True-Luxury Global Consumer Insight
Summary of the BCG-Altagamma 2023 Study

A document prepared

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UNIQUE STUDY ON THE TRUE-LUXURY GLOBAL CONSUMER

This document is the summary of the "True-Luxury Global Consumer Insight" research, carried out by Boston Consulting Group (BCG) in collaboration with Altagamma. This research, now in its Ninth Edition, is the most complete and innovative research on True-Luxury consumers.

The study has been designed to provide a uniquely comprehensive understanding of True-Luxury consumers:

- **All luxury categories captured**: from personal (clothing, accessories, jewelry, watches, perfumes and cosmetics, …) to experiential luxury (hotels, restaurants, wine and spirits, …)
- **Size and relevance of the sample**: covers more than 12,000 respondents with an average spend on luxury goods of ~39 k€ /year. Yearly average spend per person has returned to pre-covid levels, both for personal and experiential luxury
- **Wide geographical coverage**: top 12 luxury spending countries – US, UK, Italy, France, Germany, Brazil, China, Japan, South Korea, India, UAE and KSA.
- **Ad hoc Advisory Board**: composed of 20+ luxury companies, the Board gives recommendations on the main trends.

INTRO & MARKET CONTEXT

It has become increasingly complex to make forecasts on the Luxury sector due to the macro-economic landscape volatility, rapid evolution and fluidity of the market, which requires analysis on a weekly time horizon. Looking at the growth of the luxury market for 2023, we forecast a positive trajectory, albeit slowing down compared to 2022. We envision two possible scenarios for the personal luxury market in 2023, based on key macro-economic context evolution and key geographies’ dynamics:

1) **Base Scenario**: +7-9% growth vs 2022
   - **More cautious outlook in China** with technical rebound domestically and slow restart of international spend
   - **Limited confidence** of consumers in Western markets, with second half 2023 heavily impacted by economic uncertainty (mid-low single digit growth in US and Europe)

2) **Optimistic Scenario**: +11-13% growth vs 2022
   - **Strong restart of China Luxury market** (~+20% vs 2022), fueling mainly domestic consumption, while gradual spend increase in nearby countries (e.g., HK and Macao) and in international destinations from H2 2023
   - **Solid confidence of US consumers** despite the macro context, driving domestic and international demand (high single-digit growth).

TRUE-LUXURY CONSUMER SENTIMENT

**Global Overall Consumer vs True-Luxury Consumer Sentiment**
True-Luxury consumers hold a positive outlook compared to the overall consumer: 68% of overall consumers believe that a recession has started in their country, while only half of True-Luxury
consumers share this sentiment. Moreover, 91% of True-Luxury consumers feel better off financially compared to a year ago, in contrast to the 45% of the overall consumer population. Both plan to spend more next year, but for different reasons. 60% of overall consumers will increase spending mainly due to inflation-driven price increases, while 85% of True-Luxury consumers will spend more or the same on luxury items, feeling confident about their financial position and seeking investment opportunities.

True-Luxury consumer sentiment about macro-context across geographies
True-Luxury consumers are aware of the volatile macro environment, but sentiment varies across different geographies. Chinese and Middle Eastern consumers exhibit stronger optimism, while US, Japanese and EU consumers share a more pessimistic outlook towards the macro-economic context: only 32% of Middle Eastern and 39% of Chinese think that there will be an economic recession in their country, while 69% of Americans, 54% of Japanese and 53% of Europeans share this view.

True-Luxury consumer spending outlook
Despite the macro-economic uncertainty, True-Luxury consumers continue to exhibit solid resilience in their luxury spending patterns, with a 23% net appetite\(^1\) for next year. Breaking down the spending increase by geography, China’s post-pandemic spending euphoria entails a remarkable 34% net spending appetite, consistent with the re-opening, while the US stands strong at 32%, showcasing resilience despite being pessimistic about the macro-context. Europeans instead exhibit less than half the net spending appetite of China and US (i.e., 12%), highly impacted by the extremely volatile macro environment.

Analyzing the outlook by spending clusters, it emerges that the wealthiest customers are the key growth engine, with a 33% net appetite for luxury goods and services (+10 p.p.\(^2\) vs average). Across generations, Millennials, empowered by their financial confidence and career stability, play a crucial role in driving luxury spending, with a 33% net appetite. Gen Z is also contributing to the surge in spending with a 17% net appetite, fueled by an optimistic financial outlook and a constant desire for innovation and surprise.

