

GOVERNMENT

## More European lockdowns may hamper luxury recovery

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*Springtime in Paris will be quieter this year. Image credit: Paris Convention and Visitors Bureau*

By SARAH RAMIREZ

With another wave of COVID-19 infections hitting Europe as several countries struggle with vaccination rollouts, a new round of restrictions may cast doubts over the speed and health of the region's economic recovery.

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Countries across Europe including the key luxury markets of Italy, France and Germany have imposed more stringent measures, although exact regulations vary on the national, regional and local levels. Although lockdowns have been an important component in combating the spread of COVID-19, more cases and lockdowns may further hamper the recovery in luxury markets that rely on tourism and in-store retail.

"As more European countries experience yet another COVID wave, they are being forced to partially or fully shut down again which impacts all retailers with bricks-and-mortar stores," said Meyar Sheik, president and chief commerce officer at **Kibo Commerce**, San Diego. "European luxury brands and retailers are more adversely impacted due to the high-touch nature of the luxury goods shopping experience."

Round three?

While COVID-19 cases in the European Union are down from a peak in November 2020, infections remain elevated for a variety of reasons.

One factor is the emergence of more contagious coronavirus variants, including the more infectious B.1.1.7 variant, which was first identified in the United Kingdom in late 2020. Several countries imposed travel restrictions to combat the mutation, which appears to be more infectious ([see story](#)).

Vaccination rates also trail in the E.U. compared to the U.K. and United States. This is a result of supply issues, vaccine hesitancy particularly in France and temporary suspension of the Oxford-AstraZeneca vaccine after concerns arose around side effects.



*Much of Europe still has travel restrictions in place amid rising coronavirus cases. Image credit: Italy Ministry of Health*

Since the first wave of infections and lockdowns last spring, the E.U.'s COVID-19 strategy has not been as strict as nations such as China or South Korea. Instead, the region has turned to a patchwork of restrictions regarding social gatherings, education, travel, retail and more, while leaving some loopholes open.

"Most European countries are struggling because after a full year of lockdowns and restrictions, people want to go back to normalcy," said Claudia Fanini, founder and chief experience officer at [The Italian Planners](#), a Milan-based luxury event and travel agency. "Unfortunately, normalcy is not possible because every time we loosen restrictions, the number of infected patients increases enormously."

This new round of lockdowns comes months after localized restrictions during the fall and holiday season were lifted.

Through April 6, some of Italy's most populated cities and regions, including Rome and Milan, are under the country's most severe restrictions. The new Italian prime minister is also placing the entire country under lockdown for the Easter weekend, while pledging to accelerate the national vaccination effort ([see story](#)).

In France, 21 million people including those in the greater Paris area are being impacted by the newest restrictions, which are meant to be in place for four weeks. However, as new rules are being put in place, others are loosened.

According to [France24](#), the country's nightly curfew has been pushed back an hour in the evening, in-person instruction is set to resume and residents will no longer need permission slips for outdoor outings within 10 kilometers, or about 6 miles, from their homes.

Meanwhile, in-person browsing has been suspended in nonessential shops, but exceptions now include bookstores, car dealerships, hairdressers, florists and chocolatiers. Click-and-collect retail is also permitted.

"Offering flexible, easy and fast delivery options to online shoppers will also help bridge the gap between the immediacy of a physical store and online shipping times," Kibo Commerce's Mr. Sheik said.

According to Altiant's [Global Luxury and Asset Management](#) (GLAM) monitor for Q4 2020, 75 percent of affluent and high-net-worth respondents had shopped in-store for luxury goods within the last year down from 79 percent in Q3 2020. More than six in 10 luxury shoppers, 64 percent, have purchased high-end goods or services online in the last year.

In Germany, leaders are also expected to extend lockdown restrictions, which were set to expire on March 28, through April 18 as infections climb. Restaurants and bars have been closed in the country since November, while hotels have been closed to tourists.



*Vehicle production should continue uninterrupted as workers continue to observe COVID-19 protocols. Image credit: Audi*

Unlike the lockdowns from last spring, however, manufacturing sites and factories have been able to remain open in most of the E.U. a positive sign for many luxury sectors.

"Compared to a year ago, the lockdowns are less stringent most companies allow smart working or work in person, depending on the kind of business," Ms. Fanini said. "Necessity shops and businesses can still run, which alleviates the pressure on the general economy, but still makes it very difficult for all of those businesses linked to travel and social interaction."

#### Luxury implications

Another spring dominated by coronavirus concerns and lockdowns will likely further slow the economic recovery in many sectors.

"In the luxury travel sector our understanding of the new lockdowns is that regional governments in France and Italy and some other areas are attempting to put a final lid on COVID spikes to prepare themselves for a summer season with fewer restrictions as vaccines rollout," said Cate Caruso, president at [True Places Travels](#), a Virtuoso partner, Vancouver, WA.

Not only has hospitality been the hardest hit category during the pandemic, but brands in the luxury personal goods space are also very reliant on tourism. Altiant's GLAM monitor found that although most HWNI have traveled throughout the pandemic, most trips have been domestic and away from large cities.

In an attempt to mitigate the spread of the deadly virus, the Biden administration has barred non-U.S. citizens traveling from the U.K., Ireland and countries within the Schengen zone, as well as Brazil and South Africa from entering the country ([see story](#)). While not meant to be a permanent ban, it remains unclear when these international restrictions will be safely lifted.

According to the "State of Fashion 2021" report from McKinsey & Company and Business of Fashion, another round of lockdowns in 2021 will likely delay the recovery of the global fashion industry until the fourth quarter of 2022.

Global luxury sales are still expected to decline by 12 to 17 percent in 2021 compared to 2019, including a 28 percent decline in Europe. Notably, luxury sales in Europe will likely be among the slowest segments to recover due to drop-offs in tourism as well as shorter production cycles ([see story](#)).

"As luxury tourism is tied to the overall economic recovery, new lockdowns are never good news," Ms. Caruso said. "However, the luxury tourism industry has been primed over the course of the last few months and will be ready to meet the demand as it grows."

"We are predicting a fairly healthy rise in luxury tourism revenues for mid- to late summer in Europe, as airlines stabilize their flight schedules and high-net-worth vaccinated travelers from the U.S. are back in the air and on their way," she said. "Hotels and luxury tour operators and ground partners are ready to welcome them."