Luxury consumption spans across several categories
The first moderation since 2009 financial turmoil; luxury market leaves behind double-digit growth

WORLDWIDE PERSONAL LUXURY GOODS MARKET TREND (1995-2013E|€B)
Euro fluctuations have penalized market performance in 2013, despite real growth outpacing 2012.

### Worldwide Personal Luxury Goods Market Trend
@ Current and Constant Exchange Rates (2011-2013E|€B)

<table>
<thead>
<tr>
<th>Year</th>
<th>Constant Growth</th>
<th>Currency Effect</th>
<th>2012</th>
<th>Constant Growth</th>
<th>Currency Effect</th>
<th>2013E</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>192</td>
<td>8</td>
<td>212</td>
<td>12</td>
<td>-8</td>
<td>217</td>
</tr>
<tr>
<td>2012</td>
<td>212</td>
<td>+10%</td>
<td>12</td>
<td>+5%</td>
<td>-8</td>
<td>+2%</td>
</tr>
<tr>
<td>2013E</td>
<td>217</td>
<td>+6%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Exchange Rates and Currency Movements**

- **USD/EUR**: 1,39 (8% US dollar appreciation)
- **JPY/EUR**: 110,74 (8% Yen appreciation)
- **CNY/EUR**: 8,98 (11% Yuan appreciation)

2012: 1,28 (3% US dollar devaluation), 102,46 (20% Yen devaluation), 8,10 (1% Yuan devaluation)

2013E: 1,32, 128,21, 8,20
The Japanese yen devaluation is driving over half of the differential between real and nominal growth.
The holiday season is expected to be in line with the full year performance.

**Main assumption**
- Holiday season recovering from a very bad 3rd quarter but remaining below 1st quarter performance (+2% vs last year)

**Assumed Probability**
- 80%

**Worldwide Personal Luxury Goods 2013 Scenarios €B**

**BASE SCENARIO**
- 2012: 212
- 2013E: 217 (+2%)

**BEST SCENARIO**
- 2012: 212
- 2013E: 218 (+3%)

- Holiday season in line with 1st quarter, highest for growth (+4% vs last year)
What is happening in the Personal Luxury Goods Market? “5 W’s” for analyzing 2012-2013 performance

**WHAT'S NEXT?**
Market incoming trends

**WHO**
Trends by consumer segment and nationality

**WHEN**
Trends by quarter

**WHERE**
Trends by channel and geographic area

**WHAT**
Trends by product category
After a first quarter more in line with 2012 holidays, second and third quarter 2013 are close to stagnation.
Retail the sole growth driver, despite decelerating organic growth and new focus of perimeter expansion.

**WORLDWIDE PERSONAL LUXURY GOODS MARKET TREND BY CHANNEL (2011-2013E|€B)**

- **Slight slow down** in new DOS openings, especially in emerging markets
- **Store renovation/ relocation/ expansion** in mature markets

<table>
<thead>
<tr>
<th>Channel</th>
<th>2011</th>
<th>2012</th>
<th>2013E</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Retail</strong></td>
<td>192 (72%)</td>
<td>212 (71%)</td>
<td>217 (69%)</td>
</tr>
<tr>
<td><strong>Wholesale</strong></td>
<td>28%</td>
<td>29%</td>
<td><strong>RTL</strong> 31%</td>
</tr>
<tr>
<td><strong>Organic</strong></td>
<td>+9%</td>
<td>+3%</td>
<td>+14%</td>
</tr>
<tr>
<td><strong>Perimeter</strong></td>
<td>+5% (≈500 new DOS)</td>
<td>+5% (≈600 new DOS)</td>
<td>+0%</td>
</tr>
</tbody>
</table>

- **Shift of retail strategies**
  - Strategic maintenance in China
  - New openings in US
  - Renovations in key fashion capitals
- **Increasing leverage** of flexible temporary formats (pop-up, seasonal)

---

**WHERE WORLDWIDE PERSONAL LUXURY GOODS MARKET TREND**

**BY CHANNEL (2011-2013E|€B)**

- **Organic** +9%
- **Perimeter** +5% (≈500 new DOS)
After years of marginal efforts, brands are aggressively entering the online arena, leveraging internet for both sales and communication.

