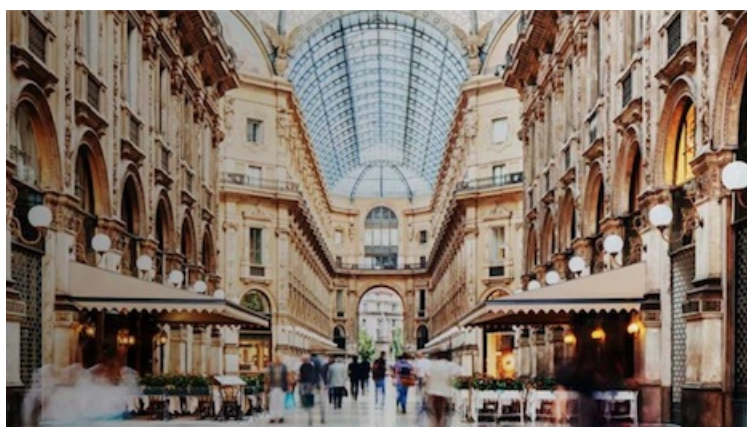


RETAIL

COVID-19 accelerates omnichannel transformation, but experiential luxury will recover: Bain

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Brands must adapt to current trends to survive the pandemic. Image credit: Bain & Company

By NORA HOWE

The disturbance of the COVID-19 pandemic has been the catalyst for change across the luxury industry, which is on track to recover by 2023, according to research from Bain & Company and the Fondazione Altagamma.

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The 19th edition of the Bain & Company Luxury Study examines how the global pandemic has affected the luxury industry this year and analyzing trends toward its recovery. Consumer demand for action with purpose and social impact is growing and luxury brands are expected to demonstrate concrete commitment to diversity, inclusion and sustainability.

"Luxury brands have faced a year of tremendous shifts but we believe that the industry will come out of the crisis with more purpose and more dynamism than ever before," said Federica Levato, partner at Bain & Company and co-author of the study, in a statement. "By 2030, this industry will be drastically transformed.

"We will not talk about luxury industry anymore, but of the market for insurgent cultural and creative excellence," she said. "In this new enlarged space, the winning brands will be those that build on their existing excellence while reimagining the future with an insurgent mindset."

Key trends

Multiple trends that were already on the horizon are completely reshaping the luxury industry and are accelerating rapidly due to the pandemic.

As a result of a lack of tourism, there has been a significant growth in local consumption. The market in China has grown by 45 percent this year, despite a decrease in spending by affluent Chinese shoppers due to a lack of spending abroad.

Although this lack of spending abroad brought the European and American markets down 36 and 27 percent, respectively, those markets are still showing resilience on a local level.

The changes brought by COVID-19 increased digital presence in every aspect of life.

In the luxury industry, online sales made up 49 billion euro in 2020, or \$58 million at current exchange, up from 33 billion euro, or \$39 million, in 2019. The share of purchases made online nearly doubled from 12 percent in 2019 to 23 percent in 2020.

Online is set to become the leading channel for luxury purchases by 2025, fueling the omnichannel transformation. Brands will need to adjust their footprints to the new digital map of luxury purchasing, evolve the role of bricks-and-mortar stores and their ergonomics and maximize the customer experience, according to the report.



The personal product categories hit the hardest by the pandemic were apparel and accessories. Image credit: Bain & Company

Experience-based goods could lead to a recovery within the luxury industry. Goods such as fine art, luxury cars, private jets, fine wine and gourmet food are expected to recover faster than personal goods.

Across product categories, entry-price items increased their relevance, reaching more than 50 percent of volumes sold in 2020. In the quest for relevance with regards to pricing, business models are rapidly changing accessible luxury, increasing competition from brands with relevant purpose and business models for today's consumer.

Luxury brands are going to shift from being just producers to being broadcasters and engaging with the public, creating an open platform for conversation.



Brands must adapt to changing values of consumer markets as sustainability and responsibility become key. Image credit: Bain & Company

In addition to sustainability and environmental issues, diversity and inclusion have come to the fore in 2020. Younger generations are expected to account for 180 percent of the market growth in coming years with Gen Z shaping the near future of luxury with their distinctive habits and values.

These consumers place an unprecedented emphasis on tackling social and racial injustice and will continue to seek brands that align with their vision and desire for purpose.

A value-driven industry

As the global pandemic has created a global shift in values and as younger generations become increasingly involved in the luxury industry, many speculate that these shifts may accelerate a more value-driven industryone focused on social and environmental consciousness.

In July, Ernst & Young released a report predicting five new consumer segments beyond the COVID-19 pandemic, reflecting a shift in values and expectations. Two of the five segments indexed were: planet first and society first.

Consumers in the "planet first" segment said they would most likely change the products they buy and would pay a premium for high-quality, ethically sourced and sustainable goods with 59 percent saying they would shop locally moving forward.

Consumers in the "society first" segment believed that everyone should work together for the greater good, with 73 percent of them prepared to change their behavior to benefit society, preferring to buy from organizations that are honest and transparent about what they do ([see story](#)).

According to panelists on [Positive Luxury's](#) "Extinction is Forever" biodiversity webinar, the luxury industry can play an important role in the conservation and restoration of land and the ocean.

Panelists discussed how brands can address the threat to biodiversity by understanding supply chains, showing leadership in regeneration and helping consumers understand the link between nature and the products they purchase ([see story](#)).

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