

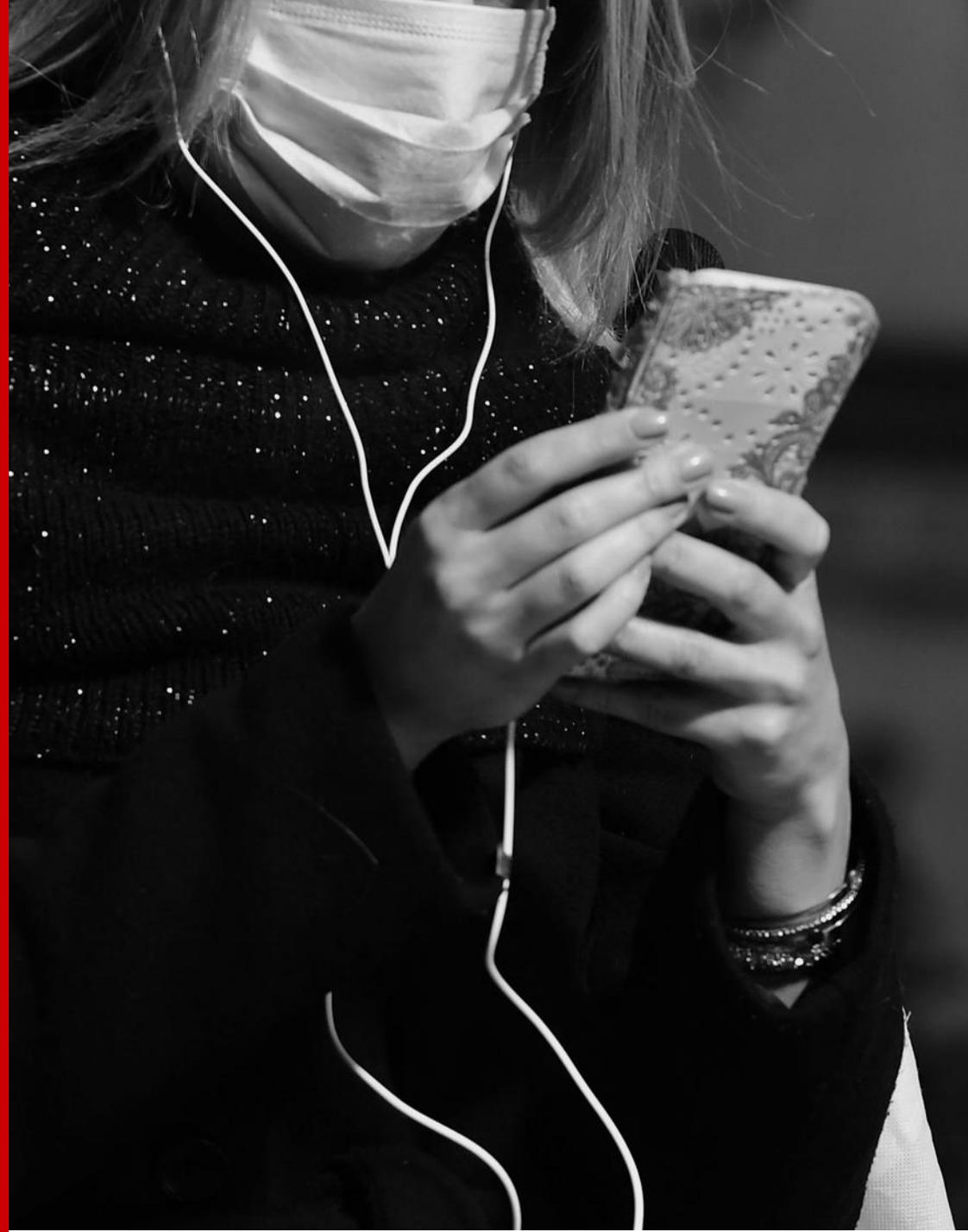
BAIN & COMPANY 



LUXURY AND CORONAVIRUS: FIGURES AND TRENDS

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Foreword on content and sources