- Over 5,000 country-based online stores
- However, 40% of brands still do not sell online
- M-commerce represents almost 1/3 of traffic and over 10% of sales for some brands

Off-price segment still represents around 30% of the market, pushed by blossoming flash sales sites and in-season promotions by department stores
Online wins in US accessories with direct retail leveraged almost exclusively by largest brand

Online vs. Worldwide Personal Luxury Goods Market (2013E€B)

- The online luxury market is enormously skewed to the US
  - US department stores are segment leaders
  - US brands represent over half of total brands’ sale online
  - Some of the most relevant web-specialists are US-based

- Accessories have the highest online penetration (shoes above 10%)
- Apparel penetration in line with overall average
- Hard luxury is far below average with specialist watchmakers almost absent from the channel

- The brands that already generate critical mass are directly managing their e-com
- With brands launching e-com increasingly opting for internal platforms, retail is to increase fast
Outlets increasingly important as part of the consumer quest for value for money

OFF-PRICE PERSONAL LUXURY GOODS MARKET (2010-2013E|€B)

- **Europe** sustained both by tourism flows and domestic consumption as a "refuge" from the crisis
  - Chinese and Eastern European 'bargain trips' boost Western European outlets
- **US champion** of off-price channel
  - US department stores increasingly focusing on off-price formats
  - Large brands leveraging outlets to push ad-hoc collections
- **International developers** focusing on Asia (China in particular) for new openings
  - Locations nearby tier-1 cities
  - Tailor-made formats, evocative of Western Europe resort towns

### YoY Growth

<table>
<thead>
<tr>
<th>Year</th>
<th>Americas</th>
<th>Europe</th>
<th>APAC</th>
<th>ROW</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>9</td>
<td>10</td>
<td>13</td>
<td>16</td>
<td>36</td>
</tr>
<tr>
<td>2011</td>
<td>Americas 61%</td>
<td>Europe 22%</td>
<td>APAC 11%</td>
<td>ROW 12%</td>
<td>Total 46%</td>
</tr>
<tr>
<td>2012</td>
<td>Americas 59%</td>
<td>Europe 23%</td>
<td>APAC 12%</td>
<td>ROW 9%</td>
<td>Total 37%</td>
</tr>
<tr>
<td>2013E</td>
<td>Americas 57%</td>
<td>Europe 24%</td>
<td>APAC 13%</td>
<td>ROW 6%</td>
<td>Total 33%</td>
</tr>
</tbody>
</table>

- **CAGR +23%**
The US is back
In 2013 for the first time Americas surpassed Asia as luxury’s main growth engine.
In Europe, increasing touristic flows counterbalance local consumers trading down

**EUROPEAN LUXURY GOODS MARKET (2011-2013E|€B)**

- **Local consumers reducing** discretionary spending on luxury due to **increasing local prices; tourists maintaining momentum**
  - Locals trading down to premium apparel brands and retailers
  - Simpler visa procedures for Chinese boosting touristic flows in UK and Spain
  - Slowdown of inbound flows to Germany

- **Traditional wholesale channel hit** the hardest by the crisis (especially in Italy),
  - Cautious retail strategy aims at pleasing tourists through renovations of flagships in top cities, rather than expanding perimeter

- **Most Eastern European markets stagnating or contracting** with the exception of Russia
  - Political and economic instability negatively affecting domestic luxury shopping
  - Wealthy customers increasingly buying abroad

<table>
<thead>
<tr>
<th>Year</th>
<th>Tourists</th>
<th>Local</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>~50%</td>
<td>~50%</td>
</tr>
<tr>
<td>2012</td>
<td>~60%</td>
<td>~40%</td>
</tr>
<tr>
<td>2013</td>
<td>~55%</td>
<td>~45%</td>
</tr>
<tr>
<td>2014</td>
<td>~20%</td>
<td>~80%</td>
</tr>
</tbody>
</table>

Share of sales to tourist vs. domestic by European major country (2013E)
Expansion in 2nd-tier areas in US providing extra room for growth; Japanese yen driving country performance.

**Americas**

American Personal Luxury Goods Market Trend (2011-2013E|€B)

- **US** (~€62,5B) accelerating in real terms in 2013 from good performance that started in 2012
- **Chinese becoming relevant** in Western cities (e.g. Las Vegas, Los Angeles)
  - Many brands redirecting investments to the country, targeting 2nd-tier cities and locations
  - Trend towards conversion of department stores doors into direct concessions
- **Canada** (~€1,5B) becoming increasingly dynamic with US dept. stores expected to expand
- **Latin America** (~€5B) maintaining growth in real terms with the exception of Argentina

**Japan**


- **Strong yen devaluation redirecting consumption locally** but also strongly penalizing market performance in real terms
  - Consumer confidence at highest levels since 2007, sustaining local economic recovery
- **Department stores** registering very positive performance while historic flagship stores under renovation
- **Luxury brands** still struggling to capture changing consumer behavior, especially younger generations less attracted by traditional luxury brands
South East Asia consistently outperforming the other Asian markets sharply reducing growth

**Greater China**

Greater China Personal Luxury Goods Market Trend (2011-2013E|€B)

- Mainland China further slowing down with brands that entered the market years ago starting network maintenance
- Hong Kong and Macau benefiting from further increasing tourist flows and new retail developments
- Taiwan increasingly challenging

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013E</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>23</td>
<td>27</td>
<td>28</td>
</tr>
<tr>
<td>%</td>
<td>+19%</td>
<td>+4%</td>
<td></td>
</tr>
</tbody>
</table>

**South Korea**

South Korean Personal Luxury Goods Market Trend (2011-2013E|€B)

- Internal consumption slowing down since the last quarter of 2012
- Cosmetics still the best performing category
- Sharp reduction of Japanese tourists due to yen devaluation, only partially offset by growing flows from China pushing duty-free sales since the second quarter of 2013

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013E</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>7</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>%</td>
<td>+13%</td>
<td>+1%</td>
<td></td>
</tr>
</tbody>
</table>

**S.E. Asia**

South East Asian Personal Luxury Goods Market Trend (2011-2013E|€B)

- Singapore still the key regional hub
- New markets (Malaysia, Indonesia, Thailand, Vietnam) increasingly relevant both for domestic spending and tourist flows, especially during Chinese Golden Week
- International brands planning more direct presence in Malaysia and Indonesia

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013E</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>%</td>
<td>+20%</td>
<td>+11%</td>
<td></td>
</tr>
</tbody>
</table>
Mainland China becoming more challenging as consumers become more sophisticated

**MAINLAND CHINA LUXURY GOODS MARKET (2011-2013E|€B)**

- **Further slowdown of real growth**, highlighted in 2013 by currency fluctuations
  - **Government crackdown** on public officials spending in luxury and **anti-corruption campaigns** still **negatively affecting gifting**
  - **Chinese consumers increasingly buying luxury goods abroad** (Hong Kong, Macau, Europe, Middle East, US West Coast): **limited impact of price increase policies** in Europe

- **New channels rapidly emerging**
  - **E-commerce** growing **double digits**
  - **Multi-brand formats** starting to blossom (mainly Asian and European department and concept stores) as well as **premium outlet centers**

- **Polarization of consumers attitudes:**
  - **Booming high-end and sophisticated luxury**
  - **Logo fatigue**: aspirational consumers shifting to more **accessible luxury-premium brands**, benefitting also from **rise of new middle class**
Relevant untapped potential in other "new" markets

**Middle East**

Middle Eastern Personal Luxury Goods Market Trend (2011-2013E|€B)

- Dubai still the top luxury hub for the region, further boosted by increasing spending of tourists (now also from China)
  - Dubai Mall has higher traffic than NYC
- Saudi Arabia (2nd largest market) gaining share in the Region

**Australia**

Australian Personal Luxury Goods Market Trend (2011-2013E|€B)

- Growing consumer base with increasing appetite for luxury
  - 9th highest concentration of HNWI’s with young generations more incline to indulge in luxury
  - High-end touristic destination now increasingly attracting Chinese flows
- Network expansion of international luxury brands still focusing on key cities

**Africa**


- With China slowing down, Africa is now poised to become one of the fastest growing economies
- Luxury sales are still very concentrated in South Africa and Morocco, but brands are starting to expand in new markets (e.g. Angola, Nigeria)
Mainland China surpassing France, gaining a 4th position globally, just slightly behind Italy.
New York, Paris and London leading the league; Hong Kong the top Asian luxury hub

PERSONAL LUXURY GOODS - TOP 10 CITIES (2013E|B€)

<table>
<thead>
<tr>
<th>Country</th>
<th>% Country</th>
<th>€ Growth 12-13E</th>
<th>Local currency growth 12-13E</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York</td>
<td>~35%</td>
<td>6%</td>
<td>9%</td>
</tr>
<tr>
<td>Paris</td>
<td>~70%</td>
<td>9%</td>
<td>9%</td>
</tr>
<tr>
<td>London</td>
<td>~75%</td>
<td>8%</td>
<td>13%</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>~100%</td>
<td>10%</td>
<td>13%</td>
</tr>
<tr>
<td>Tokyo</td>
<td>~40%</td>
<td>-7%</td>
<td>13%</td>
</tr>
<tr>
<td>Seoul</td>
<td>~70%</td>
<td>3%</td>
<td>13%</td>
</tr>
<tr>
<td>Beijing</td>
<td>~35%</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>Milan</td>
<td>~30%</td>
<td>6%</td>
<td>2%</td>
</tr>
<tr>
<td>Las Vegas</td>
<td>~10%</td>
<td>9%</td>
<td>6%</td>
</tr>
<tr>
<td>Shanghai</td>
<td>~30%</td>
<td>2%</td>
<td>12%</td>
</tr>
</tbody>
</table>

New York
Leather and accessories: resilient champions
Accessories established as the number one personal luxury category in 2012-2013

WORLDWIDE LUXURY GOODS MARKET BY CATEGORY (2012-2013E|€B)

<table>
<thead>
<tr>
<th>Category</th>
<th>2012</th>
<th>2013E</th>
<th>YoY '12 vs. '11</th>
<th>YoY '13E vs. '12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accessories</td>
<td>€212B</td>
<td>€217B</td>
<td>+10%</td>
<td>+2%</td>
</tr>
<tr>
<td>Apparel</td>
<td>28%</td>
<td>25%</td>
<td>+16%</td>
<td>+4%</td>
</tr>
<tr>
<td>Hard Luxury</td>
<td>26%</td>
<td>25%</td>
<td>+8%</td>
<td>+1%</td>
</tr>
<tr>
<td>Beauty</td>
<td>20%</td>
<td>20%</td>
<td>+4%</td>
<td>+2%</td>
</tr>
<tr>
<td>Other</td>
<td>4%</td>
<td>4%</td>
<td>+3%</td>
<td>+0%</td>
</tr>
</tbody>
</table>
High-end segment outperforming in apparel with casual categories reinterpreted in luxury tones

**Men’s RTW**

- Men's is outperforming women's in most markets, but sharply decelerating in Mainland China
- Super-performance of high-end segment in all its different shades: made-to-measure and sartorial, absolute luxury and first lines
- Growing importance of "1st line sportswear and denim" and deployment of technical fabrics beyond sportswear and outerwear

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013E</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st lines</td>
<td>24</td>
<td>26</td>
<td>27</td>
</tr>
<tr>
<td>2nd lines</td>
<td>+12%</td>
<td>+1%</td>
<td></td>
</tr>
<tr>
<td>Growth</td>
<td>10%</td>
<td>2%</td>
<td></td>
</tr>
</tbody>
</table>

**Women’s RTW**

- Down-trading in mature markets, with more impact from the competition from premium brands and apparel retailers
- Denim performing very well also in women's RTW but with few 'killer brands' renowned for their fit, key purchasing driver for the target
- Furs and especially fur-wear and fur accessories continuing their run after 2012 re-launch

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013E</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st lines</td>
<td>24</td>
<td>26</td>
<td>26</td>
</tr>
<tr>
<td>2nd lines</td>
<td>+10%</td>
<td>+2%</td>
<td></td>
</tr>
<tr>
<td>Growth</td>
<td>8%</td>
<td>1%</td>
<td></td>
</tr>
</tbody>
</table>
Leather goods leading the way with the sharpest uptrading ever experienced in the industry

**Soft accessories**

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shoes</td>
<td>11</td>
<td>12</td>
<td>13</td>
</tr>
<tr>
<td>Leather</td>
<td>29</td>
<td>34</td>
<td>36</td>
</tr>
</tbody>
</table>

- **Leather goods** are consistently the **fastest growing category** in luxury
  - Men’s growing double digit
- **2013** is witnessing the **strongest focus** on 'ultimate luxury' with **precious skins** ruling
  - Top players investing in leather suppliers and animal farms to face scarcity of rare raw materials
- **Shoes** represent one of the **fastest growing categories** with both men's and women's registering **solid performance** driven by specialist players

**Hard Luxury**

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jewels</td>
<td>41</td>
<td>47</td>
<td>48</td>
</tr>
<tr>
<td>Watches</td>
<td>31</td>
<td>35</td>
<td>36</td>
</tr>
</tbody>
</table>

- **Strong polarization**: both **high-end jewelry** and **affordable** growing significantly
  - Silver and costume jewelry from **fashion brands** performing very well, leveraging growing middle class in emerging markets and **fashionization** of jewelry that turns the latter ever more into a fashion item
- **Watches** slowing down in real terms
  - Over-exposed brands suffering in Mainland China
- **Accessible watch segment** showing the highest dynamism
Entry-to-luxury product categories performing well with textile accessories and eyewear very dynamic

**Textile & eyewear**

- **Textile accessories** 2nd fastest growing category thanks to low relative average ticket and gift-related nature
- Next to highly iconic brands, many others are increasingly leveraging textile as a traffic builder in their stores
- Fashion eyewear increasingly focusing on frames beyond sunglasses
- Eyewear specialists and house brands make up a large portion of the market and outperform fashion brands
  - Absolute/niche players showing highest growth

### Growth

<table>
<thead>
<tr>
<th>Year</th>
<th>Textile Accessories</th>
<th>Eyewear</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>3</td>
<td>8</td>
</tr>
<tr>
<td>2012</td>
<td>3 +16%</td>
<td>9 +11%</td>
</tr>
<tr>
<td>2013</td>
<td>3 +4%</td>
<td>10</td>
</tr>
</tbody>
</table>

**Beauty**

- Overall beauty market suffering in Europe with UK and Germany notable exceptions
  - Lower average price due to increasing promotions
  - New launches a key growth driver for perfumes and skincare
- Absolute segment outperforming in perfumes: high concentration (price 150€+) growing double-digit, approaching triple-digit
- Color cosmetics experiencing several successful new entries from fashion brands

### Growth

<table>
<thead>
<tr>
<th>Year</th>
<th>Perfumes</th>
<th>Cosmetics</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>19 +4%</td>
<td>22 +5%</td>
</tr>
<tr>
<td>2012</td>
<td>20 +2%</td>
<td>22 +2%</td>
</tr>
<tr>
<td>2013</td>
<td>20</td>
<td>23</td>
</tr>
</tbody>
</table>

**Entry-to-luxury product categories performing well with textile accessories and eyewear very dynamic**

**WHAT**

- Textile accessories 2nd fastest growing category thanks to low relative average ticket and gift-related nature
- Next to highly iconic brands, many others are increasingly leveraging textile as a traffic builder in their stores
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<td>23</td>
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**Beauty**

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  - New launches a key growth driver for perfumes and skincare
- Absolute segment outperforming in perfumes: high concentration (price 150€+) growing double-digit, approaching triple-digit
- Color cosmetics experiencing several successful new entries from fashion brands
Feminization of men and “men-ization” of women in luxury

**LUXURY GOODS MARKET BY GENDER (1995-2013E|€B)**

<table>
<thead>
<tr>
<th>Product categories</th>
<th>Geographies</th>
<th>1995</th>
<th>2013E</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Women's</strong></td>
<td><strong>Men's</strong></td>
<td>Watches</td>
<td>Leather goods</td>
</tr>
<tr>
<td>20%</td>
<td>80%</td>
<td>35%</td>
<td>65%</td>
</tr>
<tr>
<td><strong>Men's</strong></td>
<td><strong>Women's</strong></td>
<td>Watches</td>
<td>Leather goods</td>
</tr>
<tr>
<td>80%</td>
<td>20%</td>
<td>65%</td>
<td>35%</td>
</tr>
</tbody>
</table>

**Categories are reshuffling typical targets...**

- **Women** are buying more complex **watches**, while **men’s purses** are a new overwhelming phenomenon in **leather goods**

**...markets see new leading actors**

- **Women** are ever more empowered in **emerging markets** while **men** in **mature markets** are approaching luxury goods more and more

**Men (40% of the market) and women (60%) in luxury seek what the other has, in a dynamic game that is reshaping the industry rules**
Chinese consumers heading to become nearly one-third of the luxury market

**LUXURY GOODS MARKET BY CONSUMER NATIONALITY (1995-2013E|€B)**

- **Chinese growing the most**, on target to represent one third of the market, by
  - *Sustaining domestic market* (captive)
  - *Boosting* performance of satellite Hong Kong and Macau
  - *Replacing* decreasing Japanese spending in South Korea
  - Maintaining *relevant spending* in Europe with *new paths* (i.e. UK and Spain new simpler visa procedures)
  - Increasingly *exploring* the US West Coast (e.g. Los Angeles and Las Vegas)
  - *Providing extra momentum* to other shopping destinations like UAE, SEA and Australia

- **American spending growing** both domestically and overseas

- **Western European spending** in *contraction*, not offset by Eastern European which is growing at only single-digit

- **Japanese** spending in *contraction* due to currency devaluation
With the exception of Japan, China and South America, all markets are now driven by touristic spending

**LUXURY GOODS MARKET BY CONSUMER NATIONALITY (2013E|€B)**

- **US consumers** buying mainly locally
- **Chinese consumers** enlarging their reach
- **Brazilians** buying more in the region due to currency devaluation

**Europe**
- **Western Europeans** decreasing spending and **buying locally**
- **Eastern Europeans** buying more in **Western Europe** or in **Moscow**
- **Asian** consumers **fundamental contributors**
  - Chinese growing thanks to simpler visa
  - Thai spending booming in Europe

