MILANO, FEBRUARY 20TH 2018

5th Edition

2018 True-Luxury Global Consumer Insight
The BCG-Altagamma True-Luxury Global Consumer insight panel in line with 2017

Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey 2017 (12K + respondents in 10 countries)
True-Luxury Global Consumer Insight
True-Luxury Global Consumer Insight
5 lenses to take a closer look at the 2017 - 2024 Luxury Market

**Categories:** Personal growing at ~3% driven by accessories & cosmetics; Experiential 2pp faster

**Generation:** Millennials will grow from 29% to 50% of luxury market

**Nationality:** Chinese, again the driving force, up from 32% to 40% of luxury market

**True-Luxury Behavioral Segments:** Megacitier and Rich Upstarter key within Millennials and Chinese, Absolute Luxurer within mature markets and older consumers

**Channel:** Store-solo stabilizing in an Omnichannel world?
18 M True Luxury Consumers generating ~30% of global market, expected to further polarize in the next years

CLUSTER

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th></th>
<th>2024</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td># (M)</td>
<td>Bn(€)</td>
<td># (M)</td>
<td>Bn(€)</td>
</tr>
<tr>
<td>Beyond money</td>
<td>0.4</td>
<td>22</td>
<td>0.6</td>
<td>41</td>
</tr>
<tr>
<td>Top Absolute</td>
<td>1.4</td>
<td>33</td>
<td>2.2</td>
<td>54</td>
</tr>
<tr>
<td>Absolute</td>
<td>4.9</td>
<td>98</td>
<td>6.5</td>
<td>145</td>
</tr>
<tr>
<td>Entry Absolute</td>
<td>11.3</td>
<td>115</td>
<td>13.9</td>
<td>155</td>
</tr>
<tr>
<td>Total True-Luxury</td>
<td>18</td>
<td>267</td>
<td>23</td>
<td>395</td>
</tr>
</tbody>
</table>

Note: Including personal and experiential luxury, excluding cars and yachts
Source: BCG Luxury Market Model
2 most relevant avenues of growth for the Personal Luxury market

50% of the market made by Millennials by 2024

40% of the market Made by Chinese by 2024

Age Today

Silent (70+ yrs) 327 2017 2024F
Baby Boomers (51-70 yrs) 85 139
Gen. X (36-50 yrs) 128 200
Millennials (21-35 yrs) 96 29 29%
Gen. Z (5-20 yrs) 10 50%

Of the growth will be driven by Millennials

Of the growth will be driven by Chinese

130%

70%

Note: Relative to Personal Luxury
Source: BCG Luxury market model
We have been exploring behavior of Luxury consumers for the last 5 years, focusing on the True-Luxury Consumers

True-Luxury Global Consumers segmentation by spending level

- Beyond money
- Top Absolute
- Absolute
- Entry Absolute
- Aspirational

50 k€
20 k€
10 k€
5 k€

Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey 2017 (12K + respondents in 10 countries)
Along 2 main avenues of growth, Megacitier & Rich Upstarter; Absolute Luxurer key in mature markets & older

Brands will win if they will understand in depth stronger & growing behavioral segments: why they buy, what they like, where they buy, where and how they get influenced...
10 trends relevant for the True-Luxury Consumers

Product & Branding
“What they want”

1. Luxury casualwear: keeps increasing vs formal with 73% appeal, +7pp YoY, also driven by “forever young” behaviors
2. Luxury product values: traditional values as quality hold but new values as “extravagance & fun” key to success
3. Collaborations: cover demand for newness, give a cool edge, strengthen brand awareness & willingness to buy
4. Mix and match: ~55% Millennials partially shift from luxury brands to trade down or mix styles buying niche brands
5. Brand loyalty: Millennials the generation with highest brand loyalty across categories - 36% are loyal vs. 30% overall

Communication & Media
“How to reach them”

6. Social media: social media keep booming - from 9th in 2013 to 1st lever in 2017 on True-Luxury consumers
7. Influencers: within social media, influencer power booming because of perceived authenticity

