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Luxury growth finally sees 5pc bounce back: Bain

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Luxury goods are making a bounce back. Image credit: Modalist

By BRIELLE JAEKEL

After luxury hit a rough patch the last few years, it is likely hitting its stride again with a 5 percent growth this year, according to a new report by Altgamma and Bain & Company.

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According to the "[Altgamma Worldwide Market Monitor 2017](#)" report, the luxury market grew to 1.2 trillion euros, \$1.4 trillion at current exchange, in 2017 across both goods and services. Experiences are influencing the market forward, with affluent consumers looking to diversify their lives with unique endeavors.

"We started to see stronger momentum in the first half of the year, and this has continued in recent months allowing the market for personal luxury goods to really regain its lustre," said Claudia D'Arpizio, partner and lead author at Bain & Company. "The growth in this market is more robust, driven by increases in volumes rather than prices and a rediscovered balance between tourist purchases and re-ignited local consumption."

Markets pushing growth

The luxury auto market on a global scale is making a significant impact on the growth of the luxury sector. High-end car sales grew by 6 percent this year to a total of 489 billion euros, or \$577 billion at current exchange.

Wine and food are driving the experiential market by also seeing a 6 percent growth since last year.

However, cruise lines are seeing the most impressive jump with an increase of 14 percent in annual revenue.

Affluent Chinese consumers are the biggest customer driver for sales and encouraging this jump, with both sales abroad and within the country. Europe, the Americas and parts of Asia are the most influential markets sustaining growth in the luxury industry.

Both North and South America struggled at first but gained momentum and settled with a growth of 2 percent last year, with Canada and Mexico making the most positive impact.

Mainland China and Japan are pushing the Asian market, growing the sector by 6 percent. These areas were positively impacted by the recovery in the Hong Kong region and Macau.



Versace in Japan

Japan saw significant growth due to Chinese travelers and consumers spending their money in the country, seeing a growth of 4 percent. However, the report predicts that millennials' lack of loyalty will create a threat for the region.

While Chinese consumers propelled outside countries to benefit from their spend, sales in China also did increasingly well. Local buying saw an increase of 15 percent in the country last year from fashion-savvy buyers.

Tourist spend in the United Kingdom, Spain and France, as well as local buying, has propelled Europe by 6 percent.

The report also notes that the generational shift made a big impact on the luxury market as well with Gen Y and Gen Z.

Additional insight

China is rapidly becoming one of the most important luxury markets in the world, with more than \$7.4 billion in luxury goods being bought in the country per year, according to a report from McKinsey.

The firm looked at shopping habits and economic growth in China to determine where the country's luxury market is headed in the next few years. McKinsey's report found that China will soon have more millionaires than any other country in the world and some of the most affluent households anywhere, making it an extremely important area for luxury brands internationally ([see more](#)).

Chinese travelers also represent the largest bloc of luxury consumers in the world, suggesting that luxury brands need to pay more attention to their international customers.

This data comes from Kinetic, which analyzed the shopping habits and trends for the luxury market in an attempt to discern the largest demographics in international luxury shopping. The data also showed that luxury shoppers at international airports are ripe for targeting through geofencing technology ([see more](#)).

"The role of the store is definitely changing," said Federica Levato, partner and co-author at Bain & Company. "The growth of the online channel is remarkable, boosted by the millennial state of mind' that has permeated the luxury industry. But this doesn't mean stores have lost their purpose brands need to reinvent them to create an on-going engagement with customers that transcends channels."