2023 study keeps True-Luxury consumer at the center...

~20M True-Luxury Consumers (out of ~370M total consumers) generating ca. 40% of global luxury market

9th Edition True-Luxury consumer survey

Respondents
12,000+ respondents
of which 2,000 in China & 2,000 in US

Avg. spend
€39K+ Avg. personal spend†
(back to pre-Covid level)

Markets
Top 12 WW Luxury Markets

...with a much wider range of tools, sources and deep dives

30+ in depth interviews with individual True-Luxury consumers

25+ interviews & content discussion sessions with industry experts & topic leaders

Brand new deep dive on customer experience, based on quali-quantitative sources and advanced data & analytics tools

Engagement of local Luxury experts and industry partners from China and US

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1. Includes personal and experiential luxury, excluding cars, yachts, smartphones and smartwatches

Research partner
2023 STUDY: CONTENTS

1. FUTUREPROOF: LUXURY MARKET THRIVES AMIDST UNCERTAINTY
   Market outlook & True-Luxury consumer sentiment

2. TOP 10 TRENDS CEOS SHOULD STAY AHEAD OF
   Snapshot of market, consumer and novel Luxury trends

3. LUXURY IN A CHANNEL-LESS AGE: TRUE-LUXURY CONSUMER STILL UNHAPPY
   The new frontier of Luxury experience
Chapter 1.

FUTUREPROOF: LUXURY MARKET THRIVES AMIDST UNCERTAINTY

Market outlook & True-luxury consumer sentiment
Personal luxury has recovered to pre-covid levels and Experiential on the way; High single-digit growth expected

Global True-Luxury Market

Note: Personal includes apparel, footwear, accessories, leather goods, beauty, jewelry (branded and unbranded) and watches / Experiential includes furniture, food and wine, fine dining & hotel and exclusive vacations

Source: BCG Fashion & Luxury Market Model as of June 2023; BCG Analysis
Unprecedented complexity to make Luxury market forecasts | Today's macroeconomic volatility requires an assessment on a weekly horizon

We envision 2 evolution scenarios based on key geographies outlook

**Optimistic Scenario:** High expected global growth

- **Strong restart of China** Luxury market (~+20% vs '22), mainly fueling domestic consumption, while gradual spend increase in nearby countries (e.g., HK, Macao) and in int. destinations from H2 2023

**Base Scenario:** Slow-down of Western Consumers not compensated by Asian acceleration

- **More cautious outlook for China** (~+15% growth '22-23) with technical rebound domestically and slow restart of international consumption

- **Limited confidence** of consumers in Western markets, with H2 '23 heavily impacted by economic uncertainty (mid-low single digit growth)

Source: BCG Fashion & Luxury Market Model as of June 2023; BCG Analysis
Post-Pandemic spending euphoria booming in China consistently with recent re-opening, while persisting in US despite pessimistic sentiment.

### SPENDING NET APPETITE INDEX

<table>
<thead>
<tr>
<th>Region</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chinese</td>
<td>150</td>
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<tr>
<td>US</td>
<td>140</td>
</tr>
<tr>
<td>KSA &amp; UAE</td>
<td>130</td>
</tr>
<tr>
<td>Europeans²</td>
<td>60</td>
</tr>
<tr>
<td>Average True-Luxury</td>
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### TOP DRIVERS OF INCREASE IN SPENDING

1. **STRONG CONFIDENCE OF FINANCIAL POSITION & LONG-TERM CAREER**
2. **NEW, ORIGINAL LUXURY ITEMS THAT ACT AS WOW FACTOR**
3. **LUXURY BRANDS BOOSTING SALES IN NEW CATEGORIES**

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1. Net appetite next 12 months: (% of a lot more + % of a bit more) – (% of a bit less + % of a lot less), indexed to 100%
2. Includes France, Germany, Italy and UK

Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Mar/Apr ’23 (12K respondents in 12 countries)
The top of the pyramid has consistently overgrown the bottom: conquering the wealthiest segments is the key priority for luxury brands

