

RESEARCH

Luxury sector sales rebound to historic high of 2007: Bain

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The luxury sector has rebounded almost completely from the global recession and is recording near-record sales revenues in 2010, according to Bain & Co.

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The fourth quarter of 2009 marked the end of a historic slump for the luxury market – the first-ever full-year decline in sales. The boost in luxury sales this year will all but erase the adverse effects of the recession, as the \$235 billion in recorded sales falls just shy of the historical market peak of \$237 billion from 2007.

Bain released the findings in its ninth annual Luxury Goods Worldwide Market Study. The consulting firm was not available for comment by press deadline.

Nearing the '07 peak

Prior to the fourth quarter of 2009, the sector saw six straight quarters of year-over-year declines in luxury sales.

By contrast, the first quarter of 2010 saw sales up 6 percent, while the second and third grew year-over-year by 12 percent and 13 percent, respectively.

Good news is expected to continue this quarter as revenues are projected to be up 5 percent year-over-year.

Annual sales for the sector are projected to rise 10 percent.

While 40 percent of the growth can be attributed to depreciation of the Euro, that still leaves the sector with a 6 percent year-over-year increase in sales.

Going into 2011, sales growth is expected to level out to a 3-5 percent rate as the market returns to relative normalcy.

Retail by brand

Bain attributes the market growth to a number of factors, not least of which being the strong performance of retail stores owned and operated directly by luxury brands.

Brand retail locations experienced a 20 percent boost year-over-year, compared to just 6 percent growth for the wholesale and department store channels.

The shift from wholesale to retail means that upscale brands have more latitude to determine their own fate, and the brands with the best retail management, shopping experience and capacity to invest in retail will fare best.

All major sectors experience growth, including apparel (8 percent); hard luxury such as watches and jewelry (13 percent); accessories, shoes and leather goods (16 percent); and perfume (4 percent).

The accessories category is growing especially fast and nearly matched the revenue of the apparel category that has traditionally been the sector's largest.

Luxury sales online are outperforming overall sales of the Internet, growing 20 percent in 2010 to reach nearly \$6 billion.

The channel will be increasingly important to luxury marketers, especially going into this holiday season ([see story](#)).

Finally, sales in China grew an astounding 30 percent year-over-year, reaching nearly \$13 billion. The country is projected to become the third largest consumer of luxury products and services by the middle of the decade.

Final Take

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