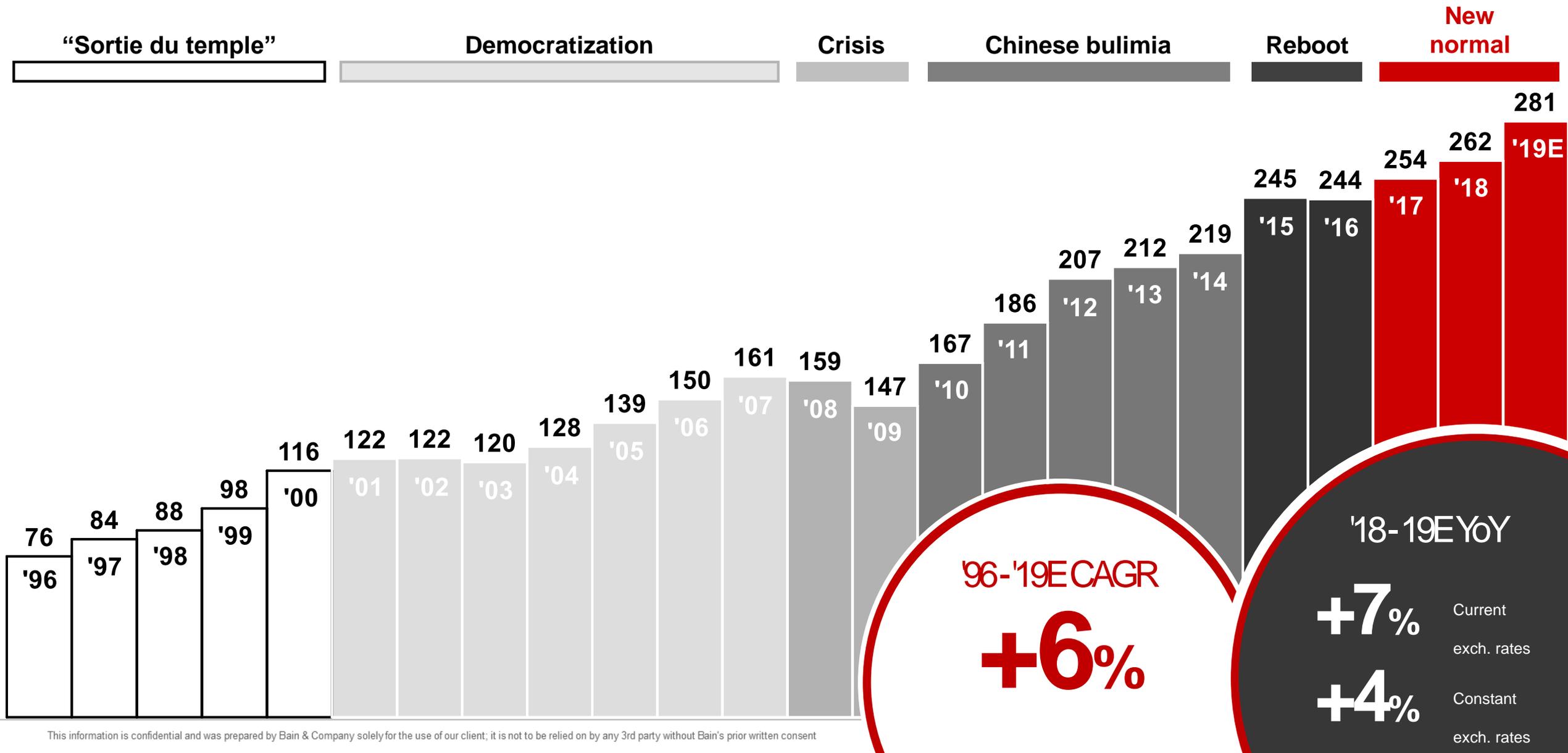
Content of this document

- This document contains **an update** on the **personal luxury goods market**, in particular:
 - An insight to the performance of the market in the **last quarter of 2019**
 - Expectations for the luxury market's **performance in 2020** (scenario-based) amid the virus outbreak
 - **Estimates** for how the luxury market will evolve **beyond 2020** and **up to 2025** and related **macrotrends** emerging
 - Bain's **recommendations** for how luxury players can **face the current situation**

Sources of this document

- The **insights** are based on **Bain's** triangulation of **information** and **sources**, available as of **May 4th 2020**, and including:
 - Data regarding the **outbreak of the COVID-19** and consequential lockdown across countries
 - **Macroeconomic data** (e.g. GDP, consumer confidence index,...) and their latest **forecasts**
 - **Current trading performance** from relevant luxury industry players
 - Annual **reports**, Quarterly **results** and Analyst reports
 - **Consensus of 100+ expert interviews**
- The scenarios **do not consider disruptive changes** in COVID-19 **status quo** (e.g. potential future **second wave** of COVID-19 or the **development and global introduction of a vaccine**)

