

MARKETING

## Is convergence coming for luxury?

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*The Baccarat x Martha Stewart collection. Image credit: Baccarat*

By SARAH RAMIREZ

NEW YORK Luxury leaders are primed for a strong 2022, but some categories and brands may face challenges ahead.

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The strength shown by luxury throughout the COVID-19 pandemic was initially a surprise, but not every brand is a winner. During a conversation at Luxury Daily's digital Luxury FirstLook 2022 conference on Jan. 13, *Luxury Daily* editor in chief Mickey Alam Khan and Luxury Institute CEO Milton Pedraza shared a sector-by-sector outlook for 2022.

"We still see the winners, the top brands are taking the most and there's still a long tail of what we call mediocrity, or average performance," Mr. Pedraza said.

Up and up

The apparel and accessories category will have another strong year, particularly as consumers look to refresh their wardrobes after nearly two years of Zoom.

Shoppers are buying less, however, as they focus on better quality pieces which may impact margins and profits, Mr. Pedraza warned.

Similarly, the automotive sector is expected to be up at least in terms of dollars, although supply issues may constrain sales volume. Ultra-luxury vehicles, priced at \$2 million and up, and electric vehicles are two categories that will thrive.

Luxury wine and spirits, a category often seen as "recession-proof," will also perform well as restaurants and bars continue to recover.

While technology giant Apple remains the world's largest watchmaker thanks to the success of its Apple Watch, true luxury watchmakers and jewelers can still expect a strong year as long as they continue to innovate.

"The quality over quantity' trend continues because of the investment aspects," Mr. Pedraza said.

U.S. jeweler Tiffany & Co. remains a brand to watch, as it continues to skew more upmarket under the stewardship of

French luxury conglomerate LVMH (see story).

In real estate, hybrid working styles have enabled some luxury homeowners to explore new markets. Second homes are becoming more popular among those who can afford it, giving them access to the best of both worlds the culture and community of large cities, with the benefits of warmer weather or more space at their second- or third properties.

Retail continues to shift online, but in ecommerce, profits remain "elusive," according to Mr. Pedraza. Challenges include high overhead costs, labor shortages, labor costs and little tolerance among consumers for mediocre service.

Consumer privacy and personalization will also remain a defining trend in retail.

Travel and hospitality continues to be the luxury sector most adversely impacted by COVID-19. Omicron has been the latest obstacle, as cruises and airlines face staff shortages leading to trip cancellations.

"I don't think until 2024 are we going to see the robust travel breakout that we would like to see," Mr. Pedraza said. "I know that sounds a little pessimistic, but I think it's also realistic."

Consolidation and convergence

As luxury continues to adapt to the post-pandemic environment, some brands and product categories may disappear as they become obsolete.

Mr. Alam Khan cites bone china as an example. If Gen X consumers are already failing to see the appeal of china, it does not bode well for the next generations.

"You're going to see tremendous innovation in products," Mr. Pedraza said. "But they're going to knock out a lot of other products that are become useless as you convert a lot of technology into one product, into one offering."

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