



# Luxury First Look 2020

Customer shopping behavior has changed for good – what are the consequences?

Robert Samuels

Executive Director – Consumer Strategist

This report has been prepared by UBS Financial Services, Inc.  
Please see important disclaimers and disclosures at the end of the document.

January 2020



# Recap of 2019 holiday sales

---

According to Mastercard, total US retail sales rose 3.4% with **online up almost 19%**

## By category:

Total apparel sales increased 1% YOY with online up 17%

Jewelry sales increased 1.8% with online up 9%

Electronics and appliances were up almost 5%

Home furnishings were up 1%

ShopperTrak reported store traffic fell almost 8%

# Why has Luxury struggled online?

---

"Since the internet began, luxury brands have struggled to provide digitally the same high-end personalised customer experiences that they offer to in-store clients. Today, as well as delivering a lively digital presence, they must also operate in an omnichannel world."

- Global Powers of Luxury Goods 2018, Deloitte

# What do consumers want?

---

Fast

+

Flexible

+

Less Hassle

=

More online sales

# Stores continue to evolve

---

- How do you convince the consumer to go to the store?
- Store as the hub of a customer-centric model
- Exciting and immersive in-store experience
  - American Dream
  - Away
  - Story at Macy's
  - Pop-up shops
- In-store technology
  - Convenience
  - Cashierless (Amazon Go)
- BOPIS

# Top consumer trends

---

- Going green and local
  - organic and cruelty-free brands
- Embracing repeat experiences
- Divisive political climate leading to rising interest in socialism
- Alternatives to banking and cash
- Personalization
  - omnichannel marketing strategy
- Mobile device use continues to rise
  - mobile sales up 40% in 2019
  - usage continues to rise
- Tweaking social media profile
  - change composition of news feed and advertising

Source: Gartner

# Consumers want purpose-led brands

---

Decisions aren't just being made on product selection or price.

Consumers want to know what a brand stands for.

They expect brands to align with their personal value.

Opportunity for brands to build more authentic and profitable long-lasting relationships with consumers.

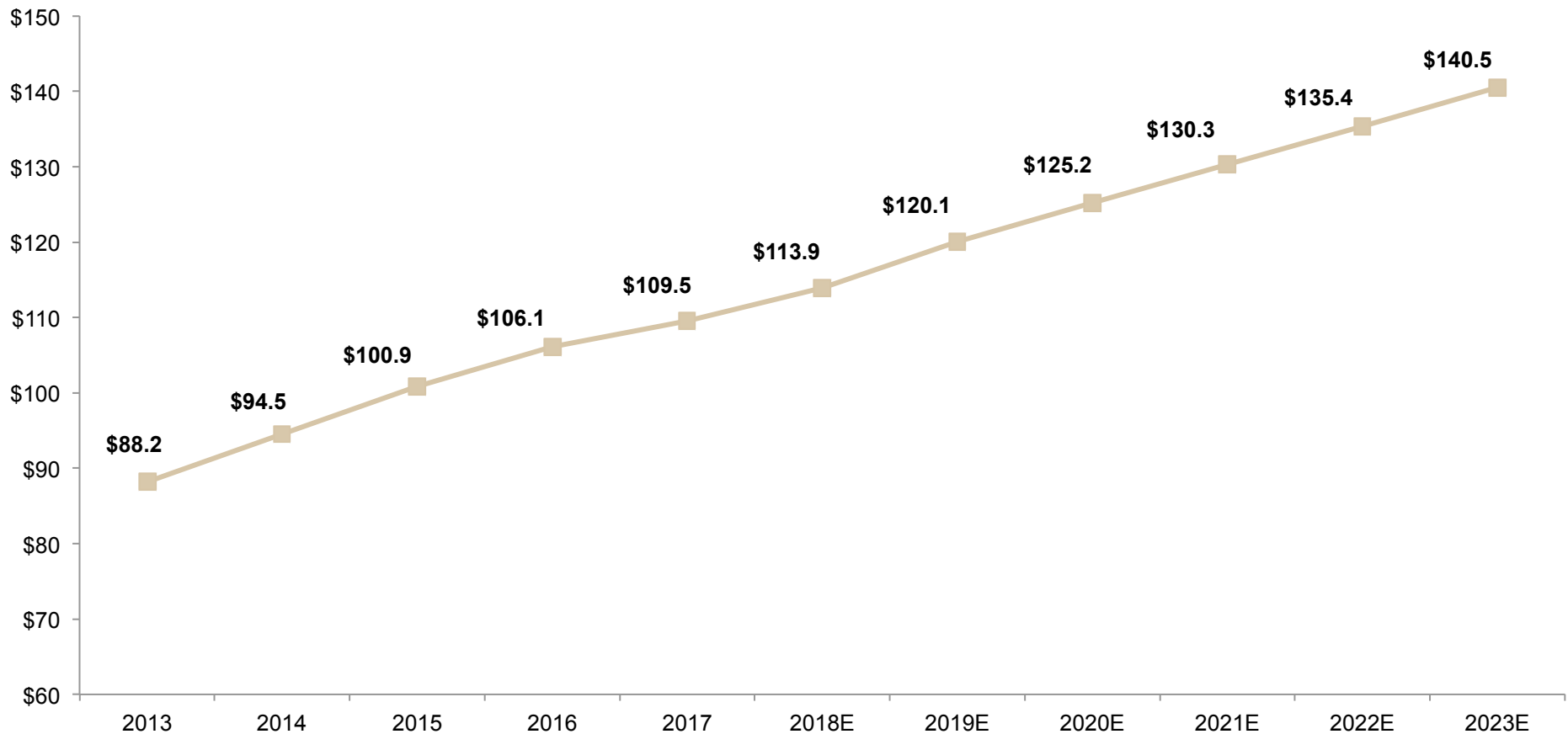
"The public expectations of your company have never been greater... Every company must not only deliver financial performance, but also show how it makes a positive contribution to society. Without a sense of purpose, no company, either public or private, can achieve its full potential."