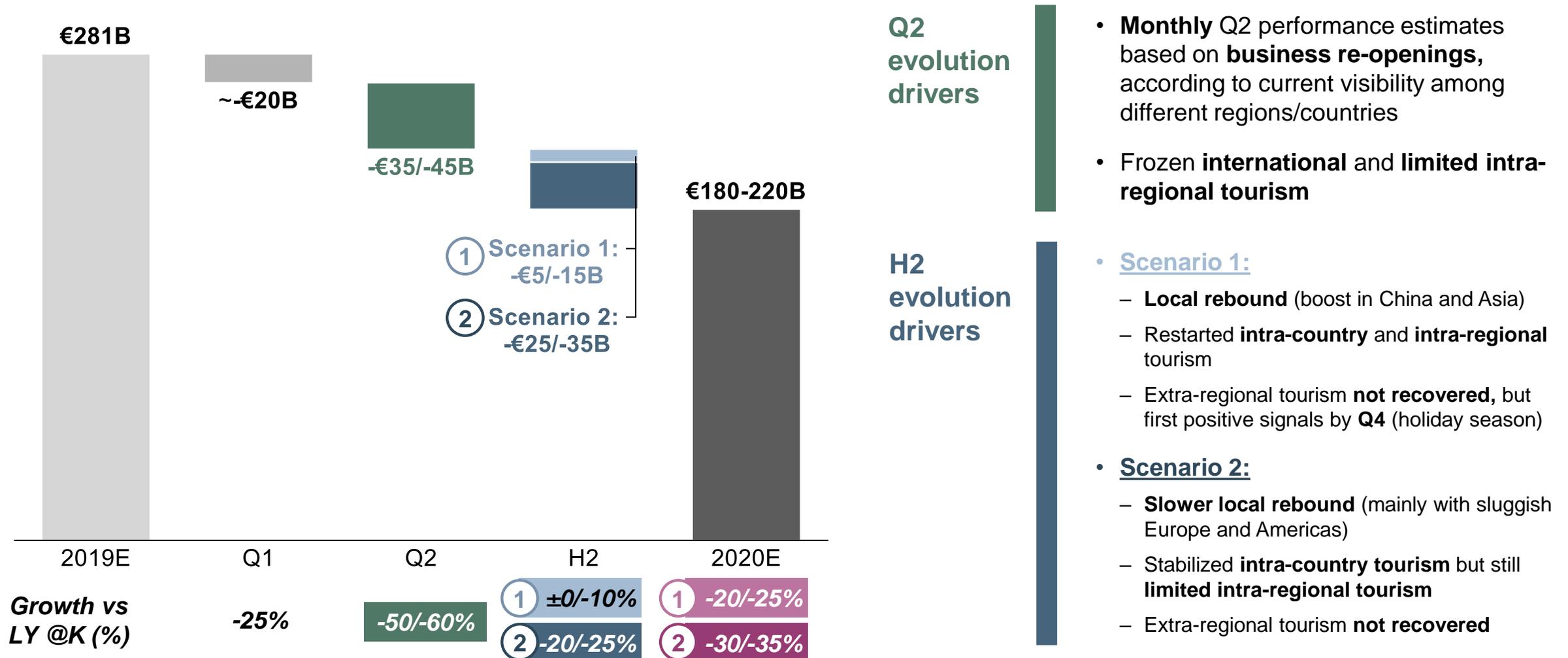
The personal luxury goods market remained on a “new normal” path of moderate growth in 2019



The personal luxury goods market could contract from -20% to -35% in 2020, with Q2 being the hardest-hit quarter in the year

2020 FY

Personal luxury goods market – Quarter-on-quarter evolution for 2020E (% | 2020E vs. 2019E)



While all categories declined, accessories showed the highest resilience, followed by beauty and jewelry

YTD APRIL 2020 PERFORMANCE

CATEGORIES

Personal luxury goods market – Year-to-date growth trend (YTD 2020E vs YTD 2019E)

