

MARKETING

Luxury recovery will continue, led by travel, ecommerce: BCG

May 20, 2021



Younger consumers are driving growth across the luxury industry. Image credit: Afterpay

By KATIE TAMOLA

Millennial and Generation Z consumers, arguably the generations most financially-impacted during the COVID-19 pandemic, will continue to actively drive the growth of luxury through trendsetting and digital engagement.

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Speaking at the [FT Business of Luxury Summit](#) on May 19, a partner from Boston Consulting Group shared predictions of how the luxury landscape will look in the coming years. The luxury and business worlds are now experiencing a range of post-COVID-19 behaviors, with some anticipated to remain indefinitely.

"This [post-COVID 19] activity is an extraordinary moment and both consumers as well as luxury brands and retailers have really shown great resilience, and the ability to really react in a dynamic way to a changing market, so [we have] a little bit of optimism as we move into recovery," said Sarah Willersdorf, partner and managing director and global head of luxury at [Boston Consulting Group](#).

Recovery in 2021, 2022 and beyond

BCG's estimates that luxury sales would be down in 2020 by about 20 to 30 percent as a result of the pandemic provided to largely correct.

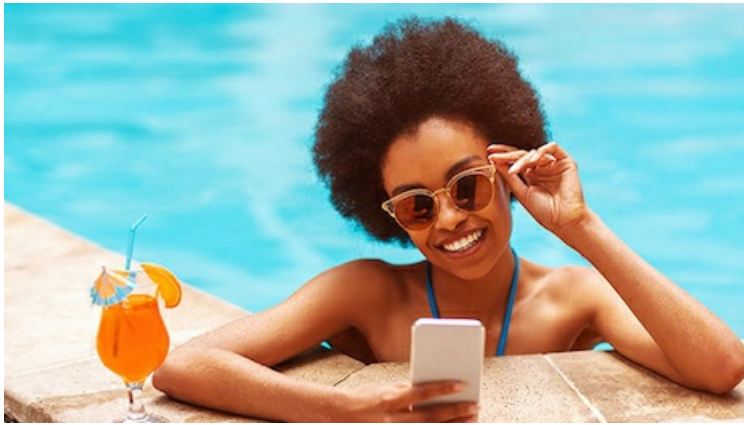
Impact varied, however, as some brands and retailers were down as much as 45 percent while others remained flat and a few even managed to turn against trends and reflect positive growth.

In 2019, Ms. Willersdorf said the market was valued at 350 billion euro, or \$427 billion at current exchange. As for 2021, the consulting group is now estimating it to be somewhere between 330 and 350 billion euros, or between \$402 and \$427 billion at current exchange, regarding sales of personal goods.

Bags, accessories and beauty saw strong growth in 2020, while apparel was more severely impacted during the COVID-19 pandemic. Improvement is expected in the apparel sector in 2021 and beyond, as consumers are return to events and occasion dressing.

The United States was an unexpected silver lining, showing several positive signs for 2021. The market, recovered more quickly in part due to stimulus checks, a rapid vaccine rollout and a strong housing and stock market

ultimately driving strong consumer confidence.



After more than a year of COVID-19 restrictions, affluents are looking to splurge on travel. Image credit: Marriott International

The U.S. is seen as a growth region primed for a "renaissance," with indications suggesting that 2021 and 2022 will bring continued strong local spending as well as tourism.

China has continually served as a bright spot for luxury, largely as a result of repatriation of Chinese spend within the country.

Europe has been experiencing a much slower recovery and longer lockdowns, and is not expected to see market numbers similar to 2019 until about 2022. Other bright spots for recovery include Dubai, where a number of affluents have been able to travel and shop during this period.

Experiential luxury, including travel, was impacted more severely during the pandemic, seeing losses of about 50 or 60 percent in 2020.

The expectation is that travel will bounce back due to pent-up excitement and demand from affluents who have had to spend over a year without any trips. BCG found that 42 percent of luxury consumers said they expect to spend a lot more on luxury experiences than pre-COVID 19 levels.

"This is not about regaining what was lost, it's actually about spending even above and beyond that," Ms. Willersdorf said.

Many consumers who did choose to travel during the pandemic sought private accommodations, a trend that many expect to stay for years to come. Private jet services continue to expand as interest remains steady.

"We're also seeing an increase phenomenon of younger consumers, mainly Generation Z and younger millennials, looking at more private experiences, including private houses private villas, which is a little bit different than what we've seen in the past with this with this demographic for sure," Ms. Willersdorf said.

Customer experience and service as well as a "human touch" will also be essential in brands' recovery. The influence of Gen Z and millennials will further increase, as these consumer are expected to be the bulk of the market by 2025.

"This sort of new generation is influential in the market not only because of their spending but also because of the influence they have and the trend setting and digital engagement," Ms. Willersdorf said.

Trends with staying power

Post-pandemic trends expected to remain include consumers seeking transparent values from luxury brands, specifically in regards to sustainability.

According to BCG's research, 38 percent of consumers said they made a purchase based on sustainability in 2019, while 53 percent of consumers in 2021 say they will make a future purchase based on sustainability.

A recent study explores how consumers view sustainability and their expectations of brands. With one in three consumers reporting it is difficult to find sustainable options across all product categories, luxury brands have an opportunity to engage these consumers by increasing sustainability efforts ([see story](#)).

Ecommerce and brands' technological presences will continue to be important, as BCG anticipates that online share of sales in luxury to rise from around 7 percent today to probably more than 25 percent globally.

Gamification is also beginning to run rampant throughout the luxury sector. Luxury brands have collaborated with video games for disparate series, add-on features like gaming skins and more.



Gucci is one of the brands that has most eagerly embraced gaming. Image credit: Gucci

During the COVID-19 pandemic, several brands found engagement growth within their apps after implementing more in-app game experiences and partnerships. Partnerships with popular mobile games offer consumers interactive experiences and help brands reach new audiences ([see story](#)).

"Gaming is a phenomena that's not only impacting our industry, from an inspiration standpoint, but there are real dollars at stake," BCG's Ms. Willersdorf said. "There has been an audience who have really started to push this forward and move it to the next to the next level, which is really exciting."

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