Navigating What's Next

A Pulse Check Of the Luxury Consumer

As presented at the 'Navigating What's Next' event in January 2023, New York City

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Note: This presentation was first shared at the 'Navigating What's Next Event' in January 2023, New York City.

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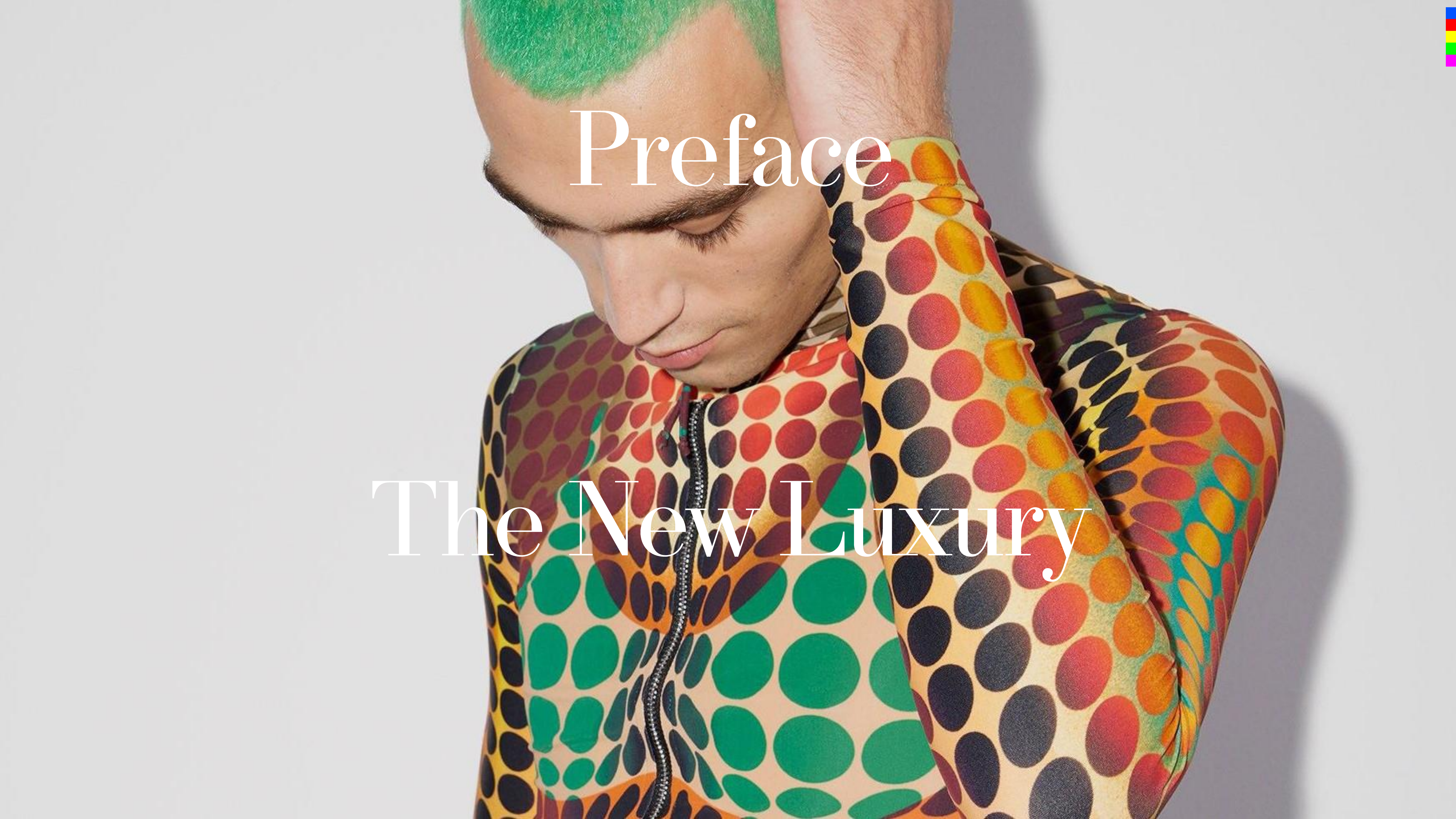


The New Luxury

The new luxury is Highsnobiety's & Boston Consulting Group's ongoing investigation into where the future of luxury is heading.

Exploring how the attitudes and behaviors of the luxury consumer are evolving over time and reacting to culture at large.

Comparing general luxury consumer with the Cultural Pioneer

The New Luxury provides an ongoing comparison between a general luxury consumer and the Cultural Pioneer consumer —someone who is younger and more ahead of the curve.

