By SARAH JONES

Heading into 2020, luxury marketers need to balance democratization with brand protection to capture the up-and-coming consumer without tarnishing their prestige image.

Luxury has settled into a new normal, with low single digit growth led primarily by emerging markets and ecommerce. In the face of a changing retail environment, evolving consumer behavior and environmental pressures, adaptation and action should be at the top of companies' to-do lists in the new year.

"I believe the global luxury market will continue to grow steadily in 2020," said Milton Pedraza, CEO of the Luxury Institute, New York. "There is now a lower, but real, risk of a recession in the second half as China confronts many internal economic challenges and America and the rest of the world feel the chilling effects."

Here are the top 10 trends that luxury marketers should be mindful of going into 2020.

Sustainability

2019 saw sustainability in luxury turn from a nice to have to a necessity. In response, brands got serious about taking action.

"Sustainability will continue to gain traction in 2020, driven by consumer demand and increased transparency," said Marie Driscoll, managing director luxury and fashion at Coresight Research, New York. "Luxury brands generally are well positioned for the greater focus on sustainable supply chains, environmental impact and social responsibility.

"Brands that don't address these issues in 2020 make themselves vulnerable to unnecessary business risk," she said. "A growing number of luxury houses publish annual sustainability reports and are committed to making the world a better place.

"By communicating these efforts to all stakeholders employees, clients and investors luxury brands enhance their
brand perception and increase engagement. We expect increased authentic messaging around sustainability in luxury in the coming decade."

In the automotive field, marques accelerated their electrification efforts, with brands including Mercedes-Benz and Porsche rolling out their first fully electric cars.

Meanwhile 32 fashion houses joined together on a pact aimed at moving the needle on climate change (see story). A McKinsey study found that apparel companies are ambitiously planning to significantly ramp up their offerings and transparency in the coming years (see story).

In hospitality, hotel groups did away with individual toiletry bottles, continuing the trend that began with plastic straw bans in 2018. Another area that Marriott is targeting is food waste.

2019 also saw an uptick in clean beauty, as retailers created dedicated edits of natural products. Shiseido Group added clean skincare label Drunk Elephant to its portfolio, indicative of the growing movement.

Another big trend was carbon neutrality, as companies made pledges to minimize their environmental impact and then offset what could not be avoided.

"We need a steep change in the business world," said Diana Verde Nieto, CEO/cofounder of Positive Luxury, London. "Greenwashing has to stop, and only brands that are approaching the sustainability challenge holistically will win the race.

"People want to know exactly what they are buying and expect brands to have values that align with theirs," she said. "People have lost trust in governments and are looking for companies to solve some of the most pressing issues the world has.

"Creating meaningful experiences for customers is key. To trust a brand, customers need to see that they are being honest and transparent about their actions. They will look beyond the story a brand is telling and closer at who is actually telling that story. Seventy-five percent of people trust third party accreditation programs like [our] Butterfly Mark because these programs assess brands holistically. It's not just about the supply chain, and we require solid and substantiated proof of brands' action in order to award companies the mark.

"I'm hoping that in the next decade we move from talk to impact and action, where the role of brands will extend beyond delivering shareholder value and shift to one that is a catalyst for change. The brands that will remain relevant are the ones that understand their role is so much greater than just selling a product."

The emphasis on sustainability reflects consumer demand. According to research from Boston Consulting Group, about two-thirds of luxury consumers say their purchases are influenced by sustainability.

Consumers are changing how they shop in response to growing environmental concerns surrounding production. 2020 will likely see more retailers and brands embrace the circular and sharing economies, with direct-operated rental platforms and resale.

Already, some early adopters including Bloomingdale's and Mark Cross have gotten into alternative retail. In recent years, automakers have created mobility services that speak to an audience that does not need or want to own a car, and investment in these offshoots is continuing to increase.
The high-end pre-owned market may help, rather than harm, the overall luxury industry more than initially expected, according to new research from Boston Consulting Group and secondhand luxury platform Vestiaire Collective.

Resale platforms are often one of the first ways that up-and-coming consumers access and purchase luxury goods, with 71 percent of pre-owned buyers gravitating towards items they cannot afford new. Additionally, secondhand luxury appeals to more environmentally-conscious consumers as it keeps quality items from being discarded (see story).

