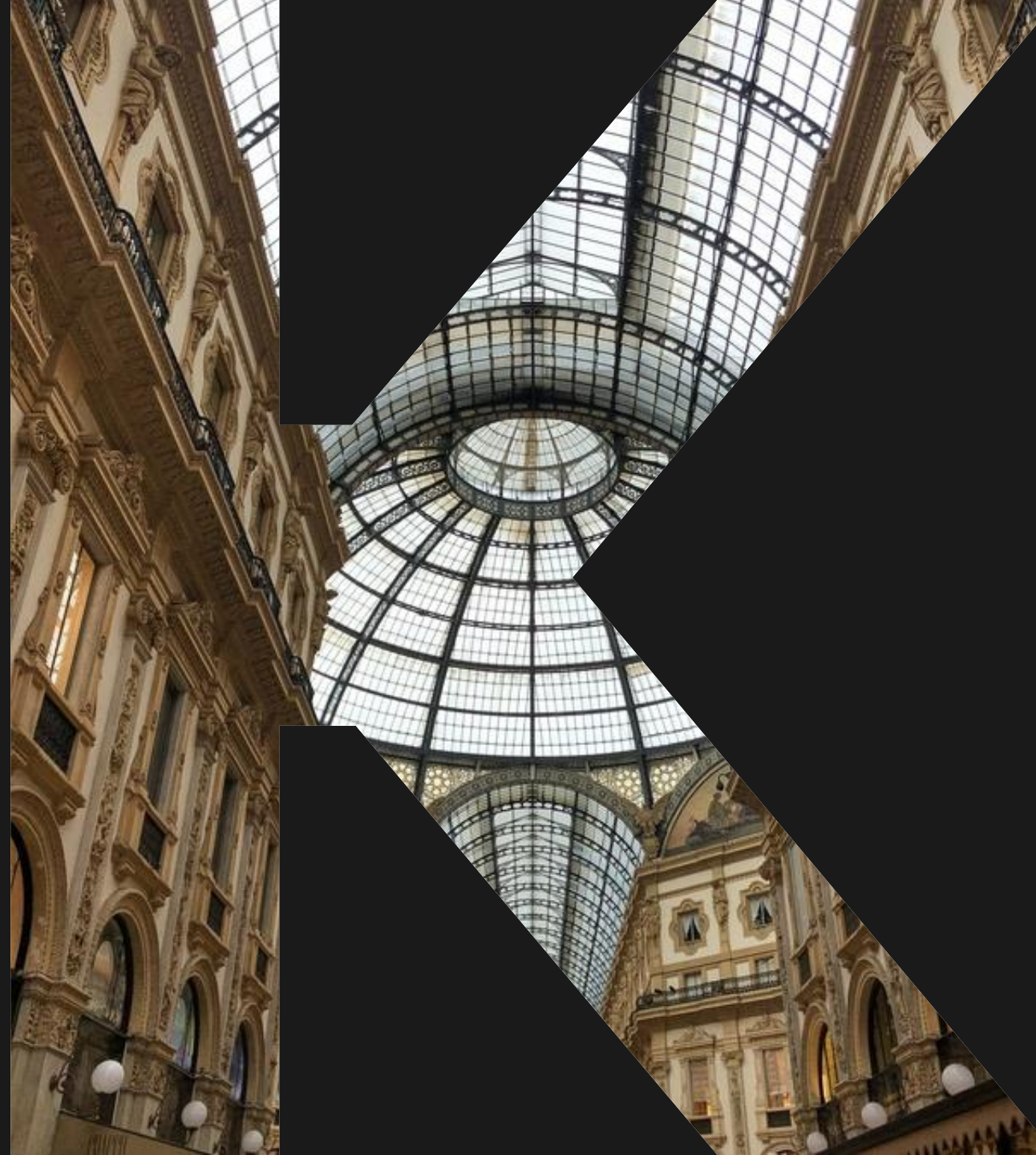


Global State of Luxury 2024

*An industry underscored by
change*

KEARNEY





“Regular Black Swan events are our norm;
having a **clear end goal** is critical to navigate this
degree of **change and disruption**”

Luxury CEO 2023

The luxury players are faced with a challenging and evolving environment, with shifting markets, consumers, categories and channels

Global Personal Luxury Goods Market is expected to generate **\$410B** in 2023¹



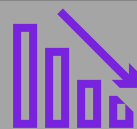
26% of market accounted for by **US** & **14%** accounted for by **China**