SOCIAL MEDIA FOLLOWING

10x

More than average

NEW LUXURY BRANDS

93%*/60%**

% aware of 6 or more

USE RESALE / MOBILE PLATFORMS

~30%*
~20%**

% of fashion and luxury purchases in 2019

SELF-IDENTIFY AS CREATIVE

1 in 2*
1 in 4**

Cultural Pioneers vs overall luxury consumers

*CULTURAL PIONEERS **OVERALL LUXURY CONSUMERS

The New Luxury Whitepapers

1

THE NEW LUXURY - 2018

2

CULTURE CULTURE CULTURE - 2019

3

LUXURY 3.0 - 2022

What is the New Luxury mindset?

[Old] Luxury

Materialism + Exclusivity +
One Way Conversations

[New] Luxury

Knowledge + Access + Community

[#1] reason for the New Luxury consumer to follow a brand is to "live in the universe they have created."

SOURCE: CULTURE, CULTURE, CULTURE, BCG X HIGHSNOBIETY

"Stories over product; knowledge over possession; community over crowds; participation and experiences over observation."

SOURCE: CULTURE, CULTURE, CULTURE, BCG X HIGHSNOBIETY

Navigating What's Next

For this instalment of the New Luxury, we seek to give a data-driven pulse check on how the luxury consumer is feeling right now.

In 2023, we are facing a uniquely challenging economic and political context.

We want to understand:

1. How is the luxury consumer feeling about the economy?
2. How are their priorities changing?
3. What categories are they investing in?
4. How does the idea of luxury evolve in economically tough times?

Methodology

This presentation is informed by two surveys – one of general luxury consumers and one of Cultural Pioneers (Highsnobiety's audience used as a reference panel)

OVERALL LUXURY SURVEY

n = 2,041 for US, n = 2,146 for UK, n = 2,504 for France, n = 2,571 for Germany, unweighted

CULTURAL PIONEER SURVEY

n = 566; region: 50% eu / 38% n.a / 12% other; age:70% 18-34 / 30% 35+

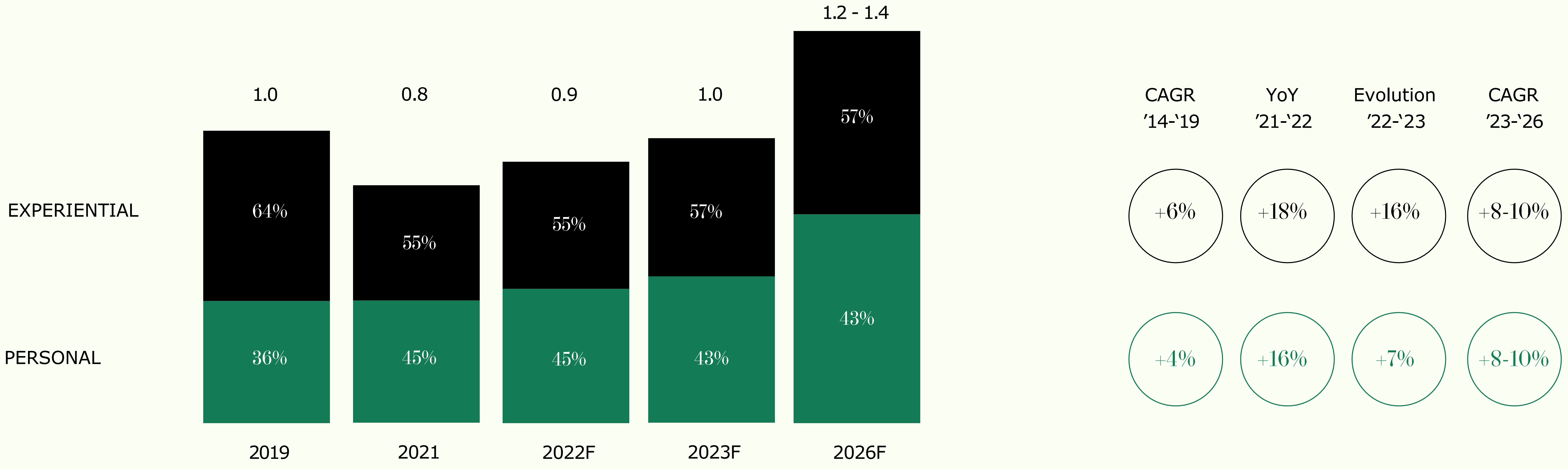
Chapter 01

General Outlook

True Luxury

As of 2022, personal luxury (e.g., apparel, footwear, accessories, leather goods, beauty, jewelry) spending had recovered to pre-COVID levels. While experiential luxury (e.g., furniture, food & wine, fine dining, hotel, exclusive vacations) has been growing.

GLOBAL TRUE LUXURY MARKET - €T



Note: Personal includes apparel, footwear, accessories, leather goods, beauty, jewellery (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 Dec 2022; BCG Analysis

The Next Gen Is Here

While Millennials and Gen Z made up ~40% of the True Luxury personal goods market in 2019, they are expected to account for ~75% of the market by 2026. In particular, they influence the market through trendsetting and unprecedented digital engagement in the category.

Note: Numbers rounded. True Luxury personal goods market includes apparel, footwear, accessories, leather goods, beauty, jewellery (branded and unbranded) and watches. Gen Z, 1993-2001; Millennial, 1978-1992; Gen X, 1963-1977; Baby Boomers, 1946-1962; Silvers, <1945. Source: BCG Fashion & Luxury Market model as of Dec 2022, UN World Population Prospects

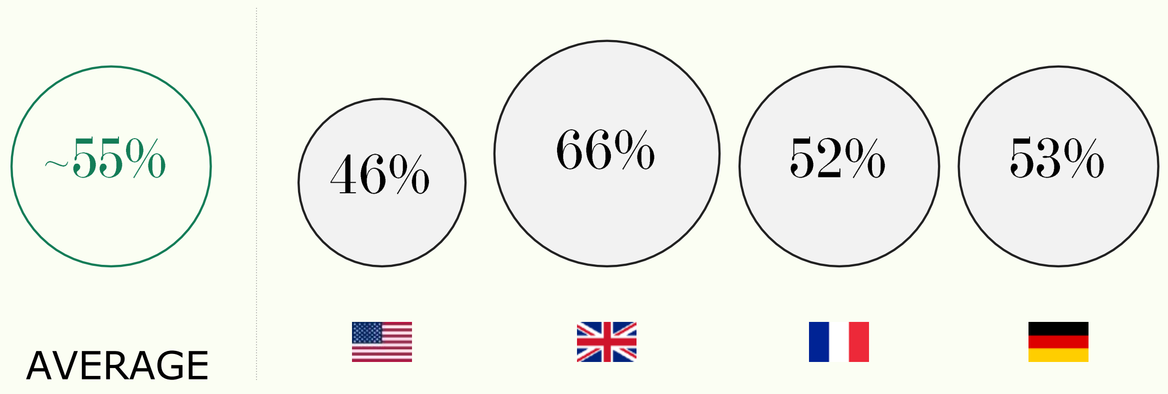
Consumers feel financially worse-off today; are spending more, saving less …

55%

of households feel financially worse off today…

"WOULD YOU SAY THAT YOU (AND YOUR FAMILY LIVING WITH YOU) ARE BETTER OFF OR WORSE OFF FINANCIALLY THAN YOU WERE 6 MONTHS AGO?"

% RESPONDENTS THAT FEEL WORSE OFF



MONTHLY CONSUMER SURVEYS WITHIN LIGHTHOUSE SHOW +8PP INCREASE IN % OF HOUSEHOLDS FEELING WORSE OFF OVER PAST 6 MONTHS[2]

… MOST ARE SPENDING MORE
… FEW ARE EARNING MORE
… MANY ARE SAVING LESS

55% … HAVE INCREASED HOUSEHOLD SPEND COMPARED TO 6 MONTHS AGO

only 18% … HAVE INCREASED INCOME COMPARED TO 6 MONTHS AGO

46% … HAVE DECREASED SAVINGS COMPARED TO 6 MONTHS AGO

DATA SOURCED FROM LIGHTHOUSE

1. Net Change = Percentage of respondents spend a lot less or somewhat less minus percentage spend somewhat more or a lot more
2. 2. Data sourced from i360 Longitudinal Consumer Survey in Lighthouse Source: BCG Recessionary behavior Consumer Sentiment Survey,
3. Aug 2022 (n = 2,041 for US, n=2,146 for UK, n=2,571 for France, n= 2,504 for Germany, unweighted)

Overview

The State of Luxury 'at a glance'.