<table>
<thead>
<tr>
<th>Cluster</th>
<th>2016</th>
<th>2022</th>
<th>2026F</th>
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<tbody>
<tr>
<td></td>
<td>Pop. (M)</td>
<td>Size (B€)</td>
<td>Pop. (M)</td>
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<tr>
<td>Beyond money</td>
<td>0.3</td>
<td>20</td>
<td>0.5</td>
</tr>
<tr>
<td>Top absolute</td>
<td>1.4</td>
<td>31</td>
<td>1.7</td>
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<tr>
<td>Absolute &amp; Entry absolute</td>
<td>15</td>
<td>201</td>
<td>17.6</td>
</tr>
<tr>
<td>Total true-luxury</td>
<td>16.8</td>
<td>252</td>
<td>19.8</td>
</tr>
<tr>
<td>Top aspirational</td>
<td>20.9</td>
<td>62</td>
<td>20.5</td>
</tr>
<tr>
<td>Other aspirational</td>
<td>375.0</td>
<td>551</td>
<td>327.2</td>
</tr>
<tr>
<td>Total Luxury Consumers</td>
<td>~410</td>
<td>~870</td>
<td>~370</td>
</tr>
</tbody>
</table>

- 2 wealthiest clusters representing less than 1% of the market but accounting for ~10% of sales
- Strong growth of the top segments confirming their priority role in the upcoming years
- '16-'22 population decline due to strong impact of Covid on aspirational and Chinese slow down in '22; acceleration over the next years

Note: Numbers rounded. Personal includes apparel, footwear, accessories, leather goods, beauty, jewelry (branded and unbranded) and watches / Experiential includes furniture, food and wine, fine dining & hotel and exclusive vacations
Source: BCG Fashion & Luxury Market Model as of June 2023; BCG Analysis
Chapter 2.
TOP 10 TRENDS CEOs SHOULD STAY AHEAD OF

Snapshot of market, consumer and novel Luxury trends
Navigating the Luxury landscape: top 10 trends CEOs should stay ahead of

**Evolving Market Realities**
- Plan to quickly react and setup to tackle challenges

1. China is back, but playbook is different
2. KSA: Ignite the untapped potential
3. Shifts & opportunities in the supplier landscape

**Shifting Consumer Preferences**
- Evolve to address consumers' needs, behaviors and taste

4. Luxury in a channel - less age: true luxury consumer still unhappy
5. Decoding the generational divide
6. Sustainability & new ownership models acceleration
7. Double down on vic - very important customers - via clienteling 3.0

**New(ish) Frontiers Requiring Investment**
- Get prepared, experiment & invest (or be left behind)

8. The revolution of generative AI
9. Web3 & metaverse: virtualization of fashion & identity
10. Scale matters more than ever

Key focus of report
### Top 10 trends CEOs should stay ahead of (I/IV) – Evolving Market Realities

#### 1. China is back, but playbook is different

**China revamp is happening (15-20% expected growth in '23) with evolving dynamics compared to Pre-Pandemic:**
- **Increased local demand** (82% in '23, unlikely to return to '19 level - 45%)
- **Thriving digital ecosystem** (46% purchases online)
- **Higher diversification in the consumer base** with heavy spenders, younger & lower-tier cities driving growth

#### 2. KSA: Ignite the untapped potential

KSA is a key growth engine in Middle East, **worth ~3B€ and projected to reach ~6B€ by '30 (+10-12% CAGR '22-30).** This is driven by **massive investments (>1T€) in local development (Vision 2030), internal pent-up demand** (from ~40% spend leakage today) and boost of **luxury tourism**, fostered by **young (60%+ of <30y), heavy-spending, increasingly sophisticated, and digitalized KSA consumers (+17pp online penetration vs avg. True-Luxury)**

#### 3. Shifts & opportunities in the suppliers landscape

Post-Covid supplier landscape has drastically changed. Increasing number of **supply-focused investments & M&A both from suppliers, consolidating into specialized poles, & from brands selectively investing in upstream vertical integration.** Due to rarity of competences & difficulty of access, reliable setup of local suppliers is increasingly crucial

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1. Based on last purchase channel including omnichannel (e.g., ROPO)
Top 10 trends CEOs should stay ahead of (II/IV) – Shifting consumer preferences

