

BAIN - ALTAGAMMA
LUXURY GOODS WORLDWIDE MARKET STUDY
FALL 2021 – XX EDITION

Luxury is back... to the future

Figures, trends and actions

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11TH NOVEMBER 2021

BAIN & COMPANY 

 ALTAGAMMA
CREATIVITÀ E CULTURA ITALIANA



Foreword on content and sources

Content of this document

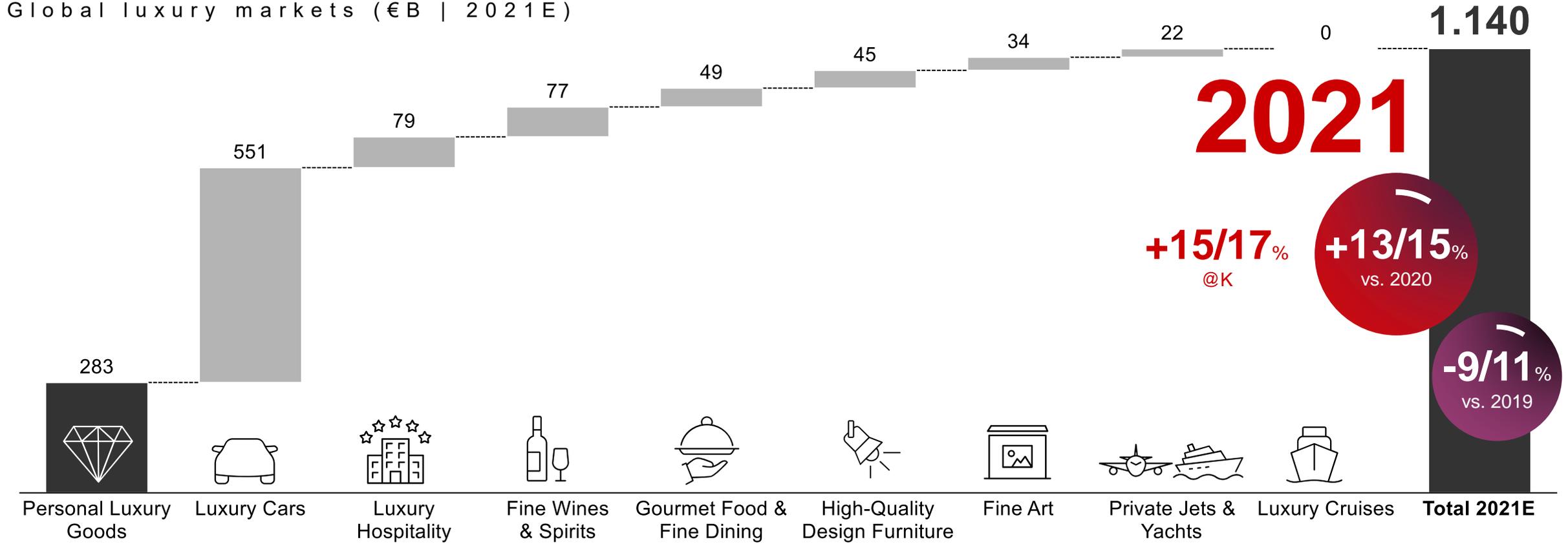
- This document contains **an update** on the **luxury goods market**, in particular:
 - Insight to the **performance of the market** for the **first three quarters of 2021**, with expectations for the last quarter
 - **Estimates** for how the luxury market will evolve **beyond 2021**, with related **macro-trends** emerging
 - 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 5th 2021** and includes:
 - Data regarding the **outbreak of the Covid-19** and consequential lockdown across countries
 - **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**
- The scenarios **do not consider disruptive changes** in Covid-19 **status quo** (e.g., potential future **waves** of Covid-19 related to variations of the virus)

Global luxury markets: shift from experiences to goods compensates half of the gap vs 2019

Global luxury markets (€B | 2021E)



2021

+15/17%
@K

+13/15%
vs. 2020

-9/11%
vs. 2019

Year-over-year (YoY) growth, at current exchange rates

YoY	Personal Luxury Goods	Luxury Cars	Luxury Hospitality	Fine Wines & Spirits	Gourmet Food & Fine Dining	High-Quality Design Furniture & Homeware	Fine Art	Private Jets & Yachts	Luxury Cruises
'20-'21E	+29%	+7/9%	+20/22%	+12/14%	+8/10%	+13/15%	+18/20%	+1/3%	-40/42%
'19-'21E	+1%	+0/1%	-58/62%	+0/2%	-7/9%	+6/8%	-6/8%	-6/8%	-80/85%



Luxury toys

Fine art & design furniture

Food & beverage experiences

Out-of-home experiences

Luxury cars

(partially suffering supply scarcity in key components) experiencing **nuanced performance across brands**, with **newcomers entering the game**

Luxury yachts

continue on **positive tailwind** as customers' interest for intimate **luxury experiences** continues to surge

Private jets

rebound favoured by perceived benefits of **safety, convenience** and **efficiency**

Fine art

sustained by **reopening of public auctions** and **art fairs**, with **global uncertainty** favouring mid-priced segment over high one, recording **increasing participation** of new (younger) **consumers** and **artists** (Women, Afro-American, ...)

High-quality design

sustained by **new pivotal role of home**, with **intermingling spaces** between **living and working** fuelling '*resimercial*' solutions

Wine

brands' **recovery speed** driven by **brand awareness** and recognition

Spirits

driving market, favored by **increasing interest for "status" spirit** as out-of-home spending turns at-home

Gourmet food and fine restaurants

experiencing **three-shaped forces at play** driving continued resilience: **pantry-meals** (at home), **ghost kitchens rise** (from 'out-of' to at-home) and **gradual ease of lockdowns** and **revenge conviviality**

Luxury hotels

recovering through mid-year travel resumption, **favouring digitalization and customization** of experiences as **vital pathways** to capture **evermore demanding consumer**

Luxury cruises

jeopardized by forced travel halt for first half of year, yet **glimmers of hope** for upcoming seasons given **strong order book**

Design furniture top performing category due to everything@home trend

Strong recovery also for wine and spirits and luxury cars

High quality design furniture & homeware

- **Core high quality design market**, already showing stronger-than-forecasted performance in last quarters of 2020, **continuing on its growth path** sustained by continued refocus of **consumer spending on home**, in particular on Living& Bedroom, outdoor and lighting
- **Intermingling of living and working spaces** fueling the growth of *'resimercial'*, with consumers seeking for **increased comfort, functionality** as well as flexibility in design solutions

+6/8%

+4/6% @K

20-21:

+13/15%

'21E vs. '19 (%)

~€45B

Market size 2021E (€B)

Fine wine & spirits

- **'Revenge conviviality'** sustaining **recovery across segments**
- **Spirits driving market recovery**, mostly on account of:
 - Growth in (local) consumers interest for **Asian spirits** (mostly baijiu)
 - Increasing **interest for "status" spirits**, as **out-of-home spending is shifted at-home**, favoring mostly those categories traditionally lower penetrated by high-end brands (e.g., tequila, rum)
 - Better ability vs. wine brands in **catering interest of younger generations**, leveraging marketing messaging centered around **key topics of interest** (e.g., inclusivity, sustainability)
- In wine, **sparkling** (over-impacted in 2020) **recovering better than other categories**,
 - **Brand awareness and recognition** playing **central role** in defining **recovery path**

+0/2%

+0/2% @K

+12/14%

~€77B

Luxury cars

- Market favored by positive **consumption tailwinds**, yet partially **slowed-down by disruption across the supply chain**
 - **Asia outperforming other geographies**, partially fueled by growth of **local premium players** outpacing traditional European ones in the 'accessible' segment
- (Policy-led) **shift towards green power-trains** continues, although its **long-term financial sustainability at issue**
 - **Niche players** looking at **potential avenues to pool resources** required for investments, today almost fully prerogative of **largest groups**

+0/1%

+8/10% @K

+7/9%

~€551B

Luxury toys, fine art and food (at- and out-of-home) on the path to recover to 2019 levels, with different sub-segment trends shaping growth

Private jets & yachts

- **Luxury yachts** confirming **positive momentum**, with **growth in deliveries** (partially benefitting from delays occurred in 2020) paired with **sharp growth in order books**
 - **Interest from HNWI surging** in response to **willingness to secure “intimate” luxury experience** for upcoming years and **suspension of social activities**
 - **Growth of market niches** with focus on sustainable solutions (among which hybrid propulsion)
- In **Private Jets, demand stable vs. 2020 levels**, with purchases driven by perceived benefits from target customers related with **safety, convenience and efficiency**
 - Slowdown in used market jets, as availability narrows vs. past years

-6/8% @K

20-21: **-6/8%** +1/3%
 '21E vs. '19 (%)

~€22B

Market size 2021E (€B)

Fine art

- **Fine art market rebounding** thanks to gradual **reopening of public auctions** and **art fairs**
 - **Greater growth in medium-priced** segment favored by **global uncertainty** discouraging bids on **high-priced items**
 - **High-end galleries** experiencing progressive concentration through M&A, aimed at **exploiting scale and scope economies**
- **Macro-trends embedded** within **Zeitgeist of today's consumer** (diversity, equity and inclusivity) definitely **stepping into** fine arts
- Increasing acknowledgment of **NFTs** among **younger gens** and **segment fanatics**, yet still uncertain **potential impact on broader market**

-5/7% @K

-6/8% +18/20%

~€34B

Gourmet food & fine dining

- Driven by dichotomic impact of pandemic outbreak in 2020, **luxury food** market showing significant difference in growth rates within its components
 - **Fine restaurants** (sharply impacted last year) showing significant rebound as **lockdowns eases**
 - **Gourmet Food continuing on its mild growth path**, although at lower rate vs. previous year
- **“Pantry meals” tapping** into the **luxury space**, as **consumers familiarity** with at-home cooking is raised significantly, with side benefits on **specialized appliances**
- **Ghost kitchens** serving food-delivery market **engaging into the luxury segment**

-7/9% @K

-7/9% +8/10%

~€49B

Experiences still significantly below pre-pandemic levels, jeopardized by restrictions to international travel

Luxury hospitality

- **Luxury Hotel market recovering at good pace starting mid-Q2**, favored by progressive increase in **occupancy rates**
 - **Chained** hotels **outpacing independent ones**, favored by higher ability to adapt to **shifting consumers' needs**
 - Brand and/or **chain-level offer standardization** deemed **no longer valid** as adaptation to consumers sought for customization and service tailoring proved to be vital to accelerate recovery
- **Surge in property digitalization** to satisfy needs of **younger generations** and favor **process automation** and **contactless interactions**

Luxury cruises

- Sharp impact of COVID-19 on cruises market **lasting throughout the year**, with cruising companies forced to **cancel travels until Q3**
 - Players **delaying vessel investment** and working at debt restructuring to **sustain short-term cash needs**
- Nonetheless, **order book for 2022 is approaching 2019 levels**, with consumers signaling **strong interest for luxury experiences that will likely drive accelerated market recovery in future years**
 - **Expedition segment** expected to grow **above traditional cruises** also in future years

'21E vs. '19 (%)

-56/60% @K

-80/85% @K

-58/62%

-80/85%

20-21:

+20/22%

-40/42%

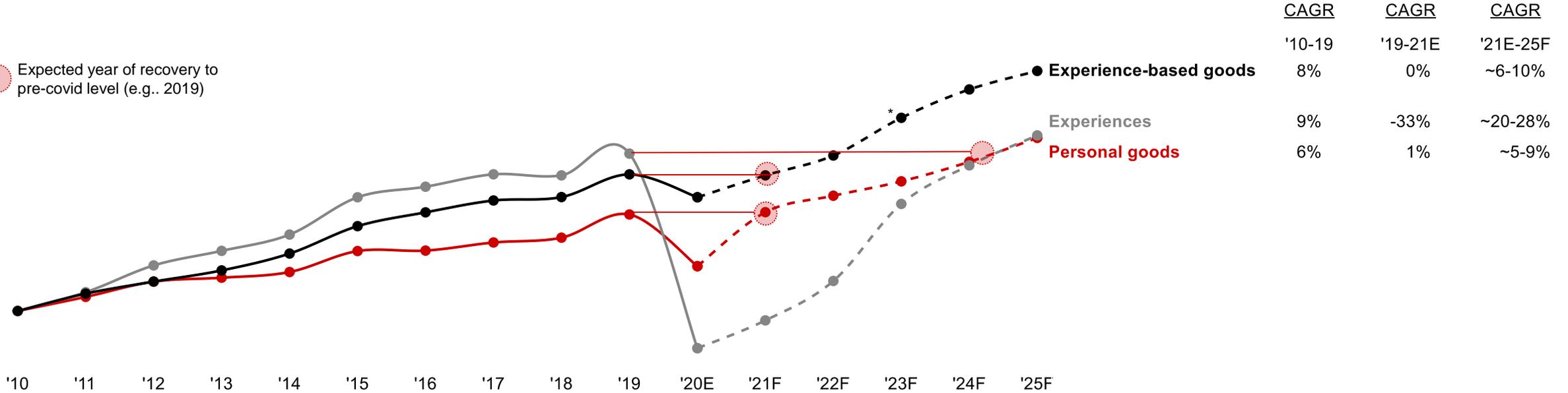
~€79B

~€0,4B

Consumers overindulged on **products**, but the **willingness to go back to experiences** is at an all-time high

Global Luxury markets (Index = 2010 | 2010-2025F)

Expected year of recovery to pre-covid level (e.g., 2019)



Experiences

Experiences disproportionately impacted, will be last to recover as strongly dependent on **revamp of touristic flows and business travel**