Luxury apparel and leather goods make up **34%** and **19%** of market

3-7% expected CAGR through 2023-2028, slowed from 11% (2020-2023)²

24% revenue made up by **top 7 brands**

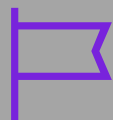
Luxury Market Dynamics



Slowing luxury demand vs. post-COVID boom



By 2026, **75%+** of luxury consumers will be **younger cohorts** (Gen Y and Z)³



Mature markets like US and China are facing economic challenges and pulling back on luxury spending



Hard luxury goods, beauty and personal care categories expected to lead sector growth



Slowing e-commerce growth and expect to normalize to pre-COVID levels

What Do Consumers Value?

Experience

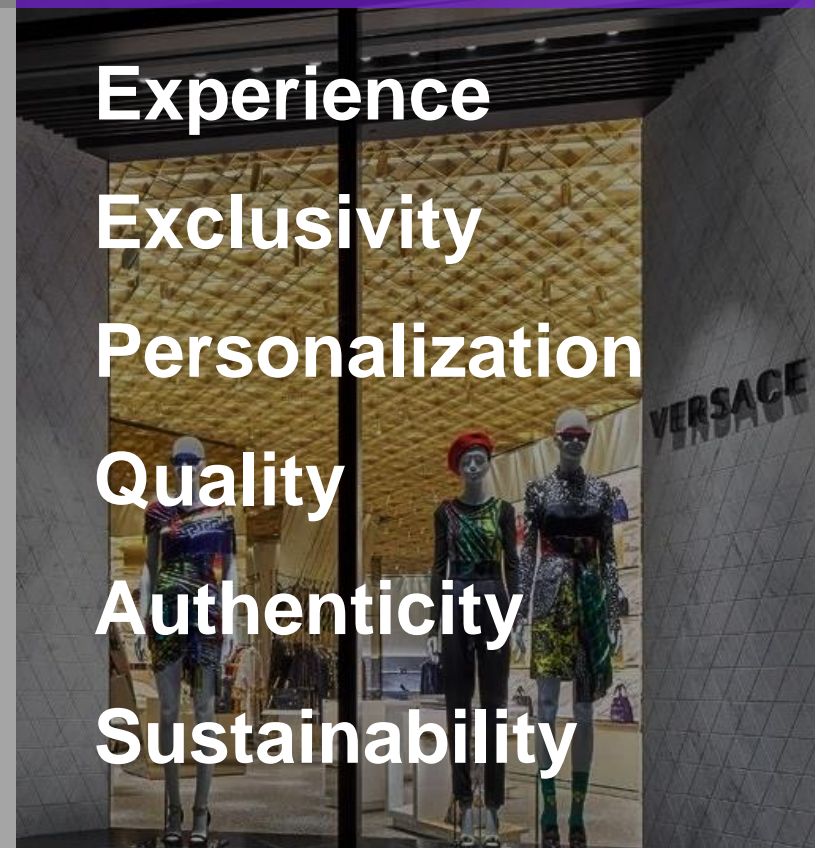
Exclusivity

Personalization

Quality

Authenticity

Sustainability



Inflation, waning consumer confidence and spend appetite created a challenging macro environment for the sector in 2023

Factors Impacting 2023 Performance



Inflationary Pressures



COVID Tailwinds Fading



Global Fragility



Slowing Growth in China



Heavy Holiday Discounting

“ There’s a **challenging macro environment** coming across from all regions, I think this is something that has been quite unique, because historically if you get softness in one region you’re able to pick it up in another. ”

– Jonathan Akeroyd, Burberry CEO

“ After three roaring years, and outstanding years, growth is converging toward numbers that are more **in line with historical average**. ”

– Jean-Jacques Guiony, LVMH CFO

With the headwinds in 2023, brands applied various strategies to address market dynamics

Consolidation via M&A

- L’Oreal buys Aesop in \$2.5B deal
- Kering acquires 30% stake in Valentino
- Tapestry acquires Capri Holdings in \$8.5B deal

Expansion into Beauty

- Prada debuts skincare and beauty lines, Prada Skin and Prada color
- Richemont launches new fragrance and beauty division

Quiet Luxury Wave

- Brunello Cucinelli saw +27.5% growth in first 9 months of 2023 vs. 2022
- Quiet luxury searches up 614% on Google in past year (Jun '23)