Larry Fink, Chairman and CEO of BlackRock, Inc.



# Stern CSB Sustainable Share Index: Key Findings

Across 36 CPG categories comprising 40% of the total CPG market in dollars, Sustainability-Marketed Products delivered USD 113.9bn in Sales in 2018, +29% vs. '13 and are expected to grow to USD 140.5bn by 2023.

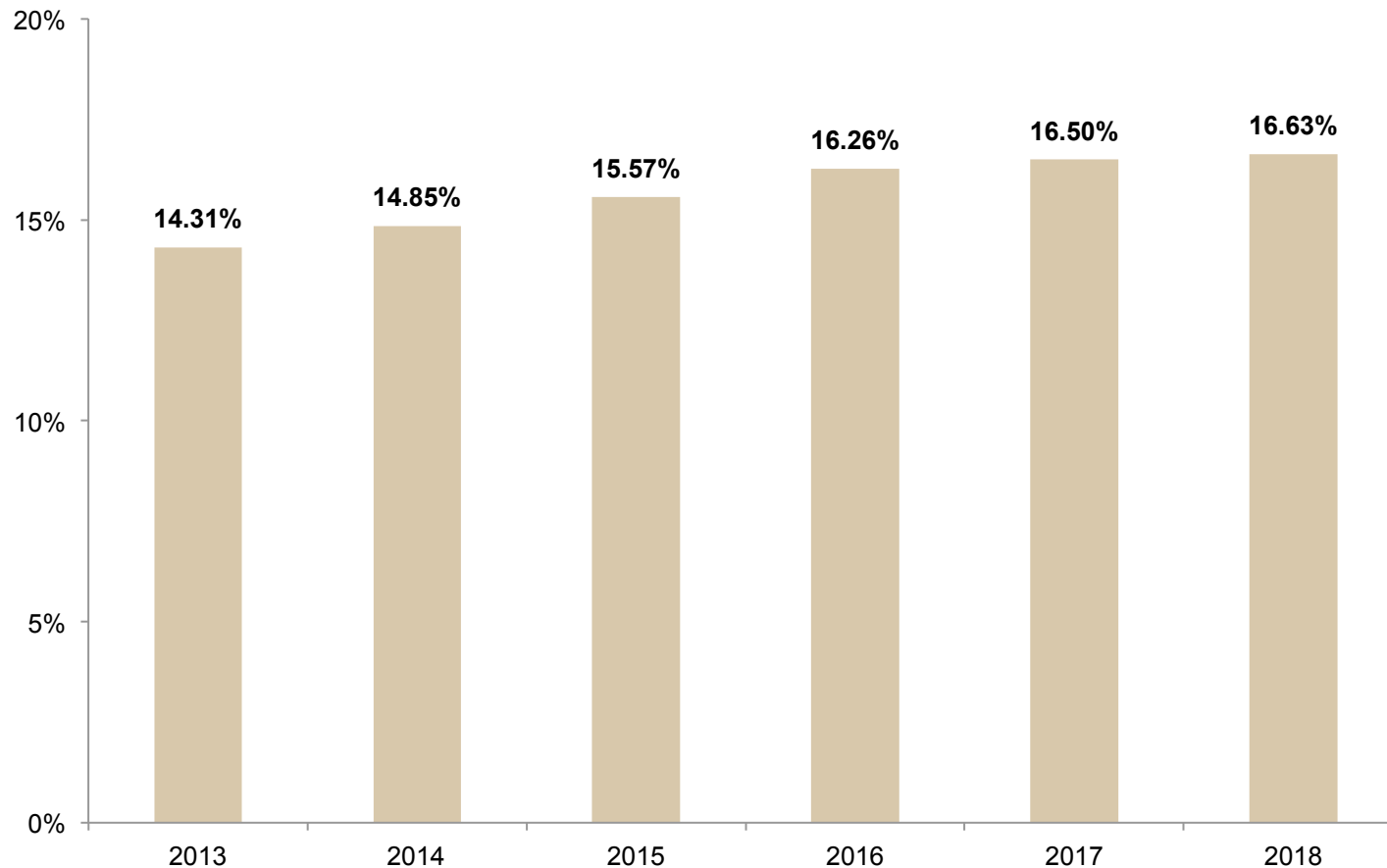


Source: NYU-Stern, Center for Sustainable Business

# Key Findings (continued)

---

Across 36 product categories studied, Sustainability-Marketed Products account for 16.6% share of market (USD) in 2018, up from 14.3% in 2013.



Source: NYU Stern, Center for Sustainable Business

# How has customer shopping behavior changed?

---



Source: McKinsey

# WHAT DO THEY WANT AND EXPECT?

Personalized, high value customized experience

Brand interaction across multiple digital platforms

In-store shopping

Lifestyle values - sustainability

The consumer is more in control  
of their shopping experience  
than ever before

# Lifestyle retail is winning the day

---

- Transforming traditional brick-and-mortar retail locations into lifestyle destinations
  - Work
  - Eat
  - Shop
  - Exercise
  - Relax
- Internet cannot replace social experience
- Example: Sundry Village in Delray Beach, FL
- Stores showcasing experiences in traditional malls:
  - Samsung hosting photo tours
  - Target and Walmart in-store kid friendly events

# THE CONSUMER HAS EVOLVED:

Focus on

**BRAND EXPERIENCE**

Optimize for

**DIFFERENT PLATFORMS**

Personalize the Message

**AT EVERY TOUCHPOINT**

Reflect

**AUTHENTICITY & INCLUSIVITY**

# The Role of Physical Stores Needs to Change

---

- Stores are still a vital part of the business for luxury brands
- Pivot from a transactional role to wider consumer interactions
- No longer just a "brand temple"
- Deliver distinct, immersive experiences and engage in a genuine dialogue with the consumer
- Connect the e-commerce experience to the in-store and on-runway experiences
- Omni-channel approach to distribution
- Personalize, personalize, and then personalize some more
- Service needs to be better than ever – invest in talent