**Asia**
- **Chinese top foreign nationality for most markets** in Greater China, SEA and Korea
- **Japanese** reducing spending overseas due to currency devaluation

**Japan**
- **Yen devaluation** skewing the market towards domestic consumption even further
Luxury market is in the hands of the same three key nationalities in terms of brands and owners...
Healthy expectation for the medium term

**LUXURY GOODS MARKET TREND**

- **2012**: €212B
- **2013E**: €217B
- **CAGR '13-'16**: +2% (+6% @K)
- **2016F @ k exch**: €245-255B

**KEY TRENDS**

- **China** becoming a mature market with consolidating growth rates
- **New emerging countries** arising on the luxury stage aiming at **retracing China extraordinary growth path**
- **Confidence** in steady performance of the **US market**
- **Question mark** on **Japan** and **Japanese performance** due to the strong impact of currency fluctuations

**Chinese consumer** reinforcing their position as **first nationality worldwide**, ensuring, together with new emerging markets, an enlarging consumer base
An additional “W” is fundamental to the outlook

**WHEN**
Trends by quarter

**WHERE**
Trends by channel and geographic area

**WHAT**
Trends by product category

**WHAT’S NEXT?**
Market incoming trends

**WHO**
Trends by consumer segment and nationality

**Why?**
So...what’s happening?

- **Luxury** is experiencing a **slowdown across the board**
  - *Travels, self-indulgence* and *'accessorization'* drive positive growth of *hotels, food & wines, cars* and *personal luxury*

- **It's all about consumers**, much less about markets
  - *Chinese* confirmed as *top* and *fastest growing nationality* despite significant deceleration of *domestic consumption*

- **The higher, the better...much better!**
  - *Absolute, high-end* and *niche* segments consistently outperforming the market across products, from *men's made-to-measure*, to *precious-skin leather goods*, to *high-end jewelry*, to *high concentrations of perfumes*

- **Brands** finally starting to **embrace the digital revolution**...
  - *Increasing leverage* of *online* channel, *growing investments* in *digital communication* and deeper *integration* of *digital* (devices) in the *products*

- **...already consolidated in the consumer mindset**
  - Consumers approach luxury as *integrated omnichannel*, browsing online and buying in-store or vice-versa, increasingly asking for more (content, product, education, assortment)

The industry is becoming more challenging. Companies who lag behind on strategic imperatives will lose the momentum
Luxury consumption spans across several categories

- Cars
- Wines & Spirits
- Yachts
- Design
- Food
- Hôtelлерie

Personal Luxury goods
Global luxury growing 6% vs. 2012

**Worldwide Luxury “Market of the Markets” (2013E, €B)**

<table>
<thead>
<tr>
<th>Category</th>
<th>2013E Total</th>
<th>2012E Total</th>
<th>Growth 12-13E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Luxury Goods</td>
<td>217</td>
<td>138</td>
<td>2%</td>
</tr>
<tr>
<td>Luxury Cars</td>
<td>319</td>
<td>55</td>
<td>6%</td>
</tr>
<tr>
<td>Luxury Hotellerie</td>
<td>19</td>
<td>39</td>
<td>9%</td>
</tr>
<tr>
<td>Luxury Wines &amp; Spirits</td>
<td>7</td>
<td>19</td>
<td>8%</td>
</tr>
<tr>
<td>Luxury Food</td>
<td>7</td>
<td>0%</td>
<td>3%</td>
</tr>
<tr>
<td>Design Furniture</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Luxury Yachts</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>~800</td>
<td></td>
<td><strong>6%</strong></td>
</tr>
</tbody>
</table>
Luxury Cars keeping pace in 2013 with the "supercar" segment still outperforming

### Luxury Cars Market Trend (€B)

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>245</td>
<td>280</td>
<td>299</td>
<td>319</td>
</tr>
<tr>
<td>Growth</td>
<td>+14%</td>
<td>+7%</td>
<td>+6%</td>
<td></td>
</tr>
</tbody>
</table>

### Key Industry Macro-Trends

- **2013 luxury car market posted a solid growth, driven by new markets** - Brazil, India, Middle East and China (even if decelerating) - especially in the "supercar" segment

- **Shorter life-cycle** solicits intensive R&D investments in new models/variants

- "Eco-friendly" - "always connected" cars:
  - **Downsizing**: "bigger is better" is no more the mantra for luxury cars
  - **Hybrid cars**: combining high performance with low emissions aiming to attract wealthy but ethical consumers
  - **Go electro**: luxury electric cars gaining market share, especially in US
  - **User-centric connected** vehicles able to incorporate the overall digital lifestyle