Double Down on Boutiques

- Luxury groups including LVMH, Kering and Richemont added 650,000 square feet of retail space in the past 12 months¹

Cost Cutting Programs

- Farfetch lays off 11% of headcount and closes offices and retail locations in cost-cutting program
- Ssense lays off 7% of headcount

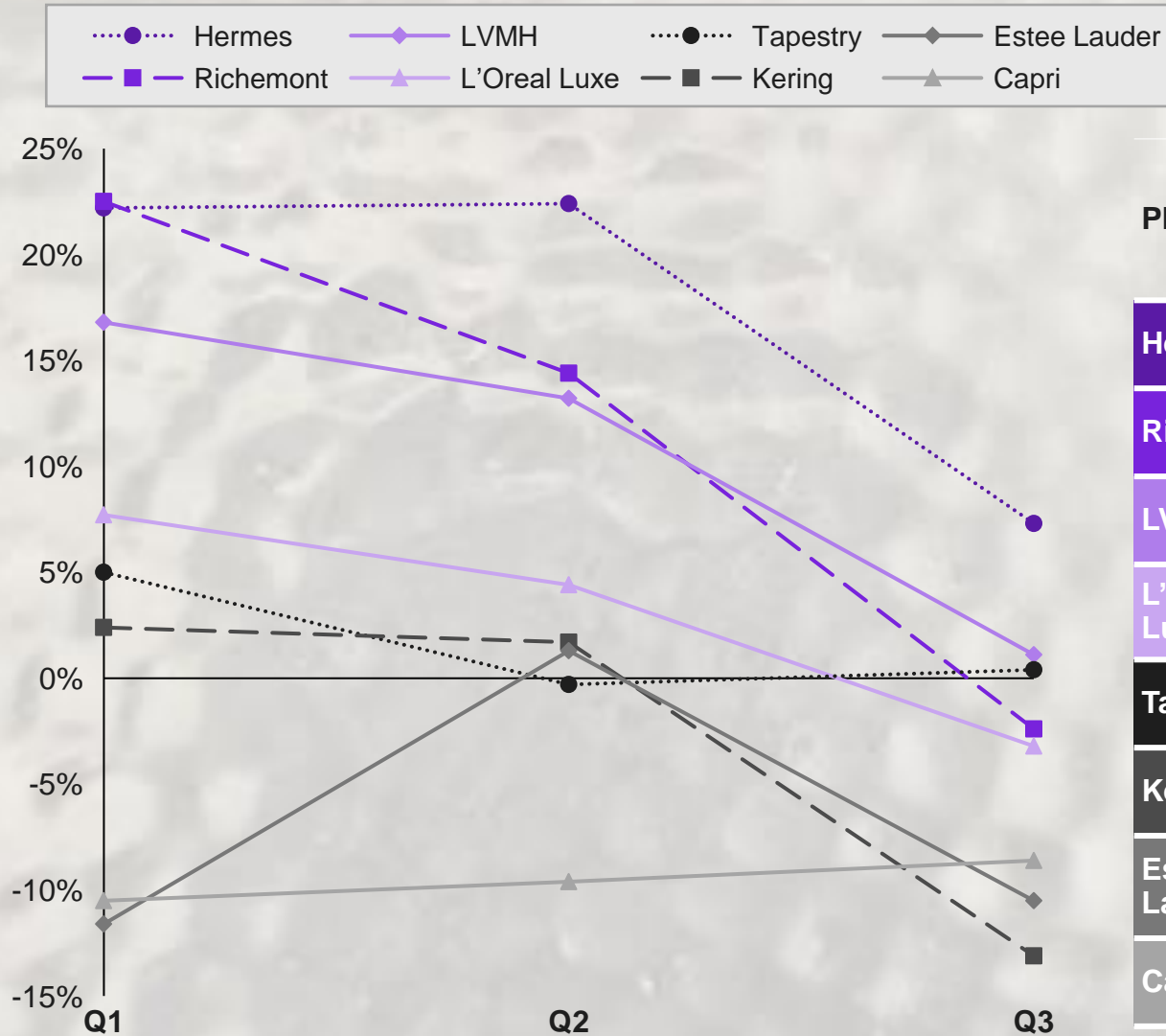
Successful Pricing Strategies

- Chanel increases bag prices internationally in September, up to 17% for its most popular styles
- Hermes elevated prices by 5-10% in January