"2020 will be a year of transformation as businesses become more aware of their impact and the fact that they need to be part of the solution," Ms. Verde Nieto said. "It will be about much more than brands just re-examining their supply chains or using sustainability as a marketing tool. Businesses, including the ones involved in the luxury industry, will be held accountable by people who understand the urgency and the need for action.

"In 2020, brands and consumers will have to work hand in hand more than ever before, both acknowledging that the use of products has as much impact as production," she said. "How we use an item accounts for 20 to 30 percent of its impact, from how we wash it to how we dispose of it. That's why renting or leasing are becoming a more desirable option because you don’t own the entire lifecycle afterwards. This is not exclusively about fashion. It will affect everything from jewelry to travel, too.

"Luxury is in a fantastic position to take advantage of shifting consumer mindsets and continue to develop products that better serve both people and the planet. For example, LVMH and UNESCO. LVMH will contribute to scientific research projects led by the Man and Biosphere Program, and will make selected infrastructure resources available to help establish pilot sites for conservation and responsible long-term protection of biodiversity. This partnership will facilitate the implementation of innovative solutions for natural and sustainable resource management and the identification of products and new markets centered on the quality and traceability of the materials used.

"In short, leadership is key when it comes to optimizing your business for sustainability, and to make better and more meaningful decisions across the business."

Consolidation and M&A

2019 saw some landmark deals, particularly surrounding luxury conglomerates.

The biggest of the bunch was LVMH’s acquisition of Tiffany & Co. in November for $16.2 billion, which marked the group’s most expensive purchase (see story).

LVMH also acquired travel group Belmond, and made investments in Gabriela Hearst and Madhappy through its LVMH Luxury Ventures.

Meanwhile, Richemont added to its stable of jewelers with the addition of Buccellati (see story).

Beauty groups also scooped up labels, as Este Lauder purchased 100 percent of Dr. Jart+, Coty bought a majority stake in Kylie Cosmetics, Shiseido acquired Drunk Elephant and L’Oreal Group added Mugler and Azzaro to its fragrance division.
In retail, Farfetch acquired New Guards Group and closed its acquisition of Stadium Goods.

Travel also saw consolidation, as Ponant joined with Paul Gauguin Cruises and Wheels Up merged with Delta Airlines.

Other notable M&A moves included the sale of Roberto Cavalli to Dumac of Dubai, the $3.7 billion purchase of Sotheby's and the merger of Chrysler Fiat and Peugeot.

Luxury investments are different, with deals often centered on intangible assets such as branding or the desire for a relationship, according to a panel at the FT Business of Luxury Summit.

The market capitalizations for the biggest luxury companies have risen significantly in the last decade, often driven by mergers and acquisitions. Per the session, luxury firms will continue to see M&A activity, partly due to the business' need for evolution (see story).

At the end of 2019, Kering was rumored to be courting outwear label Moncler, pointing to more likely M&A activity heading into 2020.

"I believe consolidation will continue in luxury goods, but the number of great candidates is highly limited," Mr. Pedraza said. "There is a high risk of selecting mediocre brands and of overpaying. Acquiring and nurturing luxury brands is a skill. Many acquirers, especially in the USA, have proven they can't make it work.

"Smart global luxury goods brands will gravitate towards luxury services just as LVMH has diversified into hospitality. Fitness and wellness are more profitable and growing categories into which to diversify," he said. "There will be many new categories of luxury that are being identified now related to light medical health care and therapy and longevity. We will see the smart money invest in these categories."

Bricks-and-mortar makeover

After years of expanding their store footprints in key markets, luxury brands are overstored in some locations.

In 2020, retailers will need to consider which locations are worth the investment, and which should be closed. Falling foot traffic and a rise in ecommerce means that brands physically do not need as many doors.

A.T. Kearney's partner in the consumer and retail practice Michael Brown sees store closings outpacing store openings across the broader retail sector, as companies seek to optimize their store networks.