**SHIFTING CONSUMER PREFERENCES**

**LUXURY IN A CHANNEL- LESS AGE: TRUE- LUXURY CONSUMER STILL UNHAPPY**

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, **less than 50% of luxury consumers are truly satisfied** with their overall experience. Luxury brands have spent considerable time and resources 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**. However, **online ceremonies of luxury brands are greatly lagging behind**, with **luxury satisfaction level being ~ 0.8x that of mass players**. This 'digital discontent' is created by two types of unmet needs: **functional** (like speed and availability) and **emotional** (like pampering & human reassurance). While functional issues are often in the forefront for both brands and customers, **solving only functional tablestakes, will not allow brands to deliver a true luxury experience**. Current brand practices & misconceptions are, like the underestimation of touchpoints (which are ~x30 vs only 10 years ago) or silo-view of channels (while in reality >50% of journeys are multichannel) are further fueling the digital discontent.

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. 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 strategically decide whether to "play defense" by hyper-specializing or "play offense" by hyper-personalizing. 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. 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. **No matter which**, 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**.
12

**Top 10 trends CEOs should stay ahead of (III/IV) – Shifting consumer preferences**

<table>
<thead>
<tr>
<th>TRENDS</th>
<th>IMPLICATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Shifting Consumer Preferences</strong></td>
<td></td>
</tr>
<tr>
<td>5. Decoding the Generational Divide</td>
<td>The generational surpass is finally happening: Young (Millenials &amp; Gen Z) <strong>twice the size</strong> vs '16 and worth ~<strong>210B€</strong> in '22, expected to almost double again by 2026. Therefore, there are <strong>2 segments to address:</strong> Young spending more (+15% vs old), with positive future outlook (33% appetite of Millennials vs Olders -12%); Olders guaranteed growth (3x cum. spend in last 15y vs younger and 20x vs Gen Z) and worth ~190B€ today</td>
</tr>
<tr>
<td>6. Sustainability &amp; New Ownership Models Acceleration</td>
<td>Brand purpose &amp; responsibility non-negotiable anymore, accelerated by <strong>upcoming regulations</strong> especially in EU and relevance for consumers (65% influenced by Sustainability,+4pp vs 2019, 72% for Gen Z); appetite for <strong>new business models</strong> - renting &amp; second-hand - continue to accelerate (65% interested in purchasing pre-owned luxury, +5pp vs 2019)</td>
</tr>
<tr>
<td>7. Double Down on VIC - Very Important Customers - Via Clienteling 3.0</td>
<td>The top of the pyramid has consistently overgrown the bottom and the <strong>2 wealthiest clusters</strong> (Beyond Money &amp; Top absolute), represent less than 1% of population, but account for ~<strong>10% of sales.</strong> Moreover, they are expected to grow at a faster rate (8+% CAGR '22-26 vs 6% avg. True-Luxury). As a consequence, the top segment (“Beyond Money”) will triple in size by 2026 (vs 2016).</td>
</tr>
</tbody>
</table>

**Looking forward, Brands should adopt a two-step strategy:** in the short term, embrace a bifocal approach, capturing opportunities of both segments in the next decade with tailored solutions

In the mid-term, brands should **loyalize Gen Z & Millennials**, harvesting past years’ over-investments

ESG agenda should be pursued with urgency and, given the complexity of the landscape and the evolving regulatory environment, it is fundamental to **join forces at Sector level**, partnering with authorities & institutions

Key to **selectively invest resources** on the ESG topics which are the **most impactful** for each brand business model

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**
Top 10 trends CEOs should stay ahead of (IV/IV) New(ish) frontiers