1. JLL Luxury Report 2023
Source: Company news & financial reports, JLL, Business of Fashion, Google Trends

Despite efforts, an industry-wide slowdown was observed after H1 2023

Sector Performance of Top Luxury Players CY23 vs. CY22 growth, by quarter¹



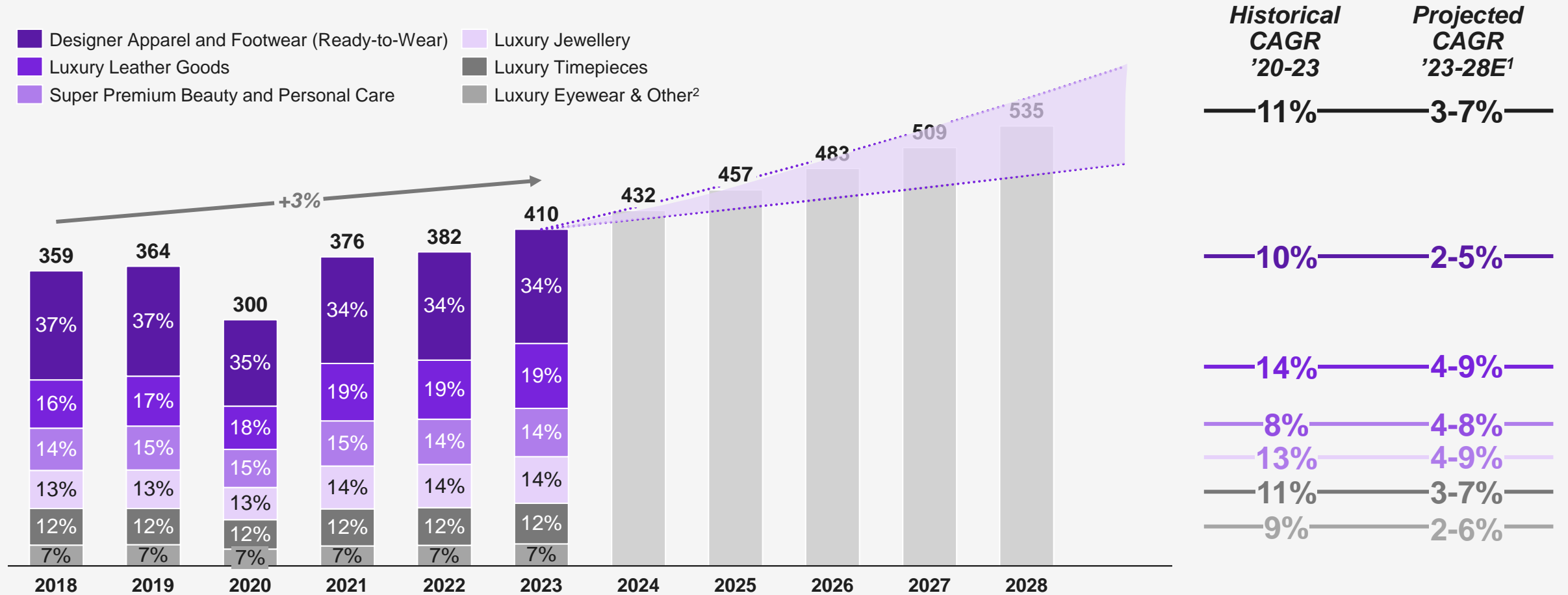
Player	CY22 net sales (\$B USD)	Past 9 mo. growth (CY23 vs. CY22)
Hermes	\$12.6	+17%
Richemont	\$24.0	+11%
LVMH	\$86.3	+10%
L'Oreal Luxe	\$16.0	+3%
Tapestry	\$6.6	+2%
Kering	\$22.2	-3%
Estee Lauder	\$16.4	-7%
Capri	\$5.8	-10%

1. Slight variances in quarterly and past 9M reporting timing by company
Source: Company earnings reports

Looking forward to 2024, we expect continued softening demand but with pockets of growth

Global Luxury Goods Market Outlook 2018-2028, \$USD million

- Designer Apparel and Footwear (Ready-to-Wear)
- Luxury Leather Goods
- Super Premium Beauty and Personal Care
- Luxury Jewellery
- Luxury Timepieces
- Luxury Eyewear & Other²



7 KEARNEY
 1. Historical market value and absolute projected values from Euromonitor; forecasted CAGR range calibrated via various sources
 2. Includes luxury eyewear, writing instruments and stationery, electronic wearables
 Source: Euromonitor, Kearney