"The real estate truism, 'location, location location' remains valid in 2020," Ms. Driscoll said. "Luxury retailers and brands need proximity to customers, existing and prospective. Satellite locations that aren't a full brand expression should be reconsidered.

"Brands need to invest in being locally relevant in tandem with iconic brand expressions and storytelling to define and reinforce brand message," she said. "Coresight's BEST framework for physical retail is an excellent place to start: 'B' brand building, 'E' experiences, 'S' services and 'T' technology.

"Luxury stores need to be exciting and fun in a brand-appropriate way. Online retail is easier. Physical retail needs a draw, an experience. People visit stores to experience, discover and for the social interaction. Provide it in 2020."

Along with changing locations, retailers are undergoing renovations, with a key focus on flagship stores.
"Brands need to transform their bricks-and-mortar locations from transactional spaces into engagement and entertainment spaces," Mr. Pedraza said. "This requires an optimization of ideal location, high aesthetic design, compelling product value and emotionally intelligent people.

"Technology plays a role but is a commodity everyone can access," he said. "It's the creativity that matters most. From there they need to deliver extraordinary experiences that make both associates and clients feel special and connected."

Experiential retail also extends to customer service. The way in which consumers interact with sales associates is evolving, calling for more relationship building to maintain the relevance of the crucial frontline store staff.

Today, about nine in 10 consumers research online before heading to a store, rendering informational store associate conversations less effective or necessary. During a keynote at Luxury FirstLook 2019, the CEO of Shanker Inc. explained that to remain relevant, store associates need to undergo a cultural transformation that helps close the gap between them and their clientele (see story).

Luxury retailers need to reinvigorate their physical spaces as today's tech-savvy shoppers expect stores to serve as true destinations.

During a keynote at the Luxury Marketing Forum in 2018, the chairman of JGA reiterated that consumers are looking for authentic connections to places and brands. The best-selling places encourage interaction between customers while also leaving room for shoppers to reinvent the space (see story).

This includes experiences such as Tiffany's Blue Box Caf, which draws consumers in for a branded dining experience.

"Consumer shopping experiences and expectations have shifted based on immediate access to information, trends and online purchases," said Dalia Strum, educator at The Fashion Institute of Technology, New York. "There needs to be stronger and more compelling reasons for consumers to frequent a store as opposed to past opportunities to window shop or purchase items same day.

"It's extremely important for luxury retailers need to rethink and refine their store experience in 2020 as the future is a combination of innovative strategies and approaches as well as extremely experiential and engaging," she said. "Saks created a timely experience with Frozen that sold out almost immediately, which drove traffic from their target audience and lead to conversions of purchases in store."

Reinventing retail

Retail today needs to lead with the experience rather than the product. Rather than being tied down to traditional store formats, retailers are developing activations that focus more on connection than commerce.

Partly due to the need for experimentation, luxury brands have placed pop-ups at the core of their strategies, allowing these designers to keep up with the changing retail landscape while maintaining their exclusive status.

Pop-up shops have created a unique opportunity for brands to connect with consumers on a more personal and fun level and are forcing many to rethink retail, says a report from Fashionbi. For luxury brands, the pop-up shop offers them a chance to provide unforgettable experiences that they are known for while also staying relevant (see story).

For instance, Christian Dior immersed shoppers in a pink cityscape in a pop-up at T Galleria by DFS in Galaxy
The temporary Pink City outpost was designed as a branded microcosm, complete with a library, music hall, cafe and flower shop. This first of its kind pop-up is intended to provide a form of retailtainment to shoppers through interactivity (see story).

Similarly, Moncler launched a series of pop-up stores to bump excitement in its merchandise and brand in line with a growing trend in vogue with luxury brands.

The Moncler House of Genius temporary concept store has popped up in Milan, Paris and Tokyo. The stores will have a series of live events and creative sessions with brand ambassadors (see story).

"Pop-up stores present a great opportunity for luxury brands to tell a new story or to enact part of their DNA in a newly devised, technologically enhanced and aesthetically revamped way," said Thoma Serdari, brand strategist at Brand Lux and professor of luxury marketing at New York University, New York. "A good way to define pop-up stores is to see them as media mini-productions. Here, merchandizing is not the only solution to creating a memorable experience for the consumer. In fact, merchandizing is only just part of the story the brand unveils.

