The Future of Luxury
Highlights from consumer insights studies
Two main sources of data

### Annual BCG - Altagamma

- Annual survey of 10,000 luxury Consumers across 10 countries
  - US, UK, France, Italy, Germany, Spain, China, Japan, Korea and Brazil

### BCG FIT Global Luxury Customer Survey

- Survey fielded in early 2015 across 3 countries, with ~3000 respondents
  - US, China and India

#### Category breakdowns

- Consumer Segments as key lens to read market dynamics
- Sounding board of leading global luxury brands

#### Deep dives conducted in 3 main categories

- Beauty
- Accessories
- Travel

#### Income parameters were also set by country, in annual net (after tax) household terms:

- Low income: <$100K in US, <6.2M Rupees in India, or <620K CNY in China
- High income: >$100K in US, >6.2M Rupees in India, or >620K CNY in China
A number of key themes identified

1. Quality, exclusivity, craftsmanship still 'winning'
   'Introverted luxury values (quality, exclusivity, craftsmanship) still stronger than extroverted

2. Being vs. Owning
   Consumers increasingly preference *experiences* over *luxury purchases*, particularly in developed countries

3. Online purchasing a reality across all markets
   Online purchasing most prevalent in US but also in China and India, especially for higher income consumers

4. 'Word of Mouth' key influencer for purchases
   Word of mouth/advocacy now the key influencer of luxury purchases

5. Willingness for alternate distribution models
   Rental & subscription models continue to see growth; greater signs of interest in China, India
What does luxury mean?

United States
- beautiful
- brand
- car
- class
- clothes
- comfort
- convenience
- cost
- craftsmanship
- designer
- easy
- elegant
- enjoyable
- excitement
- exclusive
- expensive
- extravagant
- family
- fine
- food
- freedom
- indulgence
- luxury
- nice
- pampering
- pleasure
- prestige
- price
- relaxation
- reward
- rich
- something
- spa
- special
- status
- style
- travel
- treat
- unique
- unnecessary

India
- adventure
- awesome
- best
- better
- brand
- car
- clothes
- comfort
- ease
- elegance
- enjoy
- enjoyment
- entertainment
- exclusive
- expensive
- family
- fashion
- feeling
- food
- happiness
- health
- home
- hotel
- house
- innovative
- jewelry
- life
- living
- luxury
- mind
- money
- nature
- pampering
- peace
- pleasure
- premium
- products
- quality
- relaxation
- status
- style
- technology
- travel
- unique
- work

China
- beautiful
- brand
- channel
- charming
- classic
- comfortable
- confidence
- costly
- culture
- delicate
- design
- desired
- dignified
- dior
- elegance
- enjoyable
- excellent
- exquisite
- fashionable
- fine
- gorgeous
- graceful
- high-end
- high-quality
- identity
- level
- luxury
- lv
- necessary
- personalized
- position
- precious
- pretty
- price
- quality
- sang
- social
- stately
- status
- style
- symbol
- taste
- temperament
- unique
- value
- waste
- wealthy
- workmanship

Source: Question 22: What words best describe what luxury means to you?

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Luxury for 'yourself' values roaring

% of respondents

1. Respondents were asked to rank the top 3 values: the graph represents the value ranked as the most important.
Source: BCG 2013 and 2014 ad hoc study (10,000 respondents in 10 countries).

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Shift to "experience" culture most prominent in US, whereas personal goods favored in India, China

<table>
<thead>
<tr>
<th>Experiences</th>
<th>US</th>
<th>India</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weekend away</td>
<td>#1</td>
<td>#1</td>
<td>#1</td>
</tr>
<tr>
<td>Night out</td>
<td>#2</td>
<td>#4</td>
<td>#6</td>
</tr>
<tr>
<td>Spa experience</td>
<td>#5</td>
<td>#6</td>
<td>#4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Personal Goods</th>
<th>US</th>
<th>India</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td>New clothes</td>
<td>#3</td>
<td>#3</td>
<td>#3</td>
</tr>
<tr>
<td>New piece of technology</td>
<td>#4</td>
<td>#2</td>
<td>#2</td>
</tr>
<tr>
<td>Luxury accessory</td>
<td>#6</td>
<td>#5</td>
<td>#5</td>
</tr>
</tbody>
</table>