True-Luxury consumer behavior
True-Luxury consumers are spending more, while exhibiting evolving patterns and shifting priorities towards more mindful and wellbeing-centric behavior: 72% declare to be more considerate about the purchases they make, 75% express a greater interest in looking after their physical and mental well-being, 62% look for products and experiences that help to unplug and escape.

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\(^1\) % Consumers increasing spending - % consumers decreasing spending in luxury products in the next 12 months

\(^2\) Percentage points
CONSUMER TRENDS OF THE 2023 EDITION

In the Ninth edition, we provide an overview of the top 10 trends in the Luxury industry, distinguishing three categories:

1) **Evolving market realities:** *key dynamics shaping the market environment*
   - a. China is back, but playbook is different
   - b. Middle East (focus on KSA): ignite the untapped potential
   - c. Shifts & opportunities in the supplier landscape

2) **Shifting consumer preferences:** *changing consumer values and behaviors*
   - d. Luxury in a channel-less age: True-Luxury consumer still unhappy
   - e. Decoding the generational divide
   - f. Sustainability and new ownership models acceleration
   - g. Double down on VIC - Very Important Customers - via clienteling 3.0

3) **New(ish) frontiers requiring investment:** *novel phenomena that require investment and attention*
   - h. The revolution of Generative AI
   - i. Web3 & Metaverse: Virtualization of Fashion & Identity
   - j. Scale matters more than ever (and affects all the above trends).
1) Evolving market realities

a. China is back, but playbook is different

*TREND*

**China revamp is taking place** (expected +15-20% growth in '23 vs '22) with evolving dynamics compared to the Pre-Pandemic setting:

1. **Much higher local demand**, which in 2023 is expected to make up 82% of total spending; some recovery in non-local spending is expected as travel resumes but is unlikely to return to 2019 level (which represented only 45% of total spending) also in the long-term. In fact, local consumption habits begin to take hold as benefits of buying outside mainland (price, range, etc.) are gradually diminishing. This will have a strong impact on key geographies like Europe who have heavily relied upon Chinese tourism in the past.

2. **Thriving digital ecosystem**, with 46% of domestic purchases taking place on online channels and 92% of consumer decisions being influenced by digital touchpoints.

3. **Higher diversification in the consumer base** with heavy spenders\(^3\) continuing to anchor the market (~40% of total spending by spending cluster), while younger below 30 and lower-tier cities’ crowds will increasingly contribute to growth.

Moreover, Chinese consumers are becoming more sophisticated in terms of values and preferences, emphasizing the appreciation for classic, timeless designs and desire for self-gratification.

**IMPLICATION**

Brands should develop a new playbook to **win Chinese in this post-pandemic landscape, conquering the evolving consumers locally.**

A key priority will be to step-change presence in the **online ecosystem**, reimagining online shopping experience (e.g., leveraging diversified Wechat Mini Program stores to enrich offerings and service), and redefining online consumer journeys (e.g., leveraging localized content and migrating offline events such as exhibition and fashion shows).

Moreover, it will be key to recruit **emerging young and lower-tier cities’** consumers, for example by creating buzz beyond luxury, leveraging abundant & creative brand contents including localized idol endorsement.

b. Middle East (focus on KSA): igniting the untapped potential

*TREND*

**The Middle East exhibits a promising opportunity for the luxury sector:** the personal luxury market is valued at ~€15 billion in 2022 and it is expected to reach 30-35 billion in 2030. The United Arab Emirates (UAE) and Kingdom of Saudi Arabia (KSA) are the two main powerhouses of regional...

\(^3\) 1. Heavy: annual luxury spending >300k RMB
growth. KSA personal luxury market is worth ~3B€ in ’23 and is projected to double its size and reach ~6B€ by 2030 (+10-12% CAGR 22-30), offering several untapped opportunities driven by:

- **First and foremost, the acceleration of local development** fueled by the Vision 2030, that promote massive investments (over €1 Trillion) across different sectors, including infrastructure, healthcare, education, tourism, transportation, technology and digitalization
- **Internal pent-up demand** as currently only 7% of the retail luxury market is penetrated (vs 26% in EU) and there is high spend leakage (40%+ spend abroad)
- **Growing high-end tourism** with 8 giga-projects by 2030 and ~7.5x expected increase in leisure inbound visits by 2030 (from ~4M in 2022 to ~30M in 2030)
- **Young, heavy-spending, increasingly sophisticated and digitalized local consumer**, with +17 p.p. online penetration vs avg. True-Luxury
- **Solid appetite for future** increase in luxury spend (30% vs. 23% global net appetite¹), fueled by young generations (60%+ of population <30 years old) and wealthiest customers.