WHO/WHERE

- NEXTGEN HERE: MILLENNIAL AND GEN-Z TO REPRESENT 75% BY 2026, BUT RENEWED FOCUS ON OLDER MILLENNIALS AND GEN X TOP TIER CONSUMERS
- STRENGTH REMAINS IN US AND MIDDLE EAST; EU RECOVERY SLOW; CHINA IN STOP-START RECOVERY (IMPORTANT TO LUXURY OVERALL)
- **BRAND COMMUNITIES EVOLVING BALANCING ONLINE AND OFFLINE INTERACTIONS.**

WHAT

- **BIFURCATION OF CONSUMERS: HIGH-INCOME AND PIONEERS STILL SPENDING**
- SUSTAINABILITY & DEI ARE TABLE STAKES
- **PRICE INCREASES AS INFLATION IS "PRICED IN" (AND SUPPLY CHAIN CHALLENGES CONTINUE)**
- **RENEWED FOCUS ON LUXURY LIFESTYLE AND SELF-CARE (LUXURY EXPERIENCES, TRAVEL, BEAUTY)**
- **MORE STRUCTURED SILHOUETTES AND ICONIC PIECES OFTEN WIN FOR 'EVERYDAY OCCASIONS'**
- GENDER FLUIDITY ACROSS CATEGORIES
- WEB3 STILL IN DISCOVERY PHASE; SIGNIFICANT OPPORTUNITIES (& RISKS)

HOW

- RESET OF DISTRIBUTION ECOSYSTEM
  - INCREASED BRAND-OWNED STORES
  - MARKETPLACES OUTPACING OVERALL DIGITAL GROWTH
  - SOCIAL COMMERCE GROWING
- NEW BUSINESS MODELS (SECOND HAND COMMERCE AND RENTAL)
- **CLIENTELING 2.0 AND LOYALTY DRIVE HYPER-PERSONALISATION – DATA + HUMAN TOUCH**
- NEXT-GEN AGILE SUPPLY CHAIN (GIVEN CONTINUED DISRUPTION)
- FUTURE OF WORK AND ORG. MODEL

Focus of this presentation.

Chapter 02

Optimism & Resilience

[High]Income consumers (thus far) exhibit a resilience to the current climate, feeling more optimistic about the recession and expecting to spend more.

Fashion & Luxury Brands

High-income consumers are predictably more resilient in the face of the recession, planning to spend more in the future and maintain their preference for luxury goods / experiences.

Net sentiment on consumer spending[1] / Difference between high-income and general consumer

	HIGH-INCOME CONSUMERS	ALL INCOME-TYPES CONSUMERS	DIFFERENCE
HIGH-END LUXURY FASHION BRANDS	-2%	-46%	45%
MID-PRICED & PREMIUM FASHION BRANDS	7%	-30%	37%
ENTRY PRICE/FAST FASHION FASHION BRANDS	3%	-23%	26%
VALUE/DISCOUNT FASHION BRANDS	3%	-5%	7%

Note: High-income consumers include individuals having annual income >$150,000 and savings >$150,000
1. Net change represents the difference between the no. of individuals spending a lot more / somewhat more and somewhat less / a lot less; Question text: "In the next 12 months, how much do you expect your TOTAL spend on clothing, footwear, and accessories to change compared to this past year for each of the following types of brands?";
Source: BCG Recessionary Behavior Consumer Sentiment Survey, August 2022 (n = 9263, and n = 301 for high-income consumers; for apparel and footwear questions, n = 3115, and n = 105 for high-income consumers)

The Cultural Pioneer thinks and act 'rich'

Whilst the defining trait of the cultural pioneer is not high income, we see this consumer exhibit a similar optimism, resilience and preference for luxury as the high-income consumer. This is because the cultural pioneer is less worried about the macro economy and more focused on their personal aspirations.

COVID IMPACT

72%

Feel less worried about the impact of COVID-19 now.

TRAVEL PLANS

63%

Have booked travel plans within the last 6 months.

SPENDING

63%

Expect to spend the same amount or more over the next 6 months.

SOURCE: HIGHSNOBIETY, CULTURAL PIONEER PULSE CHECK, DECEMBER 2022

The Pioneer is embracing mindful spending

Pioneers are consciously evaluating their purchases beyond the traditional lens of values. In addition to a preference for quality and other traits deeply associated with luxury, the cultural pioneer shirks impulse for consideration, seeing the brands they buy as an extension and expression of who they are.

MORE HIGH QUALITY ITEMS

86%

of Pioneers agree they're looking to buy fewer, but higher quality items.

NOT IMPULSIVE

71%

of Pioneers disagree that they're buying more impulsively.

ALIGNMENT

68%

of Pioneers agree that they choose brands that align with their personal values and stand for something bigger than just their products or services.

SOURCE: HIGHSNOBIETY, CULTURAL PIONEER PULSE CHECK, DECEMBER 2022

Chapter 03

Classics & Occasionwear

Social and travel occasions are going to dominate consumer spend, with a renewed importance of classic and timeless pieces that won't go out fashion.

Occasions

High-income consumers are more likely to spend on fashion & luxury for social occasions, both at home and elsewhere, as well as travel-related ones. Other occasions such as hanging around at home (4%) or participating in work events after work (2%) haven taken less priority for their planned spend.

US consumer expects to spend more on social and travel related occasions.

