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RESEARCH

Gens Y, Z drove entirety of global growth in personal luxury goods sales this year: Bain

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Global luxury goods markets are projected to hit $1.45 trillion in sales this year, as younger generations drive growth. Gen Zers Emma Chamberlain and Charli D'Amelio pictured above. Image credit: Louis Vuitton

By AMIRAH KEATON

A new report from Bain & Company and Italian luxury lobby Altagamma projects the overall global luxury goods industry will hit $1.45 trillion in sales revenue this year, while the personal luxury goods sector itself is predicted to reach $365 billion in 2022.

The market is poised for even greater gains by 2030, thanks to younger shoppers who are spending on luxury at earlier ages versus previous generations, according to the study.

"Despite present and continuing economic challenges, some 95 percent of luxury brands posted a positive growth," said Claudia D'Arpizio, main author of the Luxury Monitor and senior partner at Bain & Company, Milan.

"This is a very positive signal which makes us believe in a further expansion in sales and market value for luxury goods through the coming year and decade," she said. "However, in their path to 2030, luxury brands will need to leverage their cultural avant-garde position and insurgent excellence to overcome the challenges ahead and shape the world.

"Just as they recently did through excellent products and human-centric engagement, they must now deal with new priorities: ESG, creativity chain, tech & data."

Upward trends

Altagamma and Bain & Company's 21st edition Luxury Study reflects strong market conditions.

In the face of worsening global macro-economic indicators and factors such as China's Zero-COVID policy, sales forecasts for the overall global luxury goods industry still reflect a 21 percent increase from revenue garnered and for the personal luxury goods sector, a 22 percent increase, both at current exchange and as compared to 2021.

The firm is characterizing the trends underpinning this growth as the "new wave" of sector developments throughout its report.

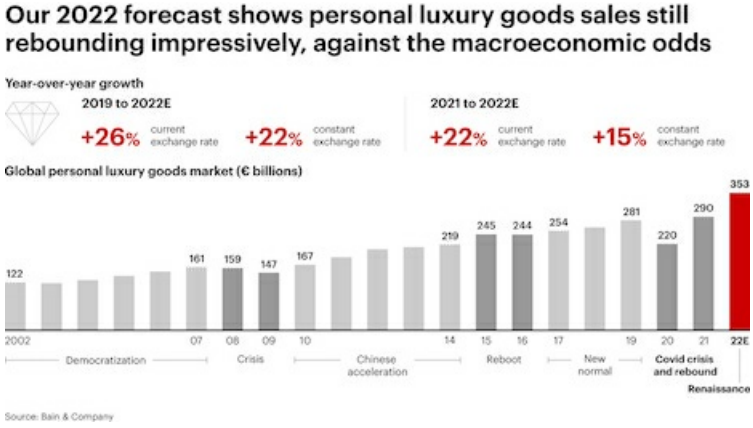
The report names strong market performances across quarters as a primary source of growth, going on to cite positive growth for some 95 percent of luxury brands.

Bain has identified a number of key trends driving luxury market expansion, including generational advancements and recession resiliency.

First, experts cite that younger generations hold the highest potential as far as proliferating sales.

Bain shares that 'Gen Y,' or millennials, and 'Gen Z' the former group was born before 1996, while the latter represents those born after, according to Pew Research Center accounted for the entirety of global growth in personal luxury goods sales this year.

Further, sales originating from Gen Z and Gen Alpha, the demographic cohort succeeding Gen Z marked by early to mid-2010s birth dates, are set to grow nearly three times faster than any other generation by 2030.



Global luxury market gains are demonstrated amid Bain's timeline. Image credit: Bain & Company

Showcasing an earlier entry to luxury markets than their millennial counterparts, this cohort will soon comprise a third of the market. Gen Z and Gen Alpha shoppers are beginning to buy luxury as early as 15, versus millennials, or Gen Y, who have typically started between 18 and 20.

Bain's forecasts also allude to further expansion in sales and market value for luxury goods, despite the impending recessionary conditions expected to affect leading global economies in 2023.

Though growth could curtail to lower levels anywhere from 3-8 percent, the report points out that luxury markets appear better equipped for economic turbulence due to a larger, more concentrated consumer base.

Customer-centricity and a multi-touchpoint ecosystem also provide barriers to disruptions.

The report nods to a return to in-store consumption as an area that could greatly comprise future sales figures. The trend, which Bain has dubbed the "Omnichannel 3.0" approach, will be encouraged and enabled by the integration of new technologies.

Consumer desires point to yet another expert observation, as the report identifies a growing level of knowledge among today's luxury consumers, a concept Bain refers to as an "elevated customer base."

Consumers touting greater levels of awareness will undoubtedly drive increased competition for loyalty and advocacy between luxury brands, calling leaders to advance VIP client strategies to leverage what experts describe as a consumer hunger for unique products and experiences, which have acted as the cornerstones of global markets over the last few years.

"The positive growth posted in 2022 and 2021 is strongly linked to the accelerated recovery after COVID-19, with luxury customers increasingly adopting a YOLO culture: they have been seeking to recover the years and experienced 'missed' during COVID-19 pandemic, despite the economic turbulences and uncertainties," Ms. D'Arpizio said.

"For example, luxury hospitality is growing steadily across regions, favored by full release of pent-up desire for travel," she said. "In addition, the boost in savings accumulated during COVID-19 definitely supported the increase of spending towards the luxury industry."

Furthermore, luxury is increasingly seen by consumers as an asset class to invest [in]."

Emerging markets

Bain's report briefly touches on hindered profitability, a source of potential concern for luxury investors attempting to rectify strong sales with lower net numbers.

The firm essentially states that increased spending helps future growth and recession resistance for 2023, but hurts gross revenues in the immediate, as reflected by slightly decreased profitabilities in 2022, as reported over the past few seasons by entities such as Italian menswear brand Ermenegildo Zegna (see story), holding companies like Tapestry (see story) and PVH Corp. (see story), retailers such as Nordstrom (see story) and even third-party resellers including The RealReal (see story).

Looking ahead, Bain expects the personal luxury goods market to climb to $559 billion - $600 billion by the end of the decade, up significantly from the present $365 billion estimate for 2022.

The firm previously estimated growth for the personal luxury goods market to reach $372 billion to $393 billion by 2025 (see story).

Regionally, the emergence of new markets marks the arrival of more key insights. Besides Southeast Asian and African countries, India stands out with predicted expansions of 3.5 times today's size by 2023.

As for what will be required from leaders across the world for the advancement of their firms in luxury's lead-up to 2030, the report's co-author references both of the above points.

"These domains are rich with opportunities for luxury brands, but investments for future growth are crucial," Ms. D'Arpizio said.