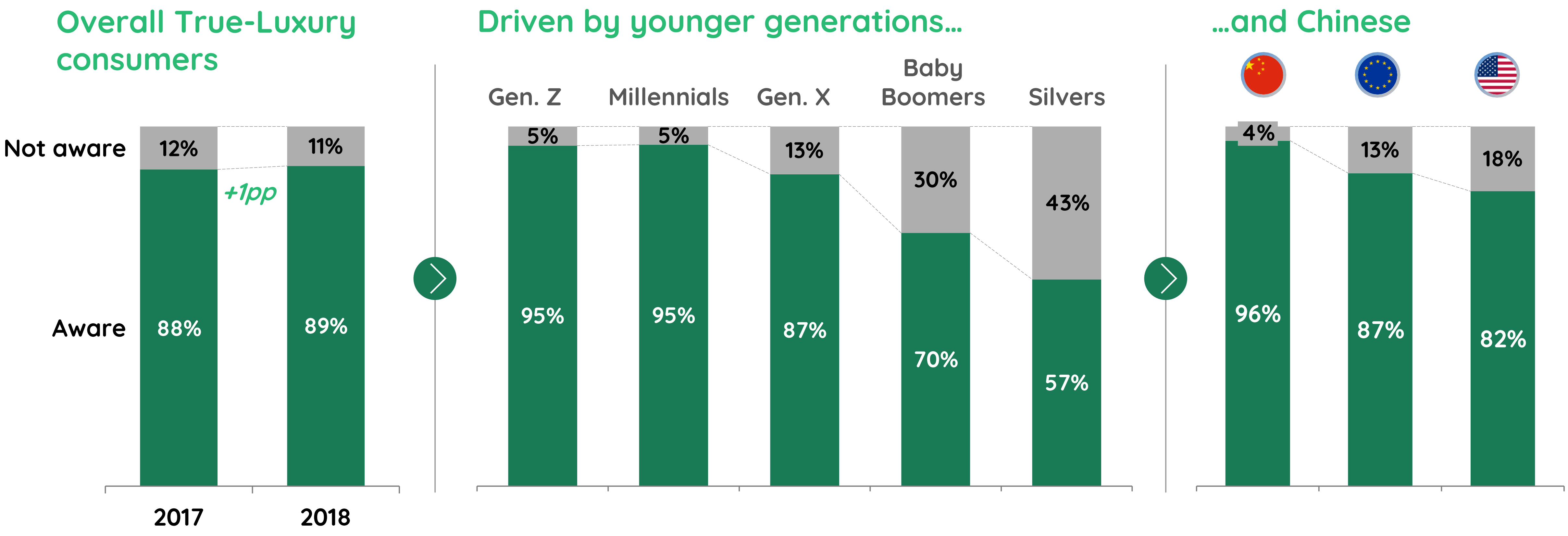
Collaborations



Collaborations' importance confirmed, with awareness reaching ~90% of True-Luxury consumers

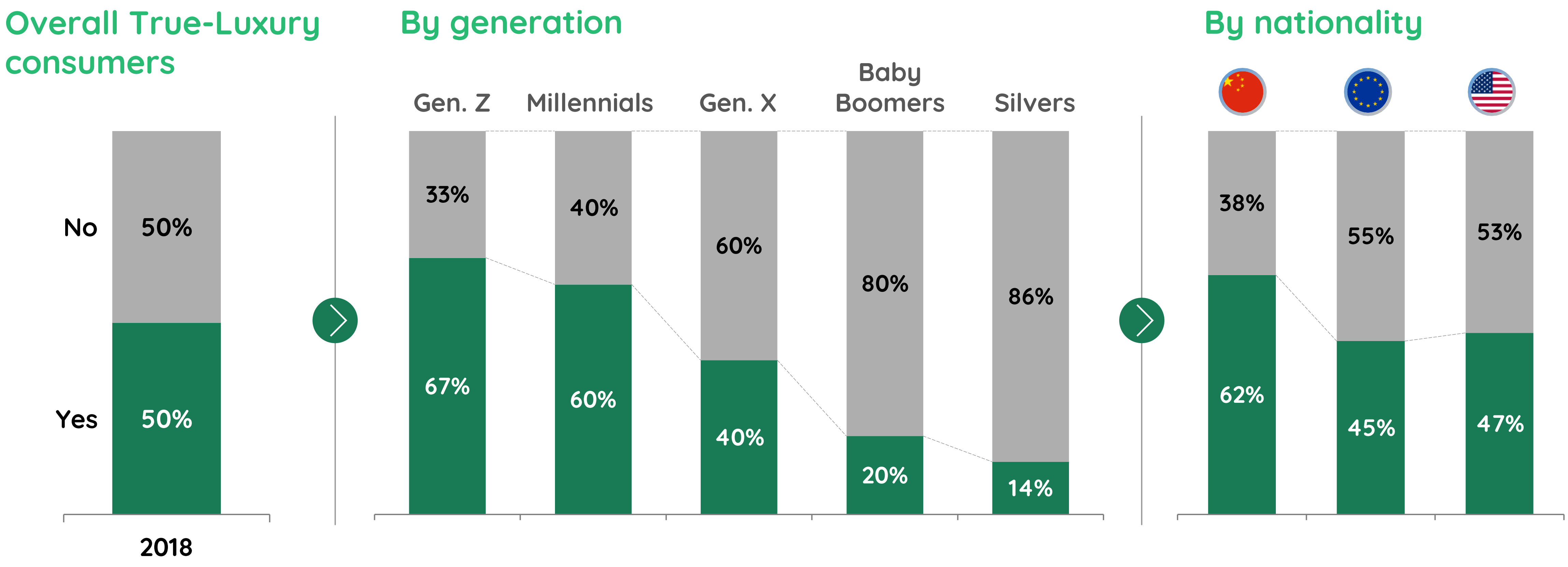
> *Thinking about special editions realized in collaboration with different brands / artists, which of the following statements best apply to you? If you don't know about them select "I am not aware"*



Note: Limited responses available for Silvers
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

Half of True-Luxury consumers have purchased special editions, again driven by younger generations and Chinese

Have you ever purchased special editions created by brands in collaboration with different artists/brands?



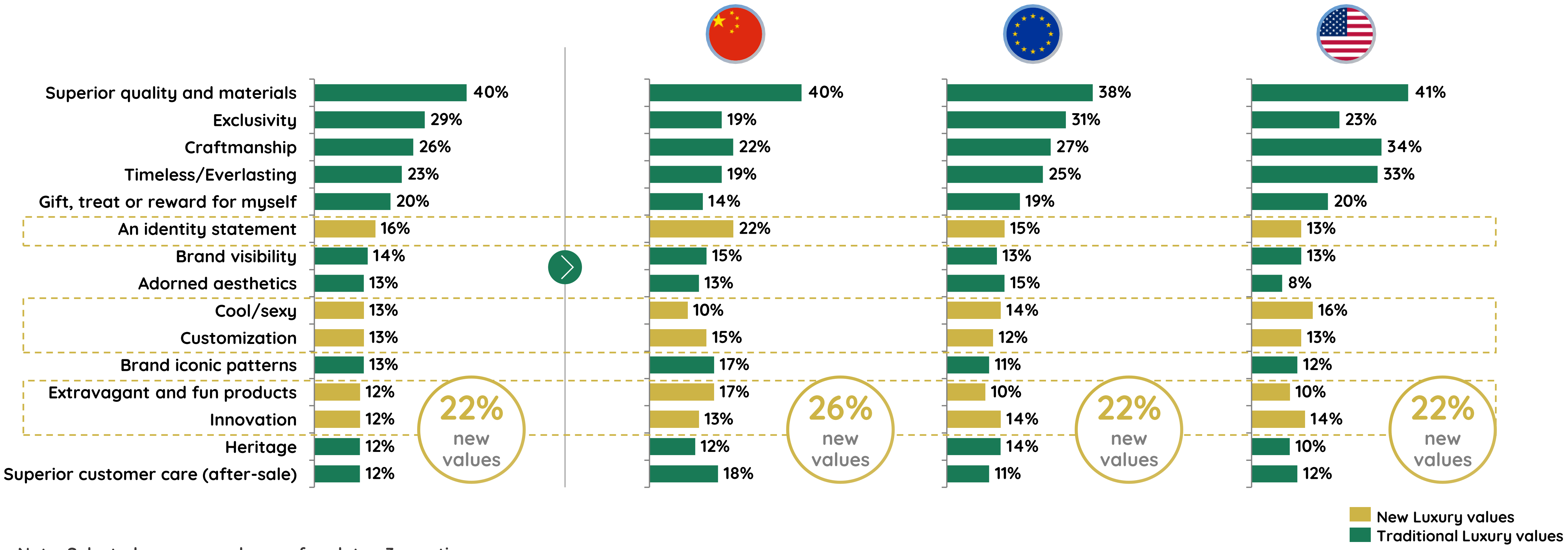
Note: Limited responses available for Silvers
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

Demand for collaboration mirrors the rise of new luxury values, particularly among Chinese consumers

Luxury to me is…

Overall True-Luxury consumers

By nationality



Note: Selected responses shown of rank top 3 question

Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

Handbags and sneakers dominate collaborations and special edition purchases

> *Thinking about special editions created by brands in collaboration with different artists/brands, which category have you ever purchased?*

Top-purchased product categories among collaborations and special editions

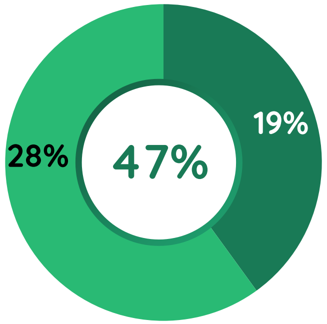
1. Handbags

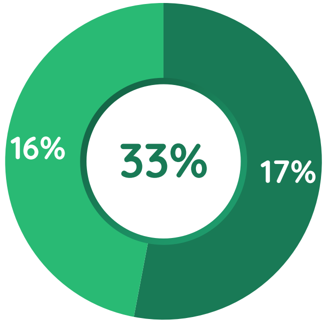
2. Sneakers

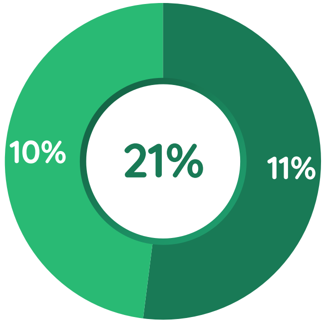
3. Formal shoes

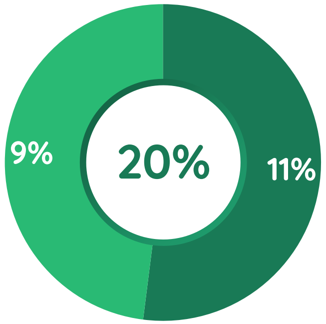
4. Backpacks

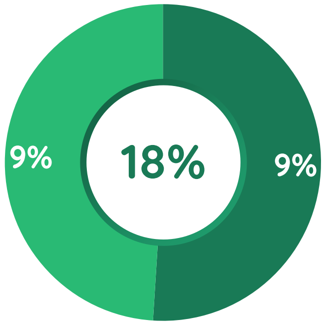
5. T-shirts











% of special edtion's buyers

Female *Male*

Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

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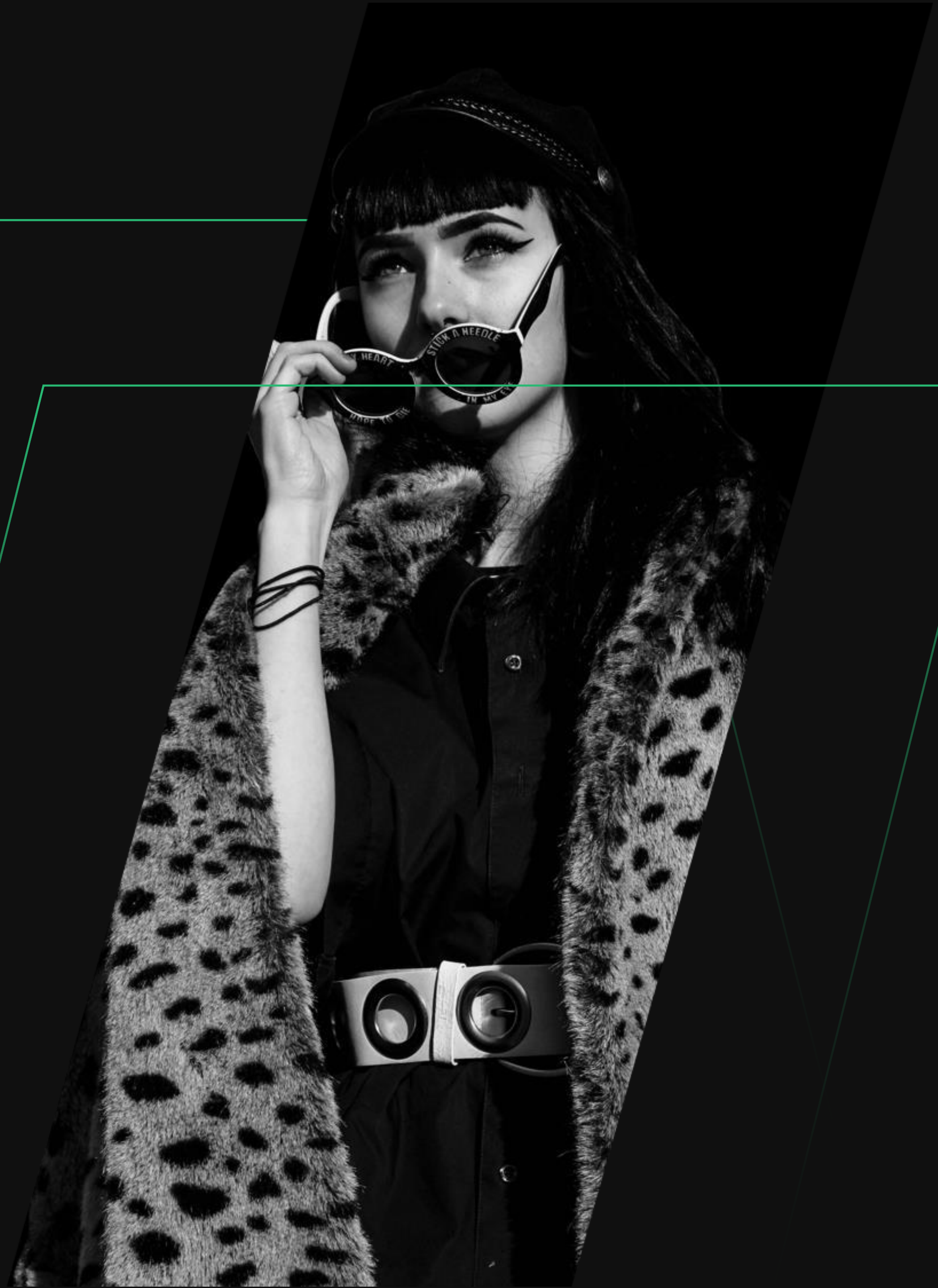
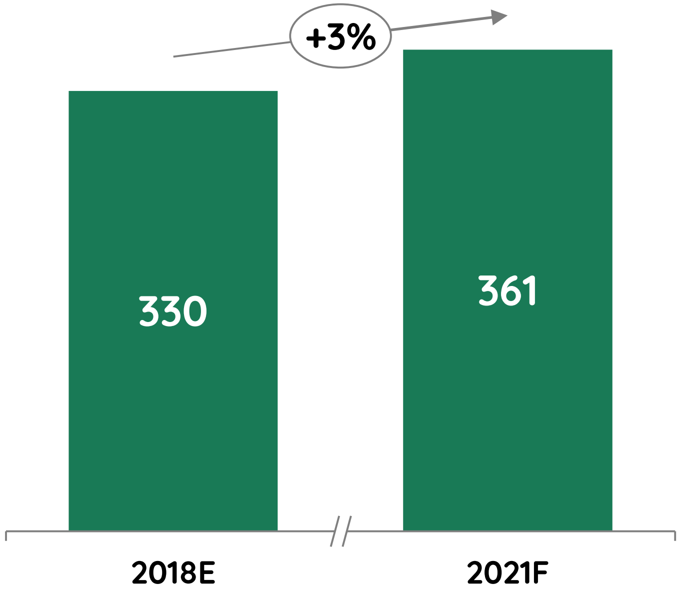
Second-hand luxury

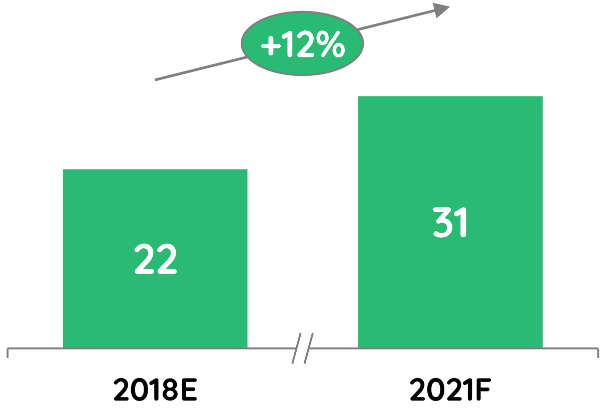


Luxury 2nd-hand market estimated at 22 B€ and growing faster than overall personal luxury...

Total personal luxury market size (B€)



2nd-hand luxury market size (B€)



	2018E	2021F
Share of total personal luxury market[1]	7 %	9 %

Note: On the most penetrated categories, and most successful brands, this can rise to 15-20%

1. Second-hand personal luxury sales as share of total personal luxury market size
Source: BCG True-Luxury Market Model; Analyst reports; Expert interviews; BCG analysis

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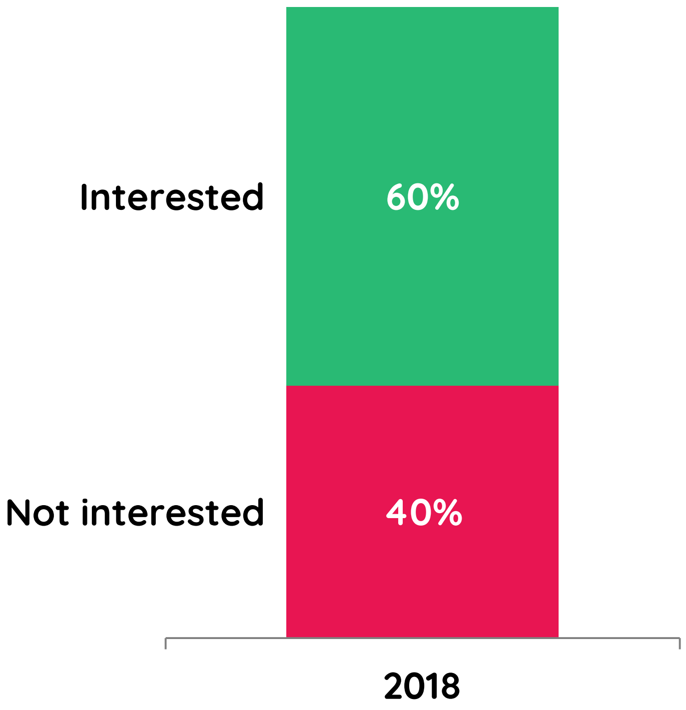
Most True-Luxury consumers interested in purchasing luxury 2nd-hand products

"Have you ever purchased second hand / pre-owned luxury items?

60% are interested in purchasing pre-owned luxury items



Driven by

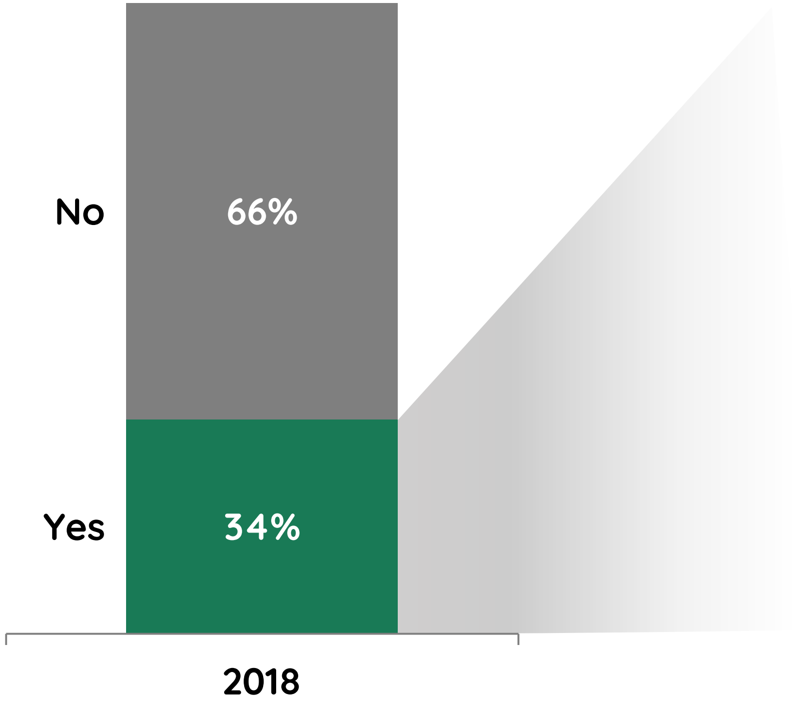
- 32% Perceived price-quality ratio
- 19% Look for sold out/ limited edition/ vintage items
- 17% Thanks to online platforms, there is more transparency on price and authenticity of 2nd-hand market
- 35% Not interested / would never buy pre-owned
- 34% Do not trust resellers and afraid of counterfeit goods
- 13% Afraid of buying products in bad condition

Note: Selected most important answers
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

One-third of True-Luxury respondents sell luxury items, to primarily empty wardrobe and finance new luxury purchases

Have you ever sold on / through second-hand platforms?

34% have previously sold luxury items through 2nd-hand platforms

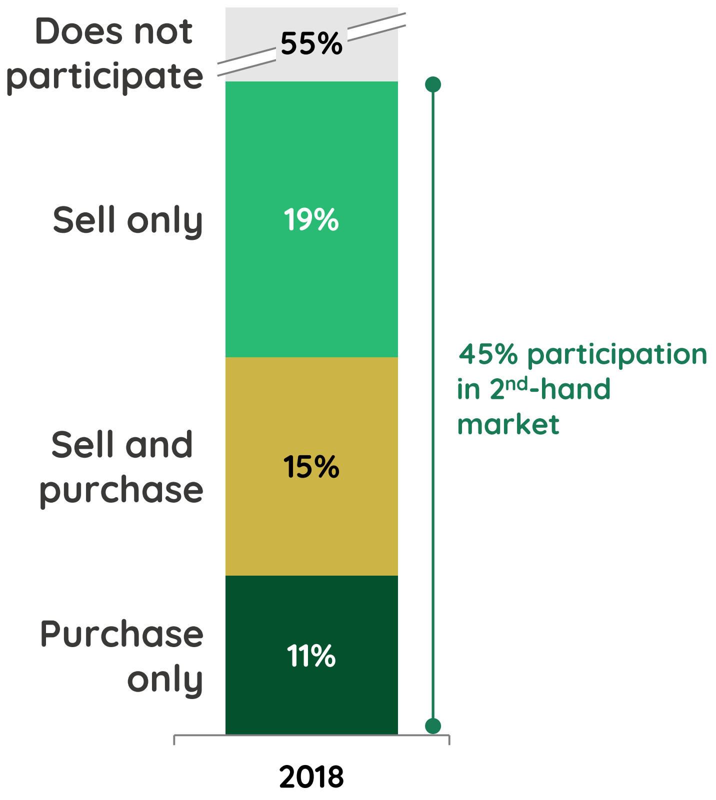


Reasons why

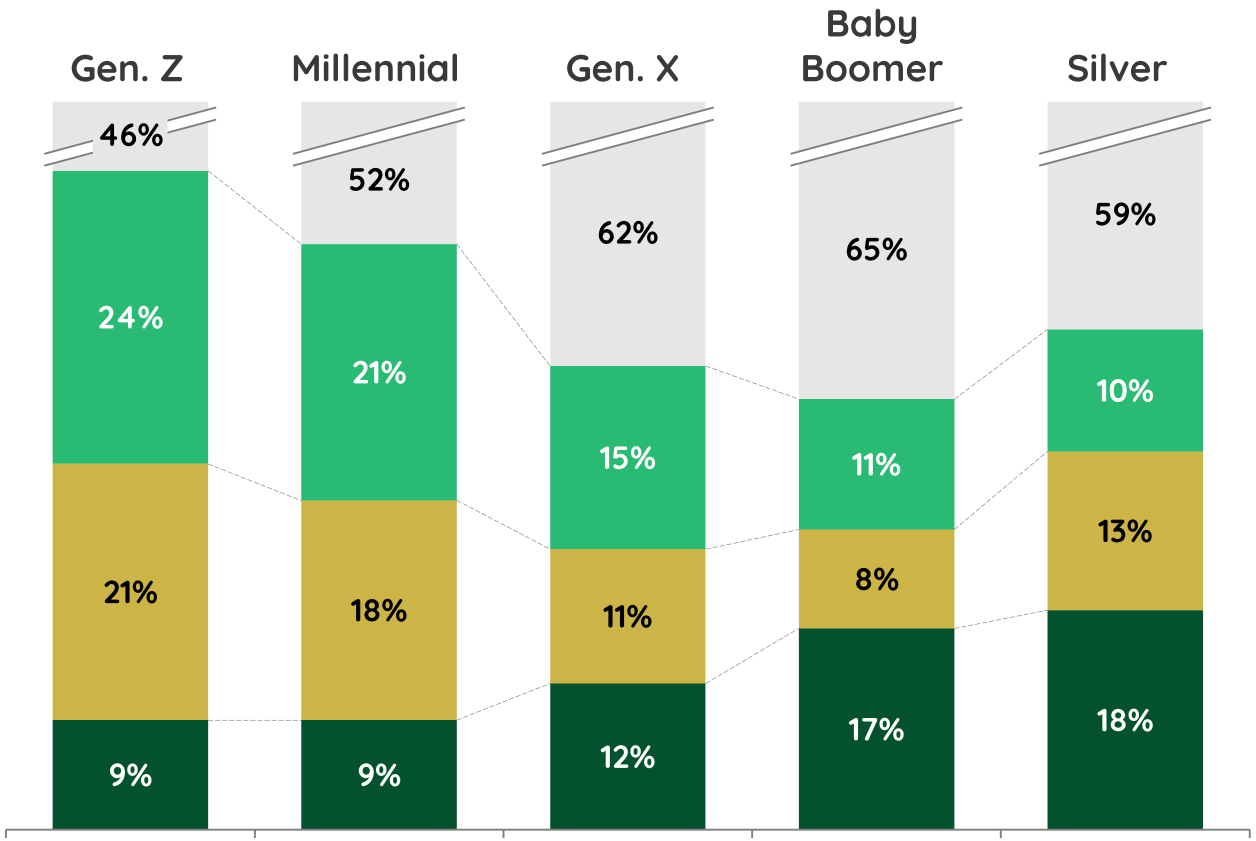
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

Younger True-Luxury consumers largest participants in 2nd-hand, with supply driven by younger generations and demand driven by older

45% of True-Luxury consumers participate in 2nd-hand market



Younger generations bigger sellers, older generations bigger buyers



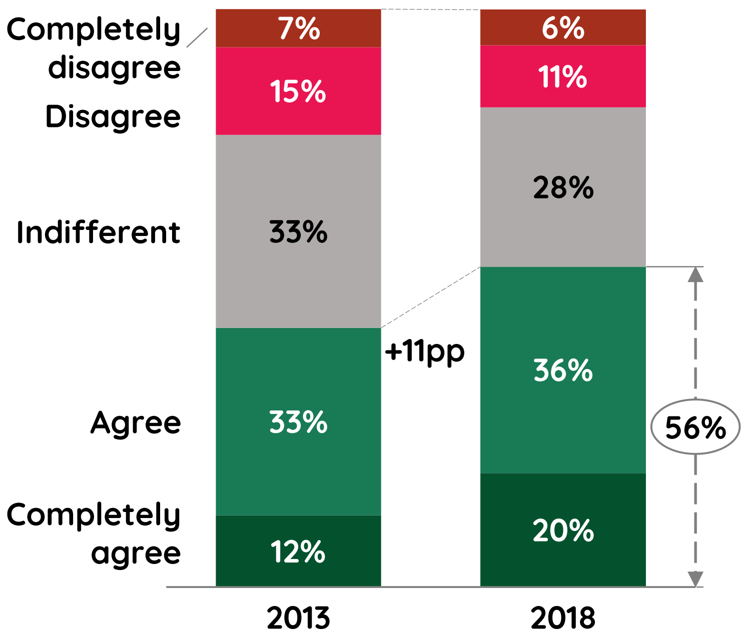
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

Sustainability in luxury

Consumers increasingly informed about sustainability, resulting in greater influence over purchase decisions…

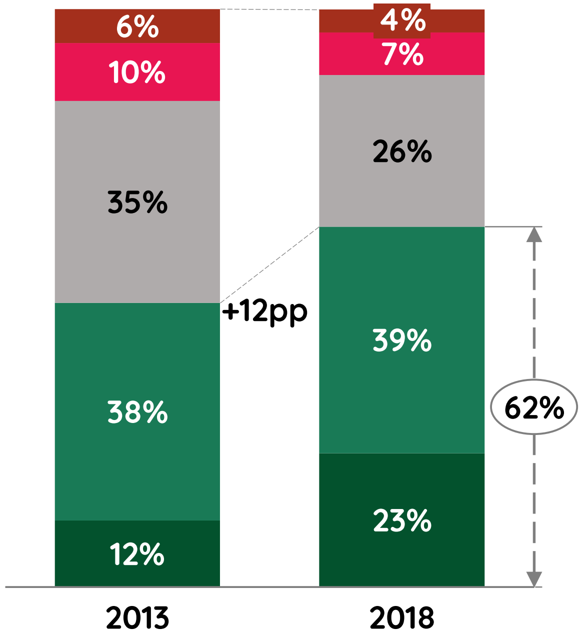
56% of consumers investigate a brand's social responsibility

"I try to get informed whether the brand I buy is socially responsible"

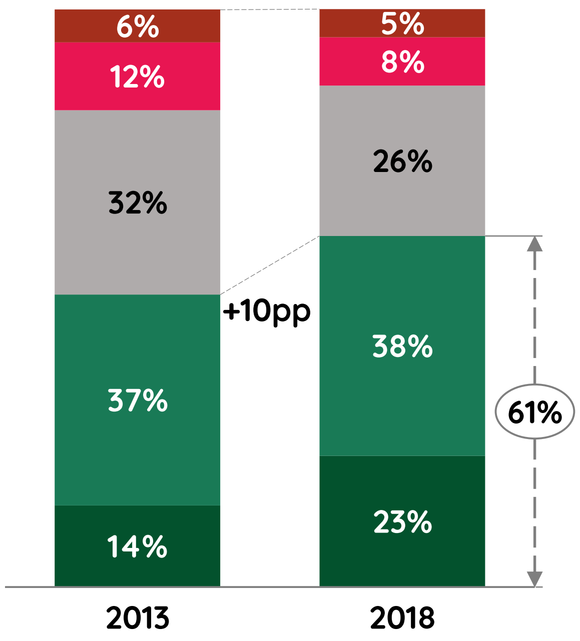


For a given item, over 60% would purchase from the more sustainable brand

"For the same product I would choose a brand that supports sustainability rather than a brand that does not"



"Knowing that a brand cares about sustainability can make a difference to me in choosing it"

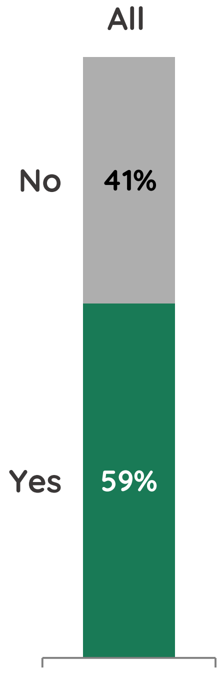


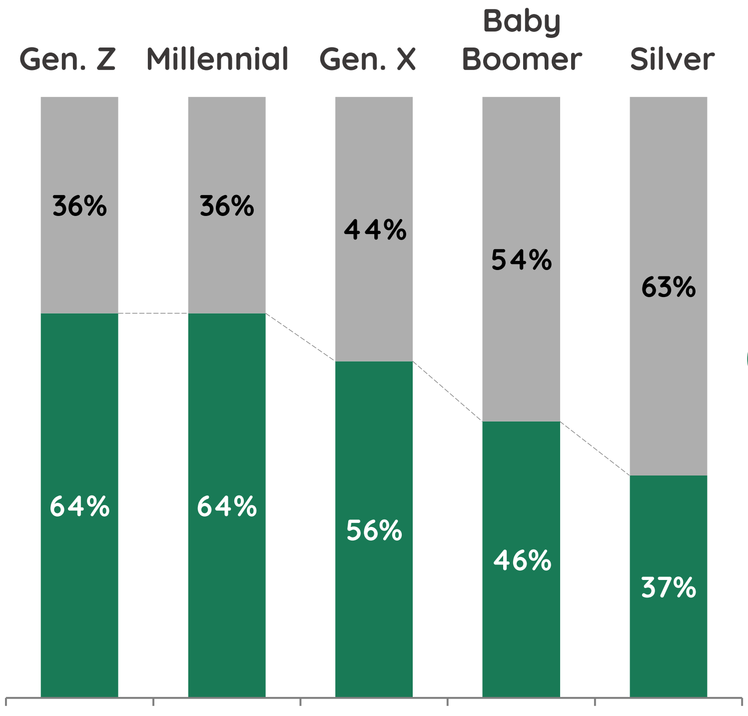
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

…greatest influence on younger generations, and substantial variation across nationalities

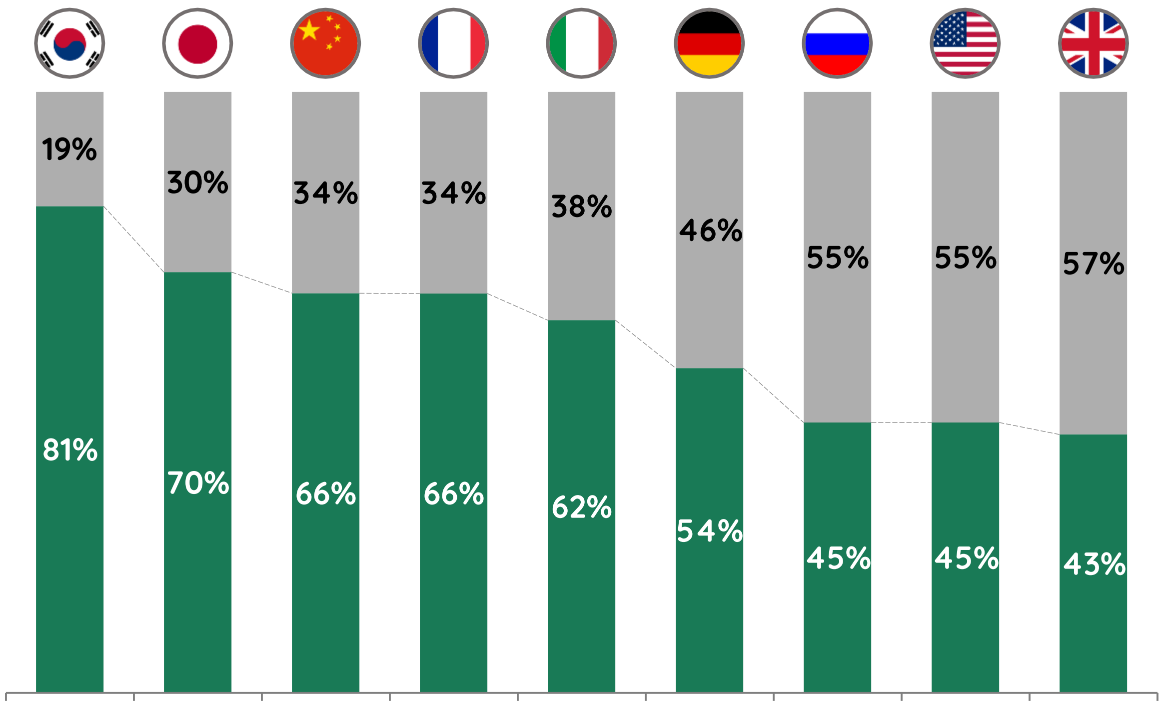
Does the Sustainability topic influence your purchasing behavior?

~60% influenced by sustainability, reaching 64% of younger generations…





…and from 81% of South Koreans to less than 50% of UK and US

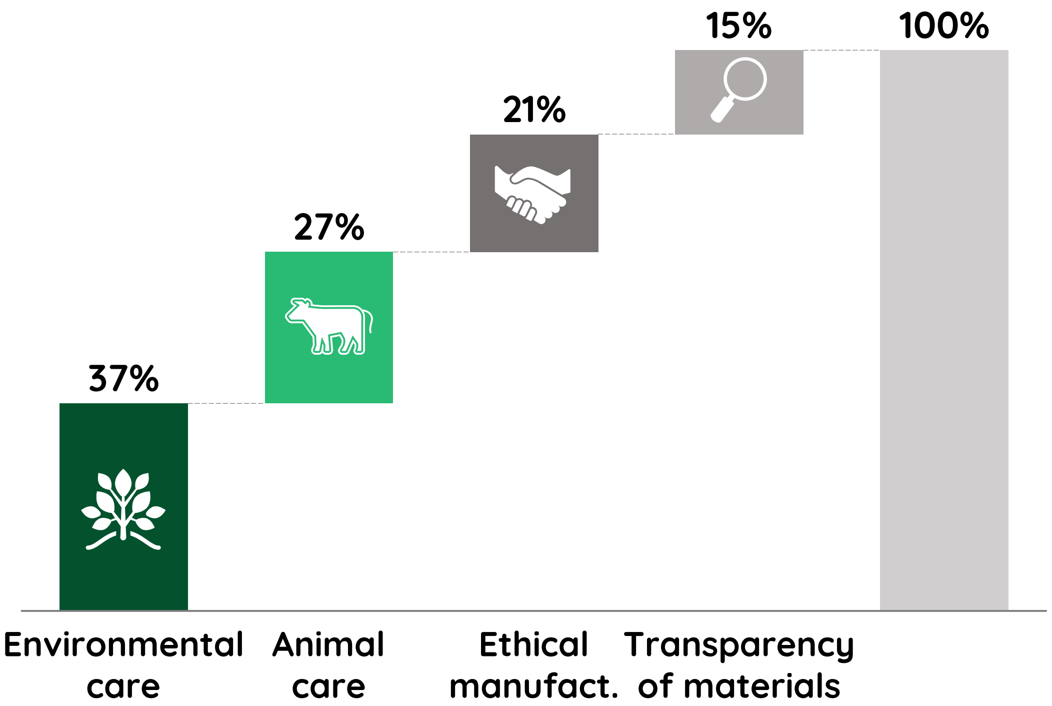


Note: Limited responses available for Silver generation which may influence trend
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

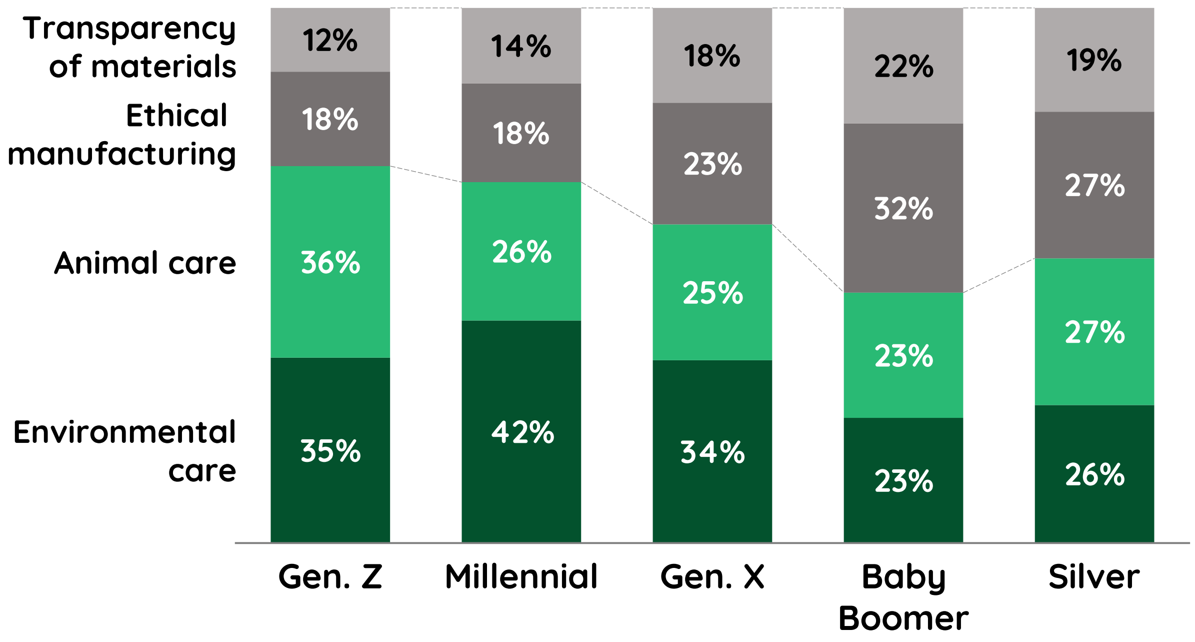
…with Environmental and Animal criteria most valued when purchasing luxury goods, driven by younger generations

Which sustainability criteria do you value when it comes to purchasing luxury goods?

Environment and Animal concerns dominate sustainability criteria…



…driven by younger generations, while ethics and materials more important to older consumers

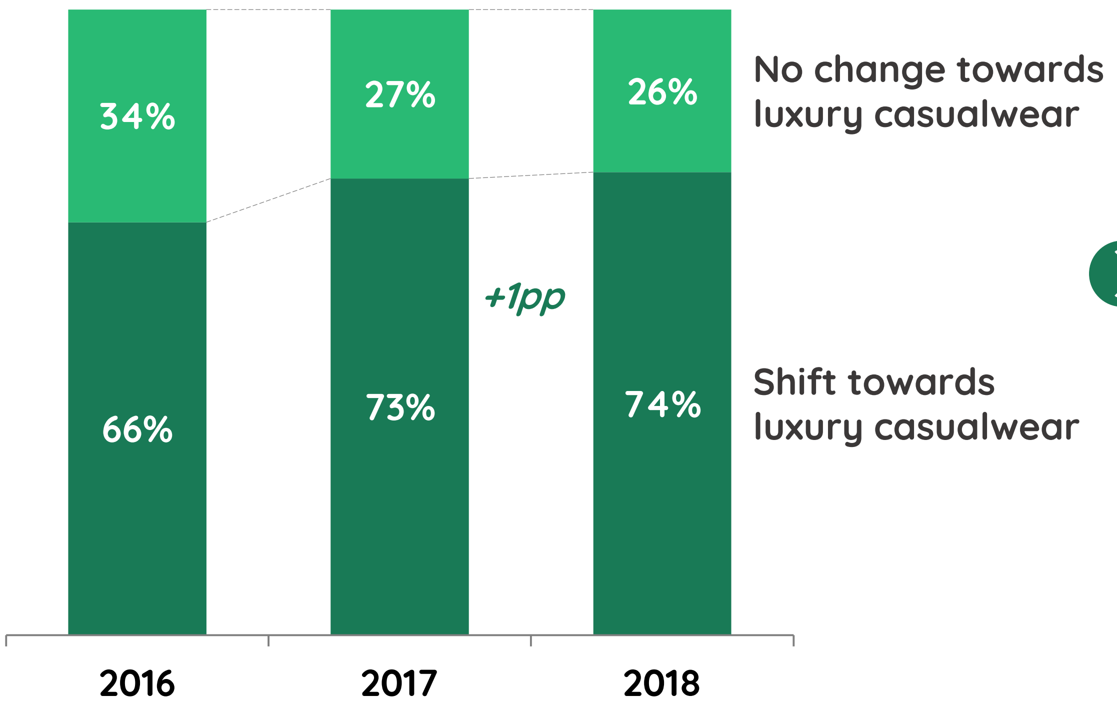


Note: 12 personal sustainability criteria grouped into above four categories. Limited responses available for Silver which may affect generational trend
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

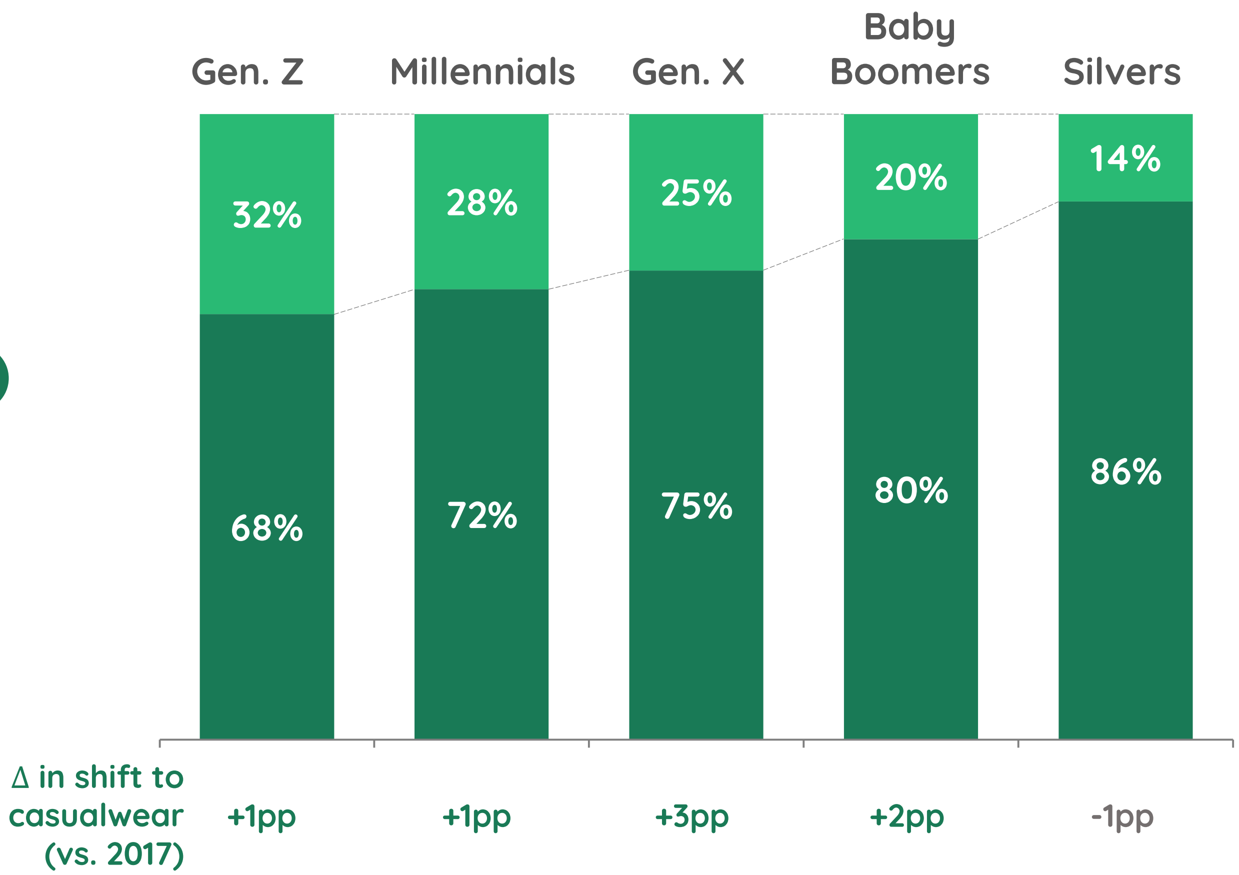
Luxury casualwear

Luxury casualwear confirming last year's traction and overall relevance to True-Luxury consumers…

Overall True-Luxury consumers



By generation

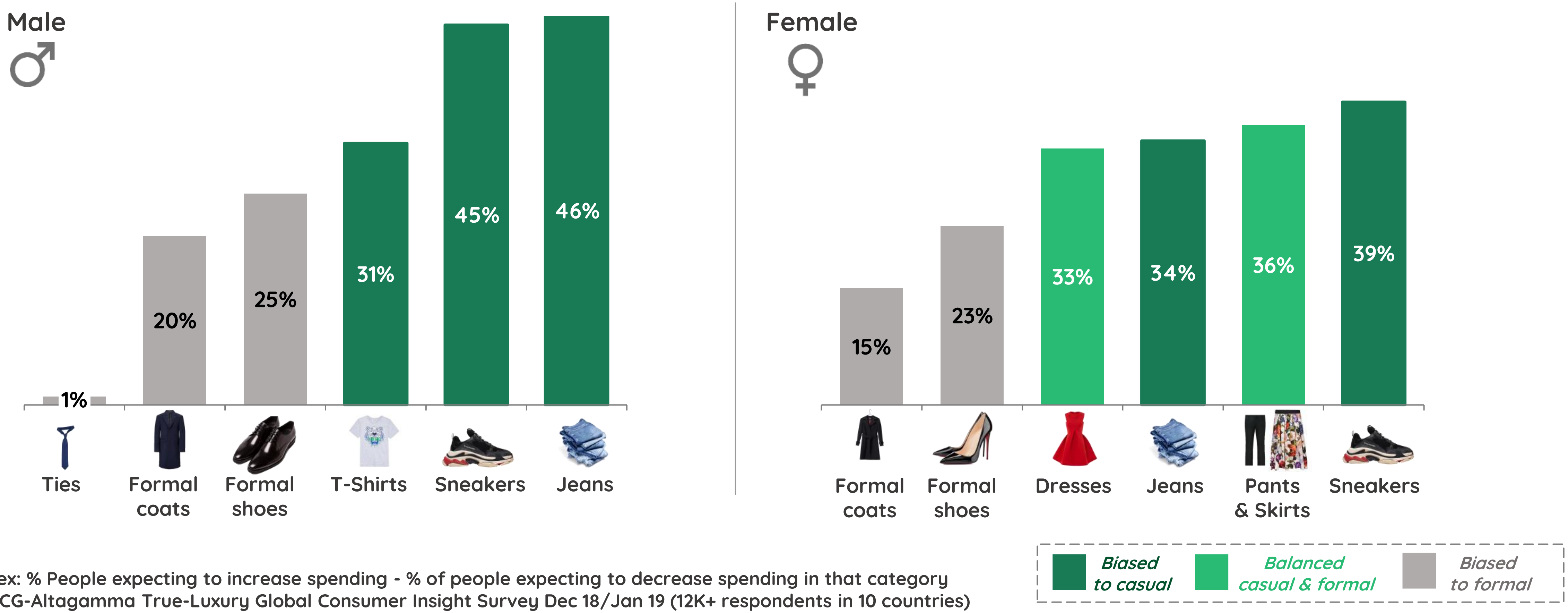


Note: Limited responses available for Silvers
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

Casual product categories main driver of expected increase in spending, led by jeans and sneakers

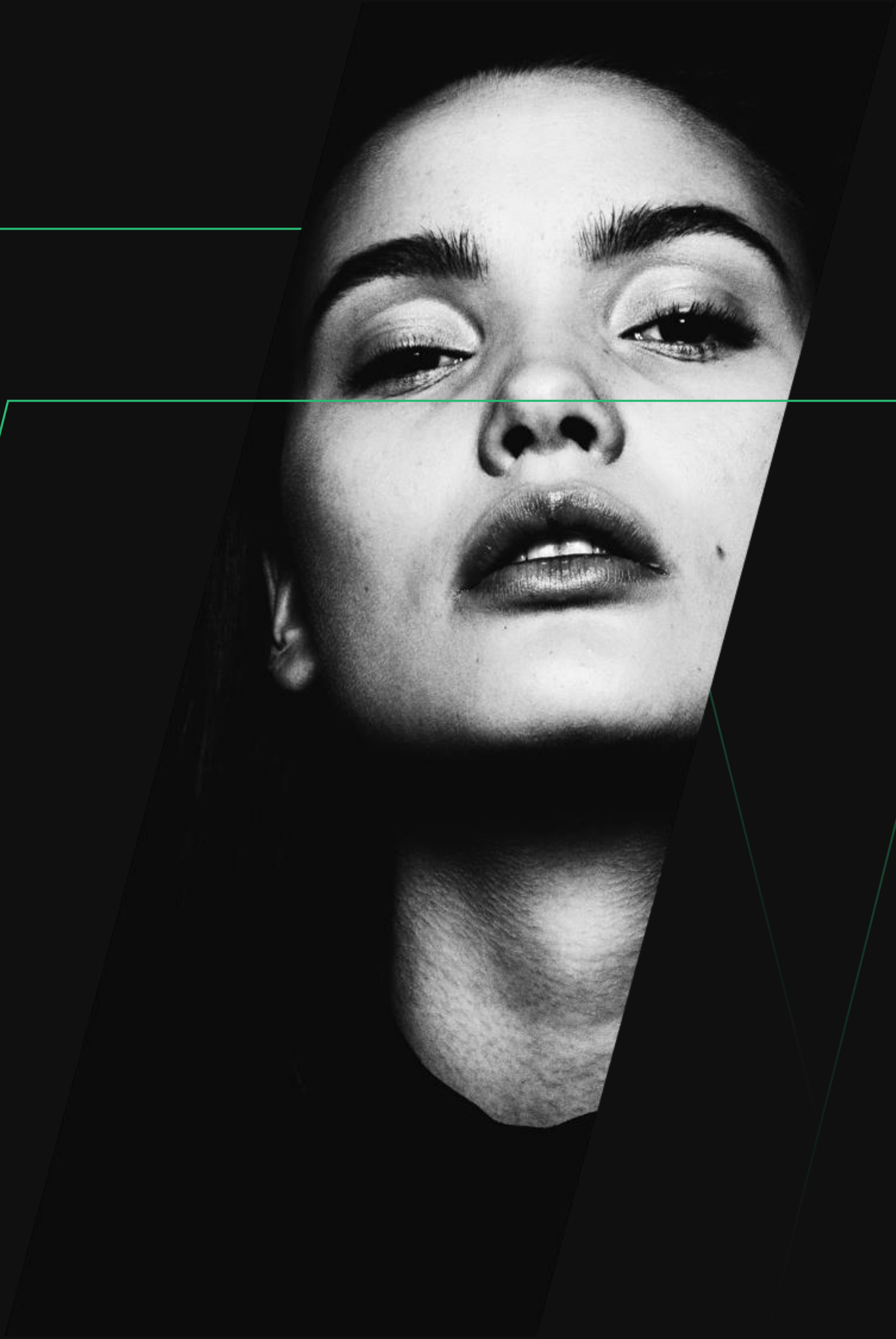
In which categories will your spending on luxury goods be affected the most and in which direction?

Expected spending increase by product category and by gender



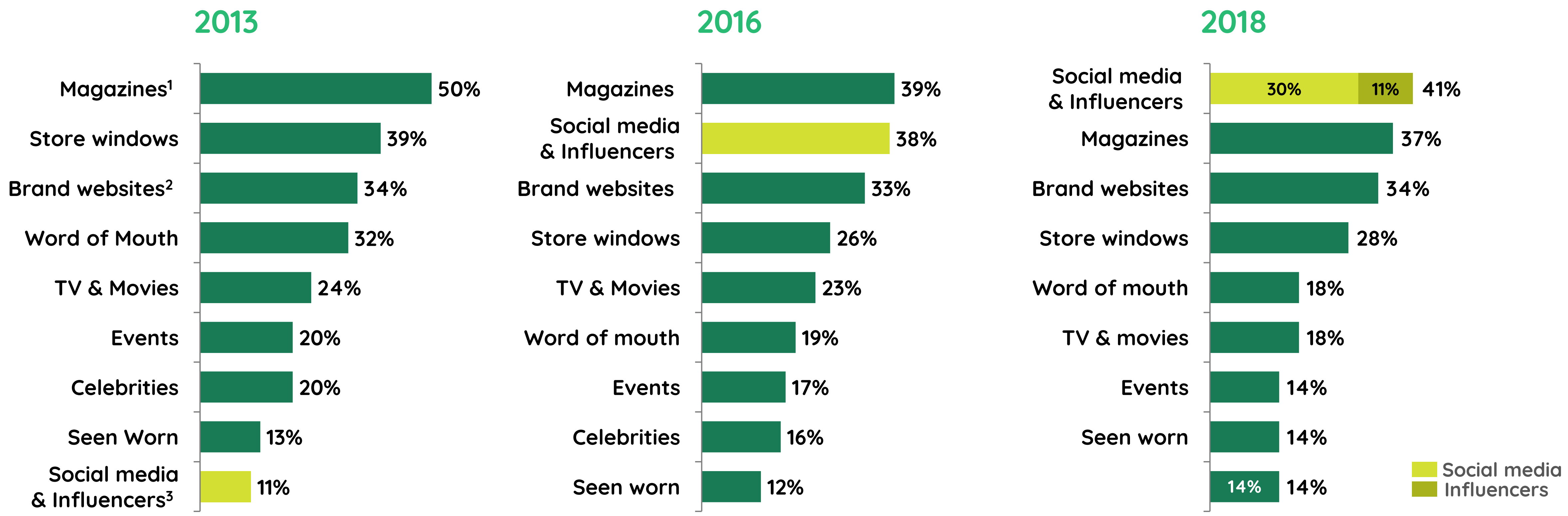
Note: Index: % People expecting to increase spending - % of people expecting to decrease spending in that category
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

Role and impact of social media and influencers in luxury



Social media and Influencers the overall primary source of impact on True-Luxury consumers, + 3pp vs 2016, + 30pp vs 2013

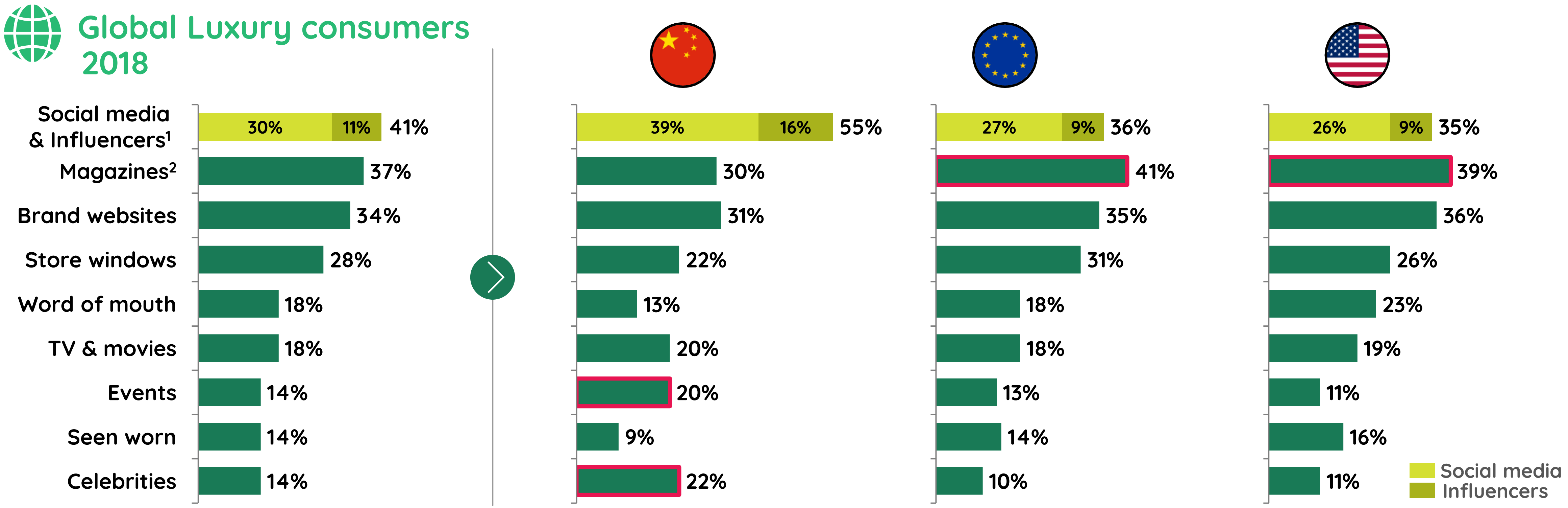
"Which of the following sources of information / channels usually impact how you develop your opinions or make decisions about luxury purchases?



Note: Multiple options answer, with top 3 answers ranked for all respondents
1. Includes Editorials and Commercial in Magazines, and both traditional & digital magazines 2. Includes Brand's App 3. Includes Social Media, Online blogs & Influencers
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

Social media and Influencers continue growing as primary influence lever over Chinese, and approaching magazines in Europe and US

Which of the following sources of information / channels usually impact how you develop your opinions or make decisions about luxury purchases?



Note: Multiple options answered, with top 3 answers ranked for all respondents
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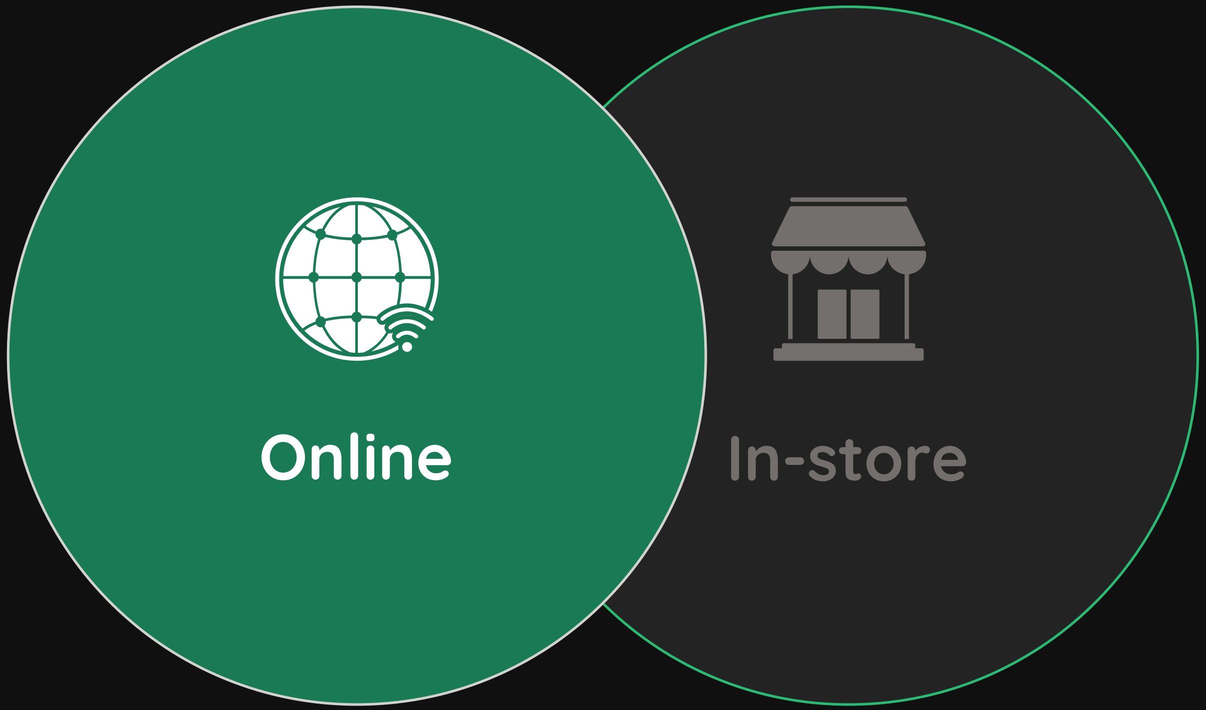
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

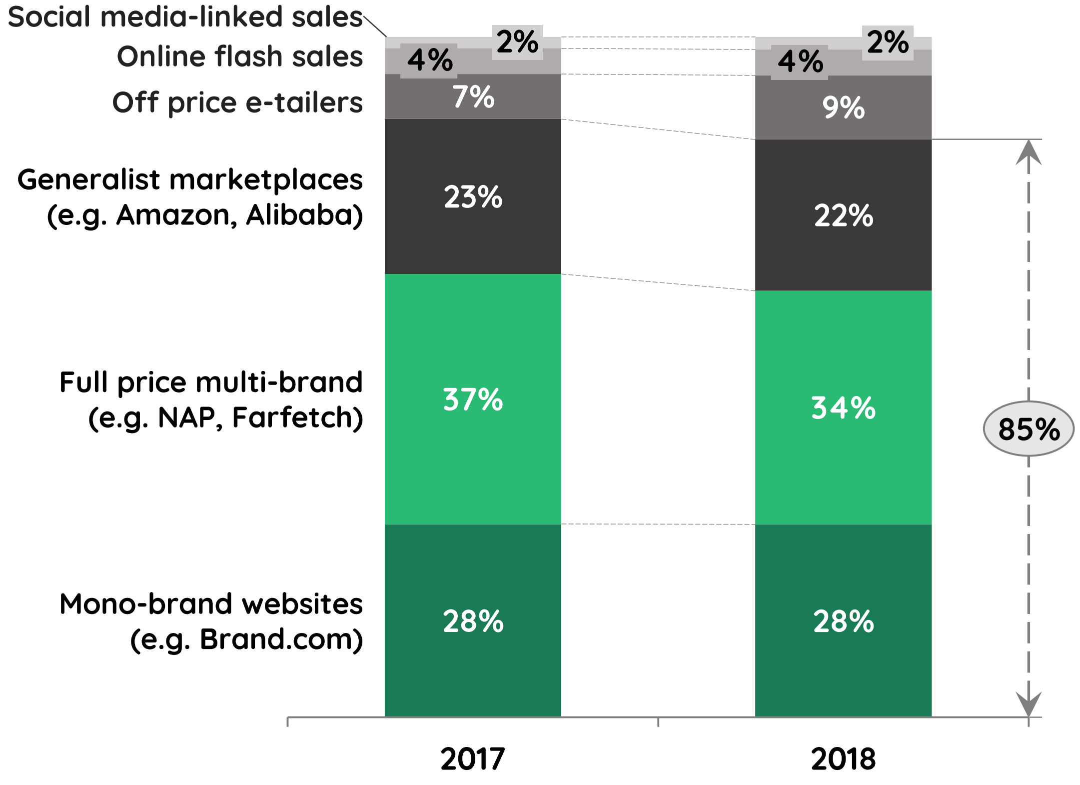
Channel mix



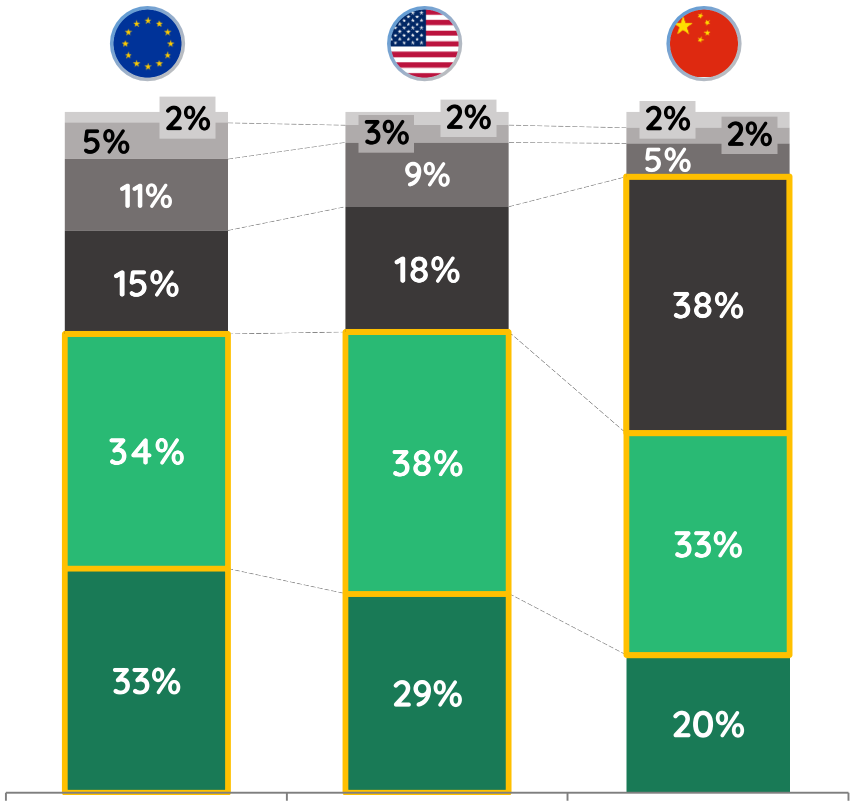
Three channels continue to dominate the online ecosystem, with substantial differences across geographies

Which kind of online store did you buy the product from?

Overall



By nationality

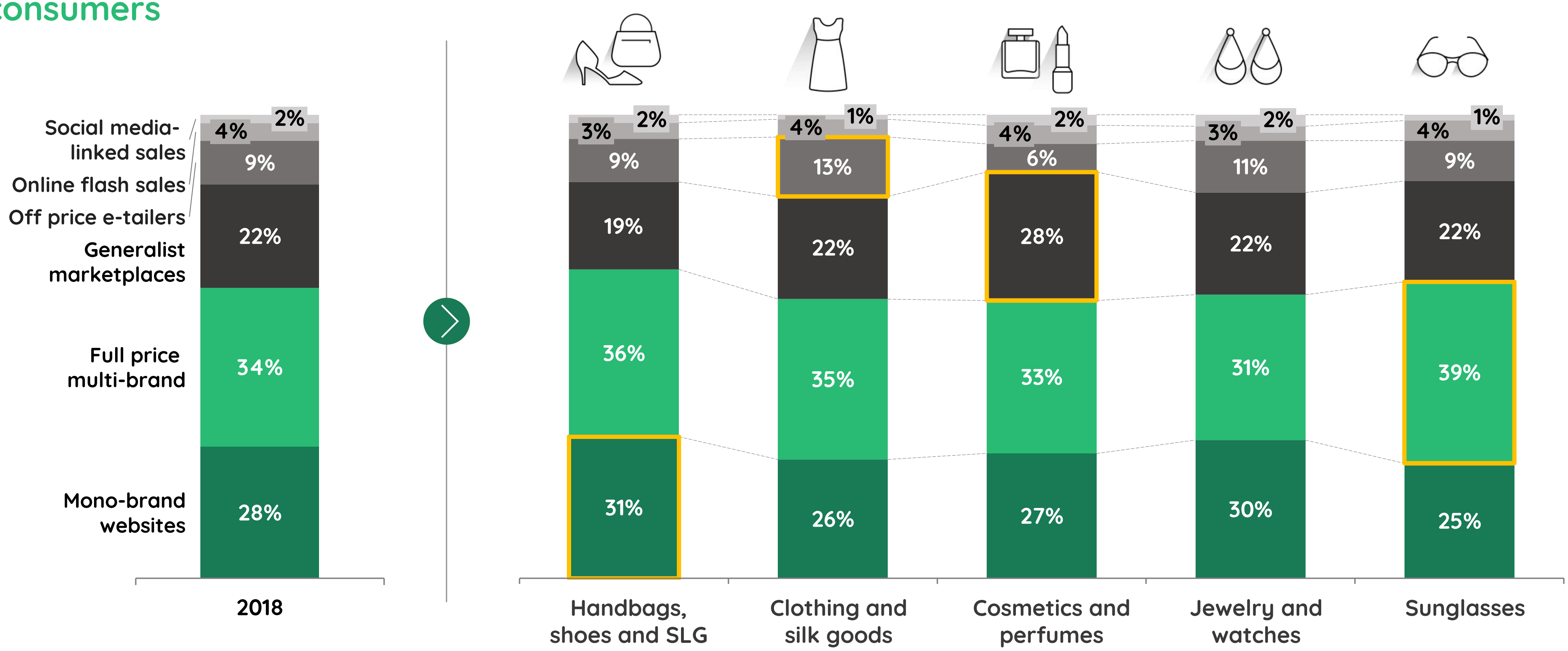


Note: referred to last purchase; excl. smartwatches, smartphones and tablets
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

Online ecosystem varies broadly across luxury categories

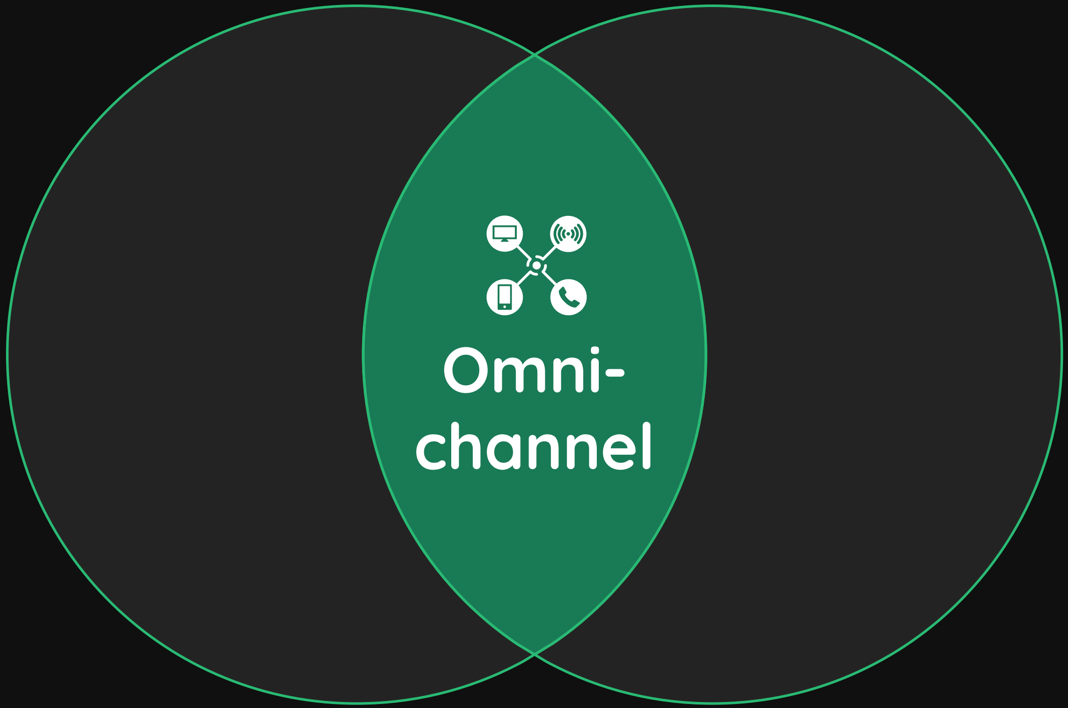
Overall True-Luxury consumers

By product category



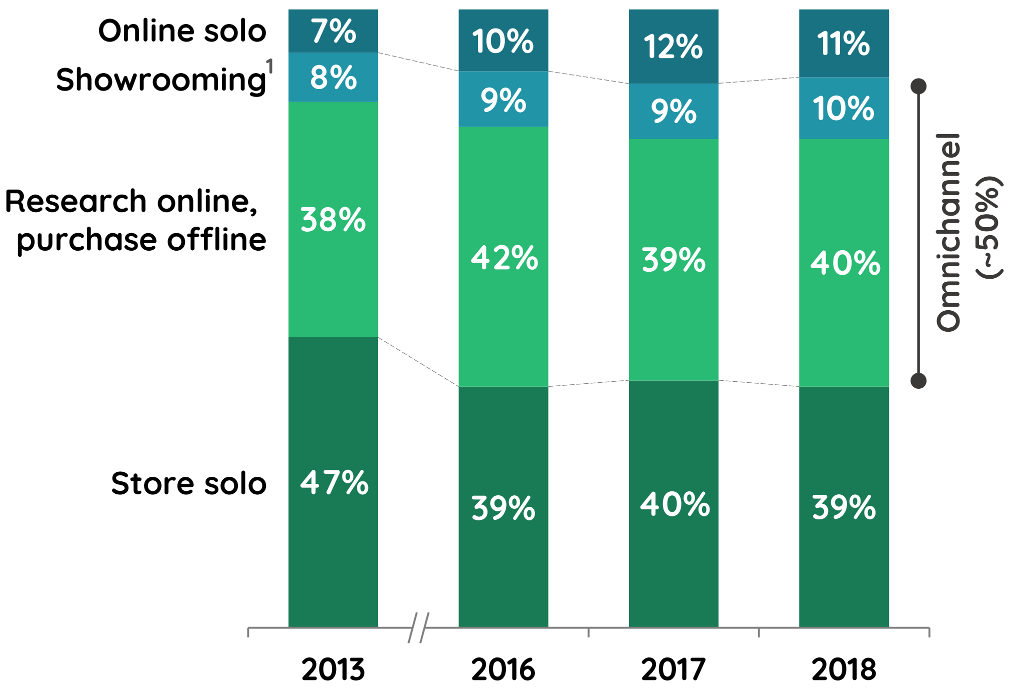
Note: referred to last purchase; excl. smartwatches, smartphones and tablets; shown only selected product categories. SLG, small leather goods
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