Accessories

YTD



- **Resilience** of the category due to key factors:
 - Highest **online penetration**
 - Strong **product identity**
 - **Durable** yet **approachable** category
 - Reduced “scarcity” approach by brands

Beauty



- Booming **trend** of beauty **online** (as a good “**stay-at-home**” category) insufficient to rebalance **negative travel retail** (as category biased toward the channel)

Jewelry



- Although physical retail (high share of jewelry distribution) strongly impacted; customers shifting (even for high-priced tickets) to **alternative shopping channels** (i.e. **online, telephone**) when possible

Apparel



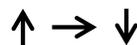
- Thriving **loungewear** and **athleisure** not offsetting the impact on RTW:
 - Less online-friendly category
 - Potential safety-concerns around RTW (in physical channel)
- Among usage occasions, **formal** and **evening-wear** most hit

Watches



- Despite initial **positive trend in US** (due to pre-COVID-19 rush), **watches** are increasingly **suffering**:
 - High **price points**
 - **Fewer purchasing possibilities** (most brands without an e-commerce)

Source: From interviews with selected luxury brands panel

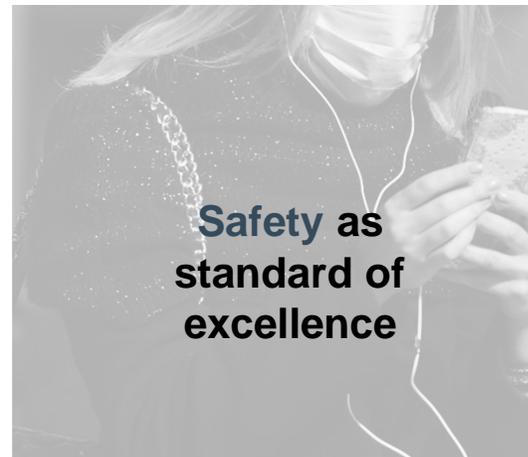


REAL TERM TREND YTD 19E-20E

Within this market context, several consumer trends are emerging or solidifying in response to the crisis



HERE FOR NOW



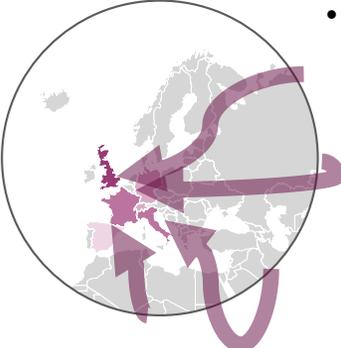
HERE TO STAY



The evolution of the market beyond 2020 will rely on regional macrotrends, local consumer confidence and tourism flows

BEYOND 2020

/ BASED ON SITUATION AT END OF APRIL

	Europe	Americas	China	Japan	Rest of Asia
Regional macroeconomic fundamentals	<ul style="list-style-type: none"> Strongest impact and slowest recovery 	<ul style="list-style-type: none"> Strongest impact and slowest recovery  	<ul style="list-style-type: none"> Limited impact given swift recovery and previous fast trajectory  	<ul style="list-style-type: none"> Strong impact and relatively brisk recovery 	<ul style="list-style-type: none"> Strong impact but resuming brisk trajectory 
Local consumer confidence reaction	<ul style="list-style-type: none"> Lingering effect on consumers 	<ul style="list-style-type: none"> Lingering effect on middle-class <ul style="list-style-type: none"> – Yet higher share of HNWI showing resiliency  	<ul style="list-style-type: none"> Acceleration on luxury purchase repatriation   	<ul style="list-style-type: none"> Lingering effect on mature consumers Faster recovery on new generations  	<ul style="list-style-type: none"> Relatively rapid restored confidence <ul style="list-style-type: none"> – Middle-class, to focus on lower price points  
Touristic flows	 <ul style="list-style-type: none"> Intra-regional tourism to recover much faster than international ones across the board <ul style="list-style-type: none"> – Chinese, Asian and RoW tourists: <ul style="list-style-type: none"> > Close to full recovery of local tourism (especially in China) in 2020 > Return of regional travels in 2021 (destinations within the region), probably even earlier for RoW (i.e. Middle East) > International travels (mainly to Europe and Americas) unlikely to recover before 2022 – European and American tourists: <ul style="list-style-type: none"> > Likely to display an overall slower recovery (vs. Asian countries) of national, regional and international travels 				

