Lens on the worldwide luxury consumer

Relevant segments, behaviors and consumption patterns
Nationalities and generations compared

Claudia D'Arpizio
Federica Levato

Milan, 14th January 2014
Our partners

Founded in 2003, Redburn is Europe's largest independent equities broker. It is focused on providing institutional clients conflict-free research and high-touch execution across pan-European equity markets. Annabel Gleeson is the Luxury Goods analyst at Redburn.

Millward Brown is a leading global research agency specializing in advertising, marketing communications, media and brand equity research. It has been a true pioneer in brand tracking since 1973, we have conducted more than 18,000 brand tracking studies. In addition, it has tested more than 80,000 campaign in 86 countries across 5 continents with its Link™ platform, and maintains Firefly, the world's largest qualitative network for brand research.
Methodology and sources of the study

- **Quantitative research** (CAWI methodology) on a panel of ~10,000 luxury consumers across 10 most relevant countries
- **Qualitative research** (in-depth interviews) to complement findings on geographies and consumer types not significantly represented by the web research
- Bain & Company **industry knowledge**:  
  - 150+ cumulated years of consulting experience in fashion-luxury space  
  - 1,000+ projects performed in the industry in last 15 years
- Integration of findings within Bain Luxury Study on **market size** and **trends**
Today's presentation

Luxury consumers worldwide: key figures

Who luxury consumer is

Consumer Profiles

Consumer Nationalities

Consumer Generations

360° consumer insight: from knowledge to action
Luxury consumers worldwide: key figures

Today's presentation
330M luxury consumers worldwide in 2013

GLOBAL LUXURY CONSUMERS (2013|M PEOPLE)

- Population by age
- Household composition
- Personal wealth
- Household income
- Urbanization
- Education
- Saving rate
- International mobility
- Disposable income allocation
- Attitude towards discretionary spending
- Propensity towards branded goods
- Exposure to global luxury

World population: ~7.13B
Luxury consumers: ~330M
Luxury consumers more than tripled in less than 20 years, reshaping the pyramid and supporting market growth.

LUXURY CONSUMERS EVOLUTION (1995-2013E|M PEOPLE)

GLOBAL LUXURY MARKET EVOLUTION (1995-2013E|B€)

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Emerging markets offer already almost 130M luxury consumers, with Chinese being the top nationality.
Chinese: the top nationality of the market with the third largest consumer base and second highest spending.
2 macro-segments of consumers, of which "true luxury" ones account for almost 90% of the market value.

LUXURY CONSUMERS DISTRIBUTION BY SPENDING (2013E)

True luxury consumers consistently dedicate part of their discretionary spending to personal luxury products of various nature, usage occasions and price points.

Occasional consumers desire to purchase luxury goods but can afford only few entry items among designer 2nd lines, beauty products, small accessories.
True luxury consumers are also very heterogeneous: top 10% of them capture around 50% of global spending.
Enlarging consumer base (10M+ new consumers per year) and uptrade of the current base will fuel market growth

**Increasing number of consumers**
- The potential base has been growing relentlessly in the last 20 years and demographics are sound going forward

**Bulk of consumers aspiring to buy luxury**
- Premium-to-luxury consumers could become true luxury consumers in the next years increasing their spending

**Emerging consumers progressively enlarging their share**
- Increasingly relevant emerging consumers, with their higher spending, will further sustain market growth

**Up-trade opportunity**
- Entry consumers could move to the next level when able to afford if attracted by tuned value proposition
Today's presentation

Luxury consumers worldwide: Key figures

Who luxury consumer is

Consumer Profiles

Consumer Nationalities

Consumer Generations

360° consumer insight: from knowledge to action
7 key segments to describe worldwide luxury consumers

Conservative
I buy it safe

Opinionated
I know it!

Disillusioned
I'm so over it!

Hedonist
I love it!

Omnivore
I want it all!

Wannabe
I desire it!

Investor
It's worthy? I buy it!
Conservative the largest segment overall; Omnivore and Opinionated making up more than half of top luxury market