Sales Channels
“Where they buy”

8. Omnichannel: achieved ~50%. Online-solo keeps growing with older consumers. Store-solo shows signs of recovery
9. Online ecosystem: evolving with regional differences (brand.com vs multi-brand vs generalist marketplaces shares)
10. Mono-brand stores: stabilizing due to luxury brands' efforts -“Special product” offer, in-store experience improvement

Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey 2017 (12K + respondents in 10 countries)
For Millennials particularly relevant "What they want"; for Chinese "Where they buy and how to reach them"

1. Luxury casualwear
2. Luxury product values
3. Collaborations
4. Mix and Match
5. Brand loyalty

6. Social Media
7. Influencers

8. Omnichannel
9. Online ecosystem
10. Mono-brand stores

1 True Luxury Consumers
Global market trends

2 Focus: Millennials

3 Focus: Chinese
True Luxury Consumers Global market trends

1. Product & Branding “What they want”
2. Focus: Millennials
3. Focus: Chinese

Communication & Media “How to reach them”

Sales Channels “Where they buy”
Luxury casualwear confirmed as a major trend, especially for 'Forever Young' generations

73% vs 66% last year moving toward casual luxury

No change towards luxury casualwear

Shift towards luxury casualwear

By Generation

2016

2017

Gen. Z

33%

67%

Millennials

29%

71%

Gen. X

28%

72%

Baby Boomers

22%

78%

Silver

13%

87%

Forever Young

Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey 2017 (12K + respondents in 10 countries)
Luxury casualwear the "new normal": driven by formal saturation & comfort for older, by coolness for young

Reasons why...

- Now suitable / accepted in more occasions, even at work: 48% (All), 43% (Gen. Z), 46% (Millennials), 43% (Gen. X), 43% (Baby Boomer), 49% (Silver)
- I wear casual during my free time: 37% (All), 34% (Gen. Z), 38% (Millennials), 38% (Gen. X), 34% (Baby Boomer), 27% (Silver)
- Formalwear saturation: 31% (All), 30% (Gen. Z), 28% (Millennials), 30% (Gen. X), 39% (Baby Boomer), 49% (Silver)
- More comfortable: 27% (All), 20% (Gen. Z), 21% (Millennials), 24% (Gen. X), 33% (Baby Boomer), 43% (Silver)
- Represents my personal branding and I feel cooler: 25% (All), 24% (Gen. Z), 23% (Millennials), 22% (Gen. X), 16% (Baby Boomer), 13% (Silver)

Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey 2017 (12K + respondents in 10 countries)
Among top 5 future luxury spending categories True-Luxury Consumers do see 3 casual oriented ones

In which categories will your spending on luxury goods be affected the most and in which direction?

Index: % People expecting to increase spending - % of people expecting to decrease spending in that category

**Balanced Casual & Formal**
- Pants & Skirts: +39%
- Shirts: +38%

**Biased to Casual**
- Sneakers: +37%
- T-Shirt: +35%
- Jeans: +34%

Overall True-Luxury consumers expected spending increase

Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey 2017 (12K + respondents in 10 countries)
Traditional luxury values still predominant, however new values key for success amongst Chinese & Millennials

Overall True-Luxury Consumers

Traditional luxury values
- Superior quality
- Craftsmanship
- Exclusivity

New luxury values
- Extravagant & fun
- An identity statement
- Cool & sexy

Millennials

Traditional luxury values
- Superior quality
- Craftsmanship
- Exclusivity

New luxury values
- Extravagant & fun
- Timeless
- Adorned aesthetics

Luxury product values

Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey 2017 (12K+ respondents in 10 countries)
Global market trends

Made-in Italy still leading, fueled by apparel, handbags and shoes

“Which country of manufacturing do you consider the best for luxury products?”

