

RETAIL

## The luxury rebound: Brace, brace, a new era of exuberance has started

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*The pandemic is far from over, but luxury demand has already moved on to the next phase of growth, so expect to be surprised. Image courtesy of Tiffany & Co.*

By [Erwan Rambourg](#)

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A year ago, I was happily meeting friends and clients, going out to restaurants, and enjoying life in the Big Apple. And then, mid-March, everything suddenly shutdown, and I have been working from home ever since and reading articles about the great New York exodus, how the city would never be the same again, and how maybe, according to one *New York Post* article, it is the case that "New York City is dead forever."

To be sure, the city is clearly not the lively one I grew up in, as friends flying in from less restrictive states (think Florida) always remind me, commenting on how dull it now feels. So all of this grim reality should tell us luxury demand has evaporated in New York, right? Wrong. Chanel, [Dior](#), [Louis Vuitton](#) and Tiffany are all still bustling. Why?

Human nature prevails, of course. Wealthy consumers, stuck at home, have come back to spend on luxury. True, they have been incentivized to do so, as they entered the pandemic being wealthy, plus a combination of favorable equity markets, secondary property markets and [staycationing](#) has enabled them to feel even more wealthy.

But even before financial considerations, human nature has prevailed retailers talking to "a survival trade," i.e., "I've been through this, it's OK to reward myself."

What happened in New York with local clientele, and in parts of Europe with locals there as well, is not too dissimilar to what happened in mainland China a lot earlier on in 2020.

Even more surprising to the brands was the rebound of Western consumers, given very few would have imagined them to be so engaged and motivated to purchase luxury goods while circumstances remain so dire.

Sure, there are exceptions. The U.K. vaccination rollout, for instance, has been impressive. But in most of the Western world, restrictions are still painful (think France) and COVID-19 fatalities remain saddening high (think the United States). And yet the rebound has started.

"Anniversarying" the shock

Go back to the pandemic timeline and you will remember that by last February, most of China's stores were shut and by mid-March both Europe and the U.S. as well.

You do not need to be a math guru to understand that if luxury sales for any given brand were halved in the March-May period last year, all things being equal this year, they should double.

The media tends to sensationalize what otherwise should just be a logical outcome. Last April, the press was all about how an **Herms Guangzhou store beat record sales** when it reopened post-pandemic.

Well, considering Chinese citizens had bought nothing for two months and, more importantly, that most **sales to Chinese nationals used to take place abroad** but now going abroad was an impossibility with all borders being shut what was optically incredible was just plain logical.

Similarly, if brands double their sales in the March-May 2021 period year-over-year, the media will likely highlight "astonishing sales," when we will just have gone back to 2019 levels, plain and simple.

And, as I just published my book, *Future Luxe*, discussing a strong decade of post COVID-19 growth for luxury, I could go around on a "I told you so" tour, but I will not.

Not just about the optics

All in, the optics will look good this year for the luxury industry. But beyond the optics, luxury has emerged as being way more important to wealthy individuals' lives than we could have imagined.

Sure, **big brands with iconic ranges** are outperforming, while smaller, independent companies struggle.

Sure, consumers are asking more questions and **greenwashing** is making way to ensure a proper conscience.

But beyond the 2021 rebound, I remain confident that luxury demand can thrive.

The crisis has improved the quality of management and sales staff in the sector, the level of knowledge and engagement to consumers and, as I discussed previously, **a shift from product to purpose** will make the relationship between brands and consumers that much stronger.

Luxury is by definition something you do not need, but it changes your perspective, puts a smile on your face, makes you hopeful and enthused, and we still need that right now.

*Erwan Rambourg has been a top-ranked analyst covering the luxury and sporting goods sectors. After eight years as a marketing manager in the luxury industry, notably for LVMH and Richemont, he is now a managing director and global head of consumer and retail equity research. He is also the author of "Future Luxe: What's Ahead for the Business of Luxury" (2020) and "The Bling Dynasty: Why the Reign of Chinese Luxury Shoppers Has Only Just Begun" (2014).*

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