Experience-based goods

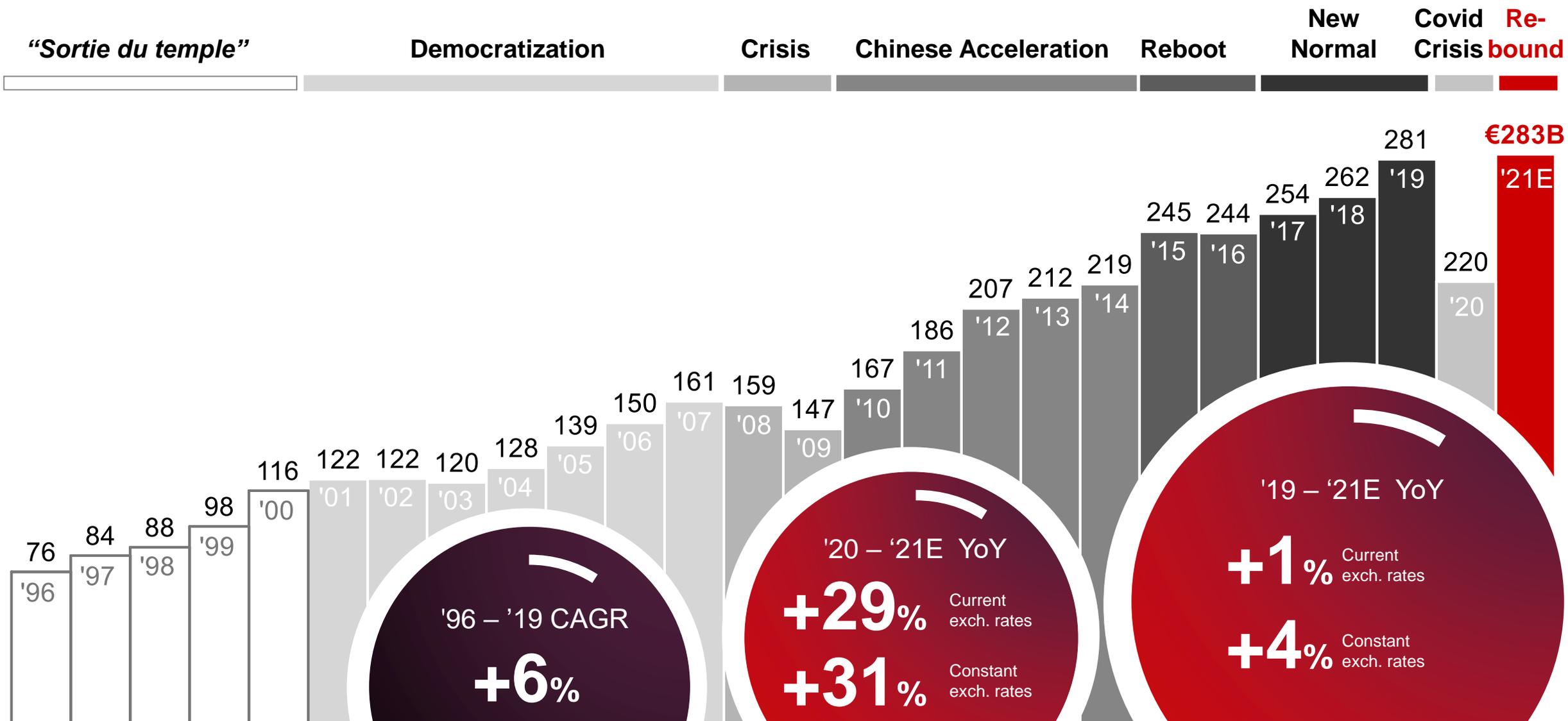
Experience-based goods almost fully recovering to 2019 levels, favored by **positive consumer traction across categories**

Luxury products

Products first to recover 2019 levels, driven by earlier onset of ease of restrictions

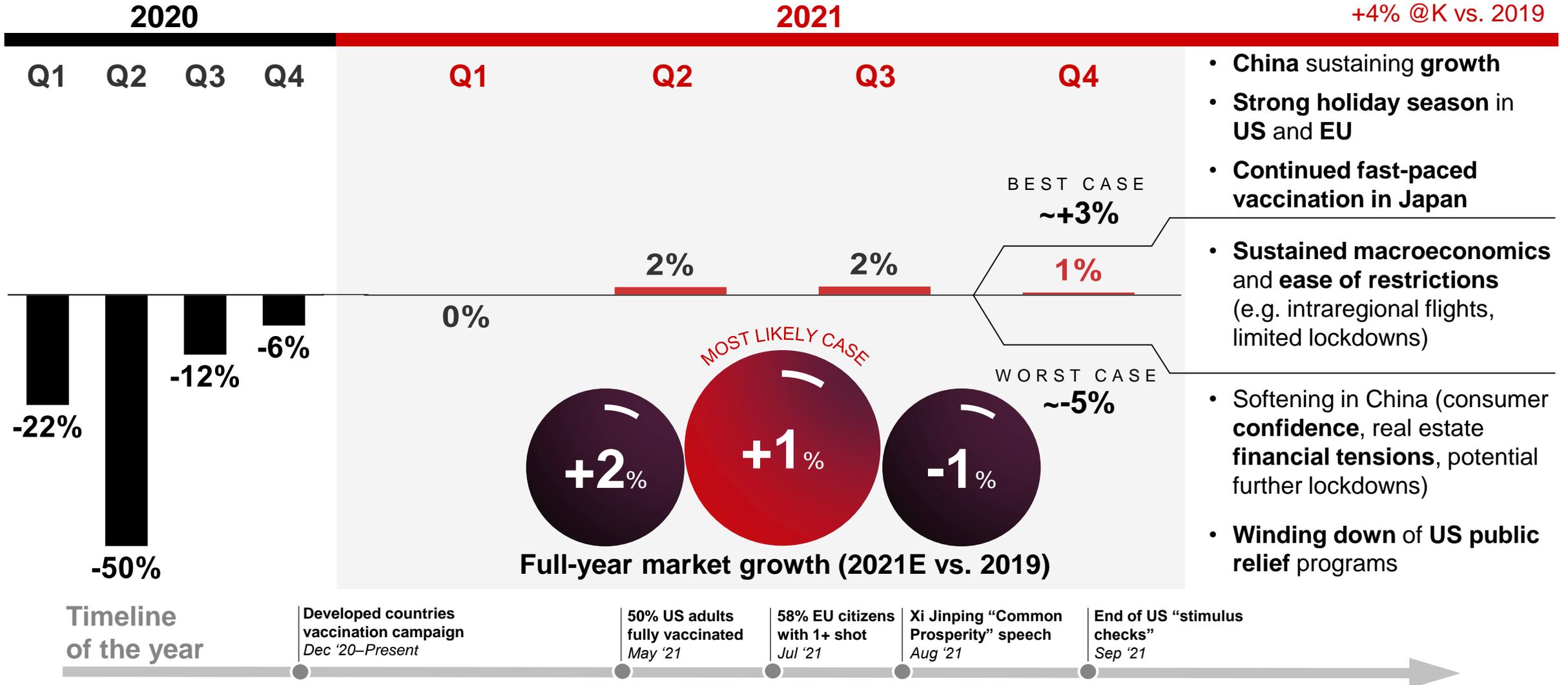
Note: At current exchange rates; Personal goods include High-quality design furniture and Personal luxury goods; Experience-based goods include Fine Art, Luxury cars, Private Jets and Yachts, Fine Wines & Spirits and Gourmet Food; Experiences include Luxury hospitality, Cruises and Fine dining; (*) 2023 acceleration driven by (hoped) end of supply chain disruption in cars market

After its worst dip in history, the personal luxury goods market experienced a **V-shaped rebound** in 2021



Market constantly improving from Q3 20; Some uncertainty on next holiday season remains

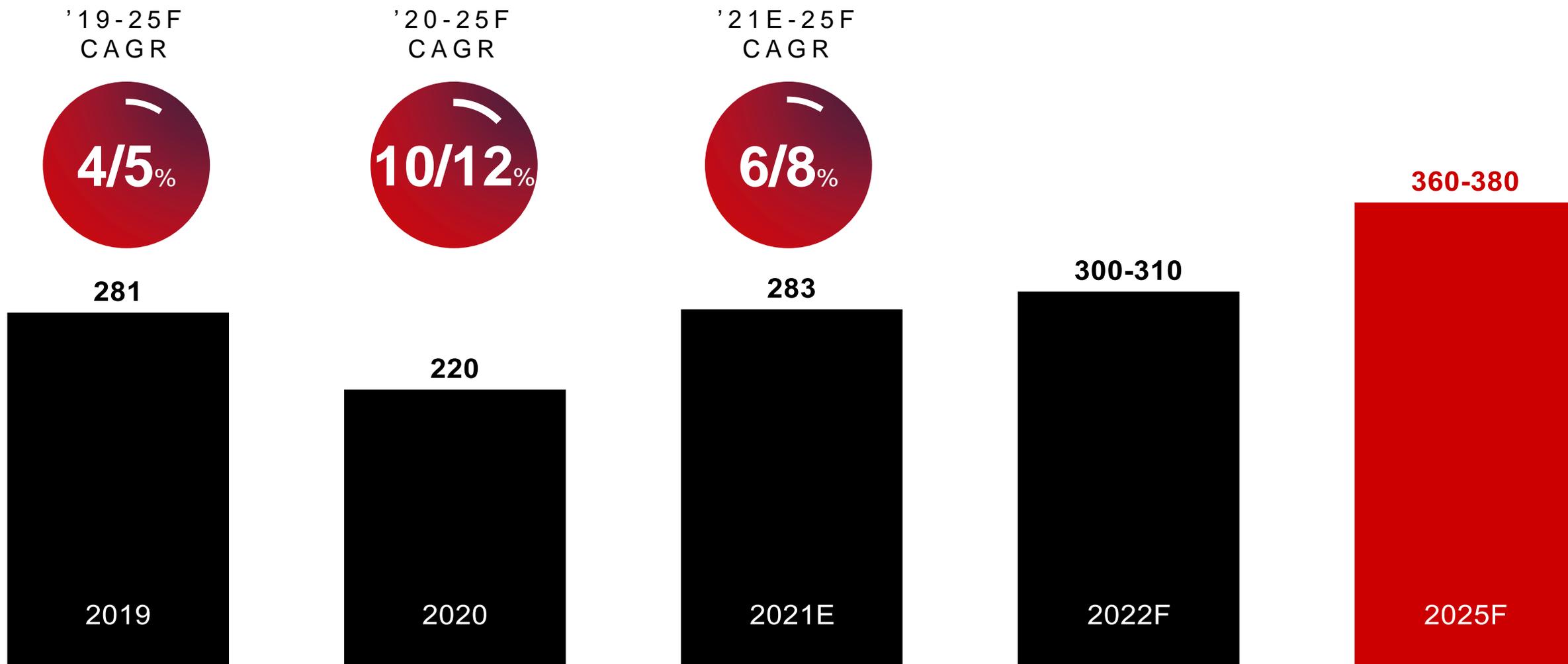
Personal luxury goods market evolution by Q (% | vs 2019)



Note:@K: growth at constant exchange rates

2021 rebound as a **strong predictor** of healthy growth of the luxury market in the midterm

Personal luxury goods market evolution (€B | 2019–2025F)



2021

the first year of
the new luxury
“twentennial”

After 20 years of large expansion and deep evolution, Covid-19 has fast forwarded and anticipated some of the **key changes for the next 20 years of global luxury market**

Changed fundamentals

Morphing
Luxury map

Local as new
normal

Nextgen is
now

Multifaceted behaviors

Customer
of the
future

Touchpoints
over
channels

New cycle
of desire

Extended
product
lifetime

Polarized paradigms

Clear
overperformance
drivers

Consolidating
universe, yet with
small rising stars

Full recovery
of profitability

2021

the first year of
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“twentennial”

After 20 years of large expansion and deep evolution, Covid-19 has fast forwarded and anticipated some of the **key changes for the next 20 years of global luxury market**

Changed fundamentals

Morphing Luxury map

China and Americas lungs of the market, ramifying into many new alveoli/luxury locations

Local as new normal

Luxury gone local, with big opportunities to accelerate /recovery ahead

Nextgen is now

Strong demographic shift leading to renewed customer base

Multifaceted behaviors

Customer of the future

New personas, updated values, proactive engagements

Touchpoints over channels

Distribution ecosystem at a point of no return

New cycle of desire

Product winning over brands winning over categories

Extended product lifetime

Boom of second-hand luxury

Polarized paradigms

Clear overperformance drivers

Long standing focus on local customer globally, presence in Asia, multi-touch and price value proposition

Consolidating universe, yet with small rising stars

Increasing market concentration, yet with small players explosion thanks to new values and consumption patterns

Full recovery of profitability

EBIT % back to 2019 thanks to 2020 efficiencies and sales rebound

China doubling and Americas booming; Europe and Japan still in recovery mode

M. China

- **Strong** cross-category, generation and price **growth**
- After **softening** in **Aug-Sept**, consumption re-started **strong** in **October** despite **scattered lockdowns**
- **Hainan** the key **touristic luxury hub**

+97%

20-21:	+36%
Growth at constant exchange rates	+97%

'21E VS. '19 (%)

€60B

Americas

- **Solid rebound**, **polarized** between **entry prices** and **top items**
- Strong market share shift towards **European brands**
- **Evolving luxury map**: **new cities** emerging, **large cities** back and persisting **suburban areas**
- **Blasting Brazil**

+41%

+13% @K

+6%

€89B

RoW

- **Middle East very strong** throughout markets (with **Dubai** and **Saudi Arabia** leading growth)
- **Struggling Australia** which only recently reopened (after months of lockdowns)

+34%

+11% @K

+4%

€12B

Japan

- **Local consumptions** impacted by the **slow vaccine** adoption
- **Fukuoka** emerging as **rising star**
- **Continued focus** for **large established** brands, with few **exceptions** intercepting the next gen of customers