Respondents preference on made-in\(^1\) (%)

<table>
<thead>
<tr>
<th>Country</th>
<th>Made-in (%)</th>
<th>Change (2014-2017) (pp)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy</td>
<td>30%</td>
<td>12</td>
</tr>
<tr>
<td>France</td>
<td>22%</td>
<td>4</td>
</tr>
<tr>
<td>USA</td>
<td>11%</td>
<td>3</td>
</tr>
<tr>
<td>Switzerland</td>
<td>10%</td>
<td>0</td>
</tr>
<tr>
<td>Germany</td>
<td>7%</td>
<td>-4</td>
</tr>
<tr>
<td>UK</td>
<td>5%</td>
<td>-1</td>
</tr>
<tr>
<td>...</td>
<td>3%</td>
<td>-2</td>
</tr>
</tbody>
</table>

Drivers (2014-2017)

- **Clothing**
  - Made-in Italy: 19% in 2014, 36% in 2017 (+17 pp)
  - Other countries:
    - France: 2014: 14%, 2017: 17% (+3 pp)

- **Handbags & shoes**
  - Made-in Italy: 20% in 2014, 38% in 2017 (+18 pp)
  - Other countries:
    - Germany: 2014: 16%, 2017: 18% (+2 pp)

- **Cosmetics & perfumes**
  - Made-in Italy: 15% in 2014, 14% in 2017 (-2 pp)
  - Other countries:
    - France: 2014: 35%, 2017: 36% (+1 pp)
    - Germany: 2014: 35%, 2017: 50% (+15 pp)

1. Excluding cars, luxury boats, design and lighting

Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey 2017 (12K + respondents in 10 countries)
Global market trends

Made-in Italy recognized worldwide, however Made-in France preferred in China, Brazil & France

Made-in preference by consumer nationality

Focus on personal luxury

Respondents (%)

Made in US
Made in France
Made in Italy

Overall

1. Excluding cars, luxury boats, design and lighting

Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey 2017 (12K + respondents in 10 countries)
Made-in Italy preferred amongst Gen X & Baby Boomers, Made-in France much closer amongst youngers

Made-in preference by consumer generation

Focus on personal luxury

1. Excluding cars, luxury boats, design and lighting
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey 2017 (12K + respondents in 10 countries)
Social Media rank as 1st influence lever on True-Luxury Consumers, +29pp vs 2013 and +1pp vs 2016

Question: Which of the following online sources of information/channels impact how you develop opinions or make decisions about luxury purchases?

<table>
<thead>
<tr>
<th>Year</th>
<th>Magazines</th>
<th>Store windows</th>
<th>Brand websites</th>
<th>Word of Mouth</th>
<th>TV &amp; Movies</th>
<th>Events</th>
<th>Celebrities</th>
<th>Seen Worn</th>
<th>Social Media &amp; Influencers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>50%</td>
<td>39%</td>
<td>34%</td>
<td>32%</td>
<td>24%</td>
<td>20%</td>
<td>20%</td>
<td>13%</td>
<td>11%</td>
</tr>
<tr>
<td>2016</td>
<td>39%</td>
<td>26%</td>
<td>33%</td>
<td>19%</td>
<td>23%</td>
<td>17%</td>
<td>16%</td>
<td>12%</td>
<td>38%</td>
</tr>
<tr>
<td>2017</td>
<td>37%</td>
<td>27%</td>
<td>31%</td>
<td>22%</td>
<td>20%</td>
<td>14%</td>
<td>14%</td>
<td>13%</td>
<td>29% 10% 39%</td>
</tr>
</tbody>
</table>

Note: Multiple options answer (ranking of three levers)
1. Includes Social Media, Online blogs & Influencers; 2. Editorials and Commercial in Magazines. Includes both traditional & digital magazines; 3. Includes also Brand’s App
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey 2017 (12K + respondents in 10 countries)
### Global market trends

**Instagram gaining space vs. Facebook and Youtube in the West; Wechat, Weibo and QQ leading among Chinese**

How would you rank the social media you use when interacting with luxury brands, fashion bloggers?