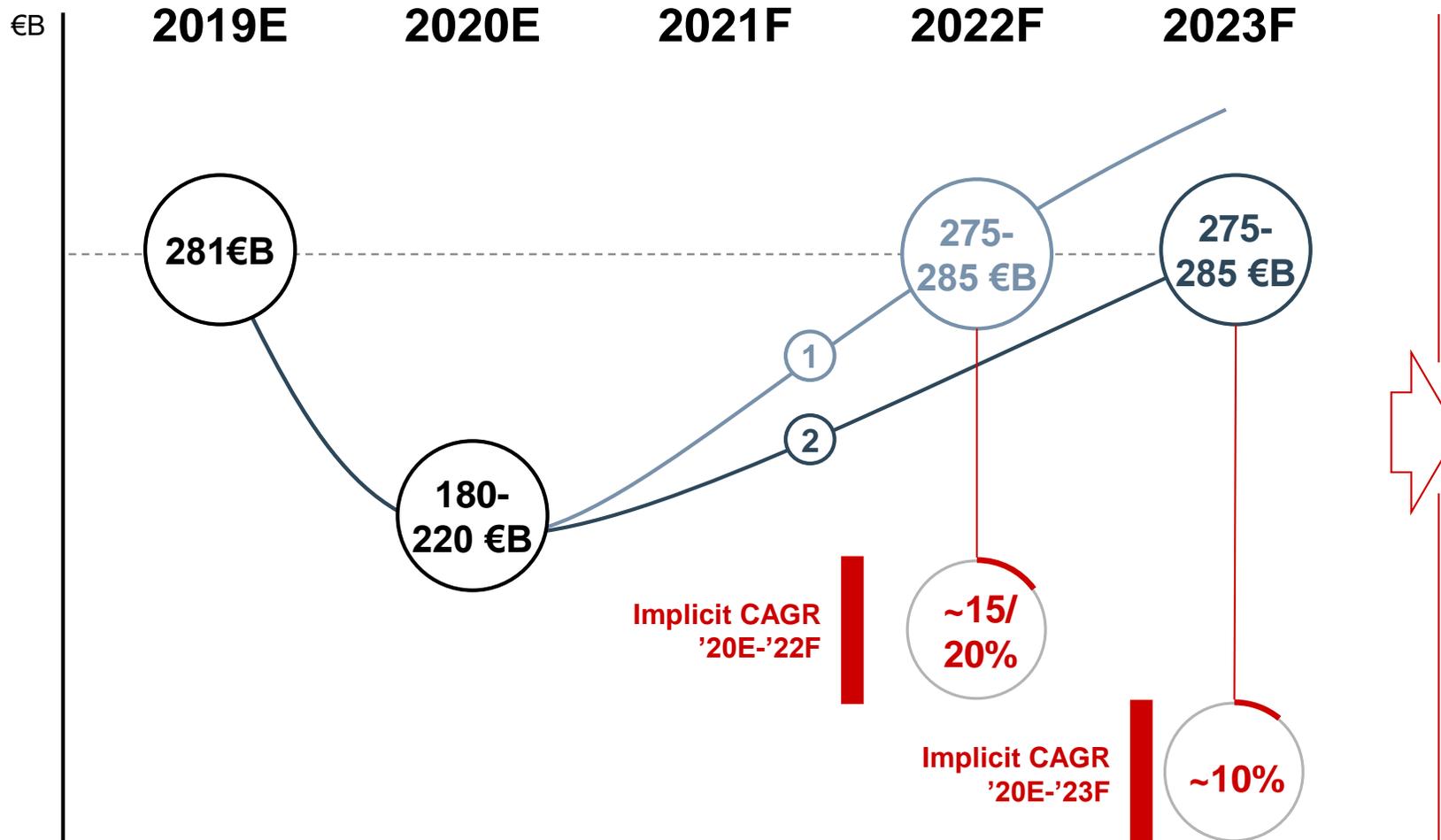
↑ → ↓ TREND BEYOND 2020E

A recovery to 2019E levels will occur between 2022F and 2023F, and depends on a variety of market drivers

BEYOND 2020

/ ESTIMATES

Personal luxury goods market (€B | 2019E – 2023F)



- **Recovery** of the market to pre-COVID-19 levels will likely happen **between 2022** and **2023**, depending on:



Real economy trends



Consumer confidence response to sanitary crisis and recession



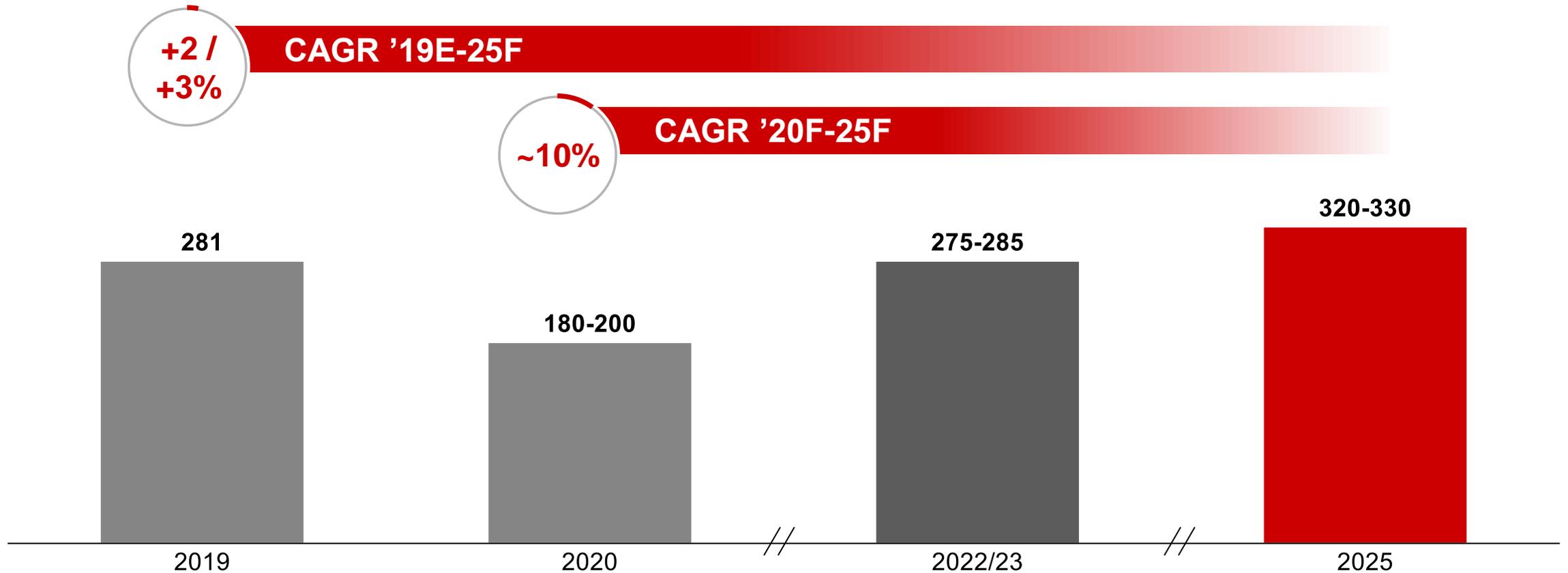
Tourism flows



Luxury brands' ability to **design** and **implement** actions to **anticipate** and **satisfy customer needs**

What about 2025 luxury market?

Personal luxury goods market evolution (€B | 2019E – 2025F)



The **speed** of luxury market growth will depend (even more than before) on **strategic moves** to **react** to the current crisis and **transform** industry on behalf of the customer

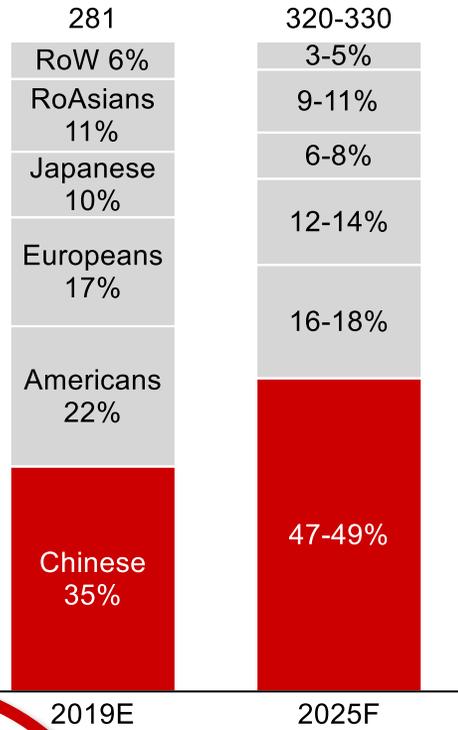
The market will reach €320-330 billion in 2025 thanks to consumers in China, the online channel and younger generations