- Be a part of consumer's lives at all stages



# What should companies do?

---

- Establish an emotional connection with your customer
- Operate with a purpose
  - STAND FOR SOMETHING!
- Be clear and authentic
- Stand up for what you believe in
  - Be a purpose-led brand
- Let the consumer be part of creative process
  - co-development of products and experiences

Source: Accenture

# Disclaimer

---

UBS Chief Investment Office's ("CIO") investment views are prepared and published by the Global Wealth Management business of UBS Switzerland AG (regulated by FINMA in Switzerland) or its affiliates ("UBS").

The investment views have been prepared in accordance with legal requirements designed to promote **the independence of investment research**.

**Generic investment research – Risk information:**

This publication is **for your information only** and is not intended as an offer, or a solicitation of an offer, to buy or sell any investment or other specific product. The analysis contained herein does not constitute a personal recommendation or take into account the particular investment objectives, investment strategies, financial situation and needs of any specific recipient. It is based on numerous assumptions. Different assumptions could result in materially different results. Certain services and products are subject to legal restrictions and cannot be offered worldwide on an unrestricted basis and/or may not be eligible for sale to all investors. All information and opinions expressed in this document were obtained from sources believed to be reliable and in good faith, but no representation or warranty, express or implied, is made as to its accuracy or completeness (other than disclosures relating to UBS). All information and opinions as well as any forecasts, estimates and market prices indicated are current as of the date of this report, and are subject to change without notice. Opinions expressed herein may differ or be contrary to those expressed by other business areas or divisions of UBS as a result of using different assumptions and/or criteria.