+10%

-12% @K

-17%

€20B

Europe

- **Local consumptions** strong everywhere
- **Some tourist bounce back** over the summer (i.e. Middle-Eastern and American)
- **London (and UK)** suffering the most, while **Russia** championing thanks to strong **repatriation**

+20%

-19% @K

-20%

€71B

Asia

- **Weak Hong Kong** (ongoing **network review**) vs. **mixed play** in **Taiwan** and **Macau**
- **S. Korea back to 2019 levels**: **full repatriation** of local customers over-compensate lack of tourism
- **SEA still suffering** lack of tourism

+19%

-25% @K

-25%

€32B

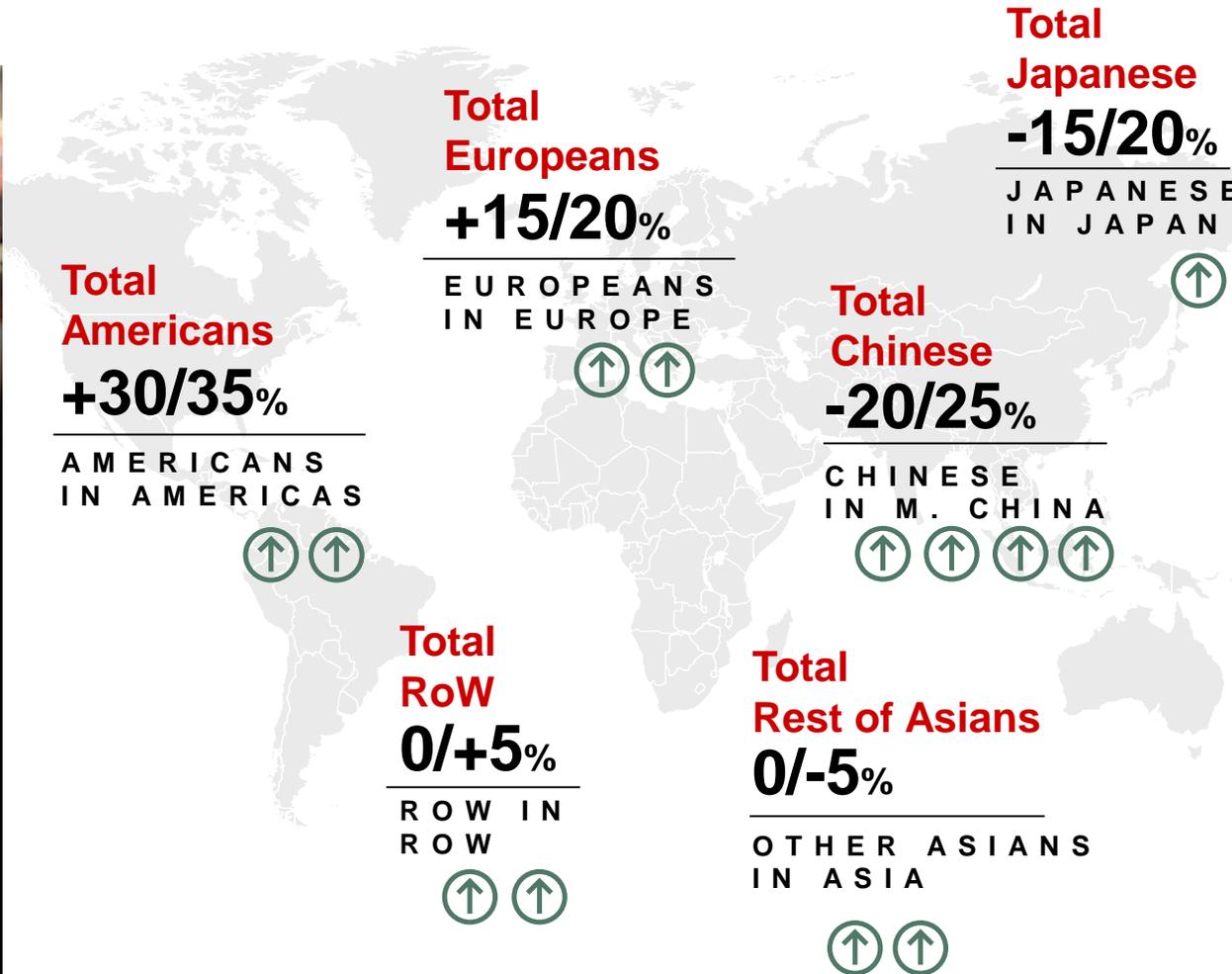
The market is local, locally driven and increasingly sub-urban in 2021

Personal luxury goods – Growth in luxury spending by nationality

(% | 2019 – 2021E)

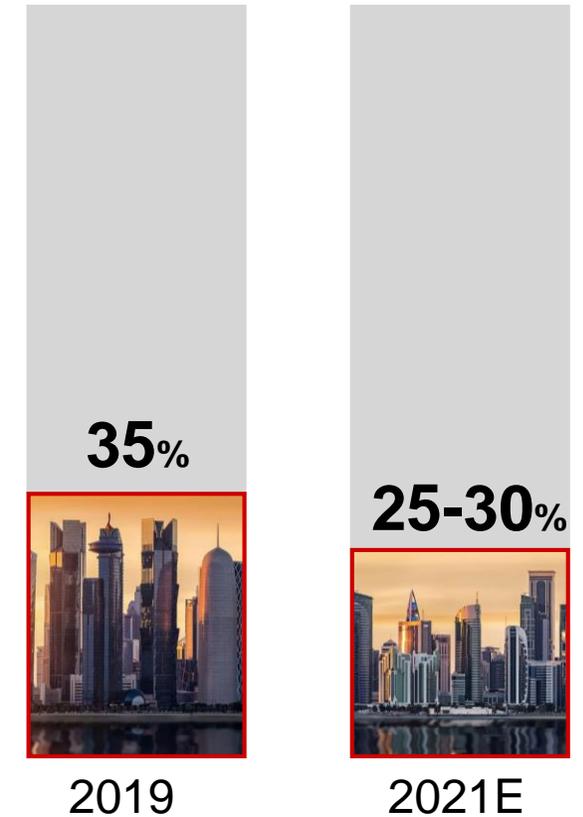


'19 – '21E
Locals
+50/60%
Tourists
-80/90%



Top 10 cities relevance

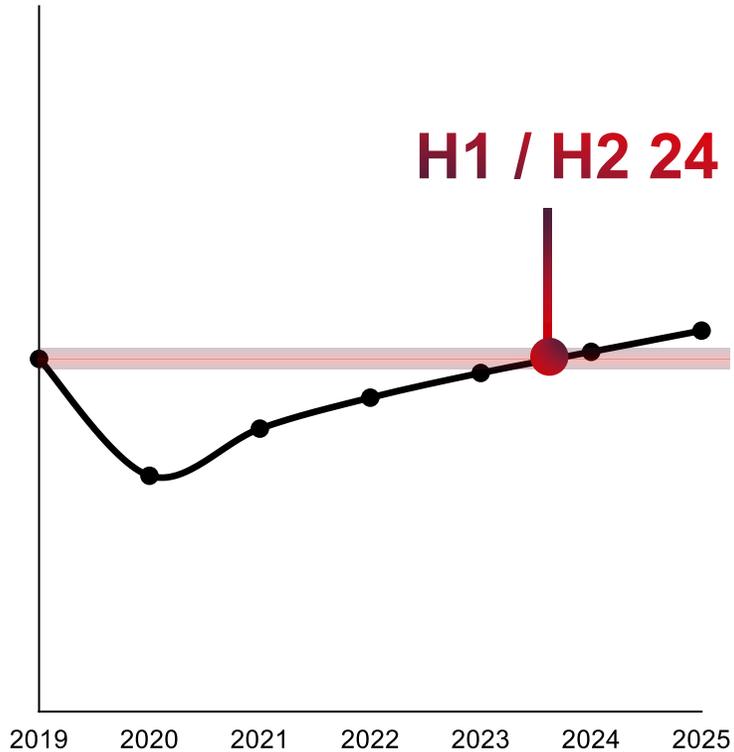
(% | 2019 – 2021E)



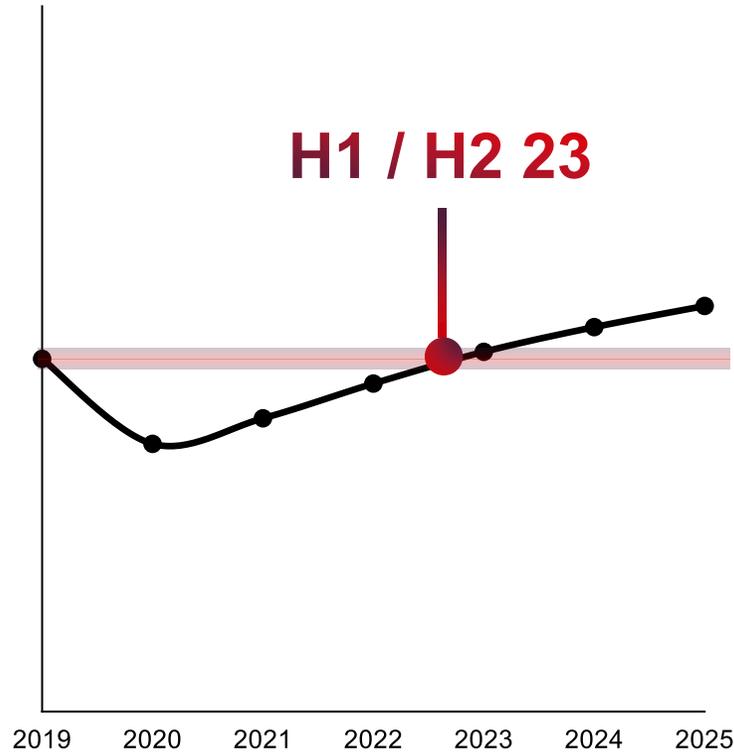
Awaited great recoveries: Chinese customers will be back by 2022-23; Japan by 2023 and Europe in 2024

Recovery Curves (market value indexed 2019 | 2019-2025F)

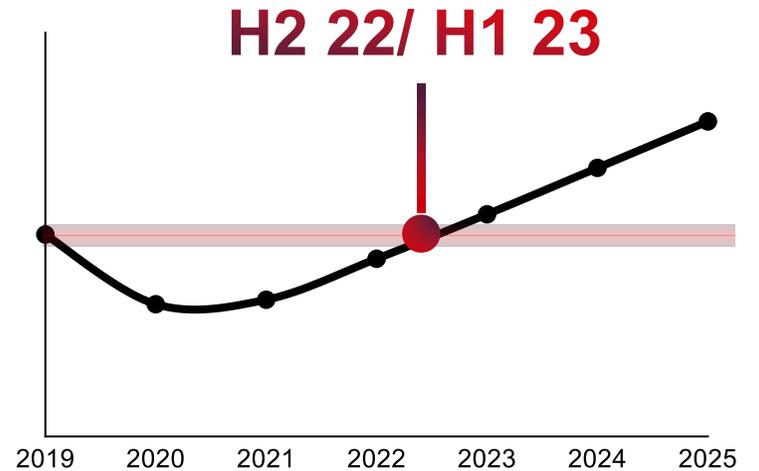
Europe Region



Japan Region



Chinese Customers worldwide



Locals:



Tourist flows:

(expected resume)

Within Asia

H2 22

Global:

H2 23 / H1 24

Some of the consumption fundamentals of China will go through change

Common prosperity potential impacts on luxury



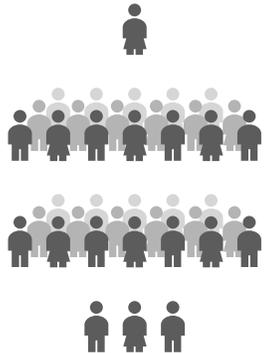
Acceleration of middle class and consumption upgrade

Persistent strong **demand**

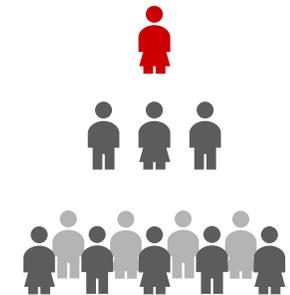
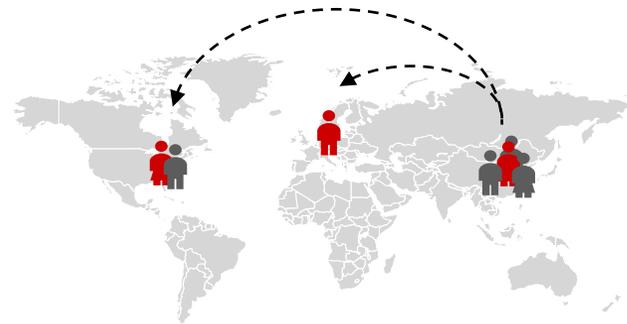
Showing status (role of logo and aesthetic in product, role of KOL)

Consumption **localization** (local or abroad)