Luxury's top two markets are projected to experience slowing growth while grappling with individual market dynamics

Top Markets: Luxury Goods 2023, % market share

		Hist. CAGR '20-23	Proj. CAGR '23-28E
USA	26%	18%	3%
China	14%	14%	10%
Japan	6%	2%	5%
UK	6%	14%	6%
France	5%	6%	4%
Italy	5%	9%	3%
South Korea	4%	9%	7%
Germany	4%	8%	4%
Hong Kong	3%	19%	6%
Taiwan	2%	6%	4%
Non Top 10	26%	8%	6%

Top 10 markets account for ~75% of luxury market, with **China** still driving majority of growth despite market slowdown

Source: Euromonitor, Henley & Partners, Kearney

USA



Aspirational shopper fatigue

Political uncertainty

End to COVID relief

Millionaire migration

China



Domestic economic struggles

“One China” policy

Rise of Guochao and national pride

Crackdown on displays of wealth

Growth markets will play a critical role in the development of luxury

Luxury Growth Markets

2023 market value | Proj. 2023-2028 CAGR¹

Middle East

\$16B | +5%

- Attractive haven for wealthy individuals
- Increasing investment in international tourism



China

\$59B | +10%

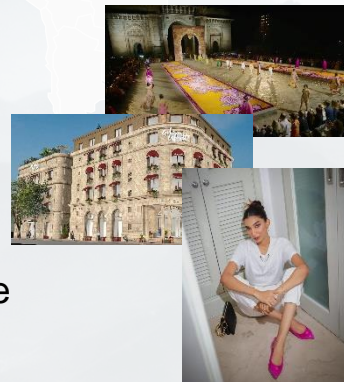
- Continued appetite for domestic shopping and tourism
- Brands investing in local store openings and luxury developments



India

\$3B | +9%

- Rising incomes, increased digital connectivity and middle-class lifestyle changes driving growth
- Consumer confidence reached four-year high in Sep 2023²