"Most of the production has to do with storytelling in a specific location, and this is why the choice of address is so important and ensures that the story the brand recounts is supported and heightened in its urban/built context," she said. "It also allows the brand to center the experience around a specific consumer profile or perhaps a few and create a consumer-centric experience that its established boutiques may not have embraced or rolled out yet.

"Think of pop-up stores as these enchanting environments where appealing products tease the senses. The products themselves are highly desirable and wonderful but it's actually the pop-up installation that makes them magical. A little bit like the ice cream cones from an ice cream truck. Sure, the flavor is fantastic and the sprinkles on top delightfully crunchy but it's the colors of the truck, the music and the entire transitory experience that makes everyone's heart melt into a satisfying scoop of caramel love."

Ecommerce

Dispelling the notion that consumers will not buy big-ticket merchandise online, luxury ecommerce has been growing at a faster clip than overall sales.

Ecommerce is becoming an increasingly significant portion of the luxury fashion business and it is driving much of the category's growth, as consumers seek out better selection and simplified shopping.

Fashionbi’s Fashion Ecommerce Market report notes that the number of ecommerce shoppers in the fashion category is projected to climb to 1.2 billion by 2020. Much of the new customer base is comprised of millennials and Gen Zers, making online a key channel for reaching luxury's up-and-coming buyers (see story).

Two-thirds of luxury consumers say they increased their online shopping over last year, and they show a greater preference for ecommerce than the average population.
According to a report from Dotcom Distribution, luxury consumers’ expectations are higher when it comes to packaging, and they are more willing to spend on services such as expedited shipping. For luxury brands, it has become even more imperative to invest in ecommerce, as a growing percentage of purchases move online.

If an item is the same cost online and in-store, 59 percent of luxury buyers would rather make the purchase via ecommerce (see story).

Luxury brands’ digital offerings come up short of shoppers’ expectations, at a time when 65 percent of millennial and Generation Z consumers start their buying journeys online.

Forty percent of all luxury consumers begin their shopping journeys at physical stores, but online platforms are increasingly becoming influential, according to a report from ecommerce software company Attraqt. Too often, luxury brands’ Web sites and social media properties are not optimized to best serve consumers as they look to make pricey purchases (see story).

In 2020, luxury retailers should consider making their ecommerce environments even more conducive to exploration and transacting. This could mean more content and imagery on product pages or a simplified purchasing process with numerous payment options.

Casualization

Luxury shoppers are increasingly turning towards more casual styles for self-expression, according to a report from the Boston Consulting Group and Altagamma.

Millennials are expected to represent half of the luxury market by 2024, and their fashion choices differ from previous generations, as they are more apt to mix high and low labels as they seek out clothing that fits their personal brand (see story).

As casualization continues to grow its hold on the apparel market, high-fashion houses are kicking their sportswear collaborations into high gear.

In November and December, Missoni, Balmain and Prada all rolled out partnerships that bridge athleisure and performance activewear. According to NPD Group, athleisure currently represents about 24 percent of the total U.S. fashion market, and this share is projected to grow through this year (see story).
This phenomenon is global. Streetwear brands such as Supreme and Off-White are taking off with Chinese millennials and Gen Zs, leading luxury brands to get in on the trend.

While athletic brands such as Nike and Adidas still hold significance in casual fashion, luxury labels are increasingly associated with items such as sneakers. According to a report from Gartner L2, luxury brands are leveraging channels ranging from Weibo to Tmall to push hoodies and T-shirts to a digitally native audience (see story).

The rise of streetwear has blurred the lines between luxury and leisurewear, but the casualization of luxury may not thrive in the long-term, according to a report from Fashionbi.

Luxury labels including Balenciaga and Louis Vuitton have found success by diving into streetwear, while other brands have borrowed marketing and sales tactics such as social media drops. Expectations for streetwear remain high as luxury groups continue to invest millions of dollars into the trend (see story).

"In my opinion, streetwear and activewear are a long-term market trend," said Yana Bushmeleva, chief operating officer of Fashionbi, Milan. "Luxury brands can still stress on exclusive design and innovative materials, the difference is that customers have switched the focus from 'classic sumptuous' items to freer and daily wear products like sneakers and hoodies, which completely coincide with the current trend on freedom, speed and self-expression.