#### Western world

<table>
<thead>
<tr>
<th>Social Media</th>
<th>2017</th>
<th>Vs. 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facebook</td>
<td>65%</td>
<td></td>
</tr>
<tr>
<td>Instagram</td>
<td>53%</td>
<td></td>
</tr>
<tr>
<td>Youtube</td>
<td>48%</td>
<td></td>
</tr>
</tbody>
</table>

#### Chinese world

<table>
<thead>
<tr>
<th>Social Media</th>
<th>2017</th>
<th>Vs. 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tencent - Wechat</td>
<td>70%</td>
<td>=</td>
</tr>
<tr>
<td>Weibo</td>
<td>55%</td>
<td>=</td>
</tr>
<tr>
<td>Tencent - QQ</td>
<td>40%</td>
<td></td>
</tr>
</tbody>
</table>

1. Includes: US, UK, Italy, France, Germany and Brazil

Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey 2017 (12K + respondents in 10 countries)
The power of influencers does not lie in their follower count, but in their ability to influence through perceived authenticity, a unique point of view and storytelling.

Will Influencer-led content creation and power represent a challenge for luxury brands?

Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey 2017 (12K+ respondents in 10 countries); BCG Analysis
Omnichannel stabilizing, Online-solo up with senior, signs of store recovery

Last purchase channel evolution

<table>
<thead>
<tr>
<th>Channel</th>
<th>2013</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online solo</td>
<td>7%</td>
<td>10%</td>
</tr>
<tr>
<td>Showrooming</td>
<td>8%</td>
<td>9%</td>
</tr>
<tr>
<td>ROPO</td>
<td>38%</td>
<td>46%</td>
</tr>
<tr>
<td>Store solo</td>
<td>47%</td>
<td>39%</td>
</tr>
</tbody>
</table>

- **48% Omnichannel in 2017**

**Global market trends**

1. Researched Online, Purchased Offline
2. Researched Offline, Purchased Online

Note: referred to last purchase

Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey 2017 (12K + respondents in 10 countries)

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**Signs of Store-solo stabilization driven by US True Luxury Consumers & younger generations**

**Omnichannel stabilizing for the 1st year, however future growth expected to come from Millennials 'Omni' attitude**

**Online-solo continues to grow driven mainly by older generations in mature countries**
3 channels dominate True-Luxury online ecosystem, counting for ~90%

33% Mono-brand website
(e.g. Brand.com)

32% Full price multi-brand
(e.g. NAP, Farfetch)

23% Generalist marketplaces
(e.g. Amazon, T-mall, Alibaba, JD)

6% Off price e-tailers
(e.g. Yoox)

4% Online flash sales
(e.g. Vente Privee, VIP)

2% Social Media linked sales
(e.g. WeChat, C2C)

Luxury online ecosystem dominated by Mono-brand online, Full price multi-brand & Generalist marketplaces (~90% of the last purchases online)

Mono-brand online preferred in mature markets & by older generations, Generalist strong in China and Multi-brand amongst Millennials

Online ecosystem varies broadly across luxury categories

Note: referred to last purchase
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey 2017 (12K + respondents in 10 countries)
~60% of purchases perceived to be additional to physical retail purchases; peak in China at ~70%

Do you have the feeling that your spending online is in addition to or cannibalizing your luxury spending in physical stores?

True-Luxury Global Consumers

- In addition to physical: 61% (2016), 58% (2017)
- Cannibalization: 39% (2016), 42% (2017)

By nationality

- 45% for 49% for 50% for 52% for 53% for 56% for 57% for 59% for 70% for 73%

Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey 2017 (12K + respondents in 10 countries)
Global market trends

Mobile prevailing over PC for online shopping, driven by Chinese and youth; further increases expected

"Which device did you use to buy this item online?"

