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RETAIL

The new luxury consumer is young, female: SimpliField

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Female millennial and Gen Z consumers are increasing their purchasing power. Image credit: SimpliField

By NORA HOWE

As vaccines continue to roll out globally, retailers predict a rebirth driven by pent-up shopping demand and customers' desires for new store experiences.

There is an opportunity for luxury retailers to implement new, innovative approaches, shedding any past inefficiencies and embracing new models that tightly align with the needs of consumers. Bringing together insights from influential leaders in the industry, integrated mobile platform SimpliField examines what the future holds for luxury retail through eight industry trends expected in 2021.

Shifts in global luxury

First, retail recovery is expected to be led by Chinese consumers, who will account for almost half of global spending on luxury goods by 2025, up from a third in 2019, according to the report.

The Chinese market is seeing a speedy market rebound, due to its large customer base of repeat and first-time luxury buyers. In Mainland China particularly, luxury brands have already started to reap the benefits of post-quarantine shopping.

In April, Herms achieved record-breaking sales of at least $2.7 million with the reopening of its flagship store in Guangzhou. The brand recorded a 94 percent increase in sales in Asia, excluding Japan, driven by activity in the Greater China region and Korea, Thailand, Singapore and Australia (see story).

Luxury brands are rushing to open more stores in China and expand their online offering on platforms such as Alibaba's Tmall Luxury Pavilion.

In December 2020, Italian fashion brand Gucci partnered with Alibaba in an effort to expand its reach in China (see story). The brand then debuted its beauty line in Tmall in February (see story).

Additionally, Alibaba and Richemont jointly invested in online fashion platform Farfetch to expand ecommerce in China (see story).

Gucci joined Tmall Luxury Pavilion in December 2020. Image credit: Gucci

Second, the outlook for the U.S. luxury market may be more positive than expected. As equity markets have remained at all-time highs, wealthy individuals sheltering in place have continued to accumulate wealth and are now feeling inspired to reward themselves, according to SimpliField.

The North American luxury market is expected to see 14 percent growth and remain solid as positive signals show early increases in purchasing luxury goods. Additionally, unlike Europe, U.S. luxury is not as dependent on travel retail, however it may be moving away from city centers and large department stores.

Third, local empowerment is critical for recovering European markets, as tourism flows have evaporated. The World Tourism Organization revealed that the number of tourists in 2020 decreased by 60 to 80 percent worldwide, with Europe accounting for half of the world's tourist arrivals.

According to a Business of Fashion report, even in a positive "earlier recovery" scenario, Europe is expected to see its luxury sales decline by 23 to 28 percent in 2021 compared to 2019.

Travel recovery is expected to evolve across four stages, with both economic and health factors reshaping the market: crisis, pandemic recovery, economic recovery and the new normal.

Consumer behavior, digitization

Fourth, the new luxury buyer is young and female. According to SimpliField, women have more money today due to a multitude of factors: couples are marrying later, narrowing wage gap and increased employment participation.

In terms of age, by 2026, millennials and Gen Z will make up more than 60 percent of the spending. Plus, they are more affluent, making 30 percent more luxury purchases than the overall luxury population.

Fifth, consumer expectations of brands are dominated by social and environmental responsibilities, and brands will need to reshape themselves internally to better align with these conscious consumers.

Gucci's deal with The RealReal was a nod to sustainability. Image credit: Gucci

Additionally, the secondhand market is accelerating. Fashion brands like Gucci and Burberry have already invested in developing resale through partnerships with TheRealReal (see story).

Sixth, as luxury commerce moves online, many brands are weighing the pros and cons of selling on Amazon.

While some luxury houses like Oscar de la Renta joined Amazon's Luxury Stores early on (see story), many are still taking a wait-and-see approach to the new Amazon Luxury ecommerce platform. Many restrictions exist for luxury brands on those channels, particularly in terms of brand messaging based on a very fine balance between exclusivity and accessibility (see story).

Seventh, the relationship between sales associates and customers will become as important as the stores themselves. Customer service will be key to luxury retail recovery this year.

According to the report, sales associates will become a customer's go-to person every time they have a question about the brandlike a concierge.

The eighth trend SimpliField expects for retail this year is consolidation and innovation. The trend towards luxury classics is reflected as large luxury groups continue to consolidate and lead the way, such as LVMH's acquisition of jewelry brand Tiffany & Co. at the end of last year (see story).

In terms of innovation, many industry leaders are looking to brands like Gucci, which launched a new digital approach to omnichannel sales, and Louis Vuitton, which introduced a new collection of monogram logo designs to appeal to younger customers.

Luxury brands must look to surprise their customers and keep them engaged.