Source: BCG FIT Global Luxury Customer Survey
As consumers age, travel takes on an increasing proportion of luxury spend.
3 out of 4 consumers asking for omnichannel

Question: "How important is for you that a brand can be reached through different channels?"
Source: BCG 2014 ad hoc study (10'000 respondents in 10 countries)

Omnichannel importance across nationalities

<table>
<thead>
<tr>
<th>Country</th>
<th>Not Important</th>
<th>Somehow Important</th>
<th>Not Negotiable/Very Important</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>41%</td>
<td>49%</td>
<td>10%</td>
<td>60%</td>
</tr>
<tr>
<td>Korea</td>
<td>41%</td>
<td>41%</td>
<td>18%</td>
<td>70%</td>
</tr>
<tr>
<td>UK</td>
<td>38%</td>
<td>38%</td>
<td>24%</td>
<td>90%</td>
</tr>
<tr>
<td>Japan</td>
<td>41%</td>
<td>48%</td>
<td>11%</td>
<td>58%</td>
</tr>
<tr>
<td>US</td>
<td>33%</td>
<td>43%</td>
<td>24%</td>
<td>80%</td>
</tr>
<tr>
<td>Italy</td>
<td>36%</td>
<td>34%</td>
<td>30%</td>
<td>72%</td>
</tr>
<tr>
<td>Brazil</td>
<td>49%</td>
<td>36%</td>
<td>15%</td>
<td>94%</td>
</tr>
<tr>
<td>Russia</td>
<td>42%</td>
<td>37%</td>
<td>21%</td>
<td>80%</td>
</tr>
<tr>
<td>Germany</td>
<td>27%</td>
<td>49%</td>
<td>24%</td>
<td>75%</td>
</tr>
<tr>
<td>France</td>
<td>33%</td>
<td>45%</td>
<td>22%</td>
<td>78%</td>
</tr>
<tr>
<td>Avg.</td>
<td>45%</td>
<td>45%</td>
<td>26%</td>
<td>75%</td>
</tr>
</tbody>
</table>

% of respondents

THE BOSTON CONSULTING GROUP
Globally, millennials direct a greater share of their luxury spend online relative to older generations.

### Channel: millennials direct more of their luxury spend online than 35+

- **Millennials (18-34)**: 37%
  - Online: 39%
  - In store: 28%
  - By Phone: 5%
- **Non-Millenials (35+)**: 53%
  - Online: 66%
  - In store: 28%
  - By Phone: 5%

### Specific sites: millennials more likely to purchase through online marketplace than 35+

- **Millennials (18-35)**: 31%
  - Online marketplace: 47%
  - Dept. store multi brand site: 22%
  - Online: 39%
  - Brand website: 8%
- **Non-Millenials (35+)**: 13%
  - Online marketplace: 47%
  - Dept. store multi brand site: 22%
  - Online: 21%
  - Brand website: 13%

*Note: n = 3045 for left hand side, n=1196 for right hand side*

*Source: Question 10 (What % of your luxury purchases are made through the following channels), Question 32 (for online buyers, what website did you buy it through)*
Marketplaces see greatest share of online beauty & accessories sales in India

Question: If you made the purchase online, on which website did you buy it?

<table>
<thead>
<tr>
<th></th>
<th>US</th>
<th>India</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beauty</td>
<td>39%</td>
<td>24%</td>
<td>44%</td>
</tr>
<tr>
<td></td>
<td>23%</td>
<td>21%</td>
<td>28%</td>
</tr>
<tr>
<td></td>
<td>26%</td>
<td>50%</td>
<td>26%</td>
</tr>
<tr>
<td></td>
<td>12%</td>
<td>4%</td>
<td>2%</td>
</tr>
<tr>
<td></td>
<td>12%</td>
<td>4%</td>
<td>2%</td>
</tr>
<tr>
<td></td>
<td>12%</td>
<td>4%</td>
<td>2%</td>
</tr>
</tbody>
</table>

| Accessories| 40%  | 30%   | 56%   |
|            | 21%  | 22%   | 29%   |
|            | 28%  | 46%   | 29%   |
|            | 11%  | 2%    | 2%    |
|            | 11%  | 2%    | 2%    |
|            | 11%  | 2%    | 2%    |

Source: Question 32, BCG FIT Global Luxury Customer Survey

N=1,196

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Word of Mouth: 1st influence lever, outpacing magazines