- **All True-Luxury Consumers**
  - 2014: 71% smartphone/tablet, 29% personal computer
  - 2017: 45% smartphone/tablet, 55% personal computer
  - 2024E: 10-20% smartphone/tablet, 80-90% personal computer

- **From Generation Z ... to Silver**
  - Gen. Z: 25% smartphone/tablet, 75% personal computer
  - Millennials: 34% smartphone/tablet, 66% personal computer
  - Gen. X: 45% smartphone/tablet, 55% personal computer
  - Baby Boomers: 73% smartphone/tablet, 27% personal computer
  - Silver: 81% smartphone/tablet, 19% personal computer

- **... to Chinese**
  - 2024E: 77% smartphone/tablet, 23% personal computer

Note: Referred to last purchase; % of people using device vs. personal computer / people buying online
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey 2017 (12K + respondents in 10 countries)
Mono-brand still the most used channel by True-Luxury Consumers, gaining back some ground vs Dept. Stores

True-Luxury Global Consumers

<table>
<thead>
<tr>
<th>Type of Store</th>
<th>2014</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online</td>
<td>16%</td>
<td>19%</td>
<td>20%</td>
</tr>
<tr>
<td>Other Physical Stores</td>
<td>7%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Shopping mall</td>
<td>6%</td>
<td>7%</td>
<td>6%</td>
</tr>
<tr>
<td>High-end dept store</td>
<td>20%</td>
<td>22%</td>
<td>17%</td>
</tr>
<tr>
<td>Multi-brand</td>
<td>16%</td>
<td>19%</td>
<td>19%</td>
</tr>
<tr>
<td>Mono-brand</td>
<td>35%</td>
<td>27%</td>
<td>32%</td>
</tr>
</tbody>
</table>

Reasons to purchase in mono-brand stores

1. Try & touch the product
2. Offer range of the brand
3. Intimate and relaxed environment
4. Convenient location, easy reach
5. Personal relationship with sales associate

Note: Referred to last purchase
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey 2017 (12K + respondents in 10 countries)
Brands efforts to offer special editions & new experiences in store drive consumers to increase visits to mono-brands

Which are the reasons for which you are and would purchase more frequently in a mono-brand physical store?

<table>
<thead>
<tr>
<th>Reason</th>
<th>Ranking</th>
<th>% of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Latest products including special editions</td>
<td>#1</td>
<td>27%</td>
</tr>
<tr>
<td>Sales associate gives me advice on latest trends</td>
<td>#2</td>
<td>21%</td>
</tr>
<tr>
<td>Products I cannot find online</td>
<td>#3</td>
<td>21%</td>
</tr>
<tr>
<td>Offers experiences in store</td>
<td>#4</td>
<td>20%</td>
</tr>
<tr>
<td>Unique event in store to which I am invited</td>
<td>#5</td>
<td>20%</td>
</tr>
<tr>
<td>Store has different product assortments in each city I visit</td>
<td>#6</td>
<td>19%</td>
</tr>
</tbody>
</table>

Reasons related to experiences, special products
Other reasons

Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey 2017 (12K + respondents in 10 countries)
True Luxury Consumers
Global market trends

1. Product & Branding
   "What they want"

2. Focus: Millennials

3. Focus: Chinese

Communication & Media
"How to reach them"

Sales Channels
"Where they buy"
4 segments count for ~70% of Millennials True-Luxury spend: focus & deep understanding will allow Brands to win

Rich Upstarter
"Luxury I am coming"

Megacitier
"World is my city. The city is my world"

#LITTLEPRINCE
"Luxury is my fun"

Absolute Luxurer
"Luxury is my commodity"

The new massive affluent class, from emerging countries

Megacitiers have an international imprinting

Young and rich, luxury is "natural" to them

The "true" high spending Luxury Consumer
88% of True-Luxury Consumers aware of collaborations, Generation Z and Millennials reaching ~94%

88% are aware of collaborations

Not aware: 12%
Aware: 88%

By Generation

- **Gen. Z**: 6% Not aware, 94% Aware
- **Millennials**: 6% Not aware, 94% Aware
- **Gen. X**: 10% Not aware, 89% Aware
- **Baby Boomers**: 24% Not aware, 76% Aware
- **Silver**: 42% Not aware, 58% Aware

Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey 2017 (12K+ respondents in 10 countries)
Collaborations with streetwear & artists have a positive impact on young generations and no impact on older ones

"Thinking about special editions realized in collaboration with different brands / artists, which of the following statements best applies to you?"

<table>
<thead>
<tr>
<th>% of respondents</th>
<th>Overall</th>
<th>By Generation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aware of Collaborations</td>
<td>88%</td>
<td></td>
</tr>
<tr>
<td>Cool, new different styles</td>
<td></td>
<td>32%</td>
</tr>
<tr>
<td>Special and unique collections</td>
<td>26%</td>
<td>25%</td>
</tr>
<tr>
<td>Something new without changing identity</td>
<td>15%</td>
<td>11%</td>
</tr>
<tr>
<td>Indifferent</td>
<td>14%</td>
<td>6%</td>
</tr>
<tr>
<td>Negative impact</td>
<td>3%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Note: Selected most important answers
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey 2017 (12K + respondents in 10 countries)
Additionally, collaborations have a positive impact on the willingness to buy for ~55% of True-Luxury Consumers.

What is the impact of collaborations in your willingness to buy from the brand?

<table>
<thead>
<tr>
<th>Willingness to buy Index</th>
<th>Overall</th>
<th>Gen. Z</th>
<th>Millennials</th>
<th>Gen. X</th>
<th>Baby Boomer</th>
<th>Silver</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in my willingness to buy the main collection</td>
<td>33%</td>
<td>37%</td>
<td>35%</td>
<td>34%</td>
<td>24%</td>
<td>23%</td>
</tr>
<tr>
<td>Increase in my willingness to buy the collaboration collection</td>
<td>34%</td>
<td>33%</td>
<td>36%</td>
<td>35%</td>
<td>28%</td>
<td>13%</td>
</tr>
<tr>
<td>Decrease in willingness to buy from the brand</td>
<td>12%</td>
<td>9%</td>
<td>9%</td>
<td>11%</td>
<td>20%</td>
<td>24%</td>
</tr>
</tbody>
</table>

1. % “Positive influence on my willingness to buy repeatedly from the collaboration’s collection” + %“Positive influence on my willingness to buy from the brand’s main collection” - %“Negative impact on long-term customers like myself: I do not recognize the brand or want to buy from it anymore”

Note: Selected most important answers
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey 2017 (12K + respondents in 10 countries)
The mix & match trend attains ~54% for millennials

47% of respondents have shifted from top luxury brands

By Generation

**Shifted**
- Gen. Z: 52%
- Millennials: 54%
- Gen. X: 45%
- Baby Boomers: 36%
- Silver: 23%

**Not shifted**
- Gen. Z: 48%
- Millennials: 46%
- Gen. X: 55%
- Baby Boomers: 64%
- Silver: 77%

Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey 2017 (12K+ respondents in 10 countries)
~54% of Millennials shift from luxury brands; they trade down or mix styles buying niche brands

~54% of Millennials shift from top luxury brands

Relevant categories

- **Sneakers**, Backpacks, T-shirts
- **Formal shoes**, Sunglasses, Perfumes
- **T-Shirts**, Shirts, Jeans
- **Handbags**, Perfumes, Watches

Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey 2017 (12K + respondents in 10 countries)
Although they mix & match, Millennials are the most loyal generation across luxury brand categories.

Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey 2017 (12K + respondents in 10 countries)
Millennials: some luxury brands know them and reach them better

“Is there a brand on which you have reduced / you will reduce your luxury spending?
Is there a brand on which you have increased / you will increase your luxury spending?”

Satisfaction Index = % respondents who will increase their spend - % respondents who will reduce their spend

1. Chosen brands with at least 10 respondents per brand
Note: Satisfaction Index = % respondents who will increase their spend - % respondents who will reduce their spend
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey 2017 (12K + respondents in 10 countries)
4 key segments to capitalize Millennials growth, ready?

- What do we find in the key segments’ wardrobe?
- Which mix of style do they look for: casual vs. formal products; extravagant vs. classy?
- What is the relevance of the collaboration collection vs. the main collections? Is this a way to increase their spending?
- How do they want their relationship with the brand to be "managed"? Be recognized, be rewarded...?
- ...

Positive halo effect on neighboring segments

Classpirational

Fashionista
1 True Luxury Consumers
Global market trends

2 Focus: Millennials

3 Focus: Chinese

Product & Branding
“What they want”

Communication & Media
“How to reach them”

Sales Channels
“Where they buy”
3 segments count for ~55% of Chinese True Luxury spend: focus & deep understanding will allow Brands to win

- **Rich Upstarter**
  
  "Luxury I am coming"
  
  The new massive affluent class

- **Megacitier**
  
  "World is my city. The city is my world"
  
  The Chinese Millennials

- **Fashionista**
  
  "In fashion I trust"
  
  The new Chinese consumers, more fashionable
China's digital ecosystem is highly integrated and dominated by two players:

- **Tencent**: Connectivity & Content focused
  - Social & Content: QQ, Wechat, Games, Music, Video, News
  - E-commerce
  - Cloud service: Tencent Cloud
  - Local Life: Car-hailing, Food delivery

- **Alibaba Group**: Digital commerce focused
  - Online e-commerce: Taobao.com, Tmall.com
  - Cloud service
  - Local Life

Source: BCG Analysis
Social Media rank as the 1st influence lever, followed by Word of Mouth & Brands websites

"Which of the following online sources of information / channels impact how you develop opinions or make decisions about luxury purchases?"

Note: Multiple options answer (ranking of five levers) 1. Includes Social Media, Online blogs & Influencers; 2. Editorials and Commercial in Magazines. Includes both traditional & digital magazines; 3. Includes also Brand’s App
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey 2017 (12K + respondents in 10 countries)
Chinese True-Luxury Consumers increasingly use Social Media

Do you use Social Media to interact with luxury brands?

Chinese

RoW¹

<table>
<thead>
<tr>
<th>Frequency</th>
<th>China</th>
<th>RoW¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes, once a week or less</td>
<td>4%</td>
<td>21%</td>
</tr>
<tr>
<td>Yes, 2-3 times a week</td>
<td>11%</td>
<td>7%</td>
</tr>
<tr>
<td>Yes, once a day</td>
<td>18%</td>
<td>9%</td>
</tr>
<tr>
<td>Yes, many times per day</td>
<td>59%</td>
<td>15%</td>
</tr>
</tbody>
</table>

Chinese's interaction with luxury brands through Social Media is increasing and already higher if compared with other countries consumers' interaction.

1. Rest of the World
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey 2017 (12K + respondents in 10 countries)
Within online sources, Brand Social Media 1st, influencers 3rd

"Which of the following online sources of information / channels impact how you develop opinions or make decisions about luxury purchases?"

<table>
<thead>
<tr>
<th>Source</th>
<th>True-Luxury Global Consumers</th>
<th>Chinese</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand’s website</td>
<td>29%</td>
<td>26%</td>
</tr>
<tr>
<td>Official brand’s social media pages</td>
<td>18%</td>
<td>27%</td>
</tr>
<tr>
<td>Advertising or articles in online magazines</td>
<td>16%</td>
<td>12%</td>
</tr>
<tr>
<td>Influencers and fashion bloggers</td>
<td>13%</td>
<td>20%</td>
</tr>
<tr>
<td>Digital communication from the brand¹</td>
<td>13%</td>
<td>11%</td>
</tr>
<tr>
<td>Online blogs</td>
<td>12%</td>
<td>10%</td>
</tr>
<tr>
<td>Brand’s mobile App</td>
<td>11%</td>
<td>12%</td>
</tr>
<tr>
<td>Instant chat services</td>
<td>9%</td>
<td>12%</td>
</tr>
</tbody>
</table>

Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey 2017 (12K + respondents in 10 countries)

Social Media & Influencers’ relevance driven not only by consumers but also by the ecosystem and by investments from platforms

It will be key for Luxury brands to partner with Social Media platform
Social media: Tencent's WeChat helps brands influence consumers along the entire shopping journey

- **Reach**
  - Moments Ads: Fan recruitment: target audience through user tags
  - Official Accounts: 3rd party accounts: Native, tailor-made ads

- **Engage**
  - "@ brand" feature: engage with fans in the ad’s comment box
  - Own account: engage fans with self-generated content

- **Convert**
  - WeChat Pay: direct in-place payment option
  - Mini programs: link customers to brand O2O experience, both in-store and for after-sale service

- **Transaction**
  - WeChat Pay: attracts users to go from online to offline
  - Customized deals & gift cards

- **After-sales & CRM**
  - Insights into user interests: to help brands communicate useful content on "social hotspots". Keyword trends, article-reading habits, and word-of-mouth monitoring analytics

Source: BCG Analysis
Moments Ads: engage with fans and potential customers on China's most widely used social sharing platform

'@brand' feature: interact with loyal fans

Integrate into EC campaign with WeChat Pay

'Fans Recruit': reach potential customers

Special Event Campaign

Customized purchase experience
Digital content: Tencent's content ecosystem reaches and engages a wide range of potential customers

Reach

Penguin Media Platform/Online Media Group: co-create and distribute branded, social-native content

Engage

Social apps: immersive social, entertainment and news event live broadcasting, with KOL and celebrity network

QQ Music: banner + native ads for target listeners

Content ecosystem: embed innovative ads into Tencent's hottest games and movies/shows, incorporating celebrities and scenario relevance for social buzz

Convert

Penguin TV: engage with high-income TA on the big screen, enhancing interaction and exposure

Push product reservation opportunities to customers

Transaction

Source: BCG Analysis
Chinese ROPO over indexed due to online struggles

True-Luxury Global Consumers

Chinese consumers more ‘Omni’ than True Luxury Consumers (~61% vs 48%)

Omnichannel relevance driven by higher ROPO & by not yet attractive Online Solo alternative

Online Solo struggle to emerge due to counterfeit products’ fear & the lack of a worthy luxury experience on the mass market platforms

1. Researched Online, Purchased Offline
2. Researched Offline, Purchased Online
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey 2017 (12K + respondents in 10 countries)
Chinese: some brands well ahead competition

~25 brands included in the analysis

“Is there a brand on which you have reduced / you will reduce your luxury spending?
Is there a brand on which you have increased / you will increase your luxury spending?”

Satisfaction Index = % respondents who will increase their spend - % respondents who will reduce their spend

Chinese Consumers

True Luxury Consumers

1. Chosen brands with at least 5 respondents per brand
Note: Satisfaction Index = % respondents who will increase their spend - % respondents who will reduce their spend
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey 2017 (12K + respondents in 10 countries)
3 key segments to capitalize Chinese growth, ready?

- How often do they expect brands to create new content / provide information through channels (from commercials to social media)?
- How to help Chinese define their identity statement through their wardrobe?
- Which influencers or fashion bloggers do they like to see in collaboration with luxury brands?
- Which sales channels do consumers prefer? Why? Which type of engagement are they looking for?
- ...

Positive halo effect on neighboring segments
Thank you
The True Luxury Consumer: What BCG could do for Luxury Companies leveraging the study

- **Launch an ad hoc survey on True Luxury Consumer of the brand to bring insight to the next level on key topics relevant for the business**
  - e.g. Categories, Geographical Markets, Consumer generations
  - e.g. Digital, retail execution, megacities penetration,
  - ....

- **Launch an ad hoc consumer study tailored on the specific target consumer of a Brand to inform key business decisions**
  - e.g. Possible merge / demerge of two lines
  - ...

- **Develop a tailored and proprietary consumer behavioral segmentation for the brand, applying BCG behavioral segmentation to Brand CRM data**
  - To capture future organic growth and boost LFL retail sales
    - Inform key decisions in merchandising, assortment, CRM, marketing,…
    - Define and launch pilots
    - Measure and scale up
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