"This new category of products can still underline the status of the owner and communicate specific information to the surrounding people," she said.

Virgil Abloh's debut menswear show for Louis Vuitton. Image credit: Louis Vuitton

Louis Vuitton’s Virgil Abloh, one of the designers in the driver’s seat of the streetwear takeover of fashion, recently said in an interview with Dazed & Confused that streetwear is going to die in the 2020s.

"Streetwear has been one of the strongest trends for many years, however, we’re starting to see more metallics and futuristic inspired looks trickle into the New Year," Ms. Strum said. "Bloomingdale’s had extremely futuristic windows filled with robots and people styled in futuristic metallic looks with impactful hairstyles and bold makeup.

"We’re quite a while out from some of these looks, but these are definitely stepping stones to styles that have been predicted in many sci-fi movies throughout the years," she said.

Collaborations

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

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 (see story).

Some partnerships have also enabled likeminded luxury brands in different categories to grow their audiences.

For instance, The Glenlivet worked with designer Prabal Gurung to raise awareness for its whisky among the fashion crowd (see story). Similarly, Beauty label Este Lauder worked with designer Duro Olowu to give its products a makeover (see story).
Companies also collaborated with celebrities and influencers to gain attention. For instance, Balmain tapped Kylie Jenner for a runway show beauty partnership, while Lancôme launched a makeup collection designed by Chiara Ferragni.

The collaborative spirit is likely to continue into 2020, as luxury brands seek a path towards younger clientele through partners and personalities that these generations are already familiar with.

"Collaborations that started in the early noughties as a hyper-cool, ultra-innovative way for luxury brands to keep pushing into the future think of LV x Stephen Sprouse or Karl Lagerfeld x H&M, etc. became more of the norm in the last decade," Ms. Serdari said. "Between 2010 and today, collaborations have multiplied and turned mainstream while also expanding beyond the narrow pool of luxury brands to practically any brand that wishes to create coveted items in limited supply.

"Capturing profits quickly and introducing, perhaps, new customers to their universe, are the primarily goals of most brands. This is to say that in the last 10 years, most brands became accustomed to amplifying their message with the help of another, ideally well-aligned, brand," she said. "More than a copy cat phenomenon, which it certainly is, it is also an indication that we are experiencing times of creative uncertainty and of uncertainty in general.

"The stream of ideas for exciting new collaborations between luxury brands and remarkable cultural icons will continue well into 2020 for several reasons. It is always exciting to see a product that bears marks of hybridization between two favorite brands. Consumers love to get access to highly coveted, limited-edition items. Fashion is still looking for the next big thing, the idea or product that will transform how we dress if you haven't noticed we are caught somewhere between professional power-dressing and athleisure. The market is not ready yet for the next thing because we are facing a long list of uncertainties, mainly political, ecological and financial. Why not experiment a little longer with ideas that more than one creatives can bring together?"

**Tod's worked with designer Alber Elbaz**

Some limited-editions are being launched via drops, creating a feeling of exclusivity around a collaboration. For some brands, including Moncler and Tod's, these partnerships have become a key piece of their retail strategy.

"In 2017 we started to witness a trend of collaborations between the brands of the same or different market segments and in the last two years, the number of such partnerships is increasing on a monthly basis," Ms. Busmeleva said. "I believe in 2020 the collaborations across the fashion and/or luxury brands will still be very common with the limited-edition collections release in selected cities and countries or online exclusive only.

"Such collaborations allow to increase brand awareness in new markets, reach a new cluster of customers, create buzz around the brand and create a 'surprise' moment for current customers who always look for novelty and exclusivity," she said. "Probably we will see more collaborations with non-fashion companies, such as the recent examples of Coca-Cola with H&M or Vetements with Star Wars."

**Brand control**

While luxury brands are making themselves more inclusive and accessible through marketing, there is still a need to maintain an aura of exclusivity in product design and dissemination.