Pressure on uber-wealth
Delayed spending given current uncertainty



The policy has the goal to build an olive-shaped society



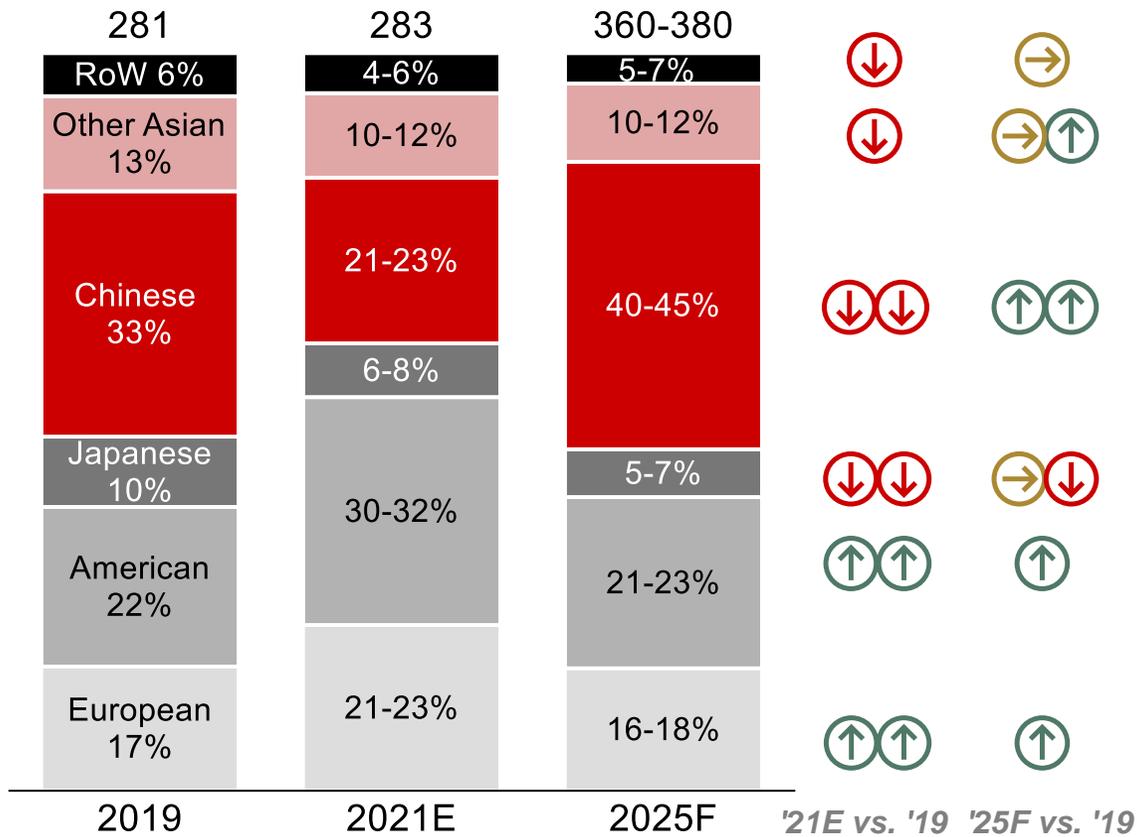
Note: KOL = Key Opinion Leader

Luxury brands can secure (common) prosperity, but they will need to challenge (and adapt) their strategy

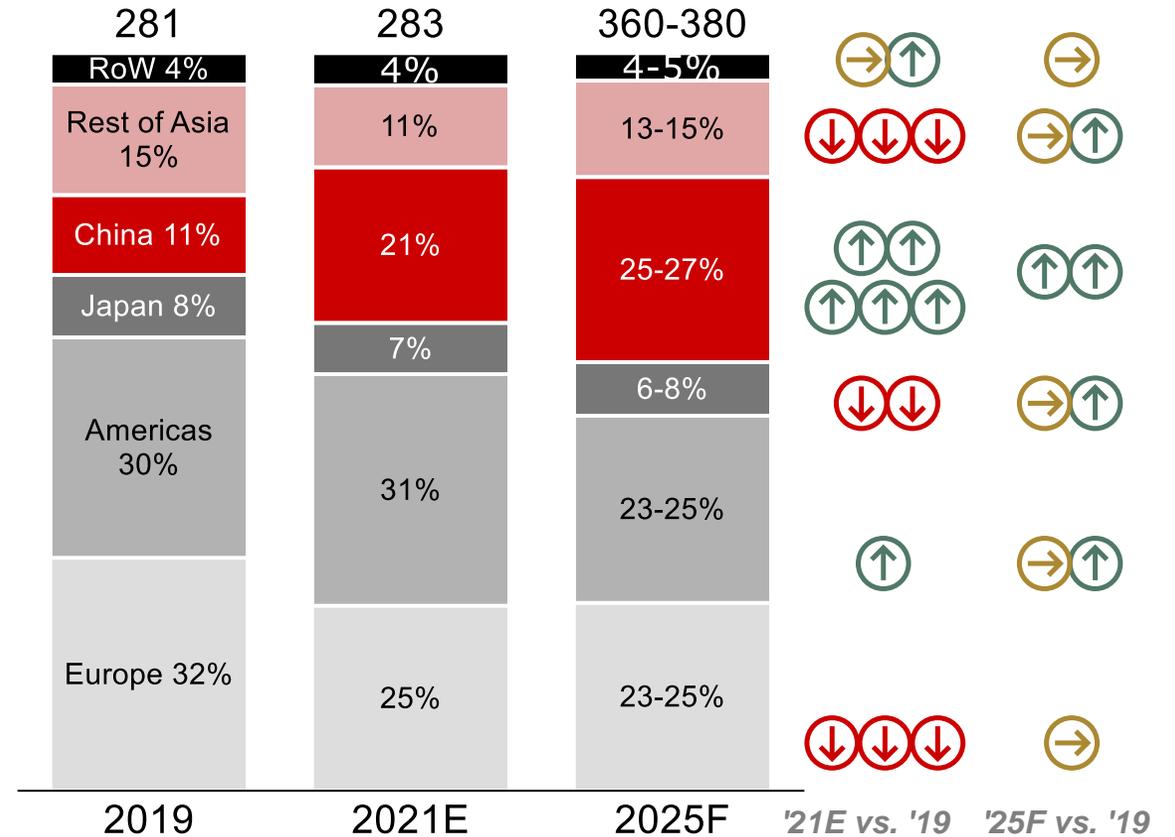
2021 confirms China's growing importance in luxury; bright evolution for European and American customers

Personal luxury goods market (€B | 2019-2025F)

By customer nationality



By geography



Note: RoW = Rest of the World

↑ → ↓ REAL TERM TREND '19-'21E & '19-'25F

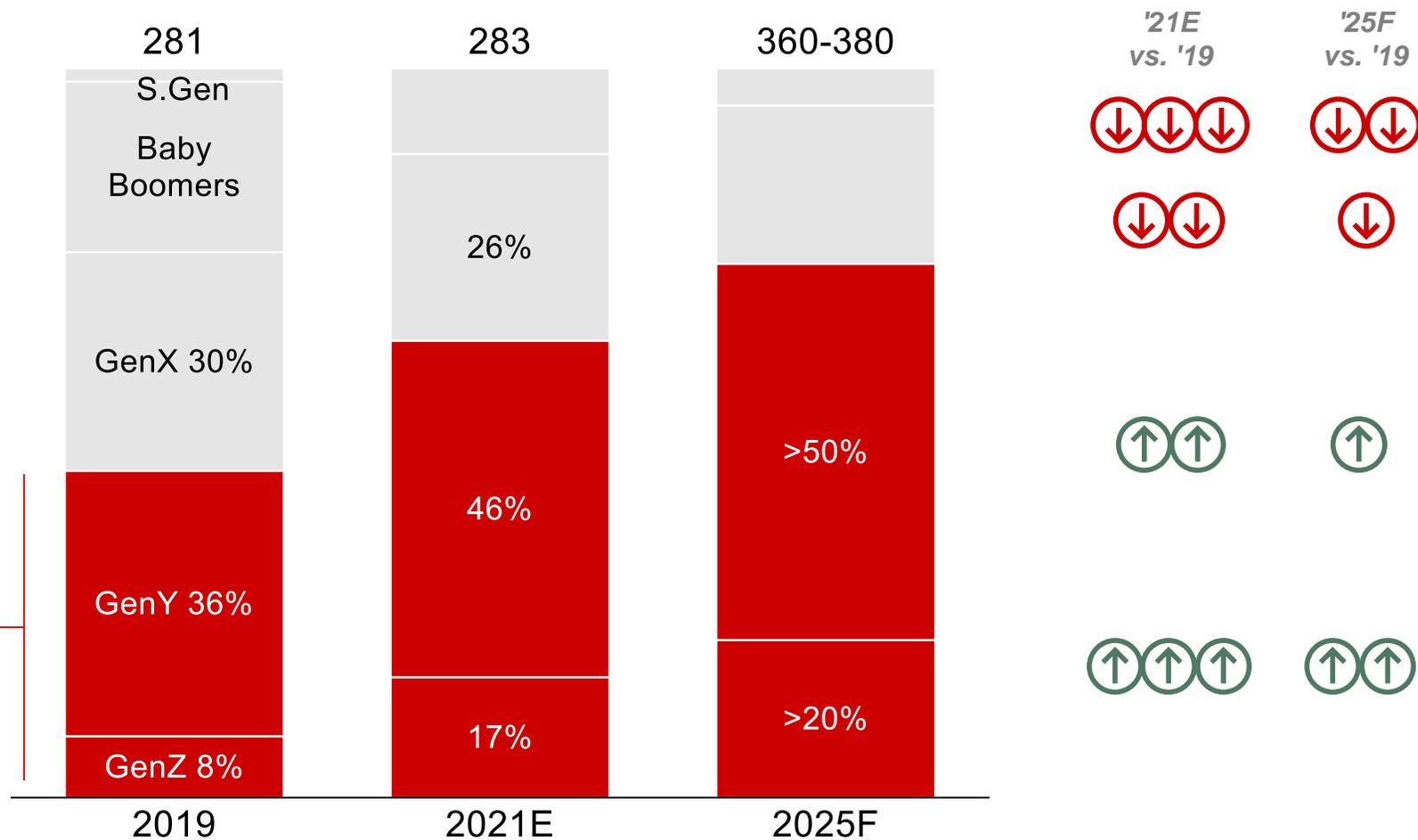
Sustained acceleration of “under 40” in 2021, still main drivers for growth up to 2025

GenY and GenZ expected to contribute

~180%

of the total growth from 2019 to 2025F

Personal luxury goods market by generation (€B | 2019-2025F)



↑ → ↓ REAL TERM TREND '19-'21E & '19-'25F

Two complementary forces fueling luxury during Covid: strong renewal of customer base and top customer growth

Renewed customer base 2019-2021

Lost consumers

Mostly in 2020 due to COVID crisis

Older gens permanently leaving the luxury market

New consumers



In 2021

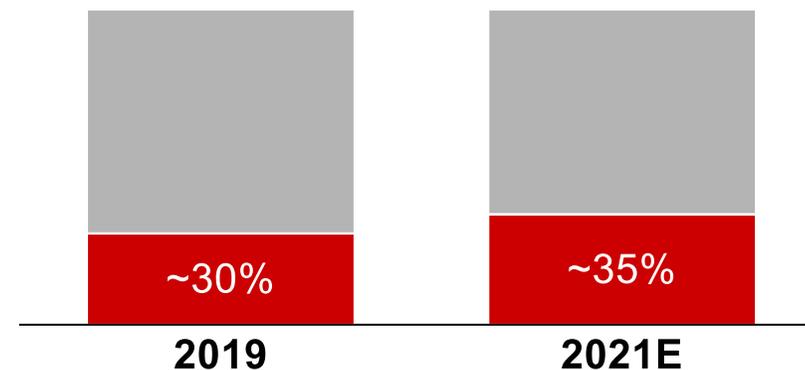
~30% of new customers that entered the market since 2019

Accounting for

~25% of the Personal Luxury Goods market

Top customer base 2019-2021

UHNWI* incidence on total market (€B | 2019-2021E)



TREND '19-'21

#UHNWI



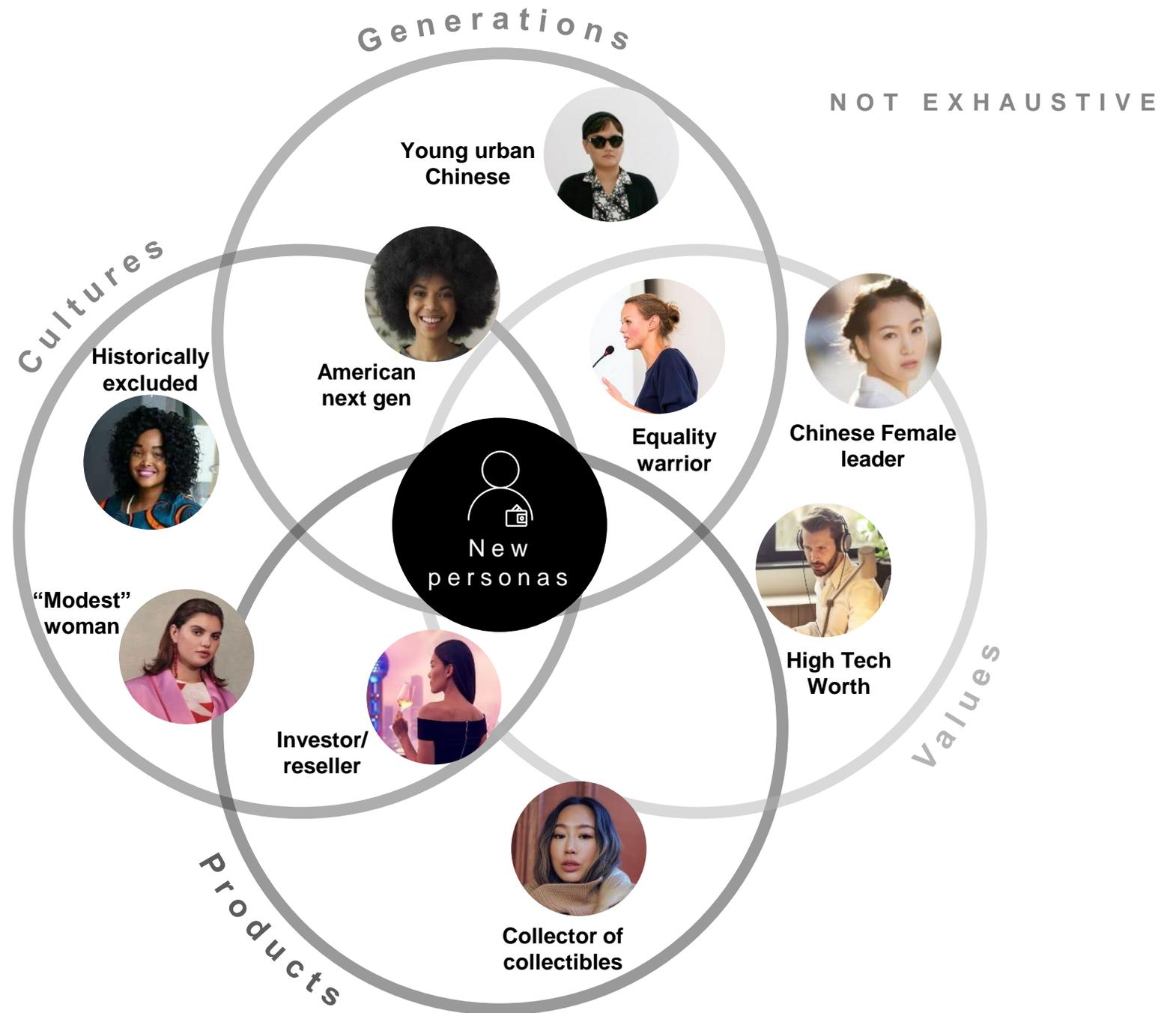
Avg. spending



CUSTOMER OF THE FUTURE

Within this shift,
**new luxury-
relevant personas**
are establishing as
key targets for
the industry

Ever more complex
customer map calling for
proactive management



Cultural relevance and evolving values ask for new value-creation model in customer engagement

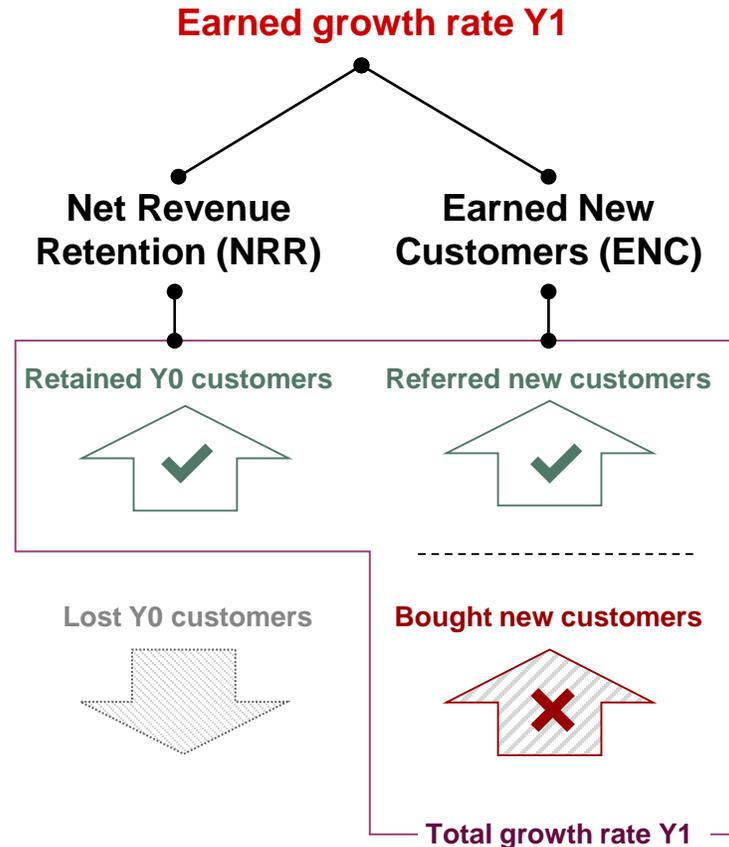
New value creation model

High tech & high touch



New KPIs to track

Earned growth rate



...and clear positive results

Churn rate reduction

(engaged vs. non-engaged customers with personalization and human touch)

20% Lower spenders

30% Mid spenders

80% Top spenders

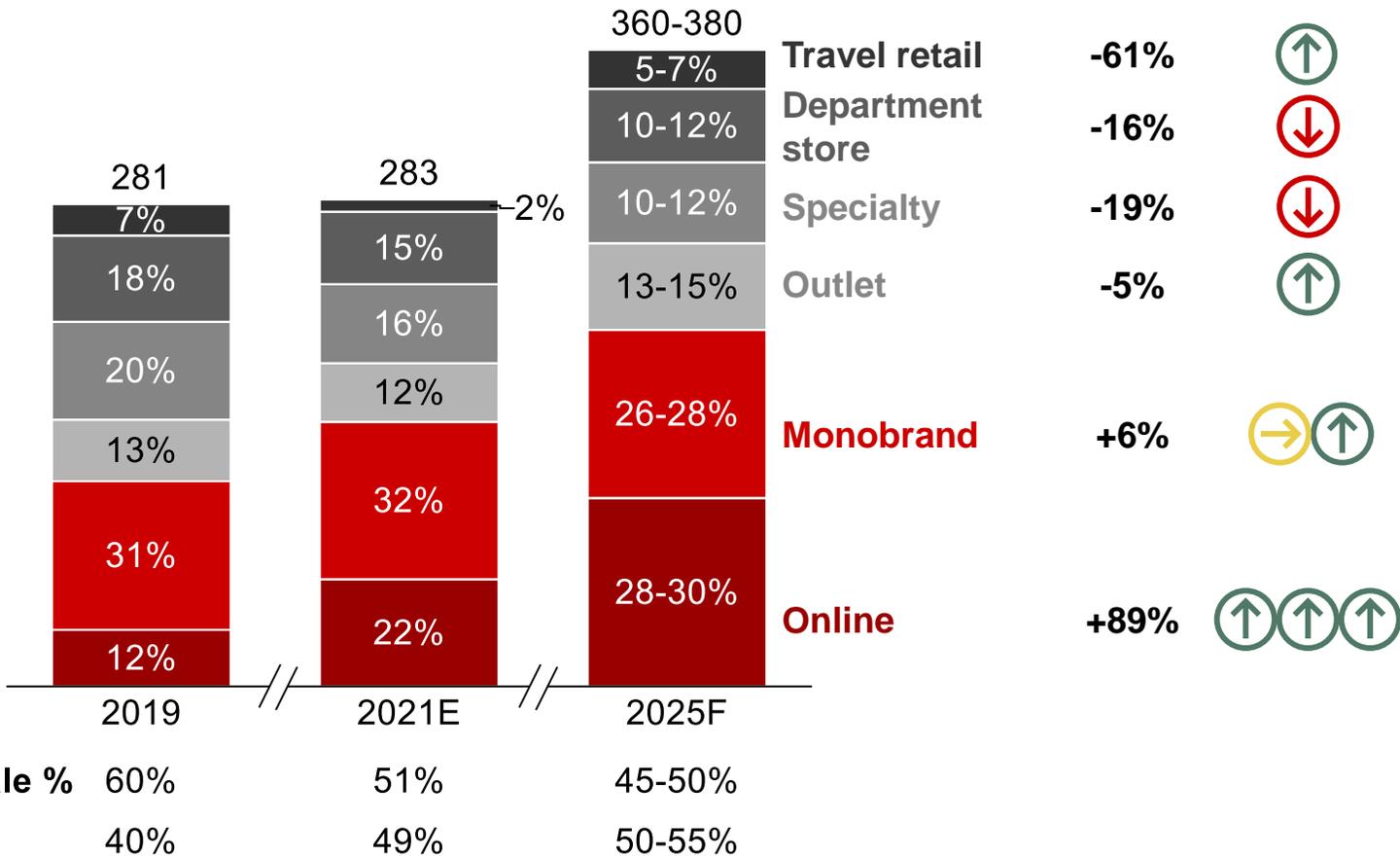
Customer value growth

(engaged vs. non-engaged customers with personalization and human touch)

up to 3x more likely to increase spending level (by +50%)

Online and monobrand, the key channels for 2021 recovery, will lead the mid term growth of the industry

Personal luxury goods market by channel (€B | 2019-2025F)



2021...

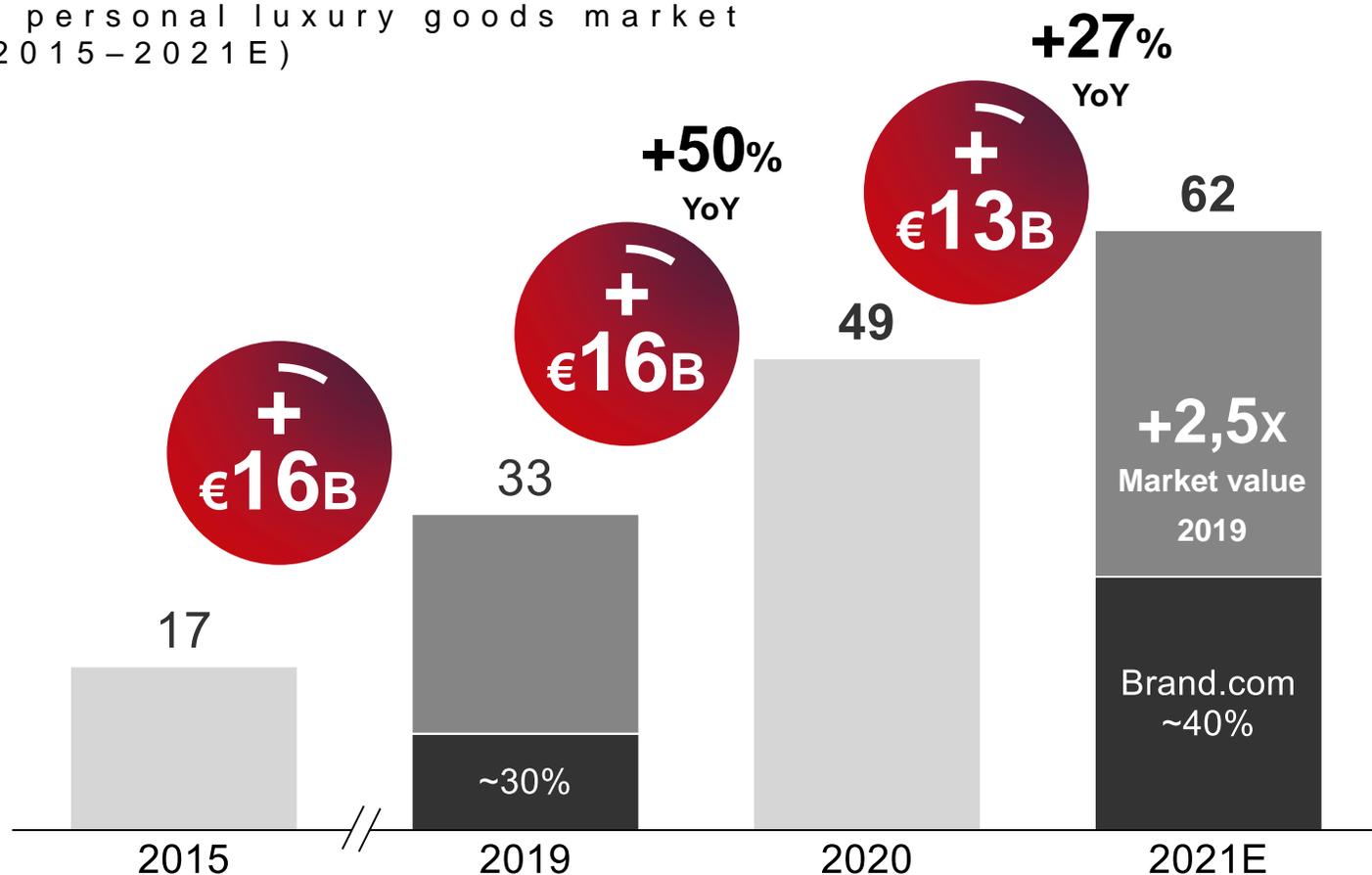
- Jump of directly operated channels, with online and monobrand positively growing
- Outlets recovering (eased restrictions) but still lagging
- Department and specialty stores regaining (local) footfall yet behind 2019 levels

...and beyond

- Further focus on retail across channels
- Online on track to be #1 channel (also with virtuous omnichannel circle)
- Monobrand still key, yet to be rethought in phygital ecosystem (format / size / location)
- Outlets relevant for value-driven purchases and Chinese middle class
- Survival of the fittest for department and specialty stores
- Travel retail back to historical levels

Online alone almost doubling its size in 2 years; overinvestments in brand.com paying off

Online personal luxury goods market (€B | 2015-2021E)



Market share in luxury

7%

12%

22%

22%

Online with dual role of widening reach (e.g. to 3rd+ tier cities / suburban areas) and supporting cross-channel sales

Over-investments in Brand.com paying off, together with capitalized omnichannel and tech-enabled sales

Accelerated adoption with new online customers across generations (previously would not have considered)

Increasing e-concession adoption

Leather goods, sneakers and skin care still top categories

From channel to touchpoint ecosystem: redefining role of channels through upgraded competences and KPIs

YESTERDAY'S ROLE

Proximity



Touchpoint as a point of sale

KPI

Sales / POS

Sales /SQM

TOMORROW'S ROLE

Brand booster



Touchpoint as media investment

Customer funnel

Awareness / consideration

(digital) Traffic

85%+ Online influenced purchases

Omni Enabler



Touchpoint as a commercial facilitator

Conversion

Transactions

50%+ Digitally enabled purchases
10%+ Store-enabled online purchases

Customer explorer



Touchpoint as service to a catchment area

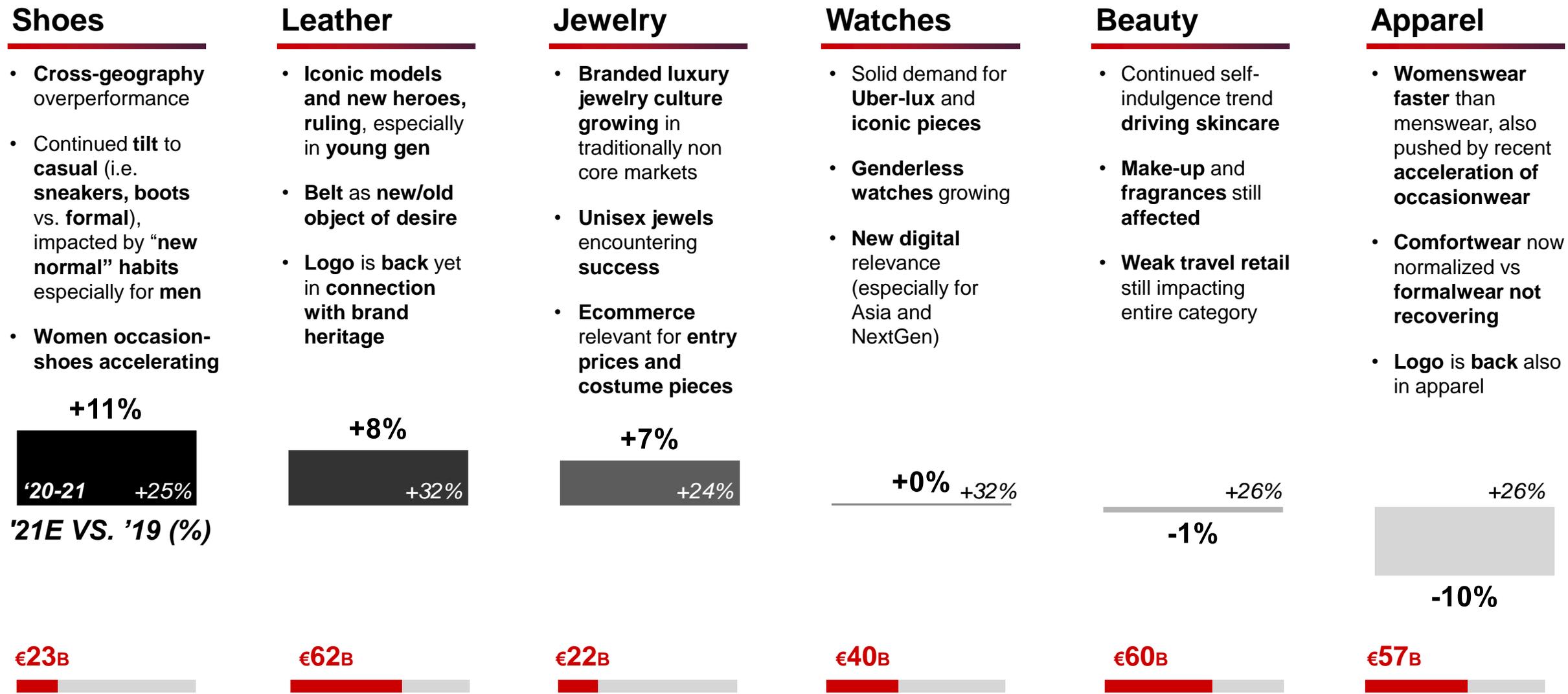
Loyalty

Engagement

30%+ Remote selling in 2021

New capabilities, competences and talents required to provide seamlessly integrated experience across touchpoints

Best-performing categories of 2020 are already beyond 2019 in 2021, watches and beauty on par, apparel still lagging



New cycle of desire: luxury post-consumerism?

Waterfall

"I aspire to become"

Brands before icons

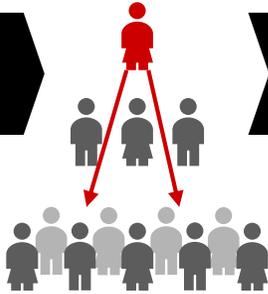
Brand obsession, purchasing width and **fragmentation**

High vs. Low

Exclusive creativity, **simplification** in the entry offer

Logo as badge of wealth

Achievement and **success** in life



Osmosis

"I express to be(long)"

Icons (and heroes) before brands

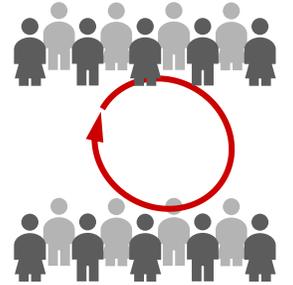
Recognizability obsession, purchasing **polarization** & concentration

High to low

Inclusive creativity regardless of price positioning

Logo as badge of values

Self expression, **Sustainability**, **DEI****, ways of looking at the world



BRANDS WITH A **TIMELESS ICON***

In 2021 overperform reference market by **2x+**
in leather goods and watches

UBER LUXURY ENTRY PRICE

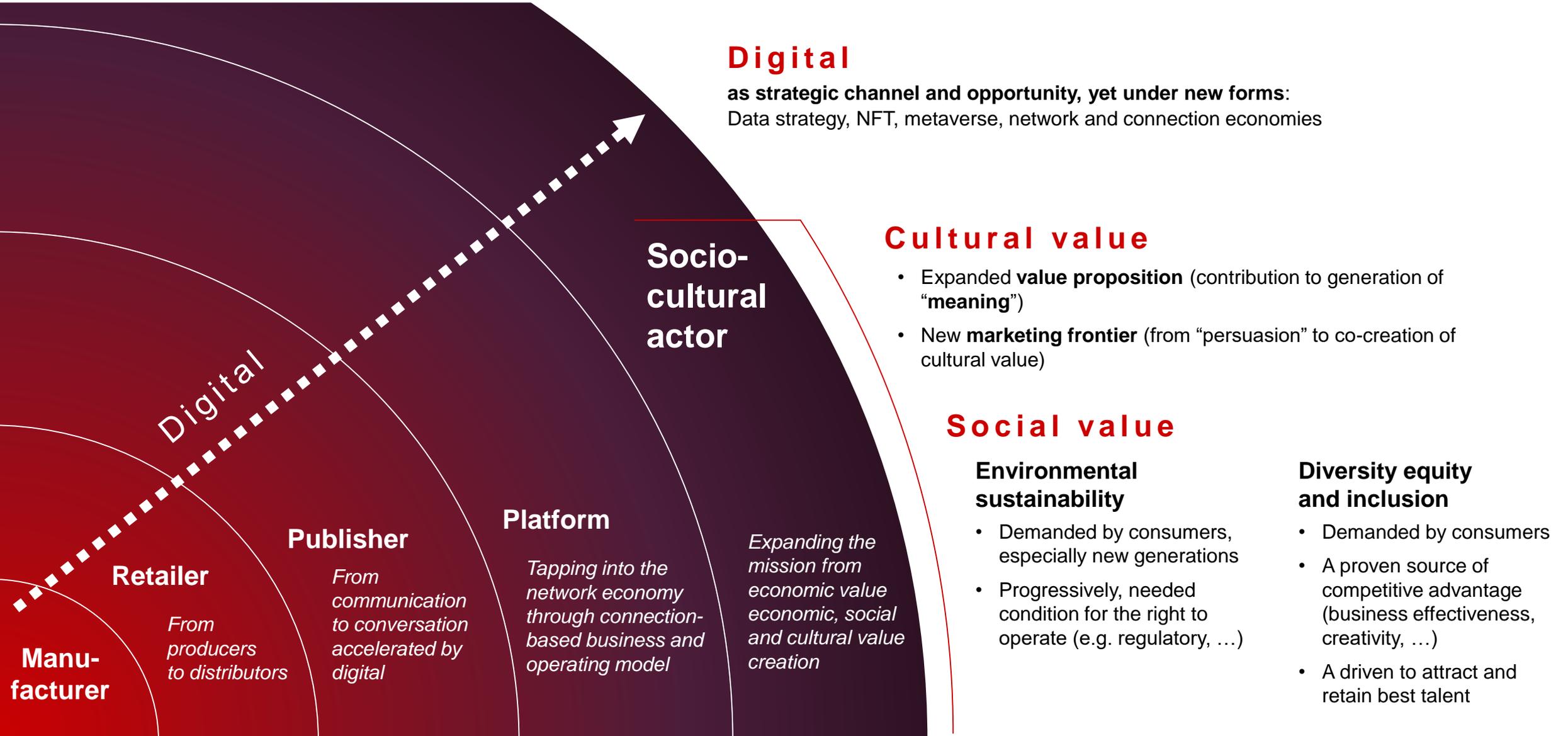
	2018	2021E
UBER LUXURY	~15%	20%+
ENTRY PRICE	~25%	30%+

LOGO ITEMS

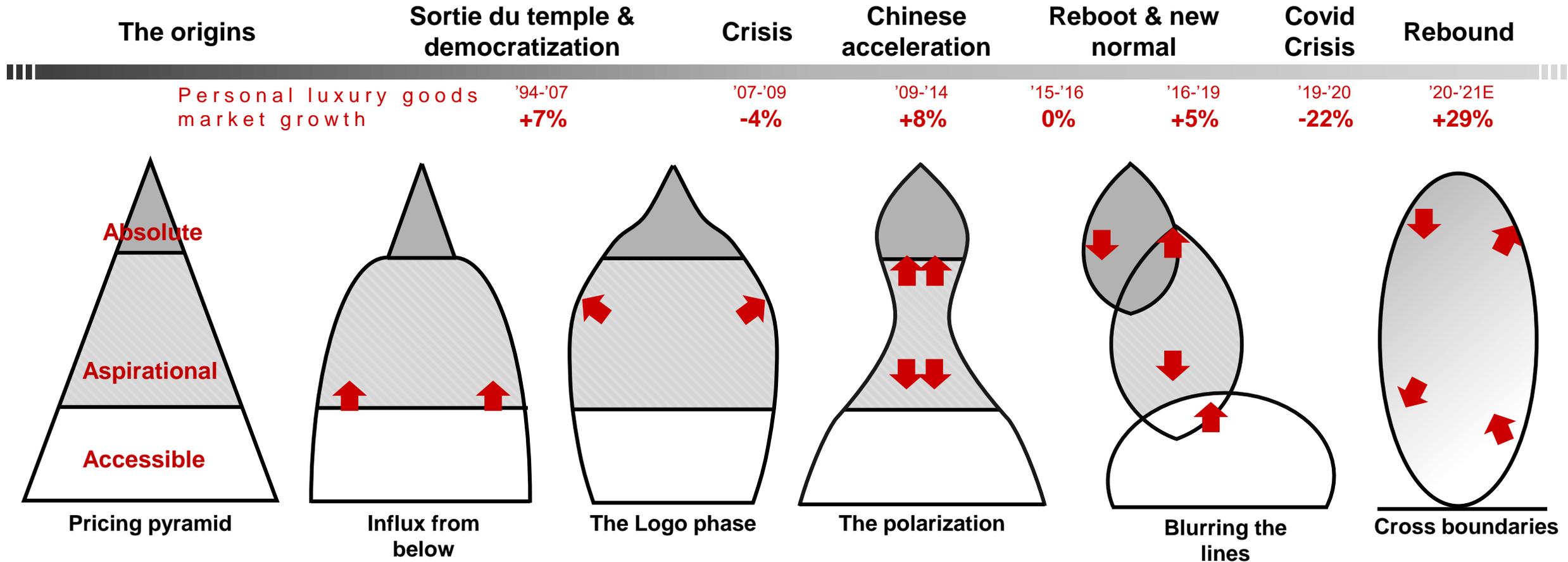
In 2021 overperform reference market by **3x**

Note: *icons based on leather goods and watches markets; **DEI = Diversity, Equity, Inclusion; Entry price and uber luxury excludes beauty and eyewear; Logo based on soft luxury goods market excluding shoes, eyewear and silk

In the renewed digital disruption, an even larger role for luxury into the next frontiers for **socio-cultural relevance**



Traditional market segmentation lost relevance: now brands are multi-price point to answer to different customer (needs)



Consumers (M)

40

1985

80

1995

250

2005

340

2015

380-390

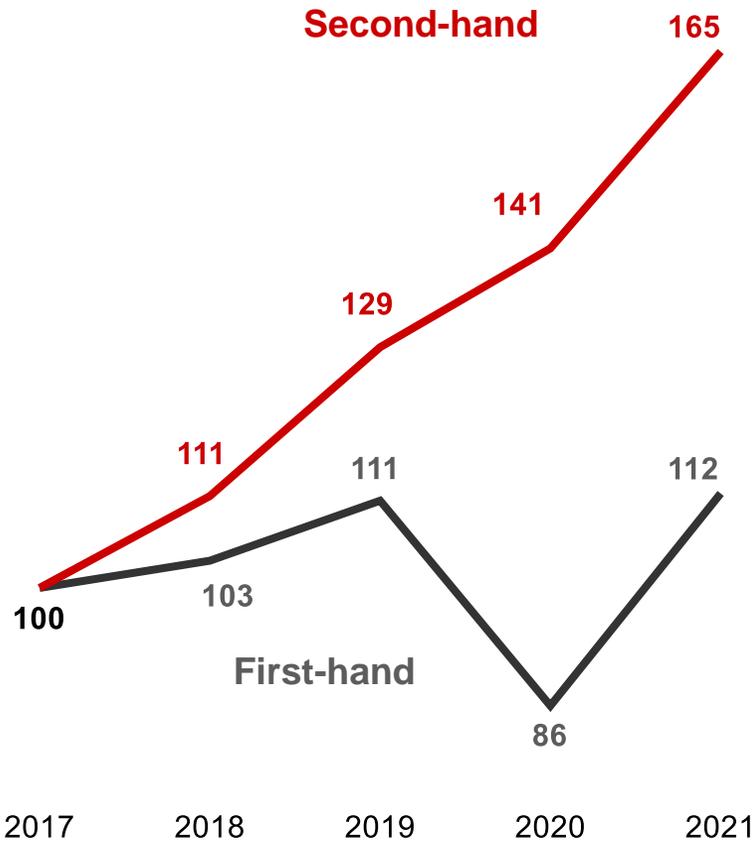
2019-21

440-450

2025

Booming **secondhand market**, to extend lifetime of luxury products

Secondhand vs. first-hand luxury goods market (indexed 2017 = 100)



33B€

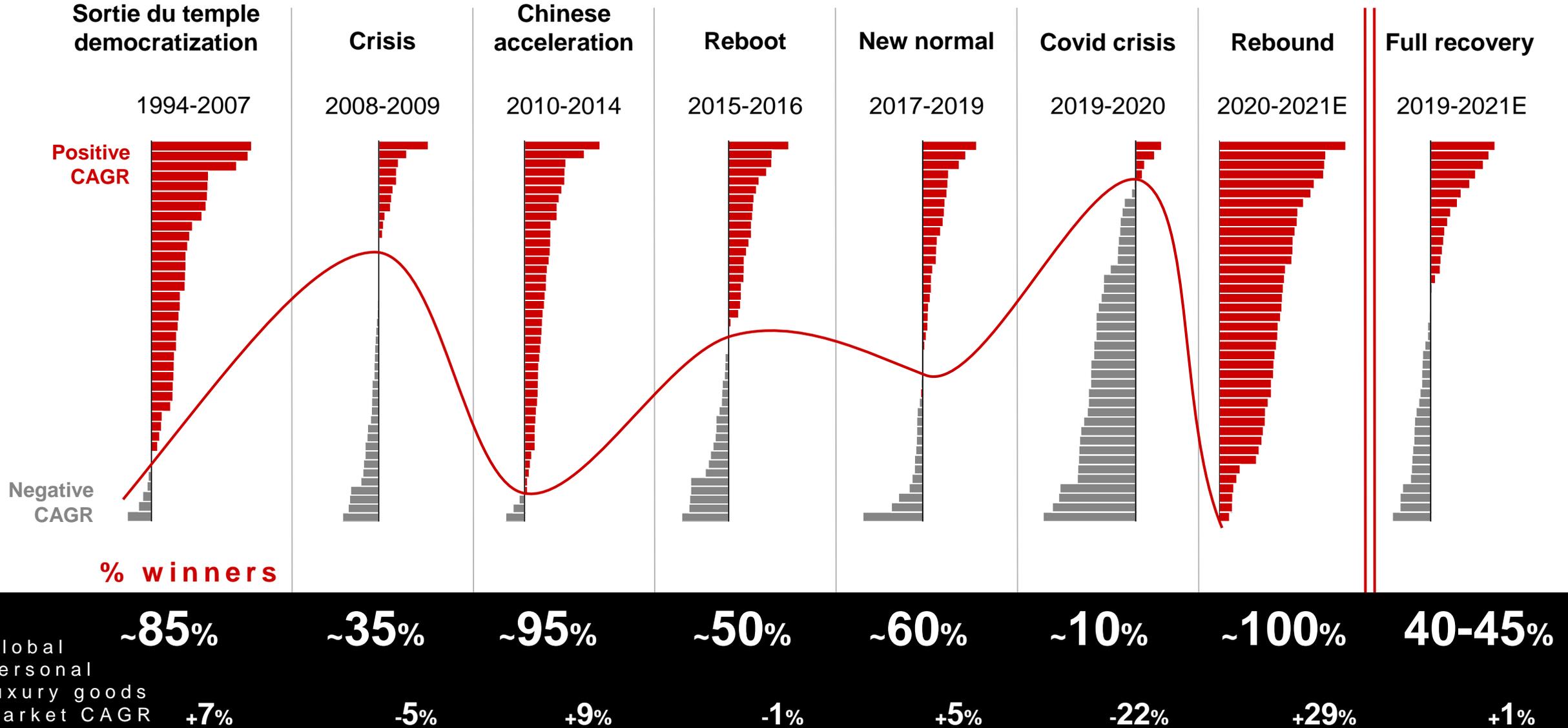
of market value in 2021E

Driven by an **expanding demand** (customer base) and **expanding supply** (enlarging competitive arena)

A growing opportunity for...

BRANDS	FASHION PLATFORMS	INVESTORS
Enter a growing market		
Develop a network-based business model		
Show commitment to sustainability		
Gather data on customers		
Add a distribution channel		
Boost hype and tighten control		
... with few points to solve		
Understand the winning value proposition		
Crack operational complexity (e.g. authentication, start up stock, margins)		
Define logo and (re) branding strategy		
Manage customer cannibalization		
Value (re)appraisal and management		

2021, polarized growth back to “new normal”



Clear overperformance drivers: focus on local customer, exposure to China, multi-touch and price value proposition

Top drivers of resilience

- 01 Exposure to **Asia (China)**
- 02 Focus on **local** customers everywhere
- 03 **High-low** value proposition
- 04 **Multi-touchpoints** engagement model



Not-drivers of resilience



No matter what, but make it right

Product categories not a top driver of the over/underperformance



A world for (scale) insurgents

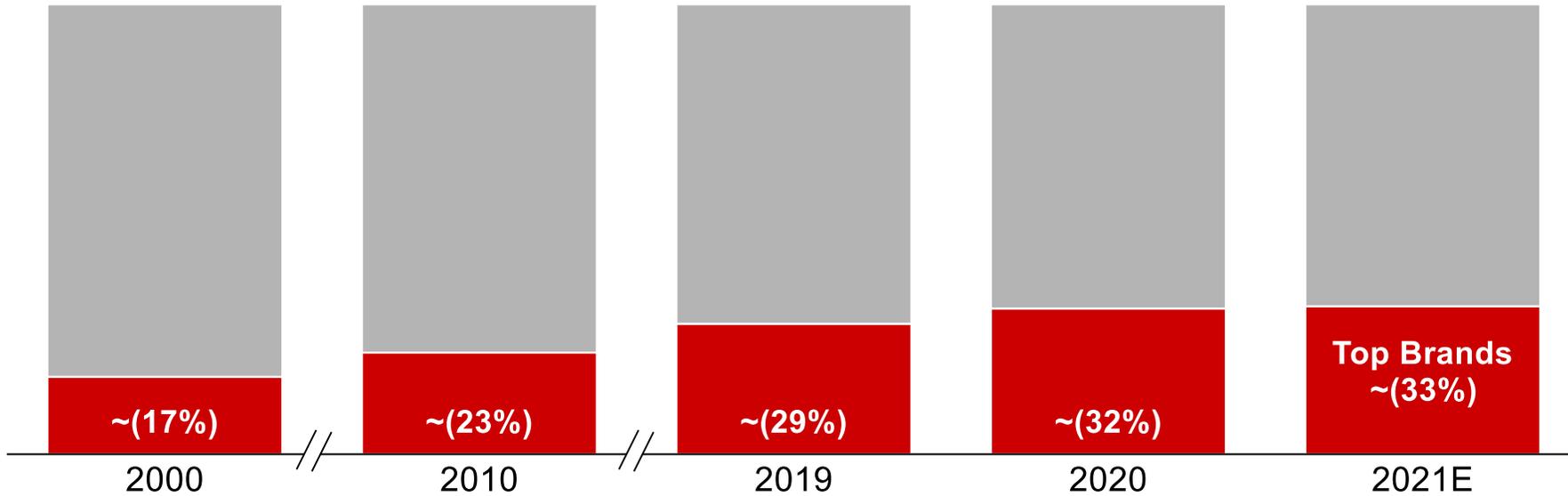
Both **big and small** players were able to succeed

Scale is a competitive advantage, still **insurgency** remains the fundamental success factor for players of any size

Increasing market concentration, yet with high dynamism from rising stars

Top brands

Market share in soft+hard luxury market* (% | 2000-2021E)



Avg. size vs. other players

~7x

~11x

~15x

~17x

17-18x

Note: (*) excl. Beauty

Rising stars

~2% of Luxury market

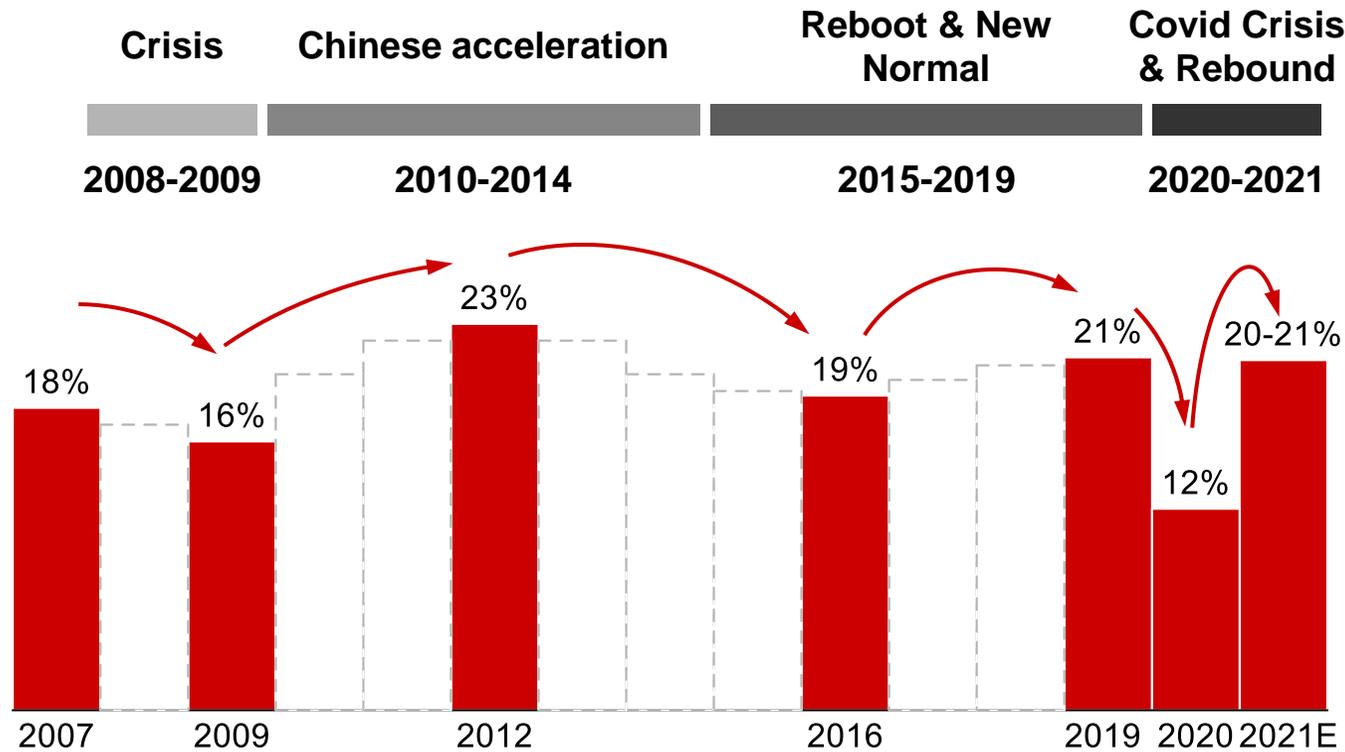
Small / new-born (<200M€@RTL)

Fast growing (2x market CAGR)

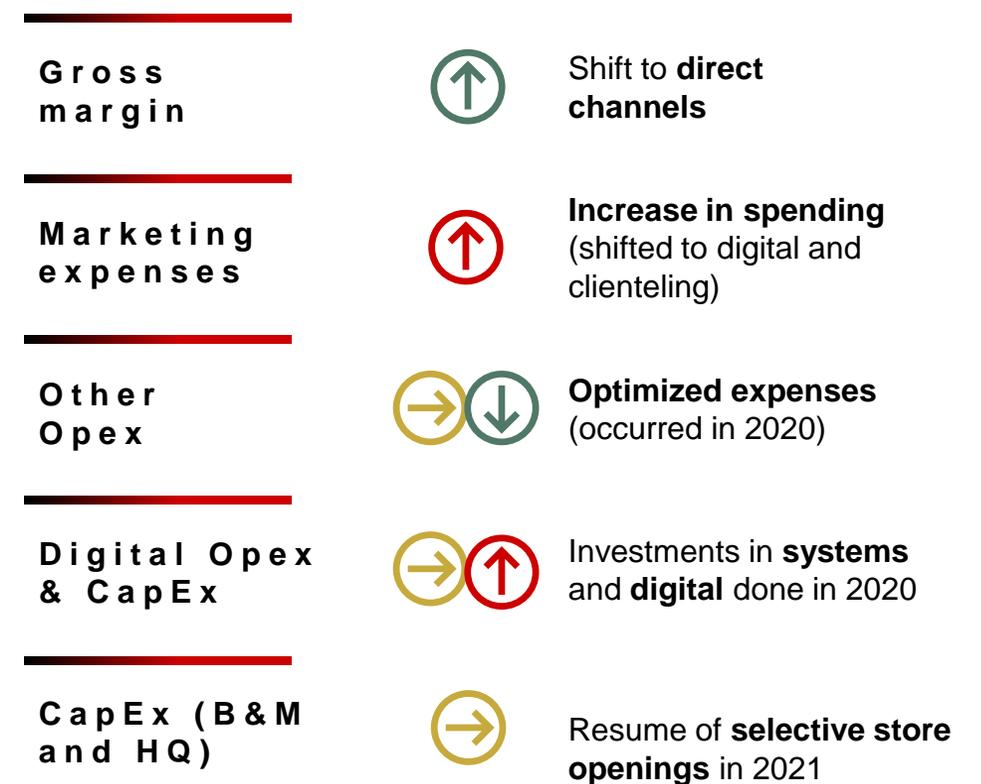
Intercepting the Zeitgeist

In 2021, profits are already back at 2019 levels

EBIT of selected personal luxury goods brands by era (% | 2007 – 2021E)



Spending trend per key bucket (% revenues | 2021E vs 2019)



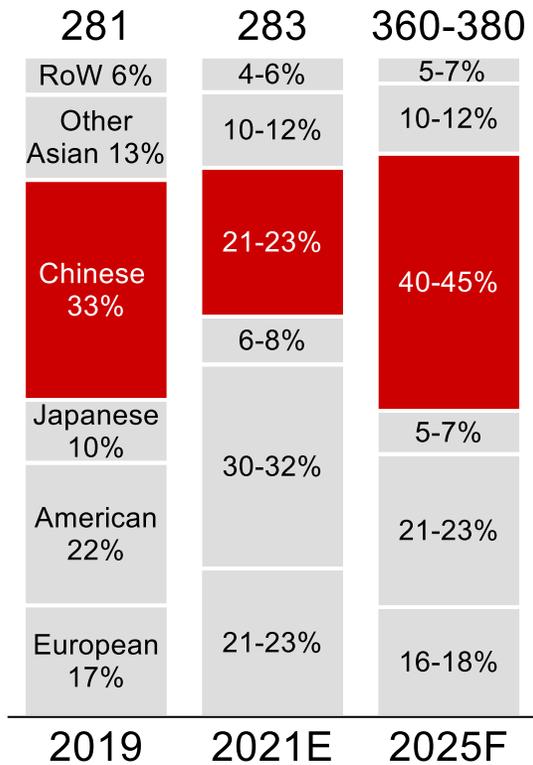
Prompt profit hunt run during 2020 and immediate market rebound led by direct channels driving up industry profitability

The growth drivers are Chinese consumers (in China), online channel and younger generations

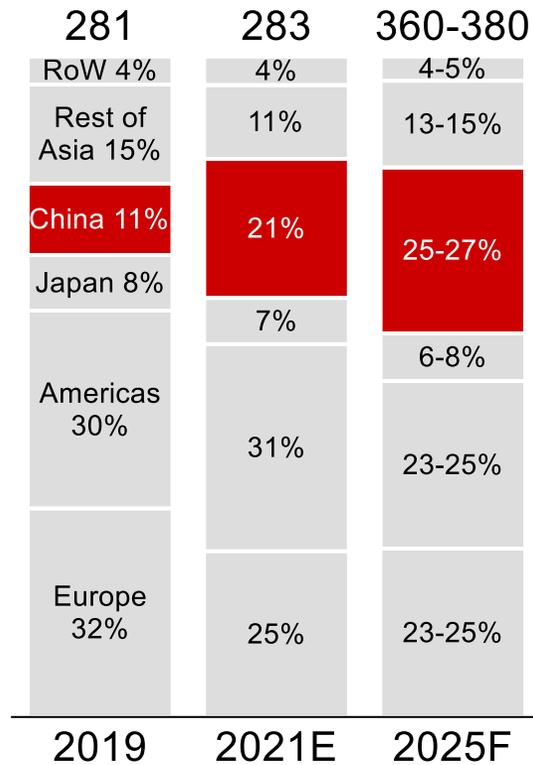
Personal luxury goods market main breakdowns (€B | 2019-2025F)

Nationality

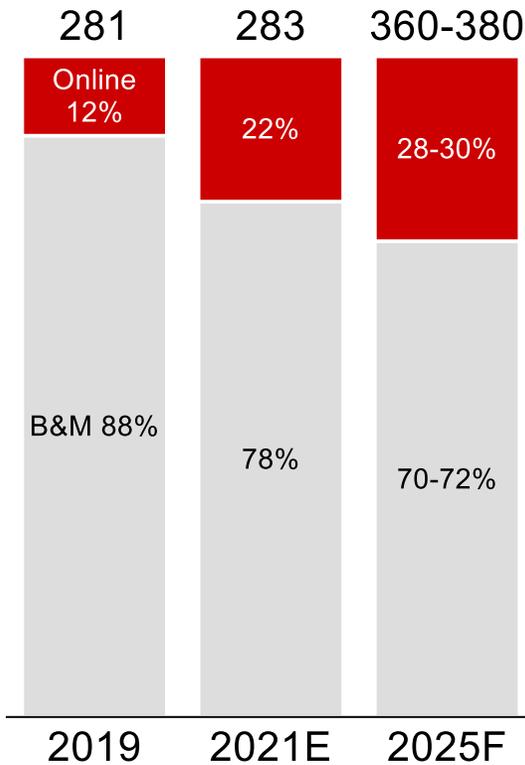
'19-25F CAGR **+4/5%**



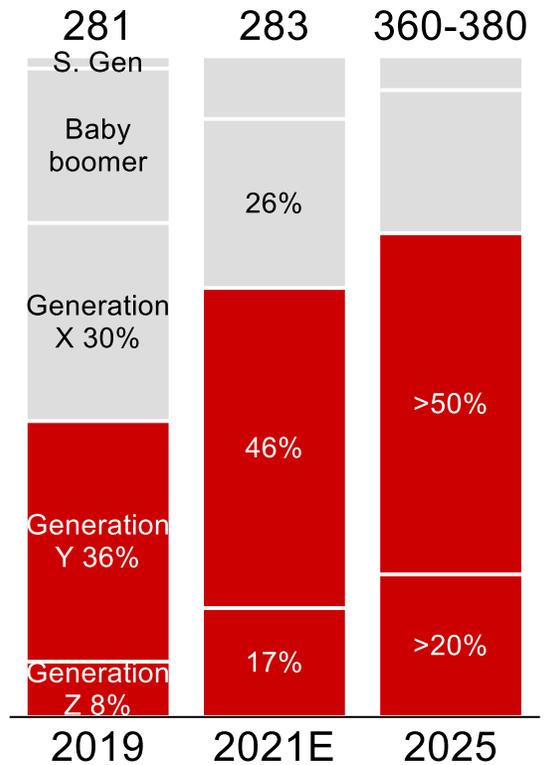
Region



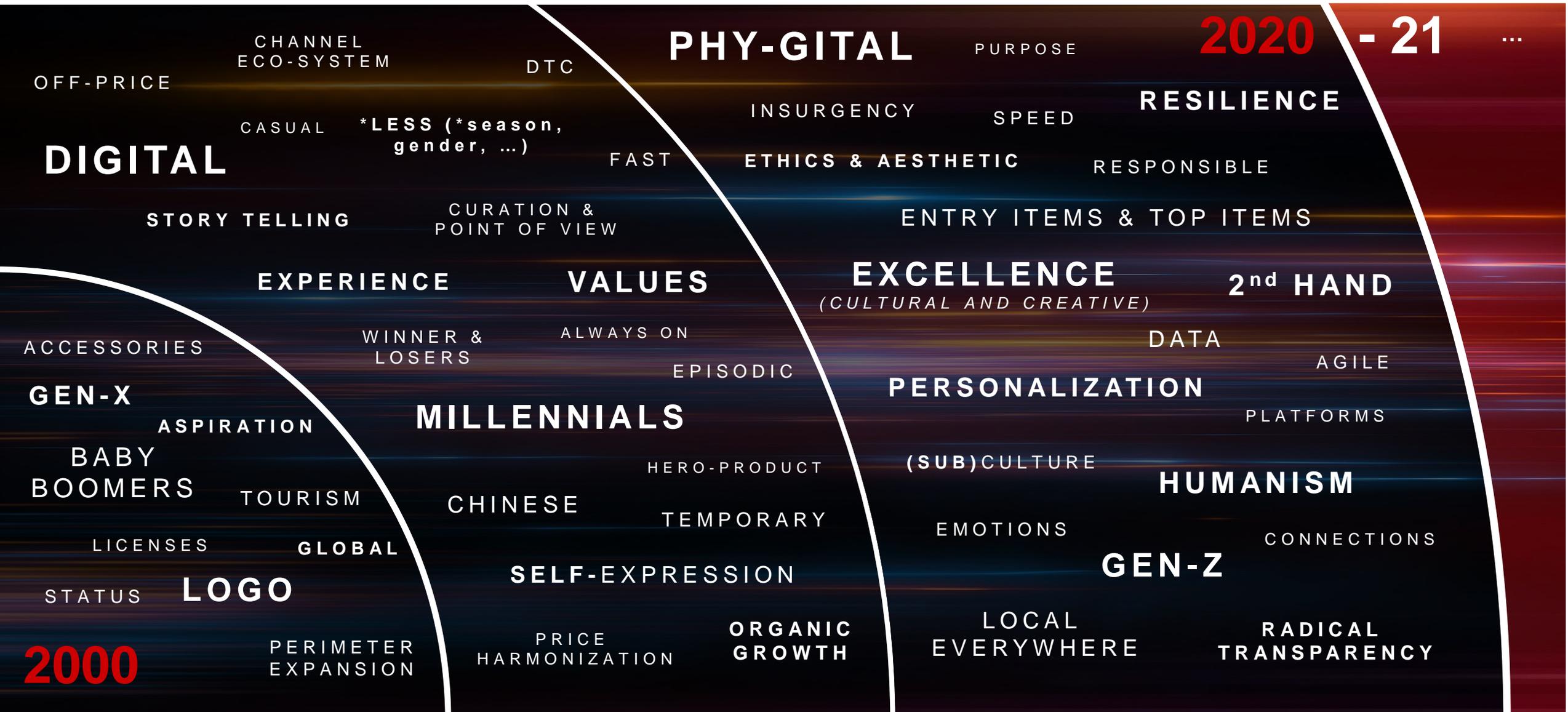
Channel



Generation



Luxury market has been deeply changed in last 20 years, with evolving keywords and macro-trends



2020-21

turning point for establishing the keywords for the next 20 years of luxury

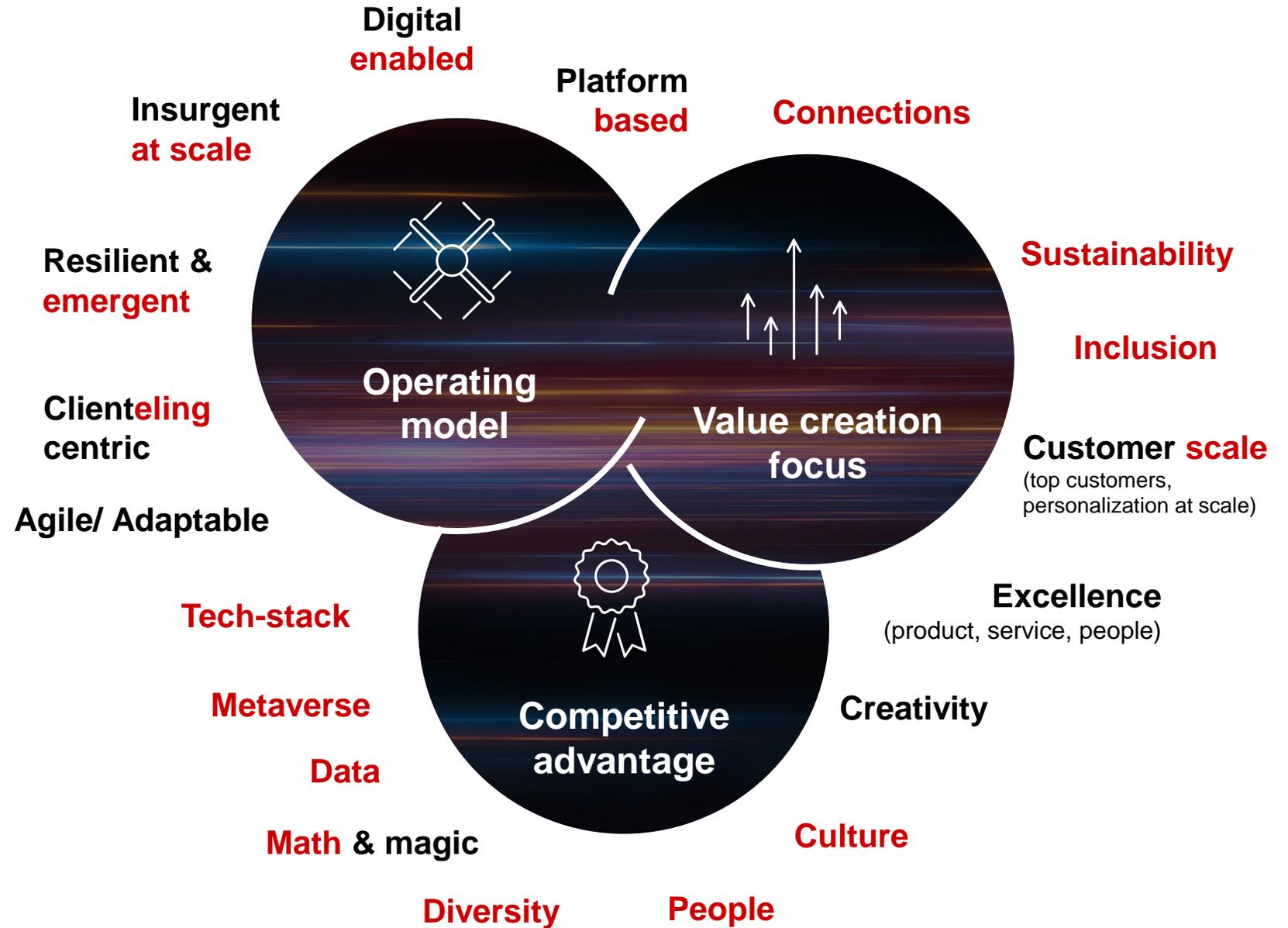
expanded MISSION



Contribute to **CULTURAL** development
Creativity, meaning

Foster & role model **SOCIAL** progress
Environmental sustainability, DEI (diversity-equity-inclusion)

Generate **ECONOMIC** growth
(the business of) excellence, network economy



THANK YOU



Claudia D'Arpizio,
Partner Bain & Company

Leader Global Fashion-
Luxury Goods vertical



Claudia has spent more than 25 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 17 years, Federica has led more than 200 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 co-author of the Bain Luxury Study, one of the most cited sources of market information in the luxury industry.

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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 ...)
- Consistency check on the data and fine tuning

...we cross-check results

BAIN & COMPANY 