<table>
<thead>
<tr>
<th>TRUE LUXURY CONSUMERS AND SPENDING</th>
<th>TOP LUXURY CONSUMERS AND SPENDING</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hedonist</strong></td>
<td><strong>Omnivore</strong></td>
</tr>
<tr>
<td>Investor</td>
<td><strong>Investor</strong></td>
</tr>
<tr>
<td>Wannabe</td>
<td>Top Luxury consumers</td>
</tr>
<tr>
<td>Omnivore</td>
<td>Top Luxury market</td>
</tr>
<tr>
<td>Opionionated</td>
<td>True Luxury consumers</td>
</tr>
<tr>
<td>Conservative</td>
<td>True Luxury market</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>RANKING</th>
<th>SPENDING PER CAPITA</th>
<th>SPENDING PER CAPITA</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1</strong></td>
<td>~2.350€</td>
<td>~7.000€</td>
</tr>
<tr>
<td><strong>2</strong></td>
<td>~1.750€</td>
<td>~6.600€</td>
</tr>
<tr>
<td><strong>3</strong></td>
<td>~1.450€</td>
<td>~5.500€</td>
</tr>
<tr>
<td><strong>4</strong></td>
<td>~1.100€</td>
<td>~5.000€</td>
</tr>
<tr>
<td><strong>5</strong></td>
<td>~800€</td>
<td>~5.000€</td>
</tr>
<tr>
<td><strong>6</strong></td>
<td>~1.700€</td>
<td>~6.500€</td>
</tr>
<tr>
<td><strong>7</strong></td>
<td>~500€</td>
<td>~2.500€</td>
</tr>
</tbody>
</table>

Avg: 1.250€   Avg: 6.500€
Omnivore: curious and compulsive shopper, the more the better

### PURCHASING DRIVERS

- **Brand Name**
- **Exclusivity**
- **Visible Logo**
- **Status**
- **Quality & Durability**
- **Product Fit**

### FEATURES AND BEHAVIORS

**Who**

- Male 38%
- Female 62%

- Mainly Chinese consumers starting to approach luxury, from 2nd and 3rd tier cities
- Youngest segment, between 30s and 40s

**Shopping Habits**

- Low price sensitivity, always buys in-season
- Monobrand is the preferred channel, often shops abroad during vacations
- Gifting has a strong role (more than half of luxury purchases)

**Brand Attitude**

- Highest interest and expenditure on personal luxury goods
- Strongest advocacy, pairing with structural disloyalty to brands

Prefers Aspirational brands

**Sources of influence**

- Low sensitivity to advertising
- Influenced by social networks

### KEY PERSONAL LUXURY CATEGORIES

1. **Jewels**
2. **Watches**
   - Hard luxury!

### KEY ENLARGED LUXURY CATEGORIES

1. **Design**
2. **.... Only personal luxury matters**

**Favourite brands**

- Balenciaga
- Giorgio Armani
- Bottega Veneta
Opinionated: educated and both-brained luxury consumer

### PURCHASING DRIVERS

<table>
<thead>
<tr>
<th>Exclusivity</th>
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<th>Status</th>
<th>Quality &amp; Durability</th>
<th>Product Fit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand Name</td>
<td></td>
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</tbody>
</table>

### FEATURES AND BEHAVIORS

**Who**
- Male 45%
- Female 55%
- Mainly **Chinese** living in **Beijing** and **Shanghai**, followed by **Western EU** and **US**
- **Highly educated manager** in his/her **early 40s**, with good penetration in **Gen Y**

**Shopping Habits**
- **Shops repeatedly during the season**
- **Home town/country** is the main location to shop during **work-days; abroad** in leisure time
- **Leverages new technologies** and **tablets**

**Brand Attitude**
- **Strong luxury connoisseurs**: highest brand awareness
- **High loyalty and advocacy**, from renowned brands to niches with low price sensitivity

**Sources of influence**
- **Superior in-store service and targeted communication is crucial** to drive purchases
- **Influenced by social networks**

### KEY PERSONAL LUXURY CATEGORIES

1. Leather Goods
2. Watches

### KEY ENLARGED LUXURY CATEGORIES

1. Travels
2. Electronics

### Experience and Tech

**Favourite brands**
- Brunello Cucinelli
- Berluti
- Céline
Conservative: a mature mainstream consumer

Purchasing Drivers

- Brand Name
- Exclusivity
- Status
- Visible Logo
- Quality & Durability
- Product Fit

Features and Behaviors

Who

- Male 51%
- Female 49%

- Mainly in mature markets, followed by China
- 50 years old, with high penetration of Generation X

Shopping Habits

- Multibrand store still an important channel, one-to-one relationship with store assistants
- Gifting plays an important role, especially for significant other
- Highly price sensitive

Brand Attitude

- Feels more at ease in buying big names
- Overall, higher advocacy on Aspirational brands
- Alternate attitudes between genders: men are luxury neutral/detractors, women are discrete promoters

Sources of influence

- Looking for partner's and friends' approval and suggestions

Key Personal Luxury Categories

1. Watches
2. Jewels

Hard luxury!

Key Enlarged Luxury Categories

1. Electronics
2. Hospitality

Work and functionality

Favourite brands

- ROLEX
- VALENTINO
- ALFRED DUNHILL
Investor: the rational actors of luxury market

**PURCHASING DRIVERS**

<table>
<thead>
<tr>
<th>Exclusivity</th>
<th>Visible Logo</th>
<th>Status</th>
<th>Quality &amp; Durability</th>
<th>Product Fit</th>
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</tbody>
</table>

**FEATURES AND BEHAVIORS**

<table>
<thead>
<tr>
<th>Who</th>
<th>Male 44%</th>
<th>Female 56%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Who</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>Mature markets</em> consumer (+ Middle Eastern)</td>
<td></td>
<td></td>
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<tr>
<td><em>High penetration of Baby boomers</em></td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Shopping Habits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prefer to <em>shop alone</em> and for <em>him/herself</em> since every <em>purchase is programmed</em></td>
</tr>
<tr>
<td><em>Hard luxury</em> playing a core role in the basket</td>
</tr>
<tr>
<td><em>Online</em> increasing its role as channel, with <em>multi-brand</em> having a strong role</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Brand Attitude</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Product quality</em> and <em>durability</em> key drivers</td>
</tr>
<tr>
<td><em>More loyal</em> to <em>big Accessible brands</em>; <em>product-rather-than-brand</em> approach and preference for <em>absolute high-ticket items</em></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sources of influence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rather than being influenced by <em>advertising</em>, follows other <em>consumers' referrals</em></td>
</tr>
</tbody>
</table>

**KEY PERSONAL LUXURY CATEGORIES**

<table>
<thead>
<tr>
<th>1 Leather Goods</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 Watches</td>
</tr>
</tbody>
</table>

Long lasting

**KEY ENLARGED LUXURY CATEGORIES**

<table>
<thead>
<tr>
<th>1 Travels</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 Cars</td>
</tr>
</tbody>
</table>

Family-mobility

Favourite brands

- Jaeger-LeCoultre
- Brunello Cucinelli
- Ermenegildo Zegna

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Hedonist: loves luxury and to show it off

Purchasing Drivers

- Exclusivity
- Brand Name
- Status
- Visible Logo
- Product Fit
- Quality & Durability

Features and Behaviors

Who

- Male 54%
- Female 46%

Who

- Most transversal cluster across nationalities and generations

Shopping Habits

- Not a "solo" shopper: needs to have approval from others also during the shopping occasion
- Shops on working days & business travel
- Low interest in Mix and Match

Brand Attitude

- Loves luxury but experiences cognitive dissonance
- Not loyal to specific brands; purchases range from big names to emerging fashion icons
- Looking for brands easy to be recognized by others rather than product quality

Sources of influence

- Strongly influenced by advertising
- Appreciates personal shoppers' services

Key Personal Luxury Categories

1. Shoes
2. Watches

Accessories

Key Enlarged Luxury Categories

1. Cars
2. Design furniture

Show off outdoor & indoor

Favourite brands

- Gucci
- Burberry
- Coach

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Disillusioned: a detached luxury "survivor"

**PURCHASING DRIVERS**

- Exclusivity
- Visible Logo
- Status
- Product Fit
- Quality & Durability

**FEATURES AND BEHAVIORS**

**Who**

- Male 42%
- Female 58%

**Shopping Habits**

- Lowest income: pays more attention on what to buy, especially on mark-downs
- Shops rarely and mainly during spare time
- Prefers to shop alone in home town & web

**Brand Attitude**

- Starting to be detached and disinterested in traditional luxury values
- Rather neutral attitude vs. luxury industry overall
- Prefers big heritage and iconic brands

**Sources of influence**

- Rarely influenced, not interested in following trends, prefers products that last more than one season

**KEY PERSONAL LUXURY CATEGORIES**

1. Leather Goods
2. Beauty

**KEY ENLARGED LUXURY CATEGORIES**

1. Gourmet food
2. Travels

**Exit-to-luxury**

**Experience 2.0**

**Favourite brands**

- Hermès Paris
- Chanel
- Cartier
Wannabe: a value-hunter fashionista

**PURCHASING DRIVERS**

- **Brand Name**
- **Status**
- **Quality & Durability**
- **Product Fit**
- **Visible Logo**
- **Exclusivity**

**FEATURES AND BEHAVIORS**

**Who**

- Male 25%
- Female 75%

**Who**

- US and European middle class, and Russian aspirational consumers starting to approach luxury
- Transversal cluster across generations

**Shopping Habits**

- High price sensitivity
- Impulse shopping according to discounts presence
- Strong role of online for convenience
- Shops during spare time

**Brand Attitude**

- Mix & match with more affordable brands, with high knowledge of fashion trends
- Disloyal to brands, switches from one brand to the other looking for bargains
- Prefers big brands especially for RTW

**Sources of influence**

- Relies on friends' word of mouth
- Constantly updated by specialized press

**KEY PERSONAL LUXURY CATEGORIES**

1. **Beauty**
2. **Shoes**

**ENTRY-PRICES**

**Favourite brands**

- **Dior**
- **LOUIS VUITTON**
- **PRADA**

**KEY ENLARGED LUXURY CATEGORIES**

1. **Travels**

**Shopping-driven experiences**

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Omnivore and Wannabe coexist at the extremes of this rather heterogeneous picture.
With respect to 5 years ago, segments at the "extremes" of luxury showed a significant evolution path.

**LUXURY CLUSTERS EVOLUTION IN LAST 5 YEARS**

- **DISILLUSIONED**
  - Over economic crisis and ageing, consumer progressively changed priorities and now underspend in luxury.

- **OMNIVORE**
  - New consumers (young and Chinese mainly).
  - Omnivores, not changing their behaviors.

- **WANNABE**
  - Rising middle class from new markets approaching for the first time luxury.
  - Mature "aspirational" luxury consumers from historic markets.

- **OPINIONATED**
  - Former "Omnivores" whose tastes evolved towards clearer preferences.
  - Mature opinionated consumers, not changing their behaviors.

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Unmet aspirations cause cognitive dissonance for Hedonist; Omnivore the most enthusiastic segment

**Would you recommend luxury brands to a friend?**

<table>
<thead>
<tr>
<th>% Promoters</th>
<th>% Detractors</th>
</tr>
</thead>
<tbody>
<tr>
<td>41%</td>
<td>25%</td>
</tr>
<tr>
<td>34%</td>
<td>37%</td>
</tr>
<tr>
<td>33%</td>
<td>47%</td>
</tr>
<tr>
<td>31%</td>
<td>31%</td>
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<tr>
<td>33%</td>
<td>29%</td>
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<tr>
<td>27%</td>
<td>11%</td>
</tr>
<tr>
<td>25%</td>
<td>11%</td>
</tr>
</tbody>
</table>

**NPS BY SEGMENT**

<table>
<thead>
<tr>
<th>Segment</th>
<th>Promoters</th>
<th>Neutral</th>
<th>Detractors</th>
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<tbody>
<tr>
<td>Panel</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Hedonist</td>
<td>21%</td>
<td>40%</td>
<td>38%</td>
</tr>
<tr>
<td>Disillusioned</td>
<td>31%</td>
<td>40%</td>
<td>30%</td>
</tr>
<tr>
<td>Investor</td>
<td>34%</td>
<td>40%</td>
<td>30%</td>
</tr>
<tr>
<td>Conservative</td>
<td>38%</td>
<td>30%</td>
<td>30%</td>
</tr>
<tr>
<td>Opinionated</td>
<td>40%</td>
<td>30%</td>
<td>30%</td>
</tr>
<tr>
<td>Wannabe</td>
<td>45%</td>
<td>30%</td>
<td>20%</td>
</tr>
<tr>
<td>Omnivore</td>
<td>59%</td>
<td>30%</td>
<td>11%</td>
</tr>
</tbody>
</table>

Net Promoter Score (NPS)

<table>
<thead>
<tr>
<th>Segment</th>
<th>NPS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Panel</td>
<td>16%</td>
</tr>
<tr>
<td>Hedonist</td>
<td>26%</td>
</tr>
<tr>
<td>Disillusioned</td>
<td>8%</td>
</tr>
<tr>
<td>Investor</td>
<td>5%</td>
</tr>
<tr>
<td>Conservative</td>
<td>38%</td>
</tr>
<tr>
<td>Opinionated</td>
<td>48%</td>
</tr>
<tr>
<td>Wannabe</td>
<td>30%</td>
</tr>
<tr>
<td>Omnivore</td>
<td>44%</td>
</tr>
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</table>

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Luxury affection not always correlated to spending

LUXURY SPENDING VS. ADVOCACY BY CLUSTERS

High aspirations leading to cognitive dissonance
Mild-to-detached approach to luxury
Wannabe, you name it!
Luxury addicted: the more the better

Advocacy vs luxury brands (NPS %)

Detraction to High Advocacy
Today's presentation

Luxury consumers worldwide: Key figures

Who luxury consumer is

Consumer Profiles

Consumer Nationalities

Consumer Generations

360° consumer insight: from knowledge to action
Chinese consumers are spendthrift, mature Europeans and Americans are penny-pinching

### TRUE LUXURY CONSUMERS AND SPENDING BY NATIONALITY (2013E)

<table>
<thead>
<tr>
<th>Nationality</th>
<th>Luxury consumers</th>
<th>Luxury market</th>
<th>Spending per capita</th>
<th>Ranking by spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Middle Eastern &amp; RoW</td>
<td>~150M</td>
<td>~€190B</td>
<td>~1.800€</td>
<td>2</td>
</tr>
<tr>
<td>Other Asian</td>
<td>9%</td>
<td>10%</td>
<td>~1.350€</td>
<td>3</td>
</tr>
<tr>
<td>Chinese</td>
<td>19%</td>
<td>30%</td>
<td>~2.000€</td>
<td>1</td>
</tr>
<tr>
<td>Japanese</td>
<td>13%</td>
<td>13%</td>
<td>~1.350€</td>
<td>3</td>
</tr>
<tr>
<td>Latin American</td>
<td>5%</td>
<td>4%</td>
<td>~1.100€</td>
<td>5</td>
</tr>
<tr>
<td>North American</td>
<td>21%</td>
<td>14%</td>
<td>~850€</td>
<td>8</td>
</tr>
<tr>
<td>Eastern European</td>
<td>6%</td>
<td>5%</td>
<td>~1.100€</td>
<td>5</td>
</tr>
<tr>
<td>Western European</td>
<td>22%</td>
<td>16%</td>
<td>~900€</td>
<td>7</td>
</tr>
</tbody>
</table>

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Evolutionary path: from enthusiastic Chinese to detached Japanese consumers

LUXURY CONSUMERS BY NATIONALITY (2013E)
Polarized attitudes: Chinese & ME seek brand and advertising power, detached Japanese product quality

PURCHASING DRIVERS AND SHOPPING BEHAVIORS

Luxury mature & detached

- Quality & Durability
- Value for Money
- Low Advertising Influence
- Own Country

Average

- Product
- Price
- Promotion
- Place

Luxury enthusiastic

- Brand & Logo
- Price Insensitivity
- High Advertising Influence
- Abroad
40% of luxury purchases worldwide are for gifting; Chinese the most "generous" nationality
The relative weight of individual consumer clusters varies across regions.

**TRUE LUXURY CONSUMERS BY NATIONALITY AND CLUSTER (2013E|M PEOPLE)**

- **Investor**
- **Wannabe**
- **Omnivore**
- **Hedonist**
- **Disillusioned**
- **Opinionated**
- **Conservative**

**Key Points:**
- **Top cluster** among Middle Eastern but also very relevant in Japan and in mature markets where discretionary spending is more cautiously allocated.
- **Top cluster** for Eastern European but also relevant among less wealthy Western European and North Americans.
- **Top cluster** for Chinese representing almost half of the Omnivore segment worldwide.
- The most "global" segment, showing a consistent weight across nationalities.
- **Top or 2nd top cluster** in mature markets where consumers have been exposed to luxury for long.
- **2nd top cluster** for Chinese also relevantly represented in mature markets but on average by older generations.
- Overall the largest cluster worldwide, but ranks first only in Europe and Japan.

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Traditional luxury markets: mature consumers for tastes and approach to luxury

### Western European

**Luxury consumers by cluster**

<table>
<thead>
<tr>
<th>Cluster</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hedonist</td>
<td>23%</td>
</tr>
<tr>
<td>Disillusioned</td>
<td>20%</td>
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<td>Investor</td>
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<td>Conservative</td>
<td>14%</td>
</tr>
<tr>
<td>Opinionated</td>
<td>10%</td>
</tr>
<tr>
<td>Wannabe</td>
<td>5%</td>
</tr>
</tbody>
</table>

**Behaviors and Habits**

- Key **purchasing drivers across generations**: quality of the materials, **durability** and **value for money**
  - *Italy and France* have the most *savvy* consumers, *British* show a *detached* attitude
- **Luxury** has been **losing share of wallet** in the last 2 years, impacted by the financial crisis and by a changing consumer attitude
- **Luxury consumption is mainly domestic** and **monobrand stores** are the key channel
  - *Multibrand* format is particularly relevant in *Italy and France*
  - *Outlet* increasingly important
- **E-commerce** shows different penetration through the countries with **UK** ahead of others

### North American

**Luxury consumers by cluster**

<table>
<thead>
<tr>
<th>Cluster</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hedonist</td>
<td>20%</td>
</tr>
<tr>
<td>Disillusioned</td>
<td>16%</td>
</tr>
<tr>
<td>Investor</td>
<td>15%</td>
</tr>
<tr>
<td>Conservative</td>
<td>13%</td>
</tr>
<tr>
<td>Opinionated</td>
<td>12%</td>
</tr>
<tr>
<td>Wannabe</td>
<td>9%</td>
</tr>
</tbody>
</table>

**Behaviors and Habits**

- Mature luxury community looking for **product fit**, **high quality of materials** and **value for money**
- For Generation Y **logo visibility** and **brand name** are **even less important**, showing a sophisticated approach
- **Strong advocacy towards accessible brands** confirmed by superior NPS
- **Luxury goods mainly bought** domestically and department stores are still the first channel followed by **online** and **monobrand stores**
- **First area for ecommerce penetration**, with **convenience and assortment** the two main drivers to buy luxury online
Chinese: a universe of its own, strongly dynamic and with very diverse consumer profiles

**Luxury consumers by cluster**

- **Omnivore**: 32%
- **Opinionated**: 29%
- **Conservative**: 17%
- **Hedonist**: 12%
- **Disillusioned**: 5%

**Behaviors and Habits**

- **Strong polarization** towards **Omnivore and Opinionated**, accounting for more than 60% of total consumers
- **Key purchasing drivers** reflect different souls of Chinese luxury consumers:
  - **Overall**, luxury seen as a "social enabler": preference for **well-known brand names**, sense of belonging is crucial
  - **Generation Y** moving their attention to **product quality** and **subtle brands**
  - **Beijinger** refusing ostentation and **logos** redirecting their interest towards **personalized super-luxury** products
- **Female** on average **top spenders**: +20% vs. **male**
- **Chinese purchase mainly overseas** and **monobrand** stores are by far the most relevant channel
- **Luxury gifting still** a strong cultural ritual driving **luxury expenditure**

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Japanese: Detached luxury consumers looking for high quality products at the right price

- **Concentration Index vs. global average**
  - Luxury consumers by cluster
    - Investor: 22%
    - Conservative: 25%
    - Disillusioned: 12%
    - Hedonist: 7%
    - Wannabe: 6%
    - Omnivore: 5%

- **Behaviors and Habits**
  - **Investor, Conservative and Disillusioned** most relevant clusters, strongly above global average
  - The most sophisticated luxury community
    - Dislike of **visible logo**
    - Strong attention to product intrinsic values: fit, quality, durability and value for money
    - Own taste and superior fashion perception
    - Young consumers appreciating only niche and edgy brands
  - Overall **detachment** from luxury
    - Strong detraction across all brands and lowest brands loyalty rate (except for hard luxury)
    - "Lonely and self-centered" consumers
  - **Market** almost entirely **domestic**, with **department stores** key destination **channel** for luxury consumers
  - **Weakest** luxury **e-commerce penetration**
Italian: young wannabe consumers with financial constraints to deal with

**Behaviors and Habits**

- **Conservative is the core segment**, focusing on safe and more traditional luxury category
- **Strong role of Wannabe: negative impact of financial crisis**, often purchase is forgone
  - Need to **reinforce status** and get **others’ approval**
  - **Pampering is no longer a good reason** enough to spend money on luxury
  - No **detached behavior**, luxury has still a preeminent role
- **More opinionated** than the other European, **strong cultural heritage** is influencing shopping habits
  - Luxury perceived as a guarantee for high quality standards
- **Baby boomers are losing** their predominance, **Generation Y is strengthening its role**: young consumers are becoming more and more important
- **20% NPS, the highest** across Western European countries
Today's presentation

Luxury consumers worldwide: key figures

Who luxury consumer is

→ Consumer Profiles

→ Consumer Nationalities

360° consumer insight: from knowledge to action

Consumer Generations
Baby boomers are the mass of the market, Generation X, at the top of their careers, the top spenders.
Baby boomers, core luxury generation, behaving very differently from Boomers' babies (Gen Y)

TRUE LUXURY CONSUMERS BY CLUSTER AND GENERATION (2013E|M PEOPLE)

- Baby boomers
  - Top generation in nearly all clusters, overrepresented among Conservative, Disillusioned and Investor
  - Relevant generation across clusters but underrepresented among Disillusioned

- Generation X
  - Lowest share across clusters, in particular for Omnivore
  - Only in the case of Disillusioned the Silent generation is larger than the Generation Y

- Generation Y
  - Generation mostly represented among Opinionated and Omnivore, due to high share of Chinese

TOT ~150M people

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Age impacts on attitude towards luxury: from status seeker to product maniac

**PURCHASING DRIVERS**

- **STATUS ("Inclusivity")**
- **BRAND**
- **LOGO**
- **PEOPLE'S APPROVAL**

**What luxury stands for?**

<table>
<thead>
<tr>
<th>Status and appearance</th>
<th>Sense of belonging with a personal taste</th>
<th>Product Intrinsic values</th>
</tr>
</thead>
<tbody>
<tr>
<td>NPS 18%</td>
<td>18%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Baby boomers (BB) are more focused on exclusivity, while Generation X (X) and Generation Y (Y) are more focused on personal taste. The average (Average) values reflect a balance between these factors.
Each generation shows strong preferences in categories, brands & shopping attitude; Generation Y buys more online

<table>
<thead>
<tr>
<th>Generation Y</th>
<th>Generation X</th>
<th>Baby Boomers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>What they love (NPS)</strong></td>
<td><strong>What they buy (loyalty)</strong></td>
<td><strong>How they shop</strong></td>
</tr>
<tr>
<td>13-33 Years</td>
<td>Leather goods and shoes brands</td>
<td>Alone</td>
</tr>
<tr>
<td><strong>What they buy (loyalty)</strong></td>
<td><strong>How they shop</strong></td>
<td><strong>Where they shop</strong></td>
</tr>
<tr>
<td>Generation Y</td>
<td>Generation X</td>
<td>Baby Boomers</td>
</tr>
<tr>
<td>13-33 Years</td>
<td>34-48 Years</td>
<td>49-67 Years</td>
</tr>
<tr>
<td><strong>What they love (NPS)</strong></td>
<td><strong>What they buy (loyalty)</strong></td>
<td><strong>How they shop</strong></td>
</tr>
<tr>
<td>Leather goods and shoes brands</td>
<td>RTW and hard luxury brands</td>
<td>Alone</td>
</tr>
<tr>
<td><strong>How they shop</strong></td>
<td><strong>Where they shop</strong></td>
<td></td>
</tr>
<tr>
<td>Programmed</td>
<td>On impulse</td>
<td>1 Monobrand</td>
</tr>
</tbody>
</table>

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"Touch and feel" is not a driver for Generation Y, but there are still important gaps perceived in the online experience.

What are the main reasons not to buy on the internet?

<table>
<thead>
<tr>
<th>Reason</th>
<th>Generation Y</th>
<th>Generation X</th>
<th>Baby Boomers</th>
</tr>
</thead>
<tbody>
<tr>
<td>I prefer the physical experience</td>
<td>- -</td>
<td>=</td>
<td>+ +</td>
</tr>
<tr>
<td>I don't like the online experience</td>
<td>+ +</td>
<td>=</td>
<td>- -</td>
</tr>
<tr>
<td>I don't find what I want</td>
<td>+</td>
<td>=</td>
<td>-</td>
</tr>
<tr>
<td>I don't trust the service</td>
<td>+</td>
<td>=</td>
<td>-</td>
</tr>
</tbody>
</table>

Generation Y demands an updated and more engaging digital experience to better fulfil consumers’ new desires.
Y & X, luxury consumers of the future, the most disparate: newbies & experts, classic & edgy, enthusiast & detractors

<table>
<thead>
<tr>
<th>Generation Y</th>
<th>Generation X</th>
<th>Baby Boomers</th>
<th>Silent Generation</th>
</tr>
</thead>
<tbody>
<tr>
<td>13-33 years</td>
<td>34-48 years</td>
<td>49-67 years</td>
<td>68+ years</td>
</tr>
</tbody>
</table>

Who are they?

(M people)

<table>
<thead>
<tr>
<th>Cluster</th>
<th>Nationality</th>
<th>Cluster</th>
<th>Nationality</th>
<th>Cluster</th>
<th>Nationality</th>
<th>Cluster</th>
<th>Nationality</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>HEDONIC</td>
<td>1</td>
<td>HEDONIC</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>CONSERVATIVE</td>
<td>2</td>
<td>CONSERVATIVE</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>MATURE</td>
<td>3</td>
<td>MATURE</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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Polarized advocacy among generations and nationalities makes handling luxury consumer extremely complex

<table>
<thead>
<tr>
<th></th>
<th>Generation Y</th>
<th>Generation X</th>
<th>Baby Boomers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positive NPS</td>
<td>21%</td>
<td>31%</td>
<td>45%</td>
</tr>
<tr>
<td>Positive NPS across</td>
<td>26%</td>
<td>23%</td>
<td>39%</td>
</tr>
<tr>
<td>all generations</td>
<td>17%</td>
<td>19%</td>
<td>41%</td>
</tr>
<tr>
<td>Baby boomers are</td>
<td>-10%</td>
<td>-23%</td>
<td>-31%</td>
</tr>
<tr>
<td>still strong luxury</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>supporters</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Luxury impacts more</td>
<td></td>
<td>-17%</td>
<td>-17%</td>
</tr>
<tr>
<td>Generation X&amp;Y</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Progressive</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>detachment from</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>luxury</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>for old generations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Luxury disillusioned</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>consumers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Baby Boomers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>completely detached</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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Today's presentation

Luxury consumers worldwide: key figures

Who luxury consumer is

↓

Consumer Profiles

↓

Consumer Nationalities

↓

Consumer Generations

360° consumer insight: from knowledge to action
A complex and variegated population of clearly distinct luxury consumers that span across regions and age groups.

**LUXURY CONSUMER POPULATION COMPOSITION (2013|M PEOPLE)**

<table>
<thead>
<tr>
<th>By nationality</th>
<th>By generation</th>
<th>By spending</th>
<th>By cluster</th>
</tr>
</thead>
<tbody>
<tr>
<td>~150M</td>
<td>~150M</td>
<td>~150M</td>
<td>~150M</td>
</tr>
<tr>
<td>5% ME &amp; RoW</td>
<td>9% Silent generation</td>
<td>10% Top</td>
<td>11% Investor</td>
</tr>
<tr>
<td>9% Other Asian</td>
<td></td>
<td></td>
<td>12% Wannabe</td>
</tr>
<tr>
<td>19% Chinese</td>
<td>44% Baby boomers</td>
<td>20% Core</td>
<td>13% Omnivore</td>
</tr>
<tr>
<td>13% Japanese</td>
<td></td>
<td></td>
<td>14% Hedonist</td>
</tr>
<tr>
<td>5% L. American</td>
<td></td>
<td></td>
<td>15% Disillusioned</td>
</tr>
<tr>
<td>21% N. American</td>
<td></td>
<td></td>
<td>15% Opinionated</td>
</tr>
<tr>
<td>6% E. European</td>
<td></td>
<td></td>
<td>20% Conservative</td>
</tr>
<tr>
<td>22% W. European</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
What's this all about?

• **Luxury consumers** are a large and heterogeneous group of ~330M people...
  - ~150M of them are True luxury consumers, consistently purchasing branded luxury goods and representing around 90% of the total market in 2013

• **7 different profiles stand out** from this crowd: unevenly distributed across nationalities and generations, showing diverse evolutionary patterns, with distinctive attitudes and behaviors...
  - ...from preferred channels to favorite brands, from shopping habits to source of influence, from luxury advocacy to spending
  - Conservative, the most 'mainstream' of consumers diffused in mature markets, is the most common profile, while the Omnivore and Opinionated, absolute top spenders, represent the true dichotomy of 'young' consumers, among Chinese in particular

• Despite the comparable size of mature and emerging consumers' base, the latter outspend the former by far, representing a disproportional share of the market, with Chinese being the nationality with the highest spending per capita

• Baby boomers are still by far the largest generation across profiles, but strong growth of Generation X and Y, sustained by emerging consumers, imposes new needs and attitudes, reshaping the rules of the game

_A standard approach cannot work anymore, a tailored and responsive strategy for each targeted segment is required to succeed_
The key execution gap in luxury: mono-directional & mono-cultural industry vs. multi-faceted & multi-cultural consumer

<table>
<thead>
<tr>
<th>INDUSTRY</th>
<th>CONSUMERS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PRODUCT</strong></td>
<td>• Products are not differentiated enough and sometimes perceived as just variations on the theme, brands' interpretations of macro-trends</td>
</tr>
<tr>
<td><strong>DISTRIBUTION</strong></td>
<td>• The distribution is rather standardized leveraging the same channels with geographic differentiation forced by local peculiarities</td>
</tr>
<tr>
<td><strong>COMMUNICATION</strong></td>
<td>• Communication is undifferentiating with aspirational and still-life campaigns often unrecognizable without the brand name</td>
</tr>
<tr>
<td><strong>CUSTOMER EXPERIENCE</strong></td>
<td>• Costumer experience is not entertaining: very formal, seems more adequate for elder generations but with limited appeal on the young</td>
</tr>
<tr>
<td><strong>DIGITAL E-COM</strong></td>
<td>• Digital strategies of many brands look like attempts of tackling new media without a deep understanding of their potential</td>
</tr>
<tr>
<td><strong>AFTER-SALES</strong></td>
<td>• Not a proactive after sales service aiming at solving problems, with debatable success, rather than enhancing consumer satisfaction</td>
</tr>
</tbody>
