

RESEARCH

European luxury sector, at \$880B in annual revenue, represents 4pc of EU's GDP

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As British as they come: Bentley Motors' Continental GT V8 convertible. Image credit: Bentley Motors

By DIANNA DILWORTH

The luxury business contributes \$880 billion in annual revenue to the European economy, making up 4 percent of European GDP, according to a [new report](#) from the European Cultural and Creative Industries Alliance (ECCIA) in association with Bain & Company.

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Europe's high-end sector continues to boost economic growth in the region, according to the report. The sector has grown 32 percent in four years between 2014 and 2018, up from 12 percent in 2004.

"There are a number of factors influencing this, including advantages created by the European luxury business model, particularly the relationship between creative and business talent," said Helen Brocklebank, CEO of British luxury trade body [Walpole](#), London.

"But perhaps the leading reason is the rare mix of high tech and high culture that expresses European heritage at its very best and is so coveted by the international customers of European luxury," she said. "This blend of innovation and craft allows European luxury brands to create an aura and desirability for products like nowhere else."

Exports up

Exports in the sector reached 210 billion, representing 10 percent of Europe's total exports in 2018.

Additionally, European high-end and luxury industries had a 72 percent share of the global market in 2018, which was 1,112 billion in 2018.

"The growth in the European luxury sector, which has outpaced overall European GDP is driven by a leaning towards global markets and an international customer who may buy luxury goods in their home market, but also engages in shopping tourism by choosing to travel to a location or city to purchase," Ms. Brocklebank said.

"Almost 50 percent of the value of personal high-end and luxury goods purchases in Europe were by non-Europeans and the sector is also highly export-oriented with 210 billion generated from exports in 2018," she said.

Automotive, fashion and jewelry stand out as luxury categories from the region.

"European luxury is characterized by strong performance in cars with high-end marques such as Ferrari, Rolls-Royce and Bentley leading both sales - this sub-sector is now worth 495 billion - and innovation in technology and performance," Ms. Brocklebank said.

"This is followed closely by personal luxury goods, including fashion with historic houses like Christian Dior, Loewe and Burberry absolutely central to European luxury and the likes of Rolex with watches and Cartier leading the way in fine jewelry," she said.

These leading luxury brands are relying on digital storytelling at the core of their business strategies to support this growth in the region.

Digital channels including Instagram, YouTube and Twitter are critical to reaching and influencing international customers.

"But above all [are] experiences that put customers at the center of the brand and enable them to gain an appreciation of the sense of place surrounding an object or product," Ms. Brocklebank said.

"This is executed particularly effectively by the Scottish whisky brands, the Macallan's 100 million investment in its new distillery and award-winning visitor experience is a prime example," she said.

"Also, investment in skills and training by luxury businesses ensures that production methods are preserved and passed on to the next generation of craftspeople and artisans."

Luxury sector boosts jobs

The report was released in Brussels this week where ECCIA members comprising more than 600 high-end brands and cultural institutions from 12 European countries and management consultancy Bain & Company presented the findings to the European Parliament.

The report examined the contribution of the luxury and high-end sectors to the European economy and culture.

The research revealed that the luxury sector employs more than 2 million people in Europe. Indeed, 300,000 of those jobs were generated between 2014 and 2018. These companies provide production hubs and design centers around Europe, and are also some of the leading companies in digital innovation and sustainability, per the report.

The luxury sector also supports city ecosystems, which generate business, retail, education and tourist activities.

Additionally, these companies play a key role in maintaining craftsman skills and promoting European cultural values globally.

"High-end cultural and creative companies play a crucial role for the preservation of Europe's creativity and savoir-faire, but also for the development of our industrial excellence," said Mariya Gabriel, ECCIA commissioner for innovation, research, culture, education and youth, in a statement. "This is key to ensure both our competitiveness and the promotion of our values and cultural heritage throughout the world."

Policy recommendations

ECCIA is using the research as a spring board to call on European Union policy-makers with particular policy recommendations that will help sustain and foster the continued growth of the sector. **These measures include:**

Strengthening the existing framework relating to their selective distribution model

Strengthening the enforcement of intellectual property rights online and offline to better fight against counterfeiting and support consumer interests

Promoting skills and vocational training to provide sustainable employment opportunities

Encouraging sustainability through harmonized, fair and long-term policies

Ensuring a fair access to markets to support exports

Facilitating the arrival and circulation of tourists in the EU