- **Digital and social media leading to virtual word-of-mouth** are increasingly important drivers of decision making
"Sky is the limit" in spirits while wine moving towards entry-to-luxury products

Luxury Wines & Spirits Market Trend (€B)

<table>
<thead>
<tr>
<th>Year</th>
<th>Fine Wine</th>
<th>Spirits</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>2011</td>
<td>45</td>
<td>45</td>
</tr>
<tr>
<td>2012</td>
<td>51</td>
<td>51</td>
</tr>
<tr>
<td>2013E</td>
<td>55</td>
<td>55</td>
</tr>
</tbody>
</table>

Trends by Segment

<table>
<thead>
<tr>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fine Wine 75%</td>
</tr>
<tr>
<td>Spirits 25%</td>
</tr>
</tbody>
</table>

Key Industry Macro-Trends

**WINES**

- In traditional **European markets**, **price-conscious consumers** have sought to explore the value of **entry-to-luxury wines**
- Big **champagne brands under pressure** in traditional markets, being challenged by **more affordable wines** (e.g. Prosecco, Franciacorta)
- Budding demand uncovered in the world’s **emerging markets of Russia, Brazil, China, Mexico and Nigeria**

**SPIRITS**

- **Continuous up-trading** towards **luxury and super luxury** products
- **BRICs, Eastern Europe, LATAM and MEA** becoming high growth markets due to **liberalization** of trade norms and **rising income** level
- **Innovation** as mantra in the sector: **redefinition of the core** – creation of **new blends, formats and targeted products**
Healthy growth in luxury hospitality although capped by US$ devaluation

**Luxury Hôtellerie Market Trend (€B)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Absolute</th>
<th>Aspirational</th>
<th>Accessible</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>93%</td>
<td>23%</td>
<td>54%</td>
<td>170%</td>
</tr>
<tr>
<td>2011</td>
<td>107%</td>
<td>23%</td>
<td>54%</td>
<td>184%</td>
</tr>
<tr>
<td>2012</td>
<td>127%</td>
<td>23%</td>
<td>54%</td>
<td>184%</td>
</tr>
<tr>
<td>2013E</td>
<td>138%</td>
<td>23%</td>
<td>54%</td>
<td>184%</td>
</tr>
</tbody>
</table>

**Trends by Segment**

- Business 77%
- Leisure 23%
- Absolute 54%
- Aspirational 23%
- Accessible 23%

**Key industry Macro-Trends**

- **Overall market decelerating after 2012 rebound** mainly due to US$ devaluation (11% growth at constant exchange rates)
- **Business segment driving growth**, with strong preference for **absolute luxury** hotels
- Revenue per available room improving driven by **strong occupancy** (above prior peak) and **higher average daily rate**
- **Supply expected to be almost flat** also as a result of **renovations**
  - China slowing down, with cities such as Beijing and Shanghai already **over-supplied**
- **Key trends in the sector**
  - **"Back home"**: next generation of wealthy travelers will increasingly ask for a room experience that reminds them their own home
  - **Digitalization**: iPads and touch screen phones from which guests can control the entire room
  - **Spas and fine dining** (e.g. Michelin-starred) to become an important differentiator
In-home consumption driven by healthy food. Restaurants still in a weak phase

**Luxury Food Market Trend (€B)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Value (€B)</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>33</td>
<td>+5%</td>
</tr>
<tr>
<td>2011</td>
<td>35</td>
<td>+8%</td>
</tr>
<tr>
<td>2012</td>
<td>38</td>
<td>+3%</td>
</tr>
<tr>
<td>2013E</td>
<td>39</td>
<td></td>
</tr>
</tbody>
</table>

**Key Industry Macro-Trends**

- **Luxury restaurants still suffering**
  - *Value-for-money first*: restaurants are increasingly canny about giving good value rather than risk raising menu prices
  - *Shift to fine in-home dining*: use of pre-prepared fresh ingredients to create restaurant-quality meals at home increasingly overcoming restaurants

- **Beverages gaining market share**
  - *Bottled water*: best performer in the global beverage marketplace as a healthy alternative to carbonated soft drinks

- **Gourmet food**: healthy but flavorful
  - *Localized eating*: food to come from walking distance
  - *Healthy food*: such as gluten-free items, organic products and vegan food
  - *Ethnic tweak*: discover the flavor possibilities of global ingredients beyond traditional roles in "ethnic" cuisine
Design Furniture market stable, suggesting a net downward trend