Southeast Asia³

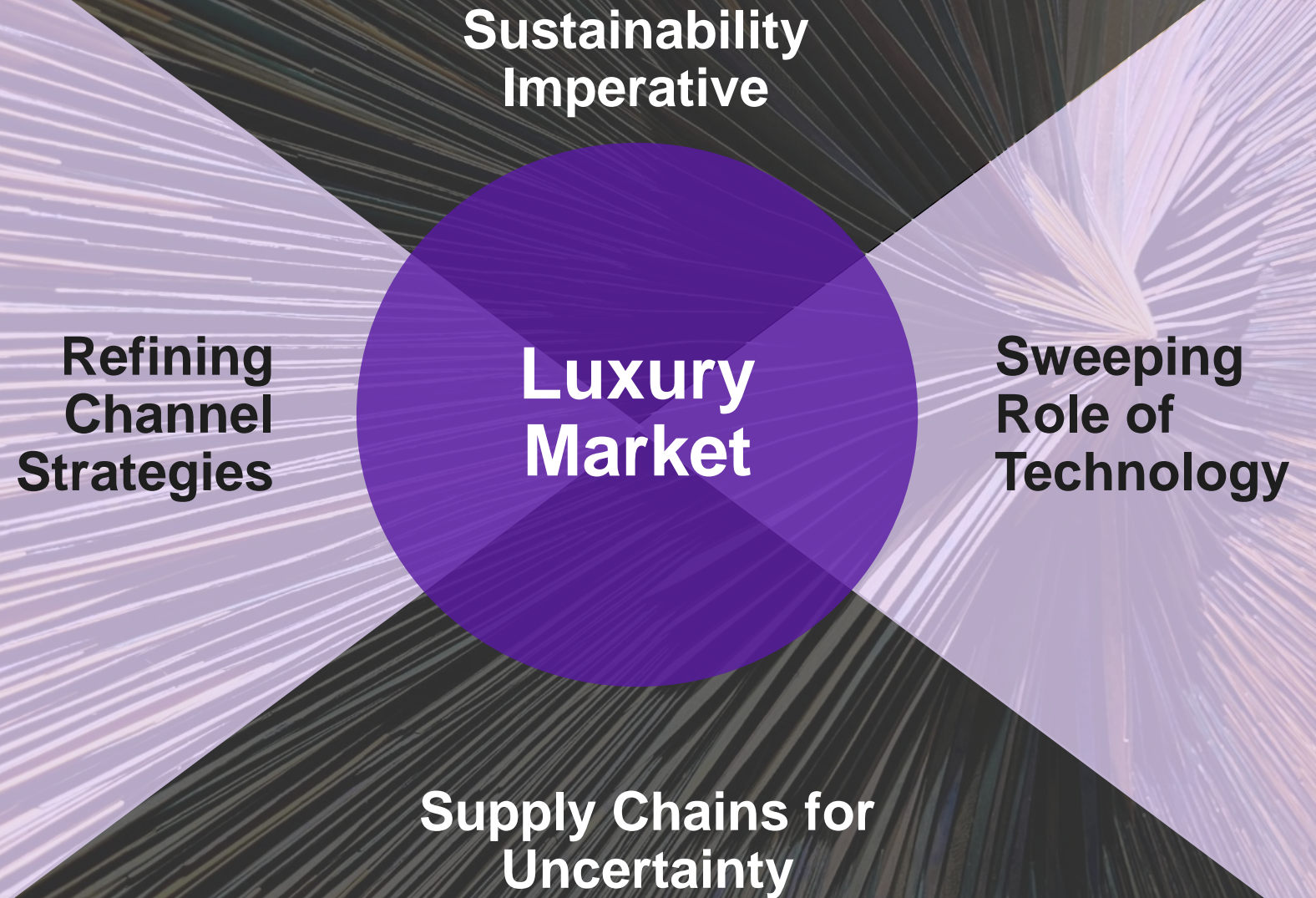
\$13B | +6%

- Rebound of regional tourism
- Younger consumers buying luxury in part driven by K-pop boom



1. Historical market value and absolute projected values from Euromonitor; forecasted CAGR range calibrated via various sources
 2. Reserve Bank of India, "Consumer Confidence Survey"
 3. Singapore, Philippines, Thailand, Malaysia, Indonesia
 Source: Reserve Bank of India, Henley & Partners, Business of Fashion, Euromonitor 2023, Kearney

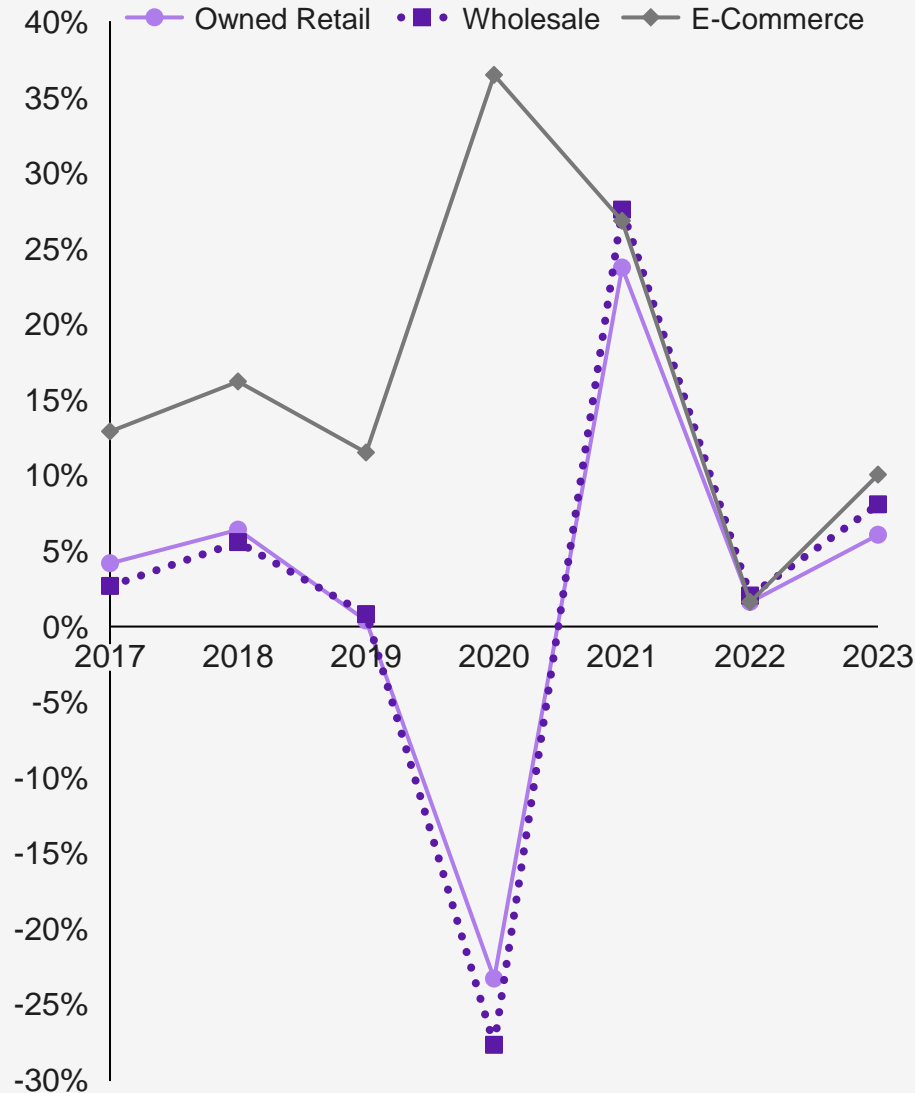
**Highlights on
select disruptive
forces shaping
2024**



