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Global luxury's growth in 2017 driven by strong showing in China

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Asia experienced the most growth of any region int he world in 2017, primarily because of China. Image credit: Euromonitor

By DANNY PARISI

While the overall global luxury business is finishing 2017 with a healthy 4 percent growth, the year ahead is teeming with risks and potential pitfalls for brands.

This data comes from Euromonitor's annual luxury goods data research, which delves into the performance of various luxury sectors throughout the year and analyzes what the next year will be like. Despite strong showings in 2017, next year may not be so easy for the top brands to navigate.

"Indeed, political turmoil aside, 2017 has brought further dramatic changes in the global consumer landscape, as consumers have reassessed their priorities and increasingly asked themselves what they truly value in luxury goods," said Fflur Roberts, head of luxury goods research at Euromonitor International, London.

"Preferences are shifting from ownership and acquiring new things to acquiring more meaningful experiences and from high quantity to high quality and overall value," she said.

"This is having a significant impact on the way luxury brands and retailers do business, with existing companies adapting their strategies to stay ahead of the consumer."

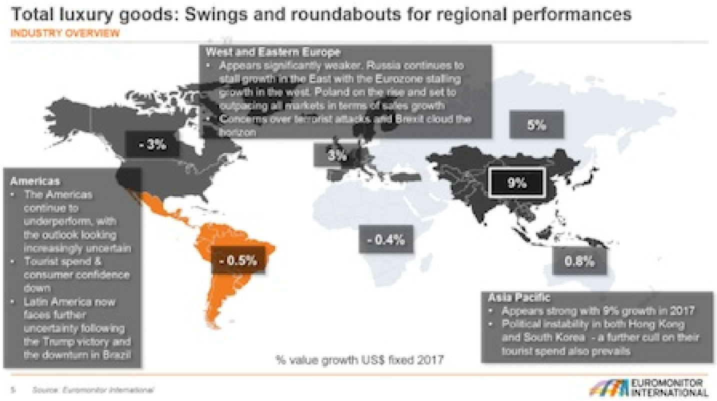
Global growth

At a time when the political world is in turmoil and populism is on the rise, luxury is becoming less about showing off wealth and more about what consumers find meaningful. Luxury consumers the world over are increasingly looking for the rare, unique and unexpected, with sustainability also playing an increasingly important role in purchasing decisions.

This year was marked by significant changes in the global luxury scene, with particular emphasis on the growing importance of Asia, and China specifically, to luxury brands.

The Asia-Pacific region experienced a 9 percent growth rate in 2017, with the large majority of this being driven by an increase in domestic consumption in mainland China.

"There are clear pockets of growth in China, with some categories, such as luxury cars, performing above average," Euromonitor's Ms. Roberts said. "Indeed, China's sales of luxury cars increased by 16 percent in 2017, with an 82 percent rise in value sales expected over the 2012-2022 time series."



Total luxury growth globally. Image credit: Euromonitor

Outside of Asia, the Americas continue to underperform, with Euromonitor predicting a decline of 4 percent in luxury consumption in that region.

Underperformance in the Americas can be attributed to a number of factors, including political instability and a steady decline of international travelers to the United States.

In Europe, a similar situation is unfolding. Countries in Western Europe are not performing well in luxury consumption, with France having its second-consecutive year of decline in luxury goods sales.

However, Euromonitor stresses that this is a decline in relation to previous years, and that Europe remains a stronghold of global luxury accounting for half of the global market.

China's rise
Euromonitor's data in China is consistent with brand strategy throughout 2017.

Likely due to Chinese consumers' eagerness to adapt to digital, new data from the Global Ecommerce Leaders Forum shows that leading retailers are focusing on China as they modify their online strategies.

While online retail platforms such as Tmall are highly influential on the Chinese shopper, brands are seeking more value and deeper relationships. Brands from the United States are using these platforms to gain a better stronghold on China (see story).

U.S. jeweler Tiffany & Co.'s worldwide net sales increased 3 percent to $976 million thanks to sales growth in most regions during the third quarter of 2017.

Experience outpaces goods. Image credit: Euromonitor

Ended Oct. 31, Tiffany's third-quarter sales increase was attributed to its fashion jewelry and high, fine and solitaire jewelry categories, during a time when the brand is working to further diversify its product offering. As for its nine-month year-to-date results, also ended Oct. 31, Tiffany's worldwide net sales totaled $2.8 billion, 2 percent above the year prior, and comparable store sales declined by 2 percent (see story).

Outside of China, luxury brands around the world will be faced with both challenges and opportunities in the coming year.

"Overall forecast growth rates remain healthy for 2018 (5 percent in real terms), although performance will vary substantially across different regions, countries and categories," Euromonitor's Ms. Roberts said.

"Luxury cars, fine wine/Champagne and spirits and luxury hotels yet again are forecast to provide a much needed boost to global luxury sales," she said.

"There will also be a myriad of other opportunities to tap into for luxury brands: upstream technology and digital innovation; improving green credentials and sustainability practices, as well as shopping cycles to meet consumers' need for instant gratification; or redesigning the future of bricks-and-mortar stores, to name but a few."