<table>
<thead>
<tr>
<th>TEND</th>
<th>IMPLICATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td><strong>THE REVOLUTION OF GENERATIVE AI</strong></td>
</tr>
<tr>
<td></td>
<td>GEN AI has a tangible impact for Luxury, across (i) hyper-personalization and CX enhancement, (ii) creativity support and boost (e.g., content &amp; product design), (iii) complexity &amp; costs reduction (e.g., ops. &amp; logistics optimization) and (iv) manual tasks automation. Specifically, GenAI will allow luxury brands to overcome &quot;reach vs depth&quot; tradeoff: scalable solutions for personalized treatments offered to VIC only, could be extended to mid-pyramid &amp; aspirational customers (90%+ of Luxury customers). Experiment with the technology, focusing on the highest potential business-led use cases and building technology muscle, while preparing the workforce and defining clear policies to protect the business.</td>
</tr>
<tr>
<td>9</td>
<td><strong>WEB3 &amp; METAVERSE: VIRTUALIZATION OF FASHION &amp; IDENTITY</strong></td>
</tr>
<tr>
<td></td>
<td>Web3 still at early-stage in Luxury, and, despite being a new frontier, its adoption slowed down with long path ahead to mass market. However, it is expected to gain traction due to higher consumers' appetite (70+% current &amp; prospective virtual fashion buyers) led by 2 driving engines, Young tech. Pioneers and Escapers (e.g., from Middle East, India &amp; Brazil) and due to higher investments in technology. Since Web3 adoption is still lagging, but will definitely accelerate in the coming years, brands should be ready to capture upcoming opportunities, incl. 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.</td>
</tr>
<tr>
<td>10</td>
<td><strong>SCALE MATTERS MORE THAN EVER</strong></td>
</tr>
<tr>
<td></td>
<td>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 with &quot;followers&quot; and contributing to strong polarization. Growth must be seen not only as a value creation source, but as an imperative to stay relevant in the market, unlocking ability to invest in marketing (i.e., digital media &amp; content creation), retail (i.e., securing the best locations) and building an agile and AI &amp; tech-backed operational machine. Smaller brands should invest in creativity and find innovative channels to distinguish.</td>
</tr>
</tbody>
</table>
KSA: ignite the untapped potential

**NASCENT MARKET TO THRIVE**

~3B€ to ~6B€
in '22  
in '30

KSA as the next growth frontier: 2x size of personal Luxury market by '30 (+10-12% CAGR '22-'30)

**MATERIAL DRIVERS OF RAPID SURGE**

>1T€ in local investments

Vision 2030 massive local investments:
- Internal pent-up demand (from ~40% spend leakage today), with +500k sqm in Riyadh three flagship future retail locations and +~90% mall supply by '27
- Rise in high-end tourism (8 giga-projects)

**SOPHISTICATED LUXURY CONSUMER**

~60% of population <30 years old

Young, wealthy (13k HNWI), well-travelled & digitalized (+17pp online penetration), confident to spend more (+7pp net appetite vs avg. True-Luxury)

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1. KAFD, Diriyah Gate and new airport hub; 2. High-Net-Worth-Individual: net wealth between $5-$50M; 3. Based on last purchase channel including omnichannel (e.g., ROPO); 4. Net appetite in next 12 months: (% of a lot more + % of a bit more) – (% of a bit less + % of a lot less) Source: BCG Fashion & Luxury Market Model as of June 2023; BCG-Altagamma True-Luxury Global Consumer Insight Survey Mar/Apr 2023 (12K respondents in 12 countries); Saudi Tourism Authority; Reuters; Giga-projects press releases; Desk Research
Decoding the generational divide

GENERATIONAL SURPASS

～X2 GenZ & Millennials by '26 (vs '22)

2 RELEVANT SEGMENTS...

...WITH POLARIZING PREFERENCES

WAY FORWARD...

Young (Millennials & Gen Z) worth ~210B€ of personal Luxury market in '22 (from ~95B€ in '16) and expected to almost double again by 2026

Older (GenX, Boomers & Silvers) worth ~190B€ in '22 (from ~230B€ in '16) and expected to decrease to ~160B€ by '26

Young: fast to adopt new tech, greatly value sustainability & new ownership models and seek guidance from peers & community

Older: interested in spending on experiential luxury (like hotels & wellness) & seek professional guidance

Short: bifocal approach, capturing opportunities of both segments in the next decade with tailored strategies

Mid-term: loyalize Gen Z & Millennials, harvesting past years' over-investments

Source: BCG Fashion & Luxury Market Model as of June 2023; BCG-Altagamma True-Luxury Global Consumer Insight Survey Mar/Apr 2023 (12K respondents in 12 countries)
The Revolution of Generative AI