Channel dynamics continue to normalize post pandemic

Refining Channel Strategies

Global Personal Luxury Goods by Channel YoY % growth, 2017-2023



1. Salesforce – State of the Connected Customer
Source: Euromonitor 2023, Salesforce, Kearney

Owned Retail

- The boutique continues to serve as the **primary connection point**
- Expectations for owned retail are rising to be **immersive, emotional, frictionless**

Wholesale

- Wholesale is recovering after loss of share from DTC & e-commerce boom
- Remains an important channel for brands to **broaden reach** and **offload inventory risk**

E-Commerce

- E-commerce post-covid growth slowed as consumers return to stores
- 68% of customers say that COVID-19 has **elevated their expectations** of companies' digital capabilities¹

In-store shopping will continue to dominate the luxury market, while social commerce maintains momentum



Mono-brand boutiques shine

- **Renewed appetite for in-store experiences** and return of post-pandemic footfall will benefit mono-brand boutiques
- Brands are upgrading the boutique shopping experience with **omni-channel & digital elements** (interactive dressing rooms, personalized product recommendations, etc.)

Return to travel

- **Rebound of transcontinental tourism** and **rise of “bleisure”** (business & leisure) travel drives growth in duty-free and international retail
- The traditional travel retail value proposition is due for a refresh – **eroding price effectiveness & misaligned assortment** are key pain points for Fashion consumers

Continued surge of social commerce

- Social commerce adoption, led by China, growing at 30% (2023-2030)¹
- Brands are implementing **livestream shopping** (e.g., Douyin), **one-click & in-app checkout**, and **XR experiences** to drive conversion and engage with consumers at different touchpoints

Refining Channel Strategies

Growing regulatory momentum will put pressure on brands to accelerate sustainability efforts

Sustainability Imperative

Source: EU Commission, SEC, UN, Government of Canada, New York State Senate, Kearney

Incoming sustainability regulations and directives will dictate change



Mandatory due diligence



Financial disclosure instruments



Preventative eco-design



Waste management



Responsible labor practices



Plastic usage restrictions

Fashion and retail brands are increasingly susceptible to a variety of demand and supply shocks across the supply chain

Supply chain shutdowns driven by **geopolitical and health risks** (e.g., Ukraine, Israel conflicts)

Sourcing restrictions from ethical, environmental and labor concerns (e.g., Xinjiang)

Facility shutdowns from increased scrutiny over **labor violations**

Poor forecasting leading to insufficient transportation capacity and service issues

