RESEARCH

Luxury bricks-and-mortar network down 1pc from 2019

July 7, 2023

Representatives from across the industry gathered in Milan for the ninth edition of Altagamma Consumer and Retail Insight on Wednesday. Image credit: The Altagamma Foundation

By LUXURY DAILY NEWS SERVICE

Industry experts are taking a look at the profiles and preferences of today's top luxury consumers.

Representatives from Boston Consulting Group, Bernstein, American Express and others gathered in Milan for the ninth edition of Altagamma Consumer and Retail Insight, which took place on Wednesday. Expected to account for 57 percent of the total market value in 2023, the presentation proposed that the experiential luxury outpacing the personal luxury goods market in growth, recommending that brands take note.

Data-backed discussions

The Altagamma Consumer and Retail Insight event leveraged insights from surveys conducted by both Boston Consulting Group (BCG) and Bernstein.

Findings from BCG's True Luxury Global Consumer Insight survey outline that of the 370 million active luxury clients worldwide, 350 million are marked as aspirational, while just 20 million are higher spending, or "true luxury," consumers.

Amounting to 5 percent of the total market's base, this segment wields outsized spending power.

Other survey findings involve a heightened appetite for luxury products, with 40 percent of "true luxury" consumers expected to increase spending in the coming year.

BCG's proprietary work mapping the customer journeys of 2,600 luxury consumers revealed, however, a collective sense of dissatisfaction with the digital experience from those that make the most high-end purchases annually.

Luca Solca, senior research analyst of global luxury goods at Bernstein speaks at the Altagamma-hosted event. Image credit: The Altagamma Foundation

"Less than 50 percent of luxury consumers are truly happy with their overall experience," said Filippo Bianchi and Guia Ricci, both managing directors and partners at Boston Consulting Group, in a statement.

"Brands spent decades perfecting offline ceremonies' recognized as dreamlike yet are significantly lagging behind in online: digital satisfaction is 0.8x that of mass retailers," they said.

BCG pointed out that while physical luxury channels have reached levels of satisfaction twice as high as those defining the mass market, luxury brands' online shopping experiences experience low satisfaction compared to mass retailers and pure online players.

The insights are particularly pertinent for navigating rebounding conditions in China.

Though unlikely to return to the record revenues seen in 2019, the landscape is transitioning toward local demand. A solid role within the country's digital ecosystem will ensure that labels can partake in the market, as here, nearly half of all domestic purchases are made through online channels.

Among survey notes, BCG shares that young people under 30 and consumers in lower-tier cities will increasingly contribute to the sector's growth (see story). The Middle East is also exhibiting great promise, with regional luxury markets set to double in size by 2030.

Altagamma Chairman Matteo Lunelli gives an introductory speech at the ninth edition of the Altagamma Consumer and Retail Insight. Image credit: The Altagamma Foundation

Evidence that, for major players, luxury's bricks-and-mortar network has contracted slightly since 2019 backs suggestions for brands to bolster their presence online.

Per the company's Luxury Retail Evolution research exercise, Bernstein is pointing to the fact that the top 25 global cities have around 40 percent of all luxury stores.

Furthermore, pressure to deliver with events, retail pop-ups, exhibitions and collaborations due to the demand for experiential luxury places even more weight on small players.

"Big brands have launched an escalation to build bigger, more meaningful, and more profitable stores," said Luca Solca, senior research analyst of global luxury goods at Bernstein, in a statement.

"It's the right thing to do, as in a world where you can buy from your cellphone, the store has to become exceptional to be worth a visit," he said. "The problem is all with the smaller brands, who can't afford these stores.

The analyst encourages luxury businesses with a lower headcount to maintain a modest physical footprint, embracing a "less-but-better" approach, echoing a recent report released by Italy's Altagamma (see story).

"How does one get to 'fry with water'?" Mr. Solca said, in a statement.

"Inventiveness, pragmatism, humility: we need to appeal to these Italian talents to stay in the game."