Different WoM influence across nationalities

- Social Media & Blogs
- Physical

2013 vs 2014

<table>
<thead>
<tr>
<th>Category</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Magazines</td>
<td>50%</td>
<td>49%</td>
</tr>
<tr>
<td>WoM1</td>
<td>43%</td>
<td></td>
</tr>
<tr>
<td>Store windows</td>
<td>39%</td>
<td>32%</td>
</tr>
<tr>
<td>Brand websites</td>
<td>34%</td>
<td>31%</td>
</tr>
<tr>
<td>TV &amp; Movies</td>
<td>24%</td>
<td>26%</td>
</tr>
<tr>
<td>Tailored offers</td>
<td>22%</td>
<td></td>
</tr>
<tr>
<td>Events</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>Events</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>Celebrities Seen</td>
<td>20%</td>
<td>19%</td>
</tr>
<tr>
<td>Celebrities Worn</td>
<td>13%</td>
<td>23%</td>
</tr>
</tbody>
</table>

% of respondents

Note: multiple choices possible, out of top 3 ranks
Source: BCG 2014 ad hoc study (10,000 respondents in 10 countries)

The Boston Consulting Group
Rental models more attractive to Chinese and Indian consumers than US

<table>
<thead>
<tr>
<th>Category</th>
<th>US</th>
<th>India</th>
<th>China</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wedding Dress</td>
<td>16</td>
<td>13</td>
<td>30</td>
<td>n = 3045</td>
</tr>
<tr>
<td>Car</td>
<td>10</td>
<td>7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Luggage</td>
<td>6</td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jewelry / Watches</td>
<td>8</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clothing</td>
<td>7</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Furniture</td>
<td>7</td>
<td>4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accessories</td>
<td>5</td>
<td>2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

High proportion of Chinese consumers have a preference for renting wedding dresses

Note: n = 3045
1. For example, 93% of surveyed consumers answered “Yes” when asked if they would consider renting jewelry, despite the fact that only 8% would “prefer” this to ownership

Source: Question 26: Which would you prefer to rent rather than own? Categories excluded: vacation places, office space, and home

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Subscription offerings most appealing to millennials

~25% of Millennials willing to subscribe across multiple categories

Millennials more interested in subscription model than Non-Millennials

% willing to subscribe to receive monthly goods

Food and skincare subscriptions garner most interest

Note: n = 3045
Source: Question 27: Which would you be willing to pay a subscription for to receive each month?

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Subscription models most appealing to consumers in India and China; less interest from US consumers

In all categories except cosmetics, consumers in India and China expressed greater interest in subscription than US consumers

<table>
<thead>
<tr>
<th>Category</th>
<th>US</th>
<th>India</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>25</td>
<td>30</td>
<td>34</td>
</tr>
<tr>
<td>Skincare</td>
<td>20</td>
<td>19</td>
<td>30</td>
</tr>
<tr>
<td>Cosmetics</td>
<td>19</td>
<td>19</td>
<td>29</td>
</tr>
<tr>
<td>Wine</td>
<td>27</td>
<td>16</td>
<td>22</td>
</tr>
<tr>
<td>Clothes</td>
<td>13</td>
<td>21</td>
<td>32</td>
</tr>
<tr>
<td>Jewelry</td>
<td>7</td>
<td>13</td>
<td>26</td>
</tr>
<tr>
<td>None of the above</td>
<td>30</td>
<td>10</td>
<td>11</td>
</tr>
</tbody>
</table>

% willing to subscribe to receive monthly goods

Note: n = 3045
Source: Question 27: Which would you be willing to pay a subscription for to receive each month?
**What does this mean for luxury players?**

1. **Quality, exclusivity, craftsmanship still 'winning'**
   - Continue to invest and communicate around elements of in quality, craftsmanship and exclusivity

2. **Being vs. Owning**
   - Invest in experiential luxury - at a minimum bring more experience into the purchase pathway

3. **Online purchases a reality across all markets**
   - Invest in eCommerce; determine role and assortment for each eCommerce channel (own brand versus e-retail versus marketplaces) – especially in emerging economies

4. **'Word of Mouth' key influencer for purchases**
   - Build or accelerate advocacy marketing; generate positive word of mouth by systematically developing relationships with influencers

5. **Willingness for alternate distribution models**
   - Invest in alternate distribution model tests – especially in emerging economies