True-Luxury Global Consumer Insights
### True-Luxury Consumers

<table>
<thead>
<tr>
<th></th>
<th>Sixth Ed. 2019</th>
<th>Seventh Ed. 2020</th>
<th>Eighth Ed. 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Consumers</td>
<td>~19M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average spend</td>
<td>€39K+</td>
<td>€39K+</td>
<td>€33K</td>
</tr>
<tr>
<td>Markets</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
</tbody>
</table>
| In line with market loss of 2020 due to COVID

**Notes:**

1. Begun monitoring UAE/KSA markets (300 respondents)
2. Includes personal and experiential luxury, excluding cars, yachts, smartphones and smartwatches
We bring ALTAGAMMA PARTNERS and members of BCG luxury ecosystem to the table to generate the best consumers insights

Note: List of brands not exhaustive
BCG expert network ready to discuss in every large market the outcomes of True-Luxury Global Consumer Insight 2021
"New Era" of luxury industry key trends

**Who**
- Personal & Experiential Luxury full recovery expected between 2021 and 2022
  - True-Luxury smart-working helped the top of the consumer pyramid grow its spend significantly, even in the midst of the pandemic
- Millennial & Gen-Z optimistic future view, making 60+% of market by 2025
- Rebound effect: repatriation of Personal Luxury to stay, experiences to fuel travelling
- US & China Luxury Growth Engines
  - US renaissance has begun, with US consumers recovering the quickest
  - Chinese spending repatriation confirmed even post-COVID

**What**
- LG & Accessories and P&C showing high resilience to COVID-19 crisis
- Brand’s values showing a clear polarization between Western and Eastern styles
  - Chinese consumers increasingly preferring Extrovert attributes
- Brand purpose & responsibility non-negotiable anymore (esp. sustainability, diversity & inclusion / social awareness)
- In the quest for engagement relevance in a noisy environment, virtualization is a promising and growing reality (e.g. gaming & Non-Fungible Tokens)

**Where / how**
- Channel-agnostic customer journeys
  - Offline from self-standing channel to touchpoint
- Clienteling 2.0: consumers demanding personalized "touch",
  - Crucial for brands in the on-going quest for relevance
- Social and live commerce (i.e. livestreaming) boosted
  - Livestreams highly relevant for US and Chinese luxury consumers and proving to be a high "conversion" tool (about 70% on average)
- New business models continue to accelerate (second-hand commerce & rental)
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1. Introduction
2. Market overview
3. Consumer insights
Post COVID-19: full recovery expected between 2021 and 2022

Global Luxury Market (Personal & Experiential), €B

<table>
<thead>
<tr>
<th>Year</th>
<th>CAGR '14-'19</th>
<th>YOY '19-'20</th>
<th>CAGR '19-'25</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>38%</td>
<td>62%</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>966</td>
<td>64%</td>
<td>+4%</td>
</tr>
<tr>
<td>2020</td>
<td>581</td>
<td>53%</td>
<td>+6%</td>
</tr>
<tr>
<td>2021</td>
<td>[820-1020]</td>
<td>40%</td>
<td>-22%</td>
</tr>
<tr>
<td>2022</td>
<td>[960-1080]</td>
<td>37%</td>
<td>-50%</td>
</tr>
<tr>
<td>2023</td>
<td>[1030-1130]</td>
<td>63%</td>
<td>+47%</td>
</tr>
<tr>
<td>2024</td>
<td>[1090-1220]</td>
<td>64%</td>
<td>+63%</td>
</tr>
<tr>
<td>2025</td>
<td></td>
<td>64%</td>
<td>+0%</td>
</tr>
</tbody>
</table>

Luxury Personal
- 2014: 38% +4%
- 2025: 64% +4%

Luxury Experiential
- 2014: 62% +6%
- 2025: 64% +4%

Note: Numbers rounded. Personal includes leather goods & accessories, apparel, footwear, watches, jewelry (branded and unbranded) and perfumes & cosmetics; Experiential includes furniture, food and wine, fine dining & hotel and exclusive vacations.

Source: BCG Fashion & Luxury Market Model; BCG Analysis
Millennials & Gen Z key engines for growth

53% believe recovery will be fast, compared to ~20% for older generations

New Gen influential on overall market through trendsetting, digital engagement
New Gen share of spend growth largely driven by increased average spend per person

Luxury personal goods market (€B)

<table>
<thead>
<tr>
<th>Generation</th>
<th>2019</th>
<th>2025 projection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gen. Z</td>
<td>349</td>
<td>390-440</td>
</tr>
<tr>
<td>Gen. X</td>
<td>38%</td>
<td>45-50%</td>
</tr>
<tr>
<td>Millennials</td>
<td>35%</td>
<td>10-15%</td>
</tr>
<tr>
<td>Baby Boomers and Silvers</td>
<td>23%</td>
<td>30-35%</td>
</tr>
</tbody>
</table>

1. Gen Z grouping starts with those who are 18 years old in 2019 as lower limit
   Source: BCG Luxury Market Model, Altagamma, 2019 UN World Population Prospects
*True-Luxury smart-working* helped the top of the consumer pyramid grow its spend significantly, even in the midst of the pandemic

<table>
<thead>
<tr>
<th>Cluster</th>
<th>2019</th>
<th>2020</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pop. (M)</td>
<td>Size (B€)</td>
<td>Pop. (M)</td>
</tr>
<tr>
<td>Beyond money</td>
<td>0.4</td>
<td>24</td>
<td>0.4</td>
</tr>
<tr>
<td>Top absolute</td>
<td>1.5</td>
<td>36</td>
<td>1.5</td>
</tr>
<tr>
<td>Absolute</td>
<td>5.4</td>
<td>111</td>
<td>5.4</td>
</tr>
<tr>
<td>Entry absolute</td>
<td>11.8</td>
<td>123</td>
<td>11.8</td>
</tr>
<tr>
<td>Total true-luxury</td>
<td>19.1</td>
<td>294</td>
<td>19.1</td>
</tr>
<tr>
<td>Top aspirational</td>
<td>22.4</td>
<td>68</td>
<td>20.0</td>
</tr>
<tr>
<td>Other aspirational</td>
<td>393</td>
<td>603</td>
<td>320</td>
</tr>
<tr>
<td>Total Luxury Consumers</td>
<td>~430</td>
<td>~970</td>
<td>~360</td>
</tr>
</tbody>
</table>

In 2020

- Of total luxury market made by the 2 wealthiest clusters (Beyond Money & Top absolute); +6pp vs. 2019 thanks to a 17% growth in size, showing a total resiliency to crisis
- Of total luxury market made by the 19M True Luxury Consumers (+8pp vs. 19)

Between 2020 and 2025…

- Of total luxury market growth driven by True Luxury consumers
- ’20-25 CAGR growth of "Other Aspirational" cluster driven by the rise of Chinese middle class approaching luxury spending
- Of ’20-25 growth delta vs market by "Aspirational" consumers, that after great suffering in 2020, will outpace in this period the growth of the overall pyramid for the first time

Note: Numbers rounded. Personal includes leather goods & accessories, apparel, watches and jewelry (branded and unbranded) and perfumes and cosmetics; Experiential includes furniture, food and wine, fine dining & hotel and exclusive vacations.
Source: BCG & Altagamma Market Model; BCG Analysis
In the next 12 months, repatriation of Personal Luxury will stay, while experiences will fuel travelling

With COVID-19 most likely under control, do you expect to spend more, less, or about the same on **luxury products** in the next 12 months compared to before?

- A lot more (+50% or more): 11% (Country of residence), 9% (Abroad)
- A bit more (+20%): 24% (Country of residence), 20% (Abroad)
- About the same: 40% (Country of residence), 35% (Abroad)
- A bit less (-20%): 15% (Country of residence), 20% (Abroad)
- A lot less (-50% or more): 9% (Country of residence), 16% (Abroad)

With COVID-19 most likely under control, do you expect to spend more, less, or about the same on **luxury experiences** in the next 12 months compared to before?

- A lot more (+50% or more): 12% (Country of residence), 42% (Abroad)
- A bit more (+20%): 24% (Country of residence), 10% (Abroad)
- About the same: 39% (Country of residence), 13% (Abroad)
- A bit less (-20%): 13% (Country of residence), 17% (Abroad)
- A lot less (-50% or more): 12% (Country of residence), 18% (Abroad)

Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Mar/Apr 21 (12K respondents in 12 countries), Expert interviews, BCG estimates
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3. Consumer insights
U.S. & China
growth engines
Americans, bullish both on domestic and abroad spend, are poised to regain their relevance...

US consumers forecasted to resume growth at higher pace vs. pre-pandemic estimates, resulting in increased share of +2-3pp vs pre-covid forecasts, landing at 19-21% in 2025

Chinese consumers are expected to accelerate with respect to pre-crisis estimates, with increase in share of +3-4pp vs pre-covid, limited by US consumers’ rebound, landing at 43-45% in 2025

Do you expect to spend more, less, or about the same on luxury products in the next 12 months?

Expected delta in luxury spending, average %

<table>
<thead>
<tr>
<th>Country of Residence</th>
<th>US</th>
<th>China</th>
<th>Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>7.7%</td>
<td>6.0%</td>
<td>-7.1%</td>
</tr>
<tr>
<td>Abroad</td>
<td>1.4%</td>
<td>-5.6%</td>
<td>-0.3%</td>
</tr>
</tbody>
</table>

Note: Europe includes Italy, France, Germany and UK. Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Mar/Apr 21 (12K respondents in 12 countries), Expert interviews, BCG estimates
…Chinese instead, expected to increase their spend, but only domestically: China repatriation trend to stay

Before COVID-19 hit, **56% of the yearly luxury purchases** of Chinese consumers were done abroad…

In the 12 months after the crisis has ended, how much of your yearly luxury spend you used to do abroad do you expect to convert to your country of residence?

- **69%** From half to all of it
- **13%** All of it
- **56%** More than half
- **21%** Less than half
- **10%** None

Even if pandemic situation is more relaxed compared to last year, some **consumption habits could have changed** for the medium term also.

Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Mar/Apr 21 (12K respondents in 12 countries), Expert interviews, BCG estimates
Virtualization
Quest for engagement relevance in a noisy environment: Virtualization a promising and growing reality

New inspiration channels
Global video game industry to increase to $178B in 2020, surpassing film industry
4 of every 5 U.S. consumers have played a video game in the past 6 months
About 1/3 of gamers are aged 21-35

New revenue streams
Selling skins, team/individual sponsorships
Capsule collections, limited edition products & partnerships
Virtual product "labs"

New product & technology
World's first global luxury blockchain launched; more to come
Luxury brands poised to jump in on NFT market, following success in art world
1 out of 2 true luxury consumers, among the 39% aware, has bought luxury in-game items and, out of them, 86% purchased the corresponding physical version.

**Are you aware of luxury brands that lately have been interacting with their customers using virtual online games?**

- **US**: 53% Yes, 47% No
- **China**: 51% Yes, 49% No
- **RoW**: 31% Yes, 69% No
- **Europe**: 28% Yes, 72% No

**[Of those aware] Have you ever been part of a virtual online game that involved a luxury brand and/or bought in-game items?**

- **Average**: 55%

**[Of those who bought in-game items] Afterwards, did you also buy the corresponding physical version of the item?**

- **Yes**: 39%
- **No**: 61%

Yes, and I bought in-game items
Yes, but I didn’t buy in-game items
No, but I would consider playing
No, and I would not be interested

**Note**: Europe includes Italy, France, Germany and UK; RoW includes Japan, South Korea, UAE, KSA, Russia and Brazil.

**Source**: BCG-Altagamma True-Luxury Global Consumer Insight Survey Mar/Apr 21 (12K respondents in 12 countries), Expert interviews, BCG estimates

**Effective both as alternative stream of income and marketing tool to feed traditional products sales**
Channel-agnostic customer journeys & personalized clienteling 2.0
The path ahead for Offline: from self-standing channel to touchpoint

**Luxury market**
Channel mix (%)

- **Luxury market** growth by channel, 2019-2023e (B€)
Channel mix and contribution to market growth (%, B€)

1. Personal luxury market only (excluding experiential luxury), including true luxury, affordable luxury, and premium segments;
2. Research Online Purchase Offline
Source: Future of Distribution consumer survey, Post-COVID Luxury scenarios (BCG Lighthouse), expert interviews, BCG analyses and estimates
Clients become channel agnostic, expecting consistency…

Brands increasingly communicate and sell using different channels. How much important is it for you that a brand is multi-channel?

What would you expect when interacting with your preferred luxury brand through multiple channels?

<table>
<thead>
<tr>
<th>Feature</th>
<th>% of respondents mentioning feature (only respondents selecting &quot;Important&quot; or &quot;Not negotiable&quot;)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consistent brand image</td>
<td>44%</td>
</tr>
<tr>
<td>Int. delivery services anywhere</td>
<td>42%</td>
</tr>
<tr>
<td>Same promotions on all channels</td>
<td>37%</td>
</tr>
<tr>
<td>Fast delivery services</td>
<td>36%</td>
</tr>
<tr>
<td>Exchange anywhere</td>
<td>36%</td>
</tr>
<tr>
<td>All channels recognizability</td>
<td>35%</td>
</tr>
<tr>
<td>Same assortment in all channels</td>
<td>35%</td>
</tr>
<tr>
<td>Reward across all channels</td>
<td>35%</td>
</tr>
</tbody>
</table>

Note: Europe includes Italy, France, Germany and UK; RoW includes Japan, South Korea, UAE, KSA, Russia and Brazil
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Mar/Apr 21 (12K respondents in 12 countries), Expert interviews, BCG estimates
...and demanding personalized "touch": crucial for brands in the on-going quest for relevance

Greatest demand exists for personalization services …

What are the elements that you appreciate the most when the brand interacts with you / takes care of you?

… through both digital and physical avenues

Personalized in-store treatments are most popular with Baby Boomers ~45% of those surveyed ranking it in their top 3 perf. services

1. Special glamorous events (parties, fashion shows), access to special brand content, invitation to runways, backstage photos, VIP events and other external events; 2. Special promotions (e.g. pre-sales, loyalty program, birthday gift) and exclusive shopping areas or hours in store; 3. Ability to have products refurbished by brands; 4. Not available due to change in cluster methodology

Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Mar/Apr 21 (12K respondents in 12 countries), Expert interviews, BCG estimates
Social and live commerce (i.e. livestreaming) boosted
Livestreams highly relevant for US and Chinese luxury consumers and proving to be a high "conversion" tool (about 70% on average)

Virtual livestream are very popular in **China** and to a lesser extent in **U.S.**, with Europe lagging behind …

<table>
<thead>
<tr>
<th>Region</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>73%</td>
<td>27%</td>
</tr>
<tr>
<td>US</td>
<td>55%</td>
<td>45%</td>
</tr>
<tr>
<td>RoW</td>
<td>37%</td>
<td>63%</td>
</tr>
<tr>
<td>Europe</td>
<td>30%</td>
<td>70%</td>
</tr>
</tbody>
</table>

Average: 46% Yes

… however, on average they prove to have **high potential** in terms of **conversion**, with **70% of respondents** that have already purchased during or after them and **no groups below the 60% threshold**

Note: Europe includes Italy, France, Germany and UK; RoW includes Japan, South Korea, UAE, KSA, Russia and Brazil
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Mar/Apr 21 (12K respondents in 12 countries), Expert interviews, BCG estimates
Altagamma & BCG Team for the 8th edition of the study

- Stefania Lazzaroni: General Manager, Altagamma
- Nicola Pianon: Managing Director & Senior Partner
- Javier Seara: Managing Director & Senior Partner
- Filippo Bianchi: Managing Director & Partner
- Sarah Willersdorf: Managing Director & Partner
- Guia Ricci: Principal
- Filippo Prini: Project Leader
Thank you!