Channel mix

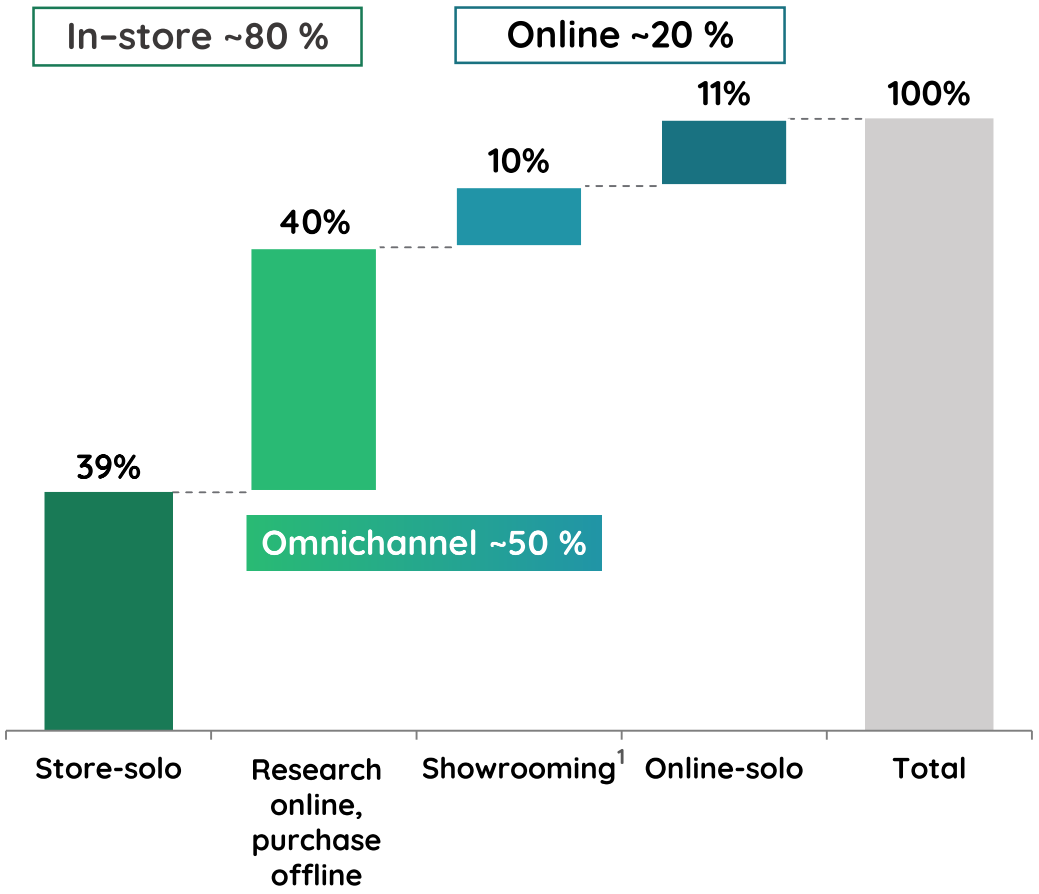


In-store/online purchases reaching balance at ~80:20, with omnichannel accounting for 50%

Overall channel mix



2018 explored



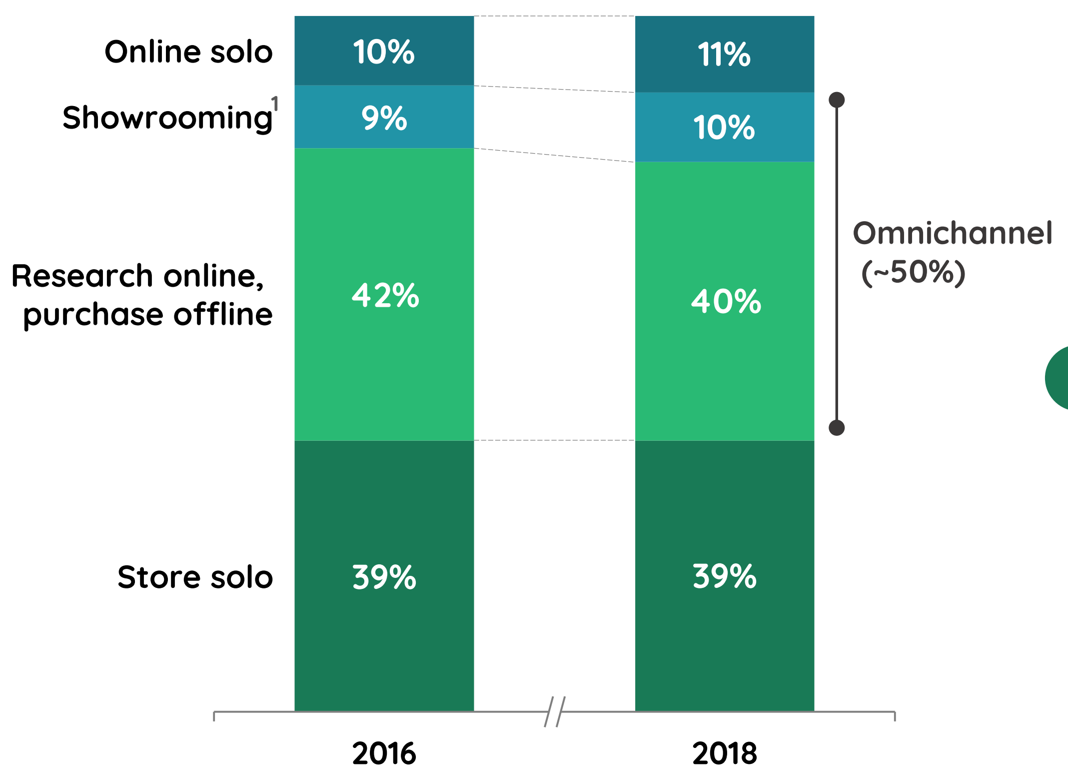
1. Research Offline, Purchase Online

Note: referred to last purchase

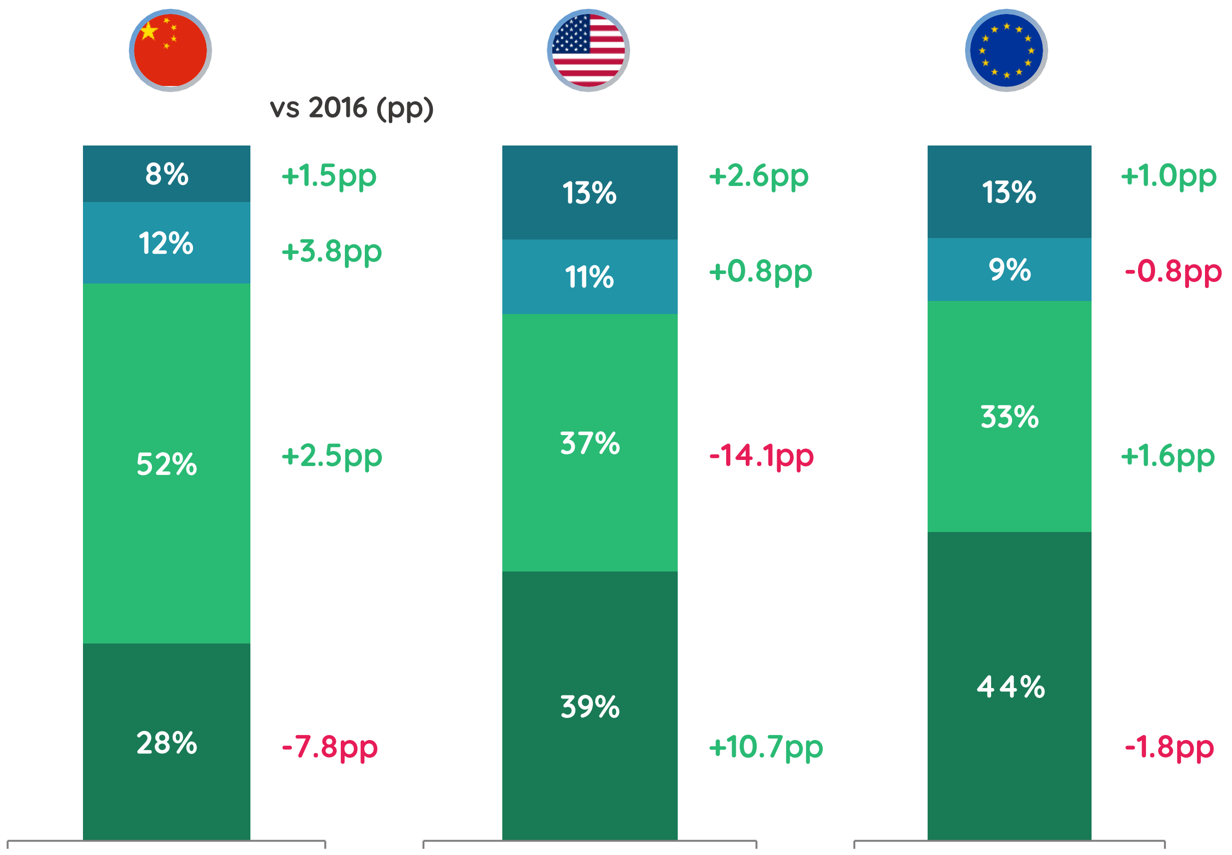
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

However, a steady global channel mix masks the reality of substantial changes across and within geographies

Overall channel mix



By nationality



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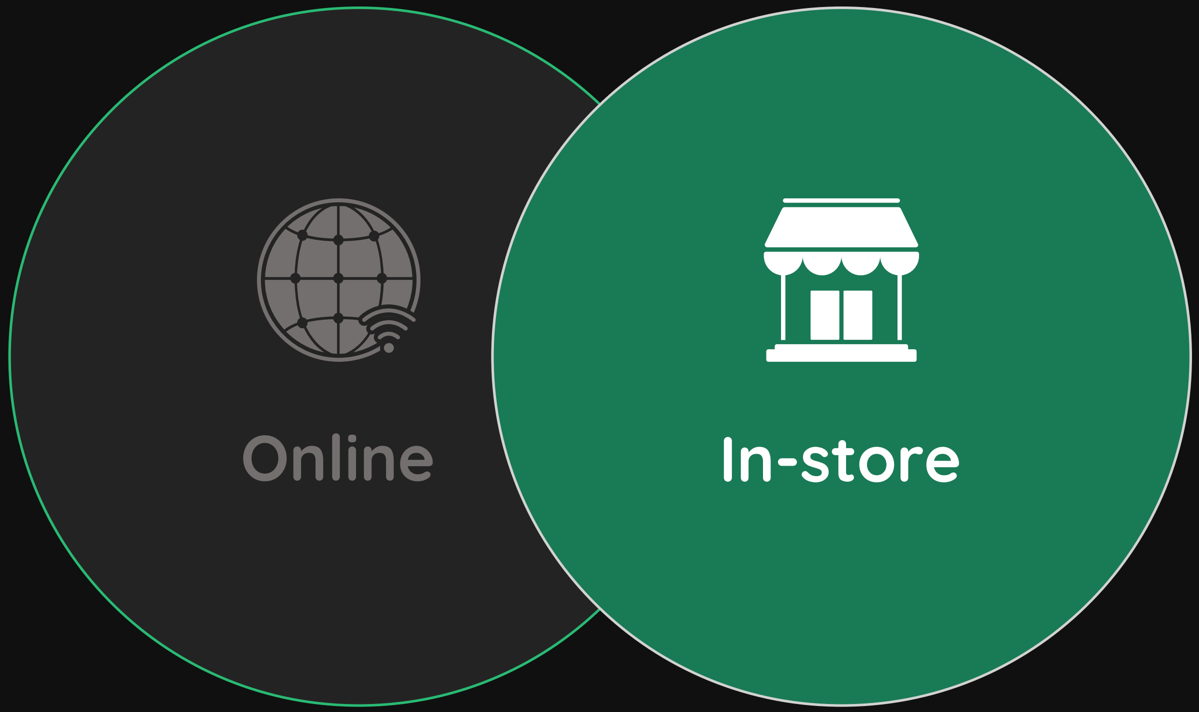
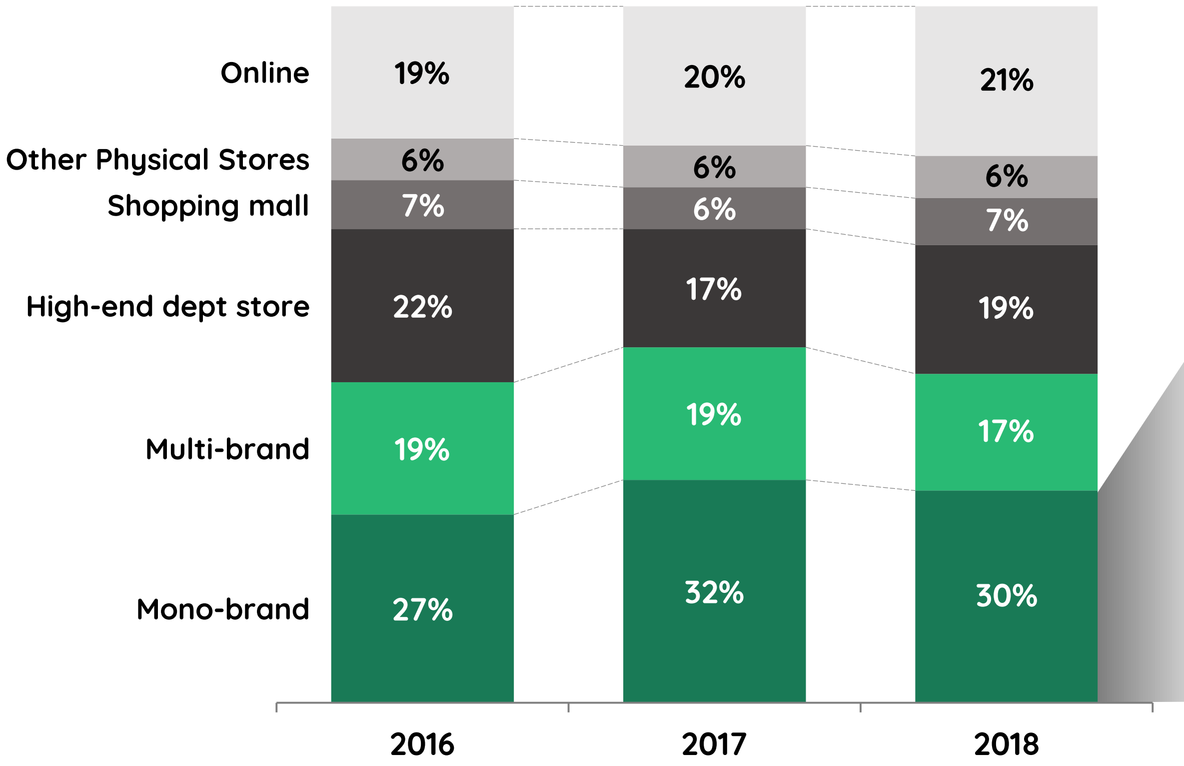
Channel mix



Mono-brand store remains preferred channel overall, due to experience (touch and feel, environment) and product range

Which kind of store did you buy the product from?

Preferred channel mix



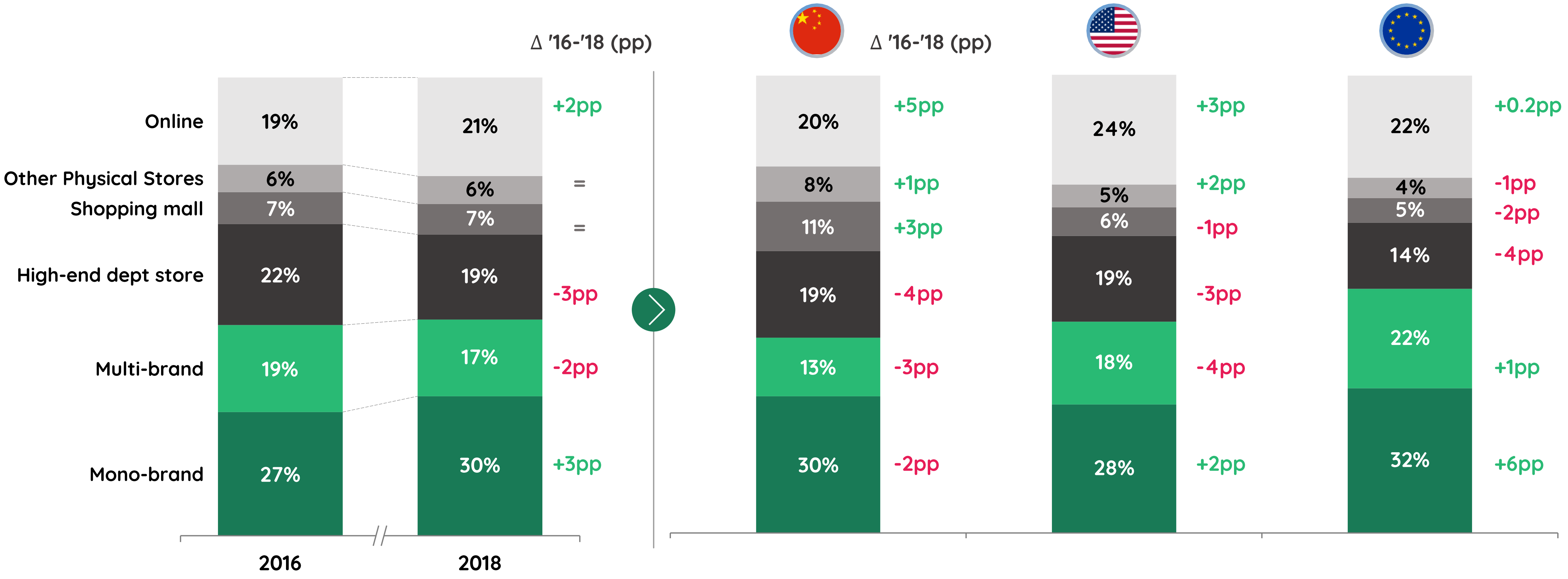
Reasons to purchase in mono-brand stores

Note: referred to last purchase
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

Mono-brand strengthening, except in China where online continues to grow

Overall True-Luxury consumers

By nationality



Note: referred to last purchase

Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

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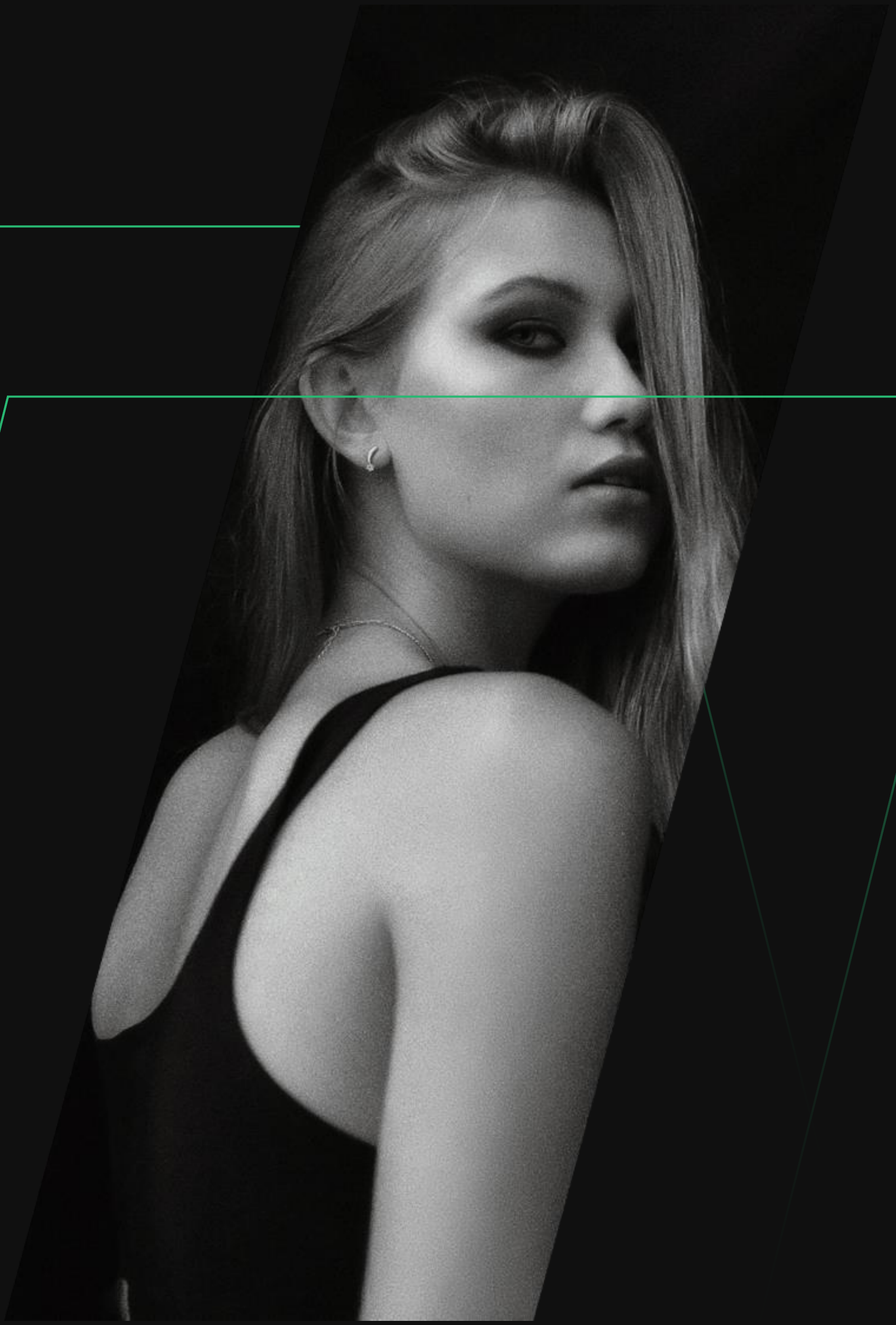
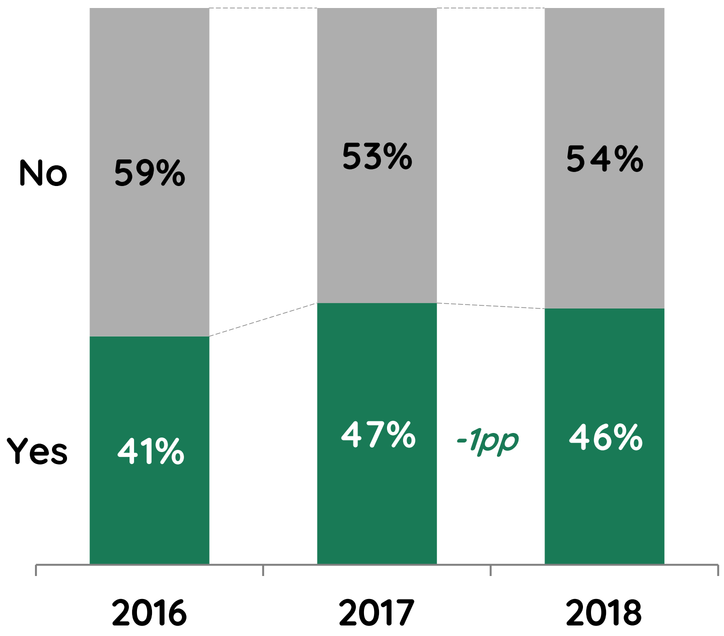
Mix & Match



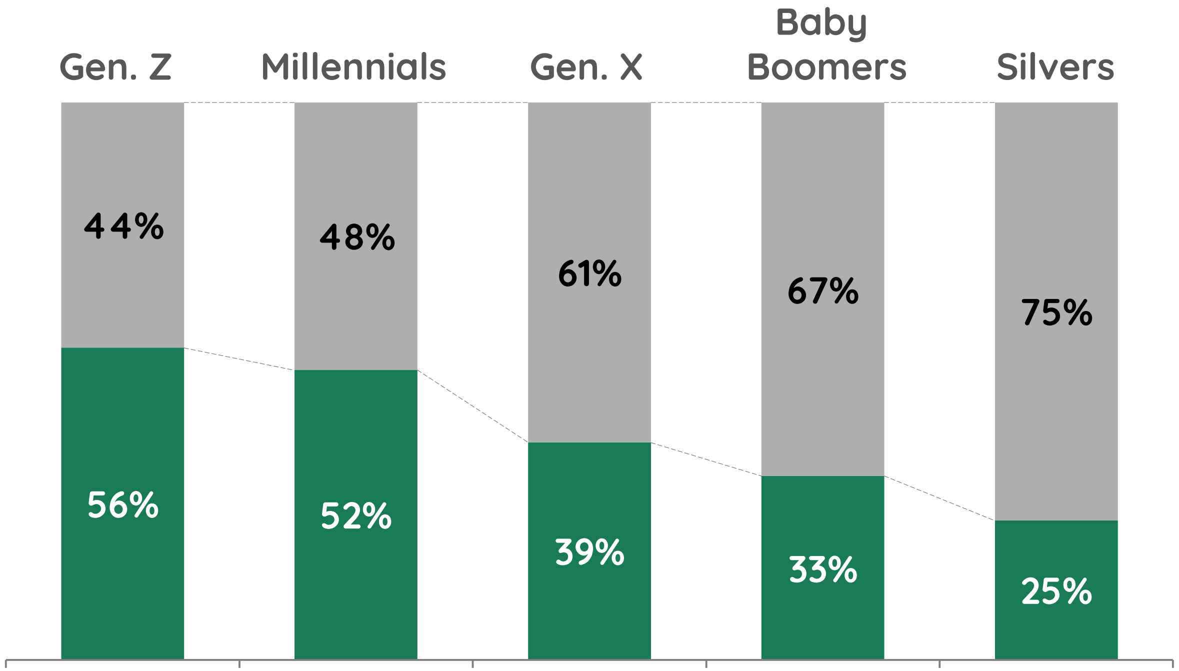
Almost half of True-Luxury consumers shifting from traditional luxury brands

> *Thinking about your spending of 2/3 years ago and that of the last 12 months, do you have the feeling that you have partially shifted your spending from luxury brands to premium / fast fashion / niche or sports brands?*

46% of respondents have shifted from top luxury brands



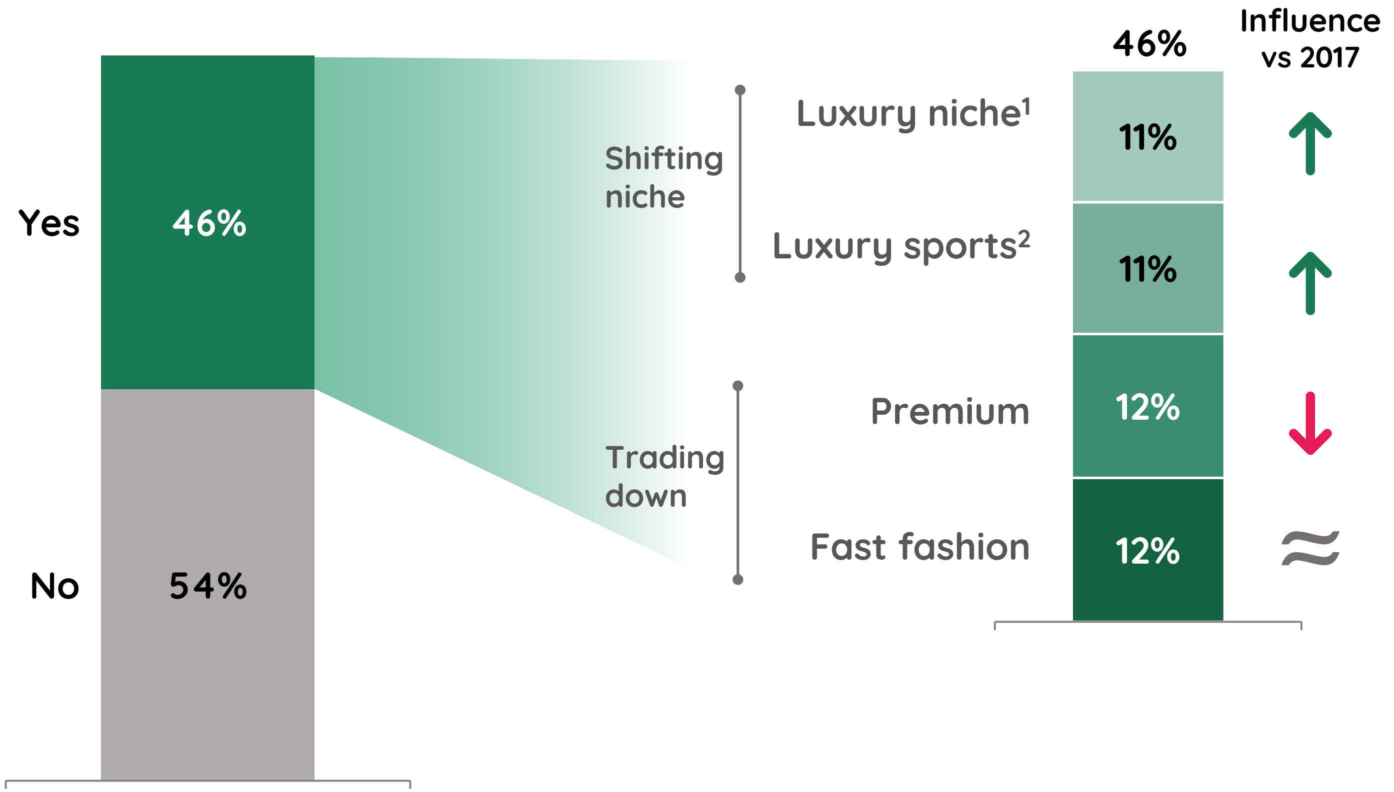
By generation



Note: Limited responses available for Silvers
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

Among True-Luxury consumers, niche and sports brands continue to gain traction

46% of True-Luxury consumers shift from top luxury brands in 2018



Product categories

Impacted by the shift

- Formal shoes, Knitwear, Perfumes
- Sneakers, Backpacks, Hoodies
- Handbags, Perfumes, Watches
- Shirts, Jeans, Pants/Skirts

Resilient to the shift

- Silk Goods, Jewelry and Cosmetics

1. e.g. Acne Studios, Mr & Mrs Italy, Aquazurra ecc 2. e.g. Lululemon or Sweaty Betty

Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

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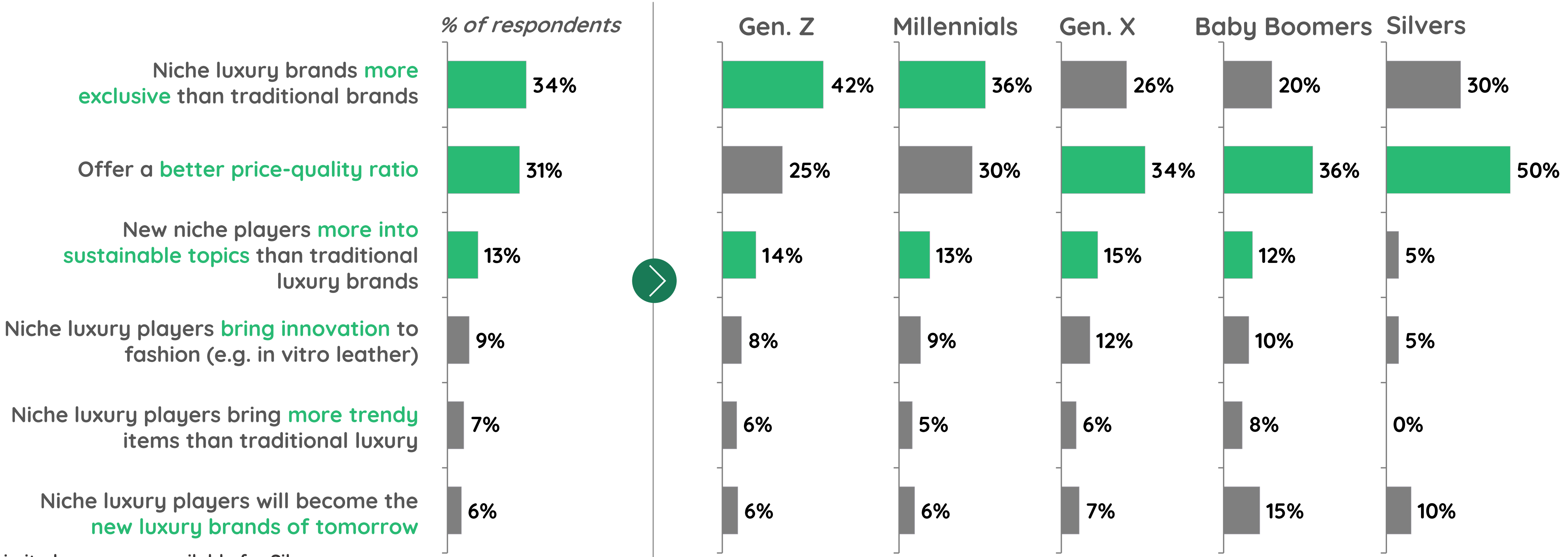
Perceived exclusivity of niche brands main reason for shift of younger generations, while perceived price-quality drives older generations

> *You have said that you have partially shifted your spending from luxury brands towards 'Niche Luxury Brands'; which of the following statements better reflects this choice?*

Overall reasons for shift to niche brands

By generation



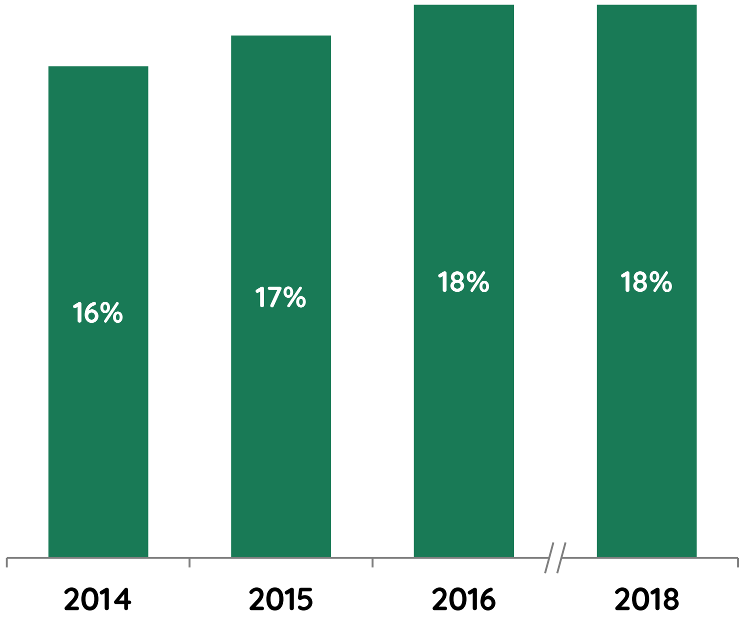
Note: Limited responses available for Silvers
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Dec 18/Jan 19 (12K+ respondents in 10 countries)

Customization

Demand for customization stabilising, product configuration and made to measure most desired

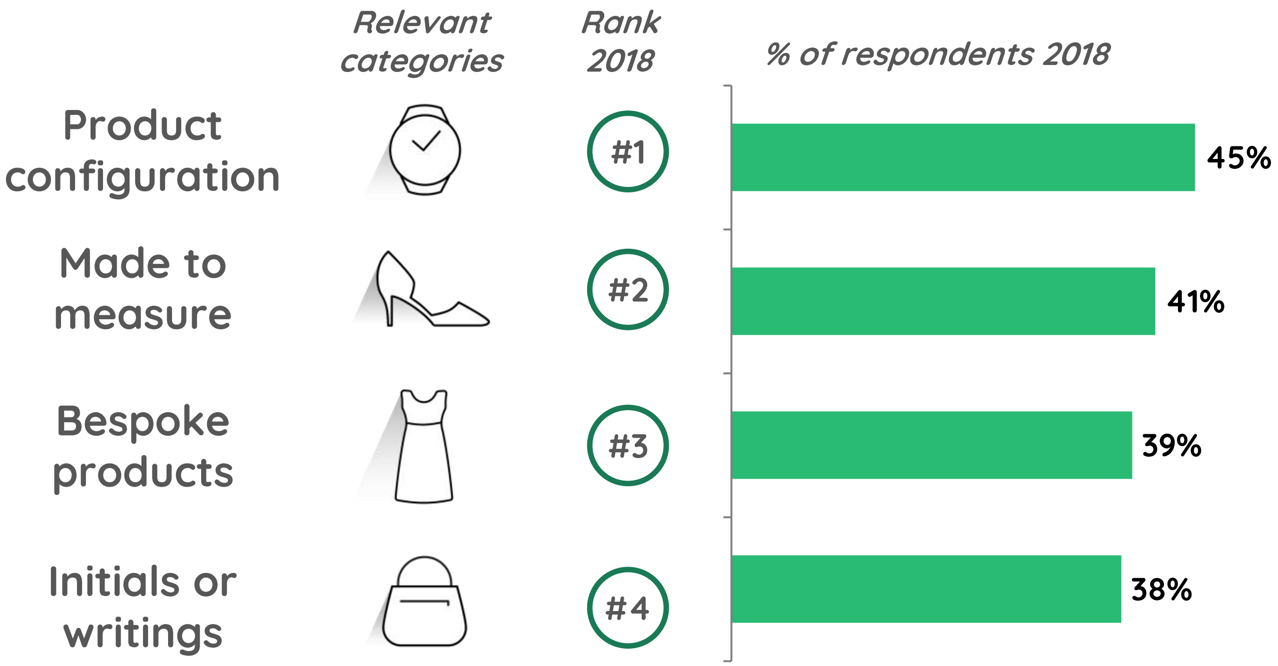
"Is customization relevant to you when purchase luxury

Customization is stabilising…



"Which level of customization do you value the most?

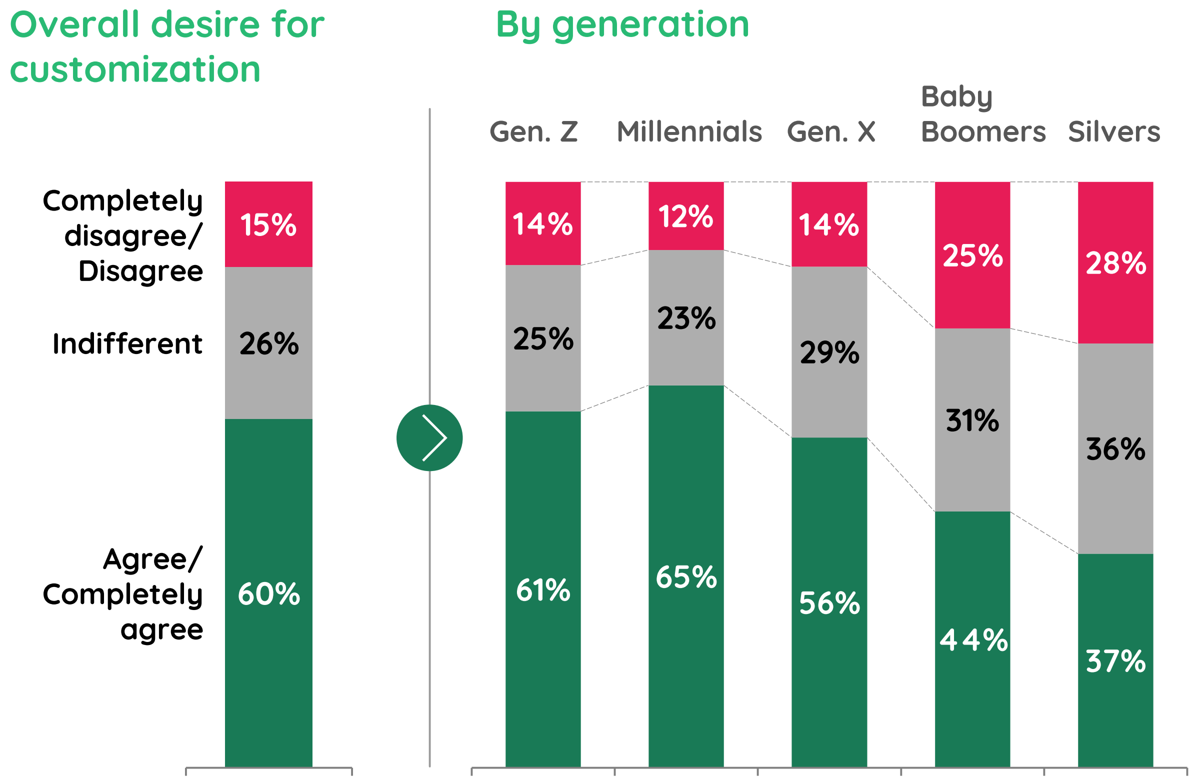
…with broadly spread desires



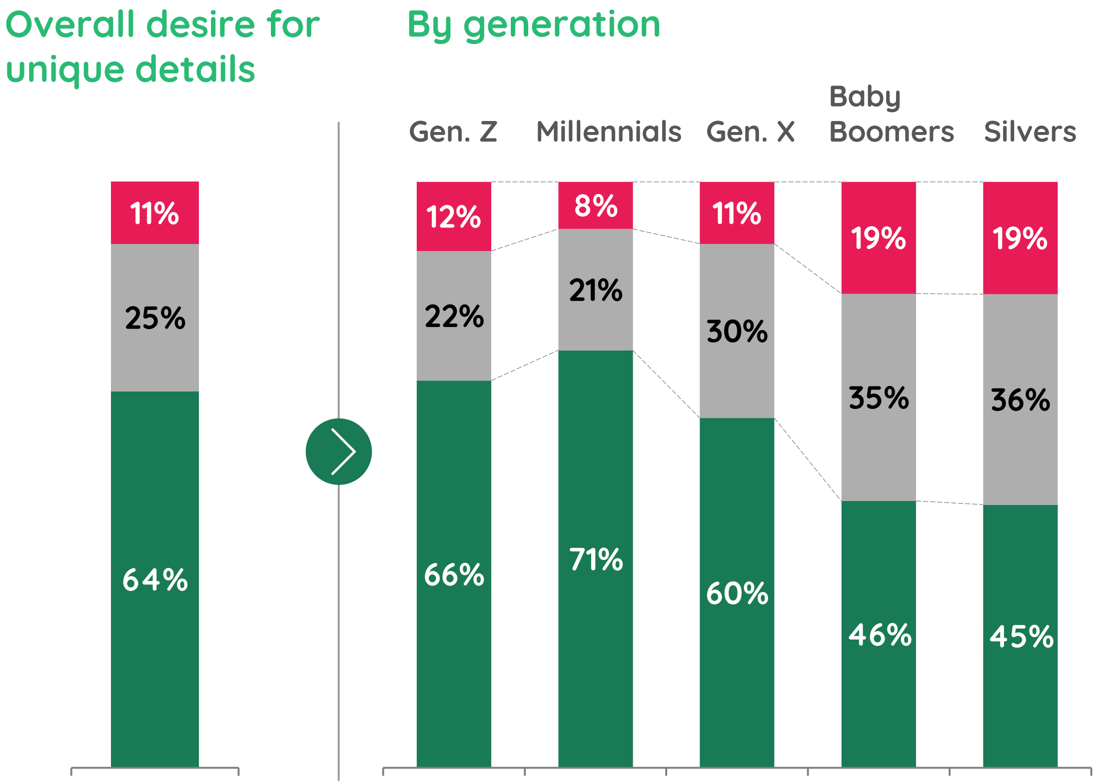
Note: only top responses shown
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey 2018 (12K + respondents in 10 countries)

Differences among generations, with younger True-Luxury consumers showing greater preference for customized and unique products

Please indicate how much you agree/disagree: I don't mind waiting longer/paying extra to have customized/made to order products



Please indicate how much you agree/disagree: The products I like most have unique details chosen by myself



Note: Limited number of Silvers
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey 2018 (12K + respondents in 10 countries)

True-Luxury Global Consumer Insight 2019 Edition: the 12 key trends

New and Emerging

Collaborations – Awareness reaching ~90%, with 50% of True-Luxury consumers purchasing collaborations & special editions, driven by Chinese (62%) and younger generations (67% Gen. Z, 60% Millennials)

Second-hand – Reached 7% of personal luxury market value and is growing 12% per year. Out of True-Luxury consumers, 34% sell 2nd-hand products, while 26% buy. 80% of 2nd-hand market participants use online channels to get informed and to trade

Keeps Growing

Sustainability – Influences purchase behavior of ~60% of True-Luxury consumers (+12pp vs 2013), driven by environmental, animal and ethical manufacturing concerns

Luxury Casualwear – Casual approach to social and professional occasions continues to grow, now affecting 74% of True-Luxury consumers, with still further expected growth in spending (driven by sneakers and jeans)

Influencers – Their relevance in shaping consumer purchase decisions continues to increase, affecting ~2x as many True-Luxury consumers in China than in Europe and US

Social Media – Keep growing in all geographies, by far greatest influence lever in China, soon to overtake magazines in Europe and US

Online – Continues to grow, with over 20% of last purchase occasions online, and contributes to overall market growth more than cannibalizing physical channels sales (~60% in addition, vs 40% of cannibalization)

Stabilizing

Omnichannel – Accounts for 50% overall, with substantial variation by geography (64% China, 42% EU)

Mono-Brand Stores – Appear to have stabilized in True-Luxury consumers' minds, no longer decreasing in a significant way, except for China

Made-in – Made-in Italy continues to strengthen its global lead among True-Luxury consumers and among Millennials, and reconquered leadership among Chinese vs Made-in France

Mix & Match – Luxury niche and sports brands driving greater shift. Exclusivity and perception of better value are driving consumers to niche brands, whereas comfort and active lifestyle to sportswear brands

Customization – Demand stabilized (at high level). Product configuration, made to measure and bespoke products most desired

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THANK YOU