High-End Furniture Market Trend (€B)

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>17</td>
<td>18</td>
<td>18</td>
<td>+0%</td>
</tr>
<tr>
<td>Change</td>
<td>+5%</td>
<td>+3%</td>
<td>+0%</td>
<td></td>
</tr>
</tbody>
</table>

Trends by Segment

Key Industry Macro-Trends

- **Design furniture market in a slow downward trend**
  - Lighting segment outperforming other categories

- **Market supported by new channels**
  - **Contract**: yachts, hotels and luxury residences are increasingly interesting for design brands
  - **Online**: dedicated platforms to shorten route-to-market

- **Export and new markets**: with declining European domestic consumption, export is crucial to offset crisis
  - China and Russia are the most attractive markets pushed by strong real-estate

- **Macro-trends** in the sector:
  - **Entry price**: simplified collection and/or more affordable raw materials to introduce entry price lines of high-end design brands
  - **Go green**: environment sustainability as a key theme in new collection development
    - 100% biodegradable plastic
    - LED-based lighting
**Good performance of the Lighting sector pushed by LEDs technology innovation**

**MARKET GROWTH BY PRODUCT SEGMENT, 2011-2013E (%)**

**Living & Bedroom: 9,1B€**
- Strong relationship with fashion: new brands entering the category
- Hotel inspiration, turning bedroom into a relaxing suite

**Bathroom: 3,0B€**
- New partnerships with famous designers and architects
- Green vocation aiming to use precious but sustainable materials

**Kitchen: 1,9B€**
- Strongly related to real estate activity, and still suffering in Western Europe
- Major trends: earth friendly, high tech, colorful, designed for fresh, healthy food preparation

**Outdoor: 1,8B€**
- Outdoor becomes a natural extension of the house, incorporating seat walls, water features, ...
- Lower investments required vs. internal design

**Lighting: 2,7B€**
- LEDs market still registering a boom also driven by lower prices (~ down 50% in two years) and higher efficiency
- Incandescent lights constantly losing market share
Yachts market flattening, with positive signs from emerging markets

Luxury Yachts Market Trend (€B)

- 2009: 8
- 2010: 6
- 2011: 7
- 2012: 7
- 2013E: 7

Key Industry Macro-Trends

- **Growth slowdown in 2012** confirmed by a flat nominal performance expected in 2013.
- **At constant currency**, expected positive performance boost by increasing **US consumer confidence** and growing purchases from **USD-linked currencies**.
- "**Superyacht**" segment as the most dynamic in all geographies, driven by rise of Chinese spending in the industry.
- **Emerging markets** are THE source for growth:
  - Doubling-down in **Chinese spending**, with major customization to match local tastes (interiors) and requirements (exteriors).
  - Growing **Brazilian market**, already accustomed to the yachting culture.
  - Booming **Middle East**.
Lens on consumer is increasingly important to anticipate trends and behaviors

**Generations**
- How old is the consumer?

**Nationalities**
- Where the consumer is from?

**Spending power & attitude**
- What the consumer (can) buy?

**Lifestyle**
- How the consumer lives (luxury)?
Understanding consumer and aligning the business accordingly will be the luxury "mantra" for next decade.

All functions to be consumer-educated and evaluated through consumer KPIs.

Continuous business monitoring through consumer-dedicated KPIs.

Strategic thinking to be structured by consumer segments as additional key business driver.

Collection development, merchandising structure and buying must consider target consumer segments.

Front-line to be enhanced as key touch-point with consumers and to be educated to customer-centric culture.

Network development and store planning to be defined according to the purchasing behavior of consumer who will visit the store.
Claudia D’Arpizio is a Partner at Bain & Company. She is a leading member of the firm’s Global Consumer Products and Retail Practices, and leads Bain’s Luxury Goods Practice.

For almost 20 years, Claudia has advised multinational clients, mainly in fashion and luxury goods. She has extensively worked on issues relating to business unit strategy, sales and marketing, product and service adjacencies, channel strategy, new product development, innovation, acquisitions and divestitures, performance improvement and organizational changes.

**Claudia is the lead author of the Bain’s Yearly Luxury Study**, developed since 1999 in cooperation with Altagamma, the trade association of the Italian luxury brands. This study, based on the analysis of an extensive panel of worldwide luxury brands, is periodically updated and has become one of the most valued and cited sources of market information in the luxury industry.

Claudia is a globally recognized expert in luxury and in 2009 **was named by the Consulting Magazine one of the “Top 25 Consultants in the World”**.


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