"Brands are challenged with becoming more inclusive while not eroding their exclusivity and or positioning," said Rebecca Miller, founder/CEO of Miller & Company, New York. "Initial efforts to become more transparent allowed
consumers to have more access to behind the scenes, be it choice of raw materials, labor practices, production values, green initiatives and so forth. The intent was to increase confidence in the brand, build and or reestablish loyalty and create a point of differentiation. Consumers will always hunger for more, that is the very nature of the beast.

"Caution needs to be applied to protect exclusivity and positioning concerning authenticity to the brand's mission, the brand's message, their products, what their core' consumers value and the integrity of the shared insight," she said. "To not acknowledge these concerns may place the brand at risk with their core consumers and may dissuade other audiences they desire to attract."

Some exclusive approaches this past year included the launch of Celine's fragrance line that is only available in the brand’s boutiques (see story). Similarly, Gucci's high-jewelry line is solely sold in a single store in Paris (see story).

This need for control extends to brands’ licensing deals.

Italian automaker Ferrari is taking more control of its lifestyle extensions, looking to protect its brand equity through a more streamlined approach.

As part of this move, the marque has entered a new long-term production partnership with Giorgio Armani Group, and it has hired a creative director with a high-fashion background to lead the design of branded apparel and accessories. By cutting back on licensing in favor of directly operated activities, Ferrari is planning to grow the share of profitability driven by its lifestyle extensions (see story).

"Brand control has always been and must remain a critical focus for any brand to ensure its financial performance, market position, consumer value, character and endurance," Ms. Miller said. "Whether referencing a startup, a heritage brand or an individual, controlling the image and message is non-negotiable.

"Unfortunately, the pressure of financial performance has contributed to the erosion of this critical factor allowing licensing, collaborations and partnerships to sometimes assail the brand’s DNA and reduce the brand’s strength. Careful due diligence and alignment must be the guiding principal to protect a brand," she said. "The lack of this discipline often leads to an impecunious brand, which then may not have the bandwidth to recover. Like a reputation, it takes years to build and sometimes one misstep to depreciate.

"Successful brands apply the same due diligence to their product line extension strategy. They need to be fiscally responsible while authentically bringing the consumer along not confusing them as to the brand’s soul, but opening them, and their wallets, to engage more deeply with them.

"Distribution, including licensing, should follow the same discipline. More is not always better, unless the distribution model is in alignment with the brand on many, if not every level. Long-term effects must be carefully measured against short-term gain."

Luxury brands’ exclusivity is also threatened through new forms of retail that make typically unattainable products more accessible.
"We see continued democratization of luxury as access increases through new channels such as Farfetch, TheRealReal.com, Rent the Runway, Flont and many more," Ms. Driscoll said. "Luxury brands have to balance access and inclusivity with the need to maintain brand exclusivity.

"We see collaborations along with limited testing of alternative business models such as rental, resale and potentially subscription as growing influences in the luxury market in 2020," she said. "Other alternative marketing approaches we expect to see more of include partnering with street brands to create the drama of exclusive, limited-duration product drops and attract a new cohort of young shoppers."

China

According to the 2019 edition of the Bain & Company Luxury Study, Asia and particularly China will see growth this year, while other regions will be flat or decline. One of the key trends that emerged this year was spending at home, with global spend by local consumers rising 11 percent while tourist expenditures rose 3 percent, benefitting markets that are nearby destinations for Chinese consumers.

Regionally, Mainland China saw the strongest growth, with sales rising 26 percent as Hong Kong sales declined by 20 percent. Part of what drove growth in Mainland China was Chinese consumers spending at home, as they shied away from traveling to Hong Kong and international destinations (see story).

Ongoing pro-democracy protests in Hong Kong have caused the luxury market in the city to take a hit.

Luxury brands must approach the Chinese market with political and cultural sensitivity as recent missteps by fashion labels have drawn consumer criticism.

As tensions heighten between Hong Kong and China, European luxury labels have been accused of not respecting China’s territorial claims in a number of ways. These situations could prove financially damaging, as Chinese consumers represent about a third of the luxury market, and growing (see story).

"Luxury brands should take care to bridge cultures and politics and maintain an inclusive and collaborative approach," said Renee Hartmann, cofounder of China Luxury Advisors, Los Angeles. "The global political environment is increasingly charged. Brands win by staying out of politics and focusing on universal values, desires and emotions."
2019 saw the United States and China further escalate their trade dispute, levying retaliatory tariffs on imports. After about a year and a half without an agreement, the two nations appear poised to institute a deal.

Per phase one of a trade deal, a 25 percent tariff imposed on $250 billion-worth Chinese products will stay. However, a 15 percent tariff that President Donald Trump placed on $120 billion-worth of Chinese goods in September will be halved to 7.5 percent.

As negotiations continue, the Chinese side expects more exemptions and reduced tariffs in a phased manner on imports worth an overall $360 billion (see story).

Heading into 2020, brands should focus on millennials and Gen Z consumers, who will be some of the main growth drivers for luxury next year and beyond.

According to data from Agility Research & Strategy, 41 percent of millennials and 33 percent of Gen Z consumers say that they are planning to spend more on luxury in the next 12 months. China’s millennial and Gen Z audience is looking for brands to speak with them rather than at them, as the study shows they would rather be influential than feel influenced (see story).

"We maintain an optimistic outlook for luxury in China in 2020," Ms. Hartmann said. "While there will inevitably be a few short-term bumps in the road, the demand for luxury goods continues to expand in China, and the long-term market fundamentals are sound. We expect consumers to continue to quickly adapt their brand preferences as they search for new brands and products that differentiate them from the crowd.

"In our practice, we constantly hear from brands with aspirations to enter the China market, which is rich in long-term opportunity," she said. "In particular, we expect to see increased demand for limited-edition products, personalization and brand crossovers. The retail market is quickly evolving as brands leverage technology to bridge the gap between offline and online experiences to create truly omnichannel experiences, serving the most digitally savvy consumer in the world."

Experience

Per data from BCG, 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 (see story).

As spending on experiences continues to eclipse sales of luxury goods, brands across sectors need to consider how they are delivering personal interactions that take consumers’ individual preferences into account.

Whether planning a bespoke travel excursion with seamless execution or allowing consumers to shop with the level of help they desire, luxury brands need to take their client’s interests and needs into account. During a webinar hosted by Luxury Daily on April 24, panelists noted that while firms are leveraging data to provide the most targeted options, luxury comes down to the human touch (see story).

Many brands also continue to underestimate the importance of emotional intelligence despite the positive impact it can have on a company’s bottom line, according to a report from Harvard Business Review.

The "EI Advantage" report, which was sponsored by hospitality brand Four Seasons Hotels and Resorts, shows that emotionally intelligent organizations have significantly strong customer experiences. As consumers are becoming more perceptive, it is crucial for luxury brands to publicly embrace EI and social purpose (see story).

"Unfortunately, the word experience has become a buzzword, however, the future will definitely include more experiential and visual moments," Ms. Strum said. "This will be extremely important to drive traffic into establishments, connect with their target market’s additional interests and stay relevant within the shifting retail climate."

Brands that sell goods are leveraging experiential marketing to reach affluent clients, connecting their product to a memory.

This might take the form of event sponsorship or private VIP excursions.

Britain’s Aston Martin is the most recent luxury automaker to update its experiential offerings in an effort to draw a new class of affluent drivers.
From pop-ups to exclusive test drives, more automakers are taking luxury experiences to a new level. While some are geared towards current owners, other experiences are meant to make high-end vehicles more accessible (see story).

"Experience in the luxury marketing space remains paramount, but needs to be assessed and measured by a number of factors," Ms. Miller said. "Experiences extend from educational soundbites delivered in an entertaining manner, to real-time hands-on moments, to virtual occurrences, to bespoke or highly customized encounters, to exclusive invitations reserved for best clients all delivered via human interaction and technology.

"This is where white space, collaborations and truly unexpected, unthought of moments become exciting, setting a new standard for the brand and the consumer," she said. 'High-low has proven to be of value, but now cross marriages of brands, artists, designers, techniques, materials and technology have the ability to make this much-desired impact.

"Collaborations cannot be seen as novelty, but rather originality behest of the brand and the respect it shows for its consumers' interests and desires."