BEYOND 2020

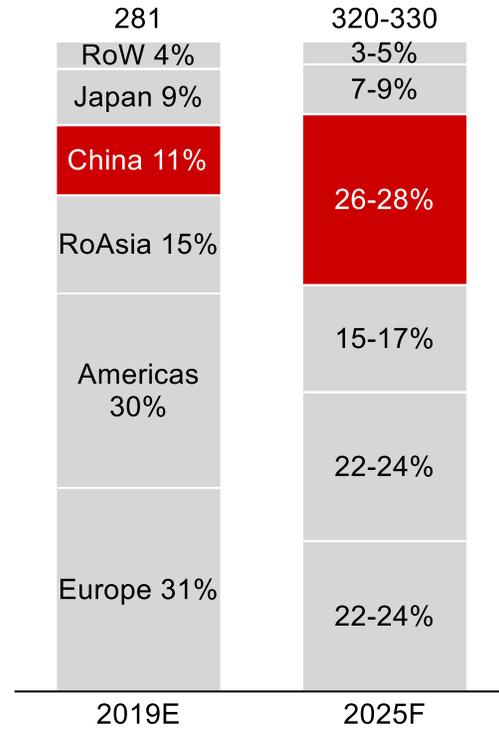
/ ESTIMATES

Personal luxury goods market main breakdowns (€B)

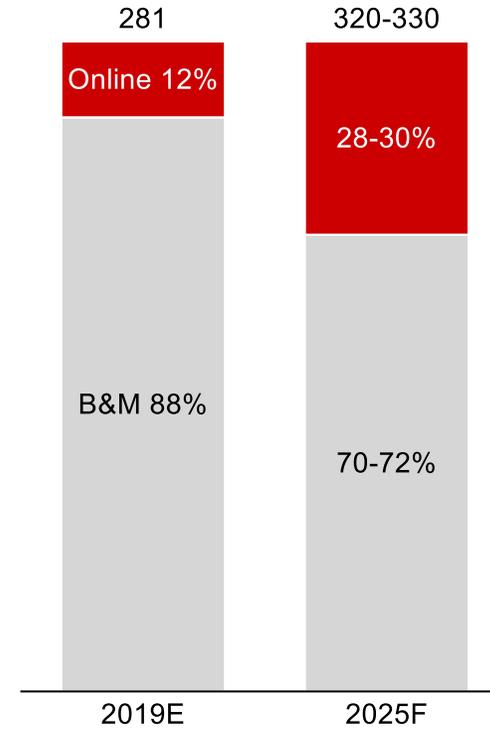
1 Nationality



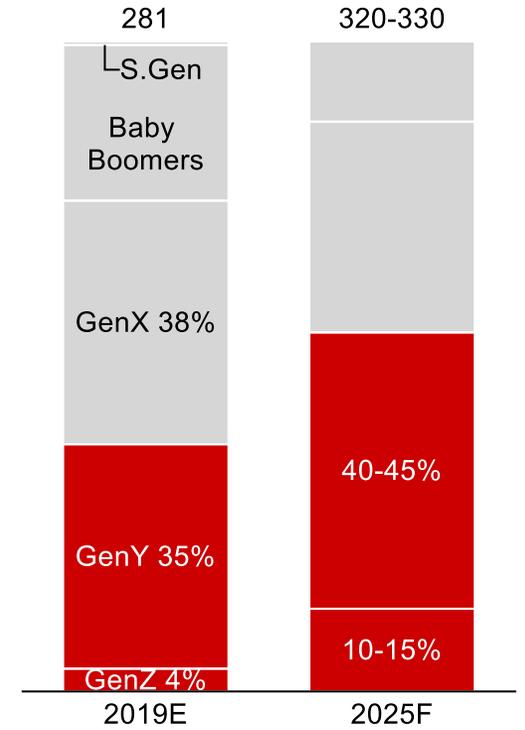
2 Region



3 Channel



4 Generation



19E-25F
CAGR
+2/+3%