**Impact is here to stay:**
- 80% of workers will be affected
- 67% of digital leaders prioritizing GenAI in the next 18 months

**OPPORTUNITIES IN LUXURY**
- More traditional sectors less disrupted, yet significant impact for Luxury in Mktg, CX & Perso
- Stronger potential for mass fashion in product & design

**REACH VS RICHNESS**
- GenAI offers scalable opportunities for personalized VIC treatments to be extended to ~350M of mid-tier & aspirational customers, breaking the reach vs richness trade-off

**DISRUPTIVE IMPACT**
- 100M users on ChatGPT in 2 months

Source: BCG Fashion & Luxury Market Model as of June 2023; BCG experts; BCG analysis; Reuters; OpenAI research into effects on job market; Base10 Research; Gartner; Google
Chapter 3.
LUXURY IN A CHANNEL-LESS AGE: TRUE-LUXURY CONSUMER STILL UNHAPPY

The new frontier of Luxury experience
Zoom into Luxury customer experience

CUSTOMER DISSATISFACTION
Unveiling luxury customer dissatisfaction and gap of online channel

COMPANIES’ BLIND SPOTS
Revealing companies’ misconceptions & realities about the Luxury CX

NEW FRONTIERS
Discovering opportunities for the elevation of the experience
We've been talking about omnichannel for more than a decade...
...yet customers are still not happy

Less than half of Luxury consumers are truly satisfied with their overall experience and feel it was above expectations.
Brand temperature check | All brands struggle to reach Net Satisfaction Score above 50 and huge satisfaction gaps exist among peers

Think about the expectations you had at the beginning of your purchase experience. How much was the actual experience of buying the luxury item in line with your initial expectations?

Satisfaction on last purchase (online & offline) by brand, %

<table>
<thead>
<tr>
<th>Net Satisfaction</th>
<th>Above average</th>
<th>Average</th>
<th>Below average</th>
</tr>
</thead>
<tbody>
<tr>
<td>52%</td>
<td>47%</td>
<td>45%</td>
<td>44%</td>
</tr>
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<td>43%</td>
<td>41%</td>
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<td>5%</td>
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Satisfactory 2

<table>
<thead>
<tr>
<th>Sufficient 3</th>
<th>Underwhelming 4</th>
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<tr>
<td>58%</td>
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</tr>
<tr>
<td>53%</td>
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<td>49%</td>
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<td>32%</td>
<td>33%</td>
</tr>
<tr>
<td>44%</td>
<td></td>
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</table>

List of brands 5

<table>
<thead>
<tr>
<th>Large size brand</th>
<th>Mid size brand</th>
<th>Small size brand</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
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</tr>
<tr>
<td>22</td>
<td>27</td>
<td>11</td>
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</tbody>
</table>

Note: Included only Brands with at least 30 respondents who have purchased from them
1. Net Satisfaction = % Above Expectations - % Below Expectations; 2. Above expectations; 3. Purchase experience in line with expectations; 4. Purchasing exp. below expectations; 5. Clustering of brands based on 2022 revenues

Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Mar/Apr '23 (2.6 K respondents in 6 countries)
Luxury brands have spent decades perfecting the *offline* experience ...

...yet *online* ceremonies are lagging behind their in-store counterparts

Instead, *online experiences* of retailers are overall comparable & even superior in terms of services

Going to my favorite stores is like treating myself – I feel pampered, I get my champagne... I’d go everyday

- Anna, 48 y.o.

Why is my online experience the same whether I’m buying a blue polo or a 10k€ travel bag from my favorite Luxury brand?

- Adam, 35 y.o.