+35% TAKING A HOLIDAY IN THE SUN/ AT BEACH

+35% GOING TO A SOCIAL ACTIVITY AT HOME

+35% ATTENDING CELEBRATIONS/ WEDDINGS

+29% VISITING A CITY

NET SENTIMENT FOR FASHION & LUXURY SPEND BY OCCASION1
(% SPENDING MORE - % SPENDING LESS)

1. Net = Percentage of respondents answering a lot more or somewhat more minus percentage somewhat less or a lot less, versus total US average of 1%
Note: Rounding differences may occur; Question text: "In the next 12 months, how much do you expect your TOTAL spend on clothing, footwear, and accessories to change compared to this past year for each of the following types of occasions?";
Source: BCG Economy Consumer Sentiment Survey (August 2022); N Tot = 3115; N US = 669

The Pioneer seeks enduring style

Pioneers are less interested in following overt trends and making seasonal purchases, instead shifting toward a preference for evergreen items that can be collected, owned and styled for many years to come.

LESS CONCERNED

72%

agree they're less concerned with having the latest products

INTERESTED IN CLASSICS

39%

less interested in sneakers/ streetwear and more interested in classics/ tailoring

TOP PURCHASE DRIVERS FOR ITEMS OF CLOTHING:

86%

Quality

79%

Timelessness

64%

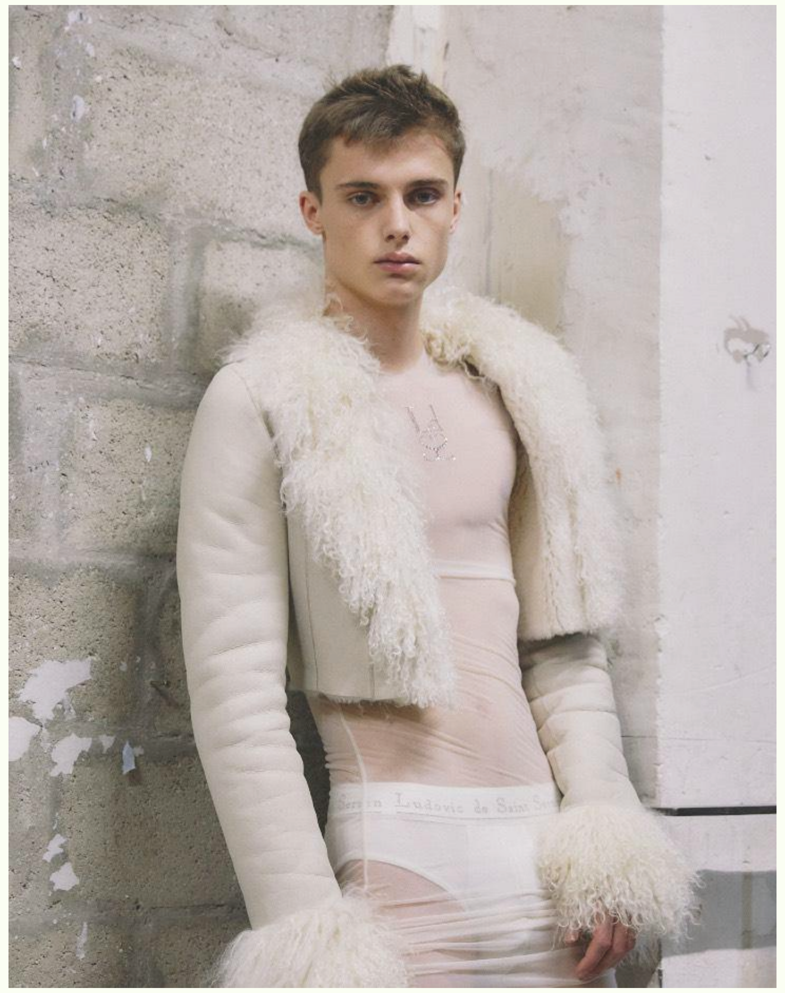
Functionality

SOURCE: HIGHSNOBIETY, CULTURAL PIONEER PULSE CHECK, DECEMBER 2022

Consumer preferences shifting towards preppy styles, statement pieces, iconic silhouettes and gender fluidity

GROWING TREND TOWARDS MORE PREPPY OR STRUCTURED STYLES – EVEN IN STREETWEAR, INCLUDING TAILORED SILHOUETTES AND LOAFERS; LESS EMPHASIS ON SNEAKERS AND T-SHIRTS

EMPHASIS ON EXTRAVAGANT AND ATTENTION-GRABBING STYLES (E.G., LARGE OVERCOATS, MAIN STATEMENT PIECES)



CONVERGENCE TO GENDER FLUIDITY, IN BOTH APPAREL AND ADJACENT CATEGORIES (E.G., BEAUTY)

RETURN TO CLASSIC ROOTS, EMBRACING SEASON-LESS STYLES AND ICONIC SILHOUETTES; YOUNGER GENERATIONS TURNING TO RESALE CHANNELS TO FIND THESE STYLES

Chapter 04

Luxury as Lifestyle

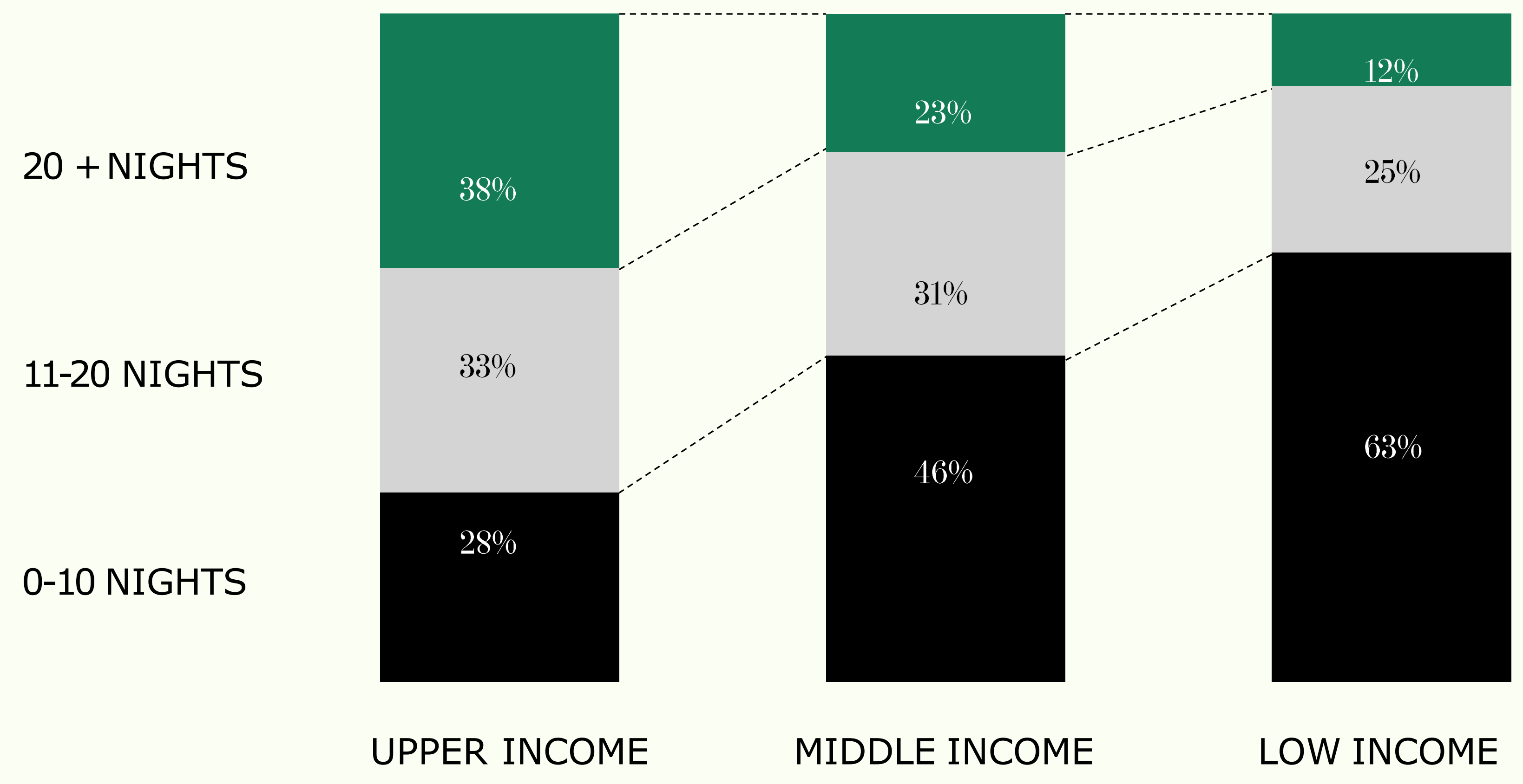
Mental and physical well being have increased in overall importance for the customer and self care and escape have become luxuries.

U.S. Travel

Post-COVID consumers in the West are returning to travel, with the high income consumer expecting to travel more often and for longer periods of time in the next year. This is primarily due to the lifting of restrictions, with consumers wanting to make up for the lost time in 2020-2021.

+4%

NET CHANGE IN NO. OF CONSUMERS EXPECTING TO TRAVEL 20+ NIGHTS
(% TRAVELING IN FUTURE 12 MO. - % TRAVELING IN PAST 12 MO.)



NUMBER OF NIGHTS CONSUMERS EXPECT TO TRAVEL IN THE NEXT 12 MONTHS

MAKING UP LOST TIME THE #1 REASON FOR TRAVEL, FOLLOWED BY EASE AND SAFETY

1. 40% — MAKING UP FOR LOST TIME
2. 30% — TRAVEL IS EASIER THAN BEFORE
3. 27% — TRAVEL IS SAFER THAN BEFORE

3 TOP REASONS CONSUMERS PLAN TO SPEND MORE ON TRAVEL IN NEXT 12 MONTHS

Source: BCG Recessionary behavior
Consumer Sentiment Survey, Aug 2022 (n = 2,041 for US, unweighted, respondents n = 416 for beauty category)

The Pioneer is prioritizing intangible luxuries such as travel

Post-pandemic there is a renewed focus on travel, especially for experiences which are one of a kind and luxury experiences.

BOOKED TRAVEL PLANS

63%

Have booked travel plans within the last 6 months

ONCE IN A LIFETIME

61%

Say that post-post pandemic, they're looking for travel experiences that are more one of a kind or once in a lifetime.

POST PANDEMIC TRAVEL

57%

Say that post-pandemic I found myself more interested in travel, especially premium and luxury travel experiences.

SOURCE: HIGHSNOBIETY, CULTURAL PIONEER PULSE CHECK, DECEMBER 2022

Luxury Brands are leveraging travel and hospitality to create new connections

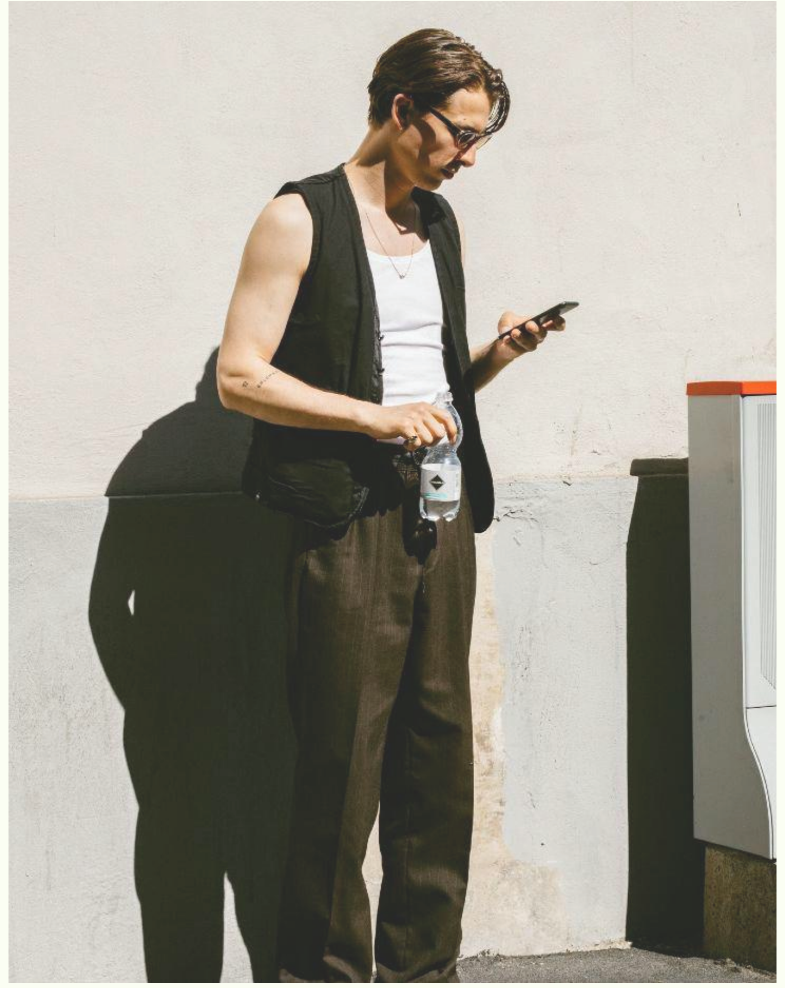
PRODUCT

TRAVEL-ORIENTED CAPSULE COLLECTION (E.G. SKI RESORT)

RETAIL

LUXURY BOUTIQUES AND POP-UPS AT HOLIDAY DESTINATIONS

HOSPITALITY



EXPANSION VIA LIFESTYLE AND COLLABORATIONS

INSPIRATION

DESTINATION FASHION SHOWS

A focus on mental wellbeing

Intangible luxury also takes into account physical and mental wellbeing, with the Pioneer prioritising mental health and personal development.

WELLBEING

57%

Prioritising looking after their mental wellbeing

PERSONAL

54%

Prioritising personal/ self-development

SOURCE: HIGHSNOBIETY, CULTURAL PIONEER PULSE CHECK, DECEMBER 2022

U.S. Beauty

Category expecting increased spend, largely driven by higher prices and volume

BEAUTY TO SEE CONTINUED INCREASE IN SPEND…

+9% ALL BEAUTY FUTURE SPEND (NEXT 6 MONTHS)

+3% ALL BEAUTY PAST SPEND (LAST 6 MONTHS)

- NET CHANGE[1] IN NO. OF CONSUMERS EXPECTING TO SPEND MORE FUTURE/PAST (% SPENDING MORE - % SPENDING LESS)

…WITH HAIR CARE AND BODY CARE EXPECTED TO SEE THE HIGHEST INCREASE…

7% SKINCARE

3% COSMETICS

13% HAIR CARE

12% BODY CARE

- NET CHANGE[1] IN NO. OF CONSUMERS EXPECTING TO SPEND MORE NEXT 6 MONTHS (% SPENDING MORE - % SPENDING LESS)

…DUE TO INCREASED PRODUCT PRICING AND VOLUME

3 TOP REASONS CONSUMERS PLAN TO SPEND MORE IN NEXT 6 MONTHS

1 +61% CONTINUE PURCHASING BRANDS I LIKE (EVEN IF PRICES INCREASE)

2 +13% BUY MORE PRODUCTS OF THIS TYPE

3 +8% SWITCH TO MORE EXPENSIVE BRANDS

1. Net Change = Percentage of respondents spend a lot more or somewhat more minus percentage spend somewhat less or a lot less
Source: BCG Recessionary behavior Consumer Sentiment Survey, Aug 2022 (n = 2,041 for US, unweighted, respondents n = 416 for beauty category)

Beauty is more than self-care, it's expression

For the Pioneer beauty is much more than self-care, it's a critical party of their toolkit when it comes to self-expression and experimentation.

TOP THREE BEAUTY ASSOCIATIONS

80%

Self Care

72%

Confidence

59%

Self-Expression

UNCONVENTIONAL

64%

Like brands that have unconventional approaches to beauty.

SOURCE: HIGHSNOBIETY, BEAUTY SURVEY, JAN 2023

Beauty fuels community

Just as community is a critical pillar of the New Luxury paradigm; we see community being a key route to beauty discovery as well.

ONLINE CONTENT CREATORS

51%

Say they are influenced by online content creators when it comes to beauty purchases.

FRIENDS

49%

Say they are influenced by their friends when it comes to beauty purchases.

SOURCE: HIGHSNOBIETY, BEAUTY SURVEY, JAN 2023

Chapter 05

Evolution of Community

And how brands foster it — is always a core pillar of the new luxury paradigm. What changes is where those communities lie and how they organize themselves.

Evolution of Community in the New Luxury

COMMUNITY AROUND KNOWLEDGE.

POWER OF AUDIENCES AND CULTURAL CREDIBILITY

ONLINE COMMUNITIES, MADE UP OF MANY DIFFERENT CONSUMERS SEGMENTS AND COHORTS.

2023 — LOCAL, NICHE AND INTIMATE

Community is becoming more niche and intimate

Whether its online or in real life, post-pandemic we are seeing a resurgence in smaller, more intimate spaces. These spaces offer greater intimacy and meaning but also an opportunity to discover trends first, and thus, greater social currency.

SOMETHING IN COMMON

69%

agree that when they see someone else wearing a brand they like, they feel as though they have something in common

TOO CROWDED

55%

agree that they feel large established social platforms like FB/IG have 'too many people on them'

ACTIVE ONLINE

29%

are active on Discord/ 23% are active on BeReal

SOURCE: HIGHSNOBIETY, CULTURAL PIONEER PULSE CHECK, DECEMBER 2022

Cultural Pioneers invest in their immediate community

Cultural pioneers are using their resources to develop relationships with their family, friends and loved ones. Whether through travel or purchasing, the Pioneer sees their time and money as equally precious resources to be spent on those they care most about.

SPEND ON EXPERIENCES

73%

agree they're spending more on special experiences for themselves/loved ones

HOLIDAY BOOKED

63%

have a booked a holiday with family or friends within the last 6 months

GIVE BACK

47%

seeking out products and experiences that help them give back to their community

SOURCE: HIGHSNOBIETY, CULTURAL PIONEER PULSE CHECK, DECEMBER 2022

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