

MARKETING

Collaborations capturing attention of younger luxury buyers

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#FendiMania is a logo-centric collection in partnership with Fila. Image credit: Fendi

By SARAH JONES

According to new research from BCG and Altagamma, one of the key emerging trends in the luxury business this year is partnerships, as brands seek to bring a sense of newness to consumers.

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These collaborations, such as Louis Vuitton's link with Supreme to Chanel's recent Pharrell Williams collection, are particularly finding favor with younger generations and Chinese shoppers. Across age groups and nationalities, luxury buyers show a heavy awareness of tie-ups and 50 percent have invested in special-edition merchandise, a figure that is likely to grow as Gen Z and millennial buyers grow their influence and purchasing power.

"Partnerships between traditional luxury brands and streetwear brands and artists are of increasing interest to elite consumers," said Stefania Lazzaroni, general manager of **Altagamma**. "Ninety percent know about them and half of them purchase special editions.

"It is the next generations and the Chinese that are driving this trend," she said. "Bags and sneakers are the biggest selling articles.

"These partnerships are attractive because they inject an original and special bit of style into the universe of traditional brands."

Trending topics

According to the "True-Luxury Global Consumer Insight 2019" report, last year, luxury sales totaled 920 billion euros, or about \$1 trillion. BCG projects an annual growth rate of 4 to 5 percent through 2025, with total luxury sales reaching 1.256 trillion euros, or \$1.41 trillion.

"The outlook [for luxury] is good, because the fundamentals of this industry are solid, with a wide consumer panel and the luxury companies that are finding successful ways to face the challenges of the market, while maintaining their brand identity and their aura of exclusivity," Ms. Lazzaroni said.

The main growth drivers for luxury are millennials and Chinese consumers. While each demographic only accounts for about a third of luxury spending today, millennials as an age group will account for 50 percent of

luxury goods purchases by 2025, and consumers from China will make up 40 percent of the market.

Experiential luxury is eclipsing personal luxury goods, as spending on experiences grew 5 percent year-over-year to 590 billion euros, or \$663 billion, compared to personal luxury's 330 billion, or \$371 billion, up 3 percent from 2017.

While today there are approximately 425 million luxury buyers, that number is set to rise to 500 million by 2025.

Within this segment, 4 percent of buyers account for 30 percent of sales. BCG and Altagamma have dubbed these 18.5 million individuals "true-luxury" consumers.

Among true-luxury consumers, younger consumers are driving many of the business' trends.

For instance, millennials and Gen Z shoppers are more aware of collaborations than older shoppers, and more than six in 10 of these consumers have purchased items from a special-edition.



Chanel's Pharrell Williams collection. Image credit: Chanel

Some of the most popular recent collaborations for true-luxury buyers were Louis Vuitton and Supreme, Adidas and Yeezy, Chanel and Pharrell and Fendi and Fila. Consumers were most likely to scoop up handbags or sneakers from a one-off alliance.

Another trend driven by younger shoppers is secondhand luxury. Buying pre-owned luxury or consigning previous purchases feeds into consumers' need for sustainability and desire to constantly revamp their wardrobes and save money.

Access to secondhand goods has also become easier, with digital platforms that take care of authentication and selling. Consumers also turn to secondhand sellers to find discontinued or rare merchandise.

True-luxury buyers are keen on buying secondhand, with 60 percent showing an interest in shopping resale.

Handbags were the most popular category for resale, accounting for 40 percent of all secondhand purchases.

Only 45 percent of true-luxury consumers are currently active in the secondhand market, with younger generations more apt to sell, while older shoppers are more prone towards buying.

BCG and Altagamma identified secondhand and collaborations as the key emerging trends this year, but some trends are continuing to gain ground.

Sustainability is proving to be an even more important aspect for buyers, with 59 percent considering how green a product is before buying. Today, about 60 percent of consumers would choose a sustainable brand over another choice for the same product, up from 50 percent in 2013.



Consumers are interested in sustainability. Image credit: Stella McCartney

More than half of consumers are also investigating companies' corporate social responsibility.

While Gen Z only accounts for 4 percent of luxury sales today, the age group indicates the future for the business. These shoppers are more inclined towards sustainability than their predecessors, are more apt to shop collaborations and they are the most active when it comes to engaging with brands on social media.

Gen Zers are also more apt to mix and match premium and luxury labels, and 57 percent of this age group considers resale value before making a purchase.

While millennials and Generation Z consumers make more online clothing purchases than other age groups, they are still seeking flexibility from ecommerce platforms.

More than a third of Gen Z consumers are interested in installment plans as they desire upscale clothing outside of their budgets, according to a recent shopping behavior report from Klarna. Shoppers also continue to turn to bricks-and-mortar locations when making expensive purchases so they can try on items, but they are receptive to "try-now, pay-later" options ([see story](#)).

"Regarding the retail challenges, in some case it is a matter especially for small to medium businesses of finding the capital to open flagship stores in the right locations," Ms. Lazzaroni said. "But also, as, showed by the Bernstein study yesterday, the arrival of new consumers who are largely driving the growth of the sector is forcing brands to be more courageous and innovative, with new store formats, new products, new forms of communication.

"The casualwear trend is an established fact and almost every brand is adapting to it," she said. "The secondhand market is up-and-coming and the good side of it for the brand is that over half of younger consumers consider resale value when purchasing luxury items, giving credit to the more intrinsic value of products and brands."

Made in Italy

BCG and Altagamma's report found that Italian-made goods have the highest prestige for true-luxury buyers. About 30 percent of consumers say that Italy is the best for luxury products, followed by France with 21 percent.

Italian fashion labels contribute nearly 40 percent to the total value of the European country's top brands as they refine their brand experience.

WPP and Kantar Millward Brown's [BrandZ Top 30 Most Valuable Italian Brands](#) report ranks Gucci as the most valuable Italian brand at \$24.4 billion, more than double telecommunications company TIM, which came in second. Fashion labels Prada, Armani and Fendi are also among the top 15 most valuable brands ([see story](#)).

"This latest study showed that the Italian products have overtaken Made in France items in terms of their popularity among two key categories for the luxury market: those of the millennials and Chinese consumers," Ms. Lazzaroni said.

"Made in Italy have always been at the top of luxury consumers' preferences in basically all categories except cars, watches and beauty," she said. "The reason is basically a well-established reputation of the Italian tradition in high-quality manufacturing. And this is a heritage that needs to be protected."