Note: Satisfaction based on NPS calculated as % of Promoters (9-10 ranking) minus % of Detractors (0-6) and converted to 100
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Mar/Apr ’23 (2.6 K respondents in 6 countries); BCG analysis

1. Specialty and not specialty retailers
The Digital Discontent | Dissatisfaction with the online experience most pronounced in Europe and amplified amongst GenZ

1 in 5 GenZers believe online experience is underwhelming

Chinese are more satisfied online, Europeans less content

Sunglasses drastically stand out for online dissatisfaction

Offline | Online
---|---
Satisfactory or Sufficient experience | 93% | 83%
Underwhelming experience | 7% | 17%

GenZ | 78% | 22%
Millen. | 82% | 18%
GenX | 86% | 14%
Boomer | 89% | 11%

Italy | 72% | 28%
UK | 76% | 24%
France | 78% | 22%
Gem. | 72% | 28%
USA | 76% | 24%
China | 78% | 22%

Tech advances and thriving digital ecosystem are driving higher satisfaction in China

Online share of sales, ‘22

20-25% ~30% ~40%

Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Mar/Apr ’23 (2.6 K respondents in 6 countries)
The Digital Discontent is built on two gaps: with mass retailers on functional tablestakes & with in-store luxury on emotional differentiators.

Severity: Impact on Satisfaction

- Higher impact on Satisfaction
- Lower impact on Satisfaction

Emotional Differentiators
- Human interaction & reassurance
- Luxury Experience & Pampering

Functional Tablestakes
- Fulfillment of tablestakes is necessary to reach a basic level of satisfaction
- Transparency on sizing & fit
- Tangibility of products & their features
- Safety/ reliability of process
- Speed, delivery & availability

Frequency: Times mentioned

0% 15% 30%

Luxury consumers are looking for the same level of exclusivity, human touch & pampering when online (as they receive offline) – and the lack of these is heavily impacting their satisfaction with online experience.

Tablestakes, like product availability and payment options, are expected by luxury customers as basic requirements and are needed to "bridge the gap" with retailers online.

Level of impact that the "Unmet Need" has on the level of dissatisfaction customers experience with their online experience (measured through NPS)

Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Mar/Apr ‘23 (2.6K respondents in 6 countries)

1. Level of impact that the "Unmet Need" has on the level of dissatisfaction customers experience with their online experience (measured through NPS)

Table 1: Severity of Impact on Satisfaction

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Times mentioned</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>Higher impact on Satisfaction</td>
</tr>
<tr>
<td>15%</td>
<td>Lower impact on Satisfaction</td>
</tr>
<tr>
<td>30%</td>
<td>Higher impact on Satisfaction</td>
</tr>
</tbody>
</table>

Figure 1: The Digital Discontent Model

- A: Functional Tablestakes
- B: Emotional Differentiators

Bring the magic of in-store luxury also online

Bridge the gap vs online retailers
The Digital Discontent along the Journey | An exemplary customer story

Scroll on brand.com, looking for a gift for a special occasion

Purchase a €8K luxury handbag on brand.com, 2 weeks before the occasion

Receive email that item is no more in stock (1 week after purchase)

Receive no follow-ups from brand or sales assistants

Go to store & find out that item was not reserved & recently sold

Use "chat" & locate in-store availability (but with no possibility to deliver at home)

This might sound like a horror story built on a myriad of functional unmet needs…
Solving only functional issues will not be enough to deliver a true luxury online experience.

**FUNCTIONAL TABLESTAKES**
- Bag wasn't available
- It couldn't be shipped
- Reservation wasn't communicated

**EMOTIONAL DIFFERENTIATORS**
- "While browsing I was left completely alone – I needed human guidance"
- "Online payment felt cheap – same as when I buy groceries online"
- "The chat was about as luxurious as that of a car rental service"

Source: BCG luxury customer interviews

Functional tablestakes, while crucial, often only represent the surface...

Without also addressing Emotional differentiators, the digital discontent will not be solved.
Friction map | To quantify the weight of each emotional and functional friction, 2,600 individual luxury customer journeys were mapped…

Luxury Consumer Friction Map along the journey

Frictions emerging along the journey are not to be simplified by (i) "clustering" based on partial differentiators (e.g., only geography) or (ii) applying a "one-size-fits-all" approach

Individual journeys need to be analyzed to understand each customers' individual frictions

Exemplary frictions in Aftersales:

At-home "unboxing" of online purchases is completely neglected by brands:

~ 70% of consumers find unboxing extremely important and felt it was anticlimactic