**IMPLICATION**

Specific strategy to capture growth in Saudi vs other GCC⁵ countries is required, considering the highly sophisticated, well-travelled consumer. Key priorities for brands to succeed in KSA include:

- **Find the right local partner** and choose the right set-up (e.g., franchise, JV) depending on the target growth and brand size
- **Upgrade product offer** to match international standards but also local preferences and cultural norms of the local sophisticated and well-travelled consumer
- **Enhance retail footprint** targeting new large-scale real estate developments, such as downtown areas (e.g., Diriyah Gate), emerging tourist destinations and duty-free gateways.

c. **Shifts & opportunities in the supplier landscape**

**TREND**

The post-Covid panorama has drastically changed the supplier landscape. In recent years, the Luxury market has witnessed an increasing number of supply-focused investments and mergers and acquisitions (M&As), both from suppliers’ consolidating into specialized poles and from brands selectively investing in upstream vertical integration.

In fact, full backward integration of supply chain is not common in the Luxury Industry as brands want to keep high operational flexibility in case of volumes change, make lower direct capex investments and leverage better technology and expertise from specialized suppliers.

Having a reliable set-up of local suppliers will increasingly be crucial and, due to rarity of competences & difficulty of access, will also be harder to attain.

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¹ Based on last purchase channel including omnichannel (e.g., ROPO)
⁵ Gulf Cooperation Council
**IMPLICATION**

Brand CEOs need to **actively react to shifting supplier dynamics** in the market and have the responsibility to contribute in shaping them. They should assess how to optimize supply chain, thinking strategically on the **best make-buy setup** to **increase flexibility** (through a shorter lead time), **reduce process complexity**, **secure long-term volumes**, and maintain a **standard of excellence**, while fostering a local made-in set-up.

1) **Shifting consumer preferences**
   
d. **Luxury in a channel-less age: True-Luxury consumer still unhappy** - Deep dive next section
   
e. **Decoding the generational divide**

**TREND**

The generational surpass is finally happening: Young (Millennials & Gen Z) are worth ~210B€ in '22, twice the size vs 2016, and are expected to almost double again by 2026, representing up to 75% of the market.

Therefore, today and for the next decade there will be **2 sizeable and relevant segments to address:** Young who are spending more (+15% vs older generations) and display a positive future outlook (Millennials with 33% appetite vs olders -12%); Older generations (Gen X, Baby Boomers and Silver) who have heavily invested in the brand, guaranteed growth (3x cumulative spend in last 15y vs younger and 20x vs Gen Z) and still worth ~190B€ today – thus should not be neglected.

There are some **clear differences** across the two segments, such as the preferred means of **interaction** (community relevance for young, while professionals reassurance for the older), the **technology adoption** (~60% young interested in virtual fashion vs ~40% older), the **attitude towards new ownership models**, the **influence of sustainability** (~70% young vs ~60% older). However, each generation displays very distinct peculiarities in **luxury brands' values, product categories and social media interaction which should be taken into account.**

**IMPLICATION**

Looking forward, Brands should adopt a two-step strategy: in the short-term (next decade), embrace a bifocal approach, capturing opportunities of both segments with tailored solutions for marketing, product and communication, recruiting Younger gens and nurture and capitalize the Older.

In the mid-term, brands should loyalize Gen Z & Millennials, harvesting past years over-investments by deeply understanding their peculiarities.

However, demographic clusters are only one lens to look at customers’ differences and personalization & GEN AI will allow much more sophisticated strategies around behavioral clusters and personas.
f. **Sustainability and new ownership models acceleration**

**TREND**

Brand purpose and responsibility is non-negotiable anymore, accelerated by the **upcoming regulations** towards a green transition especially in EU and by the strong relevance for consumers. In fact, **Sustainability is increasingly influencing consumers in their purchasing behavior** (65% of True-Luxury consumers, +4 p.p. vs 2019), especially young generation (70% Millennials and Gen Z).

**New models for accessing and owning luxury - like second-hand and renting - are becoming increasingly appealing to consumers.** 32% have purchased last year second-hand luxury (+7 p.p. vs 2020), especially Gen Z & Millennials (35%). Also, luxury items’ renting is getting higher adoption, with 22% of consumers who have rented luxury items over the last year (+4 p.p. vs 2020), especially Gen Z & Millennials (26%).

**IMPLICATION**

Given the complexity of the ESG landscape and the evolving regulation, it is crucial for companies **to identify and prioritize the topics that are the most impactful for their specific business models.** By integrating the ESG agenda into their strategies and partnering with authorities, institutions, and other industry players, companies can navigate the complex ESG landscape more effectively.

New business models, like second hand or rentals, can no longer be ignored by luxury brands – all companies will need to proactively integrate these models into their existing offer, either directly or through partnerships.

g. **Double down on VIC - Very Important Customers - via clienteling 3.0**

**TREND**

The top of the pyramid of Luxury customers has consistently overgrown the bottom and the **two wealthiest clusters - Beyond Money** and the **Top absolute** - represent less than 1% of the market, but account for ~10% of sales. Moreover, these top segments are projected to experience **rapid growth** in the coming years, with CAGR of over 8% from 2022 to 2026 (vs 6% for Total Luxury consumers). As a consequence, the top segment (“Beyond Money”) will triple in size by 2026 (vs 2016).

Our survey also showed that **wealthiest customers** plan to spend the most over the next year, with a net appetite for luxury purchases of 33% (+10 p.p. vs True-Luxury avg).

The way to best serve these top-tier customers will also shift in the near future: technological advances in GenAI and personalization at scale, will provide new opportunities to create personalized, immersive daily interactions with customers.

**IMPLICATION**

Luxury brands have always focused on VIC, but nowadays they should place higher efforts to **drive loyalty** with increasingly demanding top clients, offering **flawless experiences and reaching**
perfection in selling ceremonies, also leveraging AI-based tools to make a step change in clienteling and 1:1 personalized journeys.

2) New(ish) frontiers requiring investment

h. The revolution of generative AI

TREND

GenAI is the newest step in the Artificial Intelligence evolution with high potential for disruption, rapidly becoming a part of our personal and professional lives. GenAI is already having a transformative effect on many industries and is being prioritized by executives: 45% of executive leaders reported ChatGPT has prompted them to increase their AI investments and 67% of senior IT leaders are prioritizing Gen AI within the next 18 months.

GenAI offers four key opportunities to significantly impact the luxury industry in the immediate future:

1. Hyper-personalize and enhance CX, e.g., personalized product suggestions, based on conversations with GenAI chatbot, photo-realistic virtual try-ons, virtual assistants with human "touch"
2. Augment & assist creativity, e.g., ideation & generation of visual marketing content like social media post creation
3. Reduce complexity & costs – e.g., real-time generation of allocation & replenishment plans for local store assortment
4. Streamline & enhance manual tasks – e.g., streamline online product description creation and automation of support function tasks (HR, Legal, Accounting).

Potential use cases in luxury are vast and span across the full value chain, ranging from Marketing & CRM (e.g., Personalized marketing campaign creation, marketing content generation, personalized product recommendations), Product design & innovation, Supply chain & logistics (demand forecasting), Retail & store operations (store layout & space optimization) and Support functions.

In Luxury, GenAI offers significant opportunities to overcome scalability issues and the trade-off between reach vs richness, extending “VIC treatment” also to non-VIC clients and aspirational customers (~90+% of Luxury aspirational consumers). Through the rapid generation of daily, personalized online digital content and the extension of 1-to-1 care through GenAI clienteling services, the technology could allow the whole pyramid of luxury customers to enjoy personalized, daily contact.

IMPLICATION

Executives must make choices across three key pillars to prepare for the Gen AI disruption: (i) Discover the strategic advantage through experimentation, defining the optimal use cases for the organization; (ii) Prepare the workforce with strategic planning, addressing key organizational
questions and redefining roles & responsibilities; (ii) **Ensure ethical guidelines**, clear policies and legal protections are set up to protect the company from critical risks.

i. **Web3 and metaverse: virtualization of fashion and identity**

**TREND**

Web3 unfolds in three intertwined concepts and technologies: Virtual experience (e.g., social gaming and metaverse worlds), economy infrastructure (e.g., NFTs, blockchain) and immersive tech. devices (e.g., AR & VR). Web3 is still at **early-stage** in Luxury, and, despite being a new frontier since a couple years, its adoption has slowed down with **long path ahead to mass market**. However, it is expected to **gain traction** due to higher consumers’ appetite (70+% current and prospective virtual fashion buyers) led by **two driving engines**, **Young gens tech. Pioneers** and **Escapers** (e.g., from Middle East, India and Brazil) and due to **higher investments in technology from major tech giants, such as Microsoft and Meta**.

**Further positive signals** for the future evolution of virtual fashion is shown by True-Luxury consumers’ feedback: they **anticipate increase in spending** (54% of consumers expect to increase their spending on virtual fashion in the next year) and hold **positive perception** of brands involved in developing virtual fashion (54% of True-Luxury consumers), thus making metaverse worlds a powerful recruitment channel for new consumers. Moreover, **relevance of virtual identity has a strong impact** with 90% of respondents believing their virtual identity holds importance beyond the virtual realm. In fact, what people purchase and wear in immersive spaces impacts their choices in the physical world (and vice versa), with 88% declaring that they get physical style inspiration from dressing their avatars.

**IMPLICATION**

Since Web3 adoption is still lagging, but will definitely accelerate in the coming years, brands should be **ready to capture the upcoming opportunities**, including **gamified, immersive and community-based experiences which** can boost **consumer engagement ~5x** vs traditional approach. This will allow to recruit new audiences, amplify content and nurture communities. Moreover, brands should be ready for a future where the 3 Web3 pillars are integrated together.

j. **Scale matters more than ever**

**TREND**

**Scale has become a competitive advantage** with Luxury Megabrands consistently growing ~3x vs luxury market, reaching 10-20+B€ revenues vs 2-5B€ of medium-sized brands. This is increasingly widening the gap between megabrands and smaller players, contributing to strong market polarization.
Moreover, growth will increasingly become the most important source of long-term value creation for luxury industry players, representing 60% of the total shareholders return (TSR)\(^6\) calculated at 10 years.

**IMPLICATIONS**

Growth must be seen not only as a source of value creation, but as an imperative to stay relevant in the market, unlocking the ability to invest in marketing (i.e., digital media & content creation), retail (i.e., securing the best locations) and building an agile, AI & tech-backed operational machine. Scale is also crucial to accelerate on sustainability topics, leading the ESG transformation.

To succeed in this increasingly challenging landscape, smaller brands should invest in creativity, leverage the fact that many GenZers prefer smaller, “niche” brands and find innovative ways and channels to distinguish themselves from Megabrands.

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\(^6\) TSR is the Total Shareholder Return and it is calculated as stock appreciation plus dividends divided by original stock price and its drivers include 1) Revenue growth and EBITDA margin change, growth and EBITDA margin change; 2) Change in EV/EBITDA multiple; 3) Cashflow contribution incl. Working capital needs and Dividends, share repurchases, debt, cash
LUXURY IN A CHANNEL-LESS AGE: TRUE-LUXURY CONSUMER STILL UNHAPPY

1) Unveiling the luxury customer dissatisfaction

Luxury brands and industry experts have been actively discussing omnichannel journeys and the creation of truly seamless Customer Experiences for more than a decade.

However, brands have not yet managed to create an experience that satisfies customers’ expectations: less than 50% of luxury consumers are truly satisfied with their overall experience and 11% feel their experience was truly underwhelming. This is not an issue of an isolated number of brands: all struggle to reach Net Satisfaction above 50 and huge satisfaction gaps exist among peers.

In order to better understand what is causing the dissatisfaction, experiences need to be analyzed across channels. In fact, Luxury brands have spent decades perfecting the offline customer experience and in-store selling ceremony and, as a consequence, their in-store satisfaction level is ~x2 that of mass retailers. Customers actively seek out the in-store luxury experience in order to feel pampered and immerse themselves in the brand’s world.

However, online ceremonies of luxury brands are greatly lagging behind their online mass player counterparts, especially in terms of technical features and delivery services, with luxury satisfaction level being ~0.8x that of ‘mass players’.

This digital discontent is fueled by (i) luxury brands’ customers having the same CX expectations online as they have offline, and (ii) pure online retailers (such as Amazon) setting the bar on website features and delivery services.

This “Digital Discontent” is most pronounced among younger generations and in Europe. One in five GenZ believes their online experience is underwhelming (versus 1 in 10 Boomers). 28% of Italian, 24% of UK and 22% of French customers rate their experience as underwhelming (versus 14% in US and 13% in China). The higher satisfaction level in China is explained in large part by technological advances allowing for more immersive & personalized online experiences: for instance, the newly emerging WeChat Mini Program Malls coupled with tech upgrades (like AR try on functions) and even customized interactive mini-games, are helping brands simulate the “human touch” and expand the online shopping experience to a more imaginative space.

Moreover, online dissatisfaction is pronounced across all product categories: for instance, for luxury sunglasses, online Net Satisfaction is 18 p.p. lower than offline, due to (i) no possibility to try on products and (ii) limited guidance in the selection of items. The only exceptions are represented by cosmetics and jewelry, where online Net Satisfaction beats offline: in cosmetics, online is 23 p.p. above offline and in jewelry, online beats offline by 4 p.p.

Two sources of unmet needs are fueling the digital discontent. Functional needs, like reliability of process & payment, are most frequently listed by customers as unmet needs along their journey: for instance, 28% of customers rank “speed, timing and availability of products” as their primary unmet needs. 

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7 Net Satisfaction calculated as % of satisfactory experiences minus % of underwhelming experiences.
need. However, these functional aspects do not drive online dissatisfaction: they are table-stakes that are expected by consumers as a basic requirement and whose fulfillment is necessary to achieve a minimum level of satisfaction but will not allow brands to offer a True-Luxury experience online.

Emotional needs, like human reassurance, luxurious experiences, and pampering, are mentioned less frequently by customers as key unmet needs: for instance, only 18% list “human interaction & reassurance” as a primary unmet need. However, the impact of these emotional needs on dissatisfaction is astounding: missing to deliver emotional needs has a much higher impact on True-Luxury consumer satisfaction than missing to deliver table-stake functional needs. Emotional needs represent key differentiators, crucial for developing a True-Luxury experience online.

2) **Understanding frictions along the customer journey**

Each individual customer decides to use different channels for various steps along the customer journey based on diverging drivers and, as a consequence, faces different emotional and functional frictions.

In order to quantify the weight of each emotional and functional friction, 2,600 individual journeys were mapped over the course of this study, exposing significant differences across luxury consumers.

For instance, when in store, digital natives feel judged by store staff and pressured to buy something: 
+40% of digital natives (vs avg. True-Luxury consumer) would prefer no interaction with staff. However, they crave interaction & reassurance from their peers: +57% of digital natives (vs avg. True-Luxury consumer) want live feedback from their peers while they are shopping both online and offline.

In another example, for people buying online, at-home “unboxing” is being completely neglected by brands: ~ 70% of consumers find unboxing crucial and ~ 65% say brands are missing to provide an “extra surprise” in their package (e.g., small gift or note).

It is crucial for brands to analyze the individual journeys and frictions of their customers, without oversimplifying by “clustering” based on partial differentiators (e.g., only geography) or applying a “one size fits all” approach.

3) **Revealing company’s misconceptions about the luxury CX**

Four key misconceptions are further fueling the creation of emotional and functional unmet needs. First, brands continue to privilege a siloed channel view to measure performance and define incentives. In reality, less than 50% of journeys are “mono-channel” (i.e., less than half of journeys have all phases taking place either purely online or purely offline) and the majority of consumer switch heavily between channels.

Secondly, brands have an obsolete, simplistic view of touchpoints and underestimate the recent increase in complexity of customer journeys. Due to recent technological developments, customer journeys now contain exponentially more touchpoints (ranging from 20 to 500) than they did just a
few years ago. Also, customers no longer complete steps in a linear sequence but rather craft their own complex, iterative journeys.

Thirdly, brands are failing to provide human interaction and reassurance across the online journey. **More than 40% of customers** yearn for stronger human guidance, reassurance, and care from brands, both on and offline.

Last, brands are focusing on maximizing transactional functionalities at the expense of inspiration and are only partially measuring the ROI of their online investments (e.g., brand.com transactions and related KPIs like conversion or ATV). In reality, **only 25%** of customers who were inspired on online brand-owned channels, end up actually purchasing online – therefore, measuring success of investment purely on brand.com transactions, risks leading brands to miss out on the true power of online.

While the first two predominantly fuel functional unmet needs, the latter two tend to fuel emotional unmet needs.

4) **Discovering opportunities for the elevation of the experience**

In order to master CX in a channel-less age, brands will need to quickly fix the basics on functional aspects, leveraging the playbooks that are already in place and dedicating the necessary time, investments, and discipline to bridge the gap with “best in class” players on service efficiency, speed and reliability. However, luxury customers will never be truly delighted by a functioning website or timely delivery: in order to propel CX to new heights, brands will need to take the lead, writing the playbook on emotional step-change.

To do so, every brand will need to gain profound understanding of individual customer journeys and strategically decide what role each touchpoint and channel should play along this journey, which involves deciding whether to hyper-specialize or hyper-personalize. While hyper-specialization can be seen more as a “reactive” choice that is a first step in the evolution of customer touchpoint management, hyper-personalization is more “proactive” and is an evolution and secondary step.

Hyper-specialization requires the definition of a specific, focused role for each touchpoint (based on its’ strengths) and the guidance of each customer to the optimal touchpoint based on his or her needs. For instance, if a subset of customers is yearning for closer human connections, instead of “mimicking” the human touch online, these customers should be guided to stores, where the in-store experience has been designed to maximize human connection.

For hyper-specialization, scale is less of an issue, investments are manageable and internal communication is more straightforward. However, only the most prevalent journey is addressed and, as a consequence, many customer’s preferences are neglected.

Hyper-personalization on the other hand, requires that all touchpoints are empowered to play every role and can be adapted (in real time) to individual customer needs. This requires: (i) extensive data collection (both from brand-owned and third party channels, collected on transactions as well as other touchpoints), (ii) extensive data ingestion & preparation, (iii) algorithm intelligence and iterative tuning, (iv) know-how and manpower to set up the machine, (v) learning on how to interpret the
algorithms’ recommendations & holistically orchestrate their implementation and finally, (vi) a feedback loop that ensures continuous updates of the algorithm based on latest consumer feedback. Personalization has become ubiquitous (e.g., Netflix, Amazon or Spotify) and consumers have grown used to receiving tailored recommendations and communications – ignoring to provide highly personalized content runs the risk of alienating customers who are expecting it.

The advantage of hyper-personalization is that all customer journeys are addressed, and individual preferences and frictions are catered to. However, it requires extensive data, tracking of single customer behavior, investments across all channels and creativity in “writing the playbook”.

In order for brands to master the new frontier of luxury experience, it is crucial not to revert back to the channel view: brands should always privilege a *customer journey-view* over a *business channel-view*. 
**Conclusion**

Despite market volatility, True-Luxury consumer sentiment remains positive, particularly in China and Middle East. Core regions like the US and Europe demonstrate resilience even though consumers are more pessimistic about the macro-economic outlook (especially US with more than twice the net spending appetite of Europeans).

Chinese consumption has shifted towards local demand: some recovery in non-local spending is expected in the nearby future but is unlikely to return to pre-pandemic levels, thereby greatly impacting global spending patterns.

KSA represents an untapped opportunity, due to internal pent-up demand especially from younger generations, growing high-end tourism, regulatory and local development, and an increasingly sophisticated Luxury consumer base.

Some shifting consumer dynamics are here to stay, such as the generational divide and the growing relevance of sustainability. To meet the evolving needs of customers, experiences must adapt and cater to channel-less journeys with high engagement, both offline and online.

Emerging and consolidating frontiers, such as the impact of technology like Generative AI and Web 3, present new opportunities for brands, also to make a step change in clienteling and customer journey. Offering seamless, elevated Customer Experiences across channels will increasingly be crucial to resolve luxury customer’s dissatisfaction online – and will be addressed in large part through the evolving technologies of GenAI and Web3.

All these trends - evolving market conditions, shifting consumer dynamics, and emerging frontiers - are mutually redefining the meaning of luxury. To thrive in this new landscape, luxury brands must understand the evolving landscape, adapt their experiences, and proactively capture the potential that lies within the changing industry. Among key priorities, it will be key to embrace the new channel-less approach, seize the opportunities in the Middle East, adopt the new Chinese playbook and proactively prepare for the revolutionary advancements of emerging technologies, like Generative AI and Web 3.