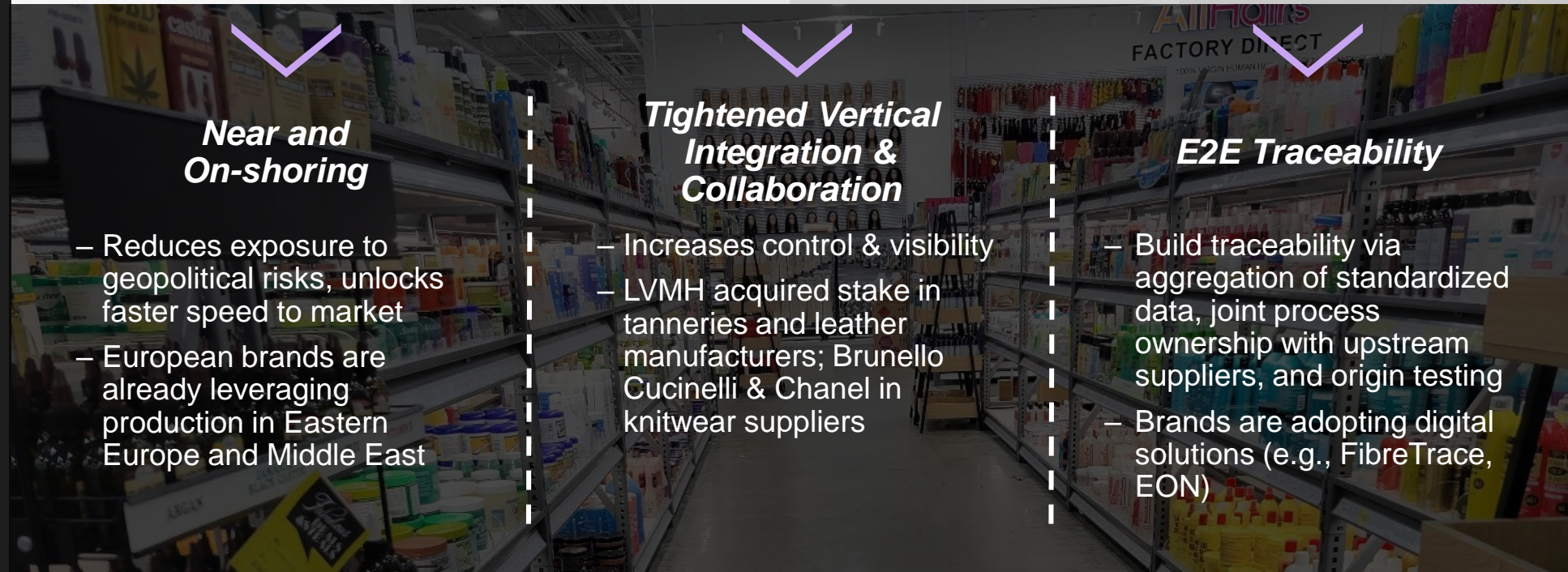
Raw material production jeopardized by **looming climate crisis**

Channel shifts to DTC or re-commerce

Brand reputation damage and **demand shifts** from conscious consumption

Shifting retail seasons (see now buy now, drop model) require to expedited timelines and more agility

Supply Chains for Uncertainty



Near and On-shoring

- Reduces exposure to geopolitical risks, unlocks faster speed to market
- European brands are already leveraging production in Eastern Europe and Middle East

Tightened Vertical Integration & Collaboration

- Increases control & visibility
- LVMH acquired stake in tanneries and leather manufacturers; Brunello Cucinelli & Chanel in knitwear suppliers

E2E Traceability

- Build traceability via aggregation of standardized data, joint process ownership with upstream suppliers, and origin testing
- Brands are adopting digital solutions (e.g., FibreTrace, EON)

Source: WWD, Business of Fashion, Kearney

Disruptive technologies are allowing brands to elevate consumer experiences and optimize operations

Sweeping Role of Technology

Gen AI in Go-To-Market

- Accelerating go-to-market lead time
- Enabling agility in product development
- Automating low value-add activities



Moncler uses AI-generated photos in London Fashion Week campaign



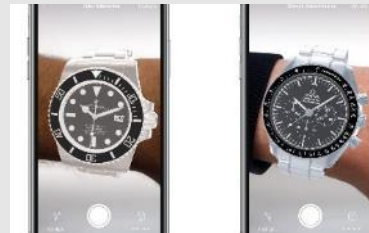
Tommy Hilfiger launches digital fashion items generated by AI

Virtual Merchandising

- Enabling global, real-time purchasing
- Reducing operating costs
- Unlocking data driven consumer insights



Ralph Lauren partners with AR startup Obsess to reduce physical sample making



Watch retailer **Chrono24** enables customers to try on **Rolex** and **Omega** watches via its virtual showroom

Blockchain & RFID for Traceability

- Providing consumers affirmation of authenticity
- Combating counterfeit risks
- Enhancing supply chain visibility



Alexander McQueen's label MCQ embeds blockchain + NFC technology in product tag



Aura Blockchain Consortium, first global luxury blockchain to improve digital traceability

Final Thoughts

Unprecedented consumer and market shifts will continue

Clarity of vision and path forward are critical to weather the changes

Relying on historical resilience will leave brands behind

Thank you

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