~ 65% say brands are missing to provide an "extra surprise" in their package (e.g., note, small gift)

Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Mar/Apr ’23 (2.6 K respondents in 6 countries); BCG analysis
Zoom into Luxury customer experience

1. CUSTOMER DISSATISFACTION
   Unveiling luxury customer dissatisfaction and gap of online channel

2. COMPANIES' BLIND SPOTS
   Revealing companies' misconceptions & realities about the Luxury CX

3. NEW FRONTIERS
   Discovering opportunities for the elevation of the experience
## How brands are acting vs what the reality is for customers | 4 brand misconceptions that further fuel emotional & functional unmet needs

<table>
<thead>
<tr>
<th>Brand Misconception</th>
<th>How Brands act</th>
<th>How reality is</th>
<th>Resulting in</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. OUTDATED CHANNEL-SILO VIEW</strong></td>
<td>Brands continue to <strong>privilege a siloed channel view</strong> to measure performance &amp; define incentives</td>
<td>Less than 50% of journeys are mono-channel, and the majority of consumers switch heavily between channels</td>
<td>Predominantly fueling <strong>functional tablestakes</strong></td>
</tr>
<tr>
<td><strong>2. OBSOLETE &amp; BASIC VIEW OF TOUCHPOINTS</strong></td>
<td>Brands underestimate the recent increase in <strong>complexity of Customer Journeys</strong></td>
<td>Journeys now contain up to 500 touchpoints (exponentially more than just a few years ago) and are no longer linear, but iterative</td>
<td></td>
</tr>
<tr>
<td><strong>3. NEGLECT OF THE HUMAN INTERACTION</strong></td>
<td>Brands are <strong>failing to provide human interaction &amp; reassurance</strong> across the online journey</td>
<td>40+% of customers yearn for stronger human guidance, reassurance and care from the brand, both on and offline</td>
<td></td>
</tr>
<tr>
<td><strong>4. TRANSACTION-BASED MEASUREMENT OF ONLINE ROI</strong></td>
<td>Most brands are focusing on maximizing transactional functionalities at the expense of inspiration and are only partially measuring the success of online investments</td>
<td>Only 25% of customers inspired on brand-owned channels purchase on brand.com – measuring ROI on transaction KPIs leads to under-use of online</td>
<td>Predominantly fueling <strong>emotional differentiators</strong></td>
</tr>
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</table>
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How brands can master the CX

Propelling customer experience to new heights by fixing the basics on functional aspects & focusing on emotional step-change

A. PLAYBOOK IS THERE
Leverage what's already in place

B. WRITE THE PLAYBOOK
Luxury brands need to take the lead

1. Every brand needs to gain profound understanding of each journey that their customers undertake...

2. ...and strategically decide what role each touchpoint and channel should play along the customer journey...

3. ... allowing them to unlock the emotional connection across all channels, harnessing clienteling and next level customer service
Hyper-specialization vs Hyper-personalization | Brands should strategically decide which role to play in each touchpoint

**PLAYING DEFENSE**

**HYPER-SPECIALIZATION**
Definition of a focused role for each touchpoint & guidance of customers to the optimal one

- Identify prevalent journeys & optimize each touchpoint
- Re-design processes, people, trainings, incentives & tech

**PLAYING OFFENSE**

**HYPER-PERSONALIZATION**
All touchpoints are empowered to play every role & can be adapted in real time to customers' needs

- Collect data on each customer (in store, online & 3rd party)
- Learn to recognize each customer & adapt TPs in real time

Source: BCG analysis, BCG expert interviews
Altagamma & BCG Team for the 9th edition of the study

- Stefania Lazzaroni, Altagamma General Manager
- Javier Seara, BCG Managing Director & Senior Partner
- Filippo Bianchi, BCG Managing Director & Senior Partner
- Sarah Willersdorf, BCG Managing Director & Partner
- Guia Ricci, BCG Managing Director & Partner
- Marco Giglio, BCGX Managing Director
- Luca Gatti, BCG Partner & Director
- Simone Gentili, BCG Partner
- Sofia Nicoletti, BCG Consultant

Focus on Luxury In Channel-less aged
Thank you.