In no circumstances may this document or any of the information (including any forecast, value, index or other calculated amount ("Values")) be used for any of the following purposes (i) valuation or accounting purposes; (ii) to determine the amounts due or payable, the price or the value of any financial instrument or financial contract; or (iii) to measure the performance of any financial instrument including, without limitation, for the purpose of tracking the return or performance of any Value or of defining the asset allocation of portfolio or of computing performance fees. By receiving this document and the information you will be deemed to represent and warrant to UBS that you will not use this document or otherwise rely on any of the information for any of the above purposes. UBS and any of its directors or employees may be entitled at any time to hold long or short positions in investment instruments referred to herein, carry out transactions involving relevant investment instruments in the capacity of principal or agent, or provide any other services or have officers, who serve as directors, either to/for the issuer, the investment instrument itself or to/for any company commercially or financially affiliated to such issuers. At any time, investment decisions (including whether to buy, sell or hold securities) made by UBS and its employees may differ from or be contrary to the opinions expressed in UBS research publications. Some investments may not be readily realizable since the market in the securities is illiquid and therefore valuing the investment and identifying the risk to which you are exposed may be difficult to quantify. UBS relies on information barriers to control the flow of information contained in one or more areas within UBS, into other areas, units, divisions or affiliates of UBS. Futures and options trading is not suitable for every investor as there is a substantial risk of loss, and losses in excess of an initial investment may occur. Past performance of an investment is no guarantee for its future performance. Additional information will be made available upon request. Some investments may be subject to sudden and large falls in value and on realization you may receive back less than you invested or may be required to pay more. Changes in foreign exchange rates may have an adverse effect on the price, value or income of an investment. The analyst(s) responsible for the preparation of this report may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, synthesizing and interpreting market information.

# Disclaimer

---

Tax treatment depends on the individual circumstances and may be subject to change in the future. UBS does not provide legal or tax advice and makes no representations as to the tax treatment of assets or the investment returns thereon both in general or with reference to specific client's circumstances and needs. We are of necessity unable to take into account the particular investment objectives, financial situation and needs of our individual clients and we would recommend that you take financial and/or tax advice as to the implications (including tax) of investing in any of the products mentioned herein.

This material may not be reproduced or copies circulated without prior authority of UBS. Unless otherwise agreed in writing UBS expressly prohibits the distribution and transfer of this material to third parties for any reason. UBS accepts no liability whatsoever for any claims or lawsuits from any third parties arising from the use or distribution of this material. This report is for distribution only under such circumstances as may be permitted by applicable law. For information on the ways in which CIO manages conflicts and maintains independence of its investment views and publication offering, and research and rating methodologies, please visit [www.ubs.com/research](http://www.ubs.com/research). Additional information on the relevant authors of this publication and other CIO publication(s) referenced in this report; and copies of any past reports on this topic; are available upon request from your client advisor.

**Important Information about Sustainable Investing Strategies:** Sustainable investing strategies aim to consider and incorporate environmental, social and governance (ESG) factors into investment process and portfolio construction. Strategies across geographies and styles approach ESG analysis and incorporate the findings in a variety of ways. Incorporating ESG factors or Sustainable Investing considerations may inhibit the portfolio manager's ability to participate in certain investment opportunities that otherwise would be consistent with its investment objective and other principal investment strategies. The returns on a portfolio consisting primarily of sustainable investments may be lower or higher than portfolios where ESG factors, exclusions, or other sustainability issues are not considered by the portfolio manager, and the investment opportunities available to such portfolios may differ. Companies may not necessarily meet high performance standards on all aspects of ESG or sustainable investing issues; there is also no guarantee that any company will meet expectations in connection with corporate responsibility, sustainability, and/or impact performance.

Distributed to US persons by UBS Financial Services Inc. or UBS Securities LLC, subsidiaries of UBS AG. UBS Switzerland AG, UBS Europe SE, UBS Bank, S.A., UBS Brasil Administradora de Valores Mobiliarios Ltda, UBS Asesores Mexico, S.A. de C.V., UBS Securities Japan Co., Ltd, UBS Wealth Management Israel Ltd and UBS Menkul Degerler AS are affiliates of UBS AG. UBS Financial Services Incorporated of Puerto Rico is a subsidiary of UBS Financial Services Inc. **UBS Financial Services Inc. accepts responsibility for the content of a report prepared by a non-US affiliate when it distributes reports to US persons. All transactions by a US person in the securities mentioned in this report should be effected through a US-registered broker dealer affiliated with UBS, and not through a non-US affiliate. The contents of this report have not been and will not be approved by any securities or investment authority in the United States or elsewhere. UBS Financial Services Inc. is not acting as a municipal advisor to any municipal entity or obligated person within the meaning of Section 15B of the Securities Exchange Act (the "Municipal Advisor Rule") and the opinions or views contained herein are not intended to be, and do not constitute, advice within the meaning of the Municipal Advisor Rule.**

**External Asset Managers / External Financial Consultants:** In case this research or publication is provided to an External Asset Manager or an External Financial Consultant, UBS expressly prohibits that it is redistributed by the External Asset Manager or the External Financial Consultant and is made available to their clients and/or third parties. For country disclosures, [click here](#).

Version 06/2019. CIO82652744

© UBS 2020. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved.