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

Third Ed. 2016
- 10,000+ Consumers

Fourth Ed. 2017
- 12,000+
  - +1,000 in China
  - +1,000 in US
- €21K+ Average spend

Fifth Ed. 2018
- 12,000+
  - +1,000 in China
  - +1,000 in US
- ~€36K Average spend

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

<table>
<thead>
<tr>
<th>CLUSTER</th>
<th>2017</th>
<th>2024</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td># (M)</td>
<td>Bn(€)</td>
</tr>
<tr>
<td>Beyond money</td>
<td>0.4</td>
<td>22</td>
</tr>
<tr>
<td>Top Absolute</td>
<td>1.4</td>
<td>33</td>
</tr>
<tr>
<td>Absolute</td>
<td>4.9</td>
<td>98</td>
</tr>
<tr>
<td>Entry Absolute</td>
<td>11.3</td>
<td>115</td>
</tr>
<tr>
<td>Total True-Luxury</td>
<td>18</td>
<td>267</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Top Aspirational</td>
<td>21</td>
<td>65</td>
</tr>
<tr>
<td>Other Aspirational</td>
<td>375</td>
<td>580</td>
</tr>
<tr>
<td>Total Luxury Consumers</td>
<td>~414</td>
<td>~913</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

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 segment by spending level

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

50 k€
20 k€
10 k€
5 k€

True-Luxury Global Consumers Behavioral segmentation

- Absolute Luxurser
- Social Wearer
- #LITTLE PRINCE
- Experiencer
- Fashionista
- Status Seeker
- Timeless Proper
- Megacitier
- Classpirational
- Luxe Immune
- Omnipifter
- Rich Upstarter

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

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

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**Product & Branding**

“What they want”

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

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**Communication & Media**

“How to reach them”

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

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**Sales Channels**

“Where they buy”

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

Communication & Media
"How to reach them"
6. Social Media
7. Influencers

Sales Channels
"Where they buy"
8. Omnichannel
9. Online ecosystem
10. Mono-brand stores

Focus: Millennials
True Luxury Consumers
Global market trends

Focus: Chinese
1. True Luxury Consumers Global market trends

2. Focus: Millennials

3. Focus: Chinese
Luxury casualwear confirmed as a major trend, especially for 'Forever Young' generations

73% vs 66% last year moving toward casual luxury

By Generation

<table>
<thead>
<tr>
<th>Generation</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gen. Z</td>
<td>33%</td>
<td>67%</td>
</tr>
<tr>
<td>Millennials</td>
<td>29%</td>
<td>71%</td>
</tr>
<tr>
<td>Gen. X</td>
<td>28%</td>
<td>72%</td>
</tr>
<tr>
<td>Baby Boomers</td>
<td>22%</td>
<td>78%</td>
</tr>
<tr>
<td>Silver</td>
<td>13%</td>
<td>87%</td>
</tr>
</tbody>
</table>

No change towards luxury casualwear

Shift towards luxury casualwear

+7pp

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

"Thinking about formalwear / casualwear which of the following statements best apply to you?"

Shift towards Luxury casualwear

Reasons why...

Now suitable / accepted in more occasions, even at work
I wear casual during my free time
Formalwear saturation
More comfortable
Represents my personal branding and I feel cooler

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Expected Spending Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pants &amp; Skirts</td>
<td>+39%</td>
</tr>
<tr>
<td>Shirts</td>
<td>+38%</td>
</tr>
<tr>
<td>Sneakers</td>
<td>+37%</td>
</tr>
<tr>
<td>T-Shirt</td>
<td>+35%</td>
</tr>
<tr>
<td>Jeans</td>
<td>+34%</td>
</tr>
</tbody>
</table>

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
- Identity statement
- Cool & sexy
- ...

77% 23%

Luxury product values

Highest positive difference vs. overall
- Extravagant & fun
- An identity statement

Highest negative difference vs overall
- Exclusivity
- Adorned aesthetics

China

71% 29%

Europe

78% 22%

US

79% 21%

Millennials

73%

Cool & sexy
- Innovation

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>Overall</th>
<th>Δ 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>...</td>
<td>...</td>
</tr>
<tr>
<td>China</td>
<td>3%</td>
<td>-2</td>
</tr>
</tbody>
</table>

Drivers (2014-2017)

- **Clothing**
  - 2014: 19%, 2017: 36%
  - Δ: 17 pp

- **Handbags & shoes**
  - 2014: 20%, 2017: 38%
  - Δ: 18 pp

- **Cosmetics & perfumes**
  - 2014: 15%, 2017: 14%
  - Δ: -2 pp

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

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\(^1\)

Respondents (%)

Overall

Made in Italy
Made in France
Made in US

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

Social Media rank as 1st influence lever on True-Luxury Consumers, +29pp vs 2013 and +1pp vs 2016

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

<table>
<thead>
<tr>
<th>2013</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Magazines</td>
<td>50%</td>
<td>Social Media &amp; Influencers</td>
</tr>
<tr>
<td>Store windows</td>
<td>39%</td>
<td>Brand websites</td>
</tr>
<tr>
<td>Brand websites</td>
<td>34%</td>
<td>TV &amp; Movies</td>
</tr>
<tr>
<td>Word of Mouth</td>
<td>32%</td>
<td>Word of Mouth</td>
</tr>
<tr>
<td>TV &amp; Movies</td>
<td>24%</td>
<td>Events</td>
</tr>
<tr>
<td>Events</td>
<td>20%</td>
<td>Celebrities</td>
</tr>
<tr>
<td>Celebrities</td>
<td>20%</td>
<td>Seen Worn</td>
</tr>
<tr>
<td>Seen Worn</td>
<td>13%</td>
<td>Social Media &amp; Influencers</td>
</tr>
</tbody>
</table>

Note: Multiple options answer (ranking of three levers)
1. Includes Social Media, Online blogs & Influencers; 2. Editorial 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)
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?

<table>
<thead>
<tr>
<th>Western world</th>
<th>2017</th>
<th>Vs. 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Facebook</td>
<td>65%</td>
<td>↓</td>
</tr>
<tr>
<td>2. Instagram</td>
<td>53%</td>
<td>↑</td>
</tr>
<tr>
<td>3. YouTube</td>
<td>48%</td>
<td>↓</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Chinese world</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
</tr>
<tr>
<td>Tencent - Wechat</td>
</tr>
<tr>
<td>Weibo</td>
</tr>
<tr>
<td>Tencent - QQ</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
Global market trends

Omnichannel stabilizing, Online-solo up with senior, signs of store recovery

Last purchase channel evolution

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)

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?”

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

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)
Global market trends

Mono-brand still the most used channel by True-Luxury Consumers, gaining back some ground vs Dept. Stores

“Which kind of store did you buy the product from?”

True-Luxury Global Consumers

<table>
<thead>
<tr>
<th></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

Focus: Millennials

2

Focus: Chinese

3

Product & Branding
“What they want”

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%
- Millennials: 6%
- Gen. X: 10%
- Baby Boomers: 24%
- Silver: 42%

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>32%</td>
<td>49%</td>
</tr>
<tr>
<td>Special and unique collections</td>
<td>26%</td>
<td>26%</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></td>
<td>55%</td>
<td>61%</td>
<td>62%</td>
<td>57%</td>
<td>32%</td>
<td>12%</td>
</tr>
<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

<table>
<thead>
<tr>
<th>Generation</th>
<th>2016</th>
<th>2017</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shifted</td>
<td>41%</td>
<td>47%</td>
<td>+6pp</td>
</tr>
<tr>
<td>Not shifted</td>
<td>59%</td>
<td>53%</td>
<td></td>
</tr>
</tbody>
</table>

By Generation

<table>
<thead>
<tr>
<th>Generation</th>
<th>Shifted</th>
<th>Not shifted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gen. Z</td>
<td>52%</td>
<td>48%</td>
</tr>
<tr>
<td>Millennials</td>
<td>54%</td>
<td>46%</td>
</tr>
<tr>
<td>Gen. X</td>
<td>45%</td>
<td>55%</td>
</tr>
<tr>
<td>Baby Boomers</td>
<td>36%</td>
<td>64%</td>
</tr>
<tr>
<td>Silver</td>
<td>23%</td>
<td>77%</td>
</tr>
</tbody>
</table>

"Thinking about your spending of 2/3 years ago and that of the last 12 months, do you have the feeling that you have partially shifted your spending from luxury brands to premium / fast fashion / niche or sports brands?"
~54% of Millennials shift from luxury brands; they trade down or mix styles buying niche brands

Relevant categories

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

1. e.g. Lululemon or Sweaty Betty  
2. e.g. Acne Studios, Mr & Mrs Italy, Aquazurra ecc

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.

<table>
<thead>
<tr>
<th>Generation</th>
<th>Loyal</th>
<th>Unloyal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Millennials</td>
<td>36%</td>
<td>64%</td>
</tr>
<tr>
<td>Baby Boomers</td>
<td>30%</td>
<td>70%</td>
</tr>
<tr>
<td>Gen. X</td>
<td>21%</td>
<td>79%</td>
</tr>
<tr>
<td>Silver</td>
<td>16%</td>
<td>84%</td>
</tr>
</tbody>
</table>

Loyal: 69% | Unloyal: 31%

Is there a brand on which you will increase your luxury spending?
- Millennials: 44%
- Gen. X: 28%
- Silver: 21%

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

---

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)
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"
China

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
  - Finance
    - QQ
    - WeChat
  - Games
  - Music
  - Video
  - News
  - E-commerce
  - Local Life
  - Cloud service
  - Car-hailing
  - Food delivery

**Alibaba Group**
Digital commerce focused

- Online e-commerce
  - Finance
  - Cloud service
  - Entertainment
  - Food delivery
  - Local Life
  - Logistics

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?

<table>
<thead>
<tr>
<th>Source</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Media &amp; Influencers</td>
<td>35%</td>
<td>46%</td>
</tr>
<tr>
<td>Word of mouth</td>
<td>30%</td>
<td></td>
</tr>
<tr>
<td>Brand websites</td>
<td>29%</td>
<td></td>
</tr>
<tr>
<td>Magazines</td>
<td>26%</td>
<td></td>
</tr>
<tr>
<td>Store windows</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>TV &amp; Movies</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>Events</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>Seen Worn</td>
<td>9%</td>
<td></td>
</tr>
<tr>
<td>Celebrities</td>
<td>9%</td>
<td></td>
</tr>
</tbody>
</table>

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?

<table>
<thead>
<tr>
<th></th>
<th>Chinese</th>
<th>RoW¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>4%</td>
<td>21%</td>
</tr>
<tr>
<td>Yes, once a week or less</td>
<td>11%</td>
<td>7%</td>
</tr>
<tr>
<td>Yes, 2-3 times a week</td>
<td>18%</td>
<td>7%</td>
</tr>
<tr>
<td>Yes, once a day</td>
<td>18%</td>
<td>7%</td>
</tr>
<tr>
<td>Yes, many times per day</td>
<td>59%</td>
<td>48%</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 1\textsuperscript{st}, influencers 3\textsuperscript{rd}

"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>12%</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 brand\textsuperscript{1}</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-Altagramma 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

Transaction
- Mini programs: link customers to brand O2O experience, both in-store and for after-sale service
- 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
- Tencent News Room
- Live Broadcasting
- Music Platform
- IP Co-Operation
- Online TV

Engage
- Penguin Media Platform/Online Media Group: co-create and distribute branded, social-native content
- 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
- Penguin TV: engage with high-income TA on the big screen, enhancing interaction and exposure

Convert
- Push product reservation opportunities to customers

Transaction

After-sales & CRM

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

True-Luxury Global Consumers

- Omnichannel: 48%
- Store-solo: 40%
- ROPO 1: 39%
- Showrooming 2: 9%
- Online-solo: 12%
- Total: 100%

Chinese

- Omnichannel: 61%
- Store-solo: 31%
- ROPO: 51%
- Showrooming: 10%
- Online-solo: 7%
- Total: 100%

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 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
Chinese: some brands well ahead of 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)
Thank you
The True Luxury Consumer: What BCG could do for Luxury Companies leveraging the study

Brand Equity to support sales boost

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,
- ....

Voice of consumers to inform key decisions

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
- ...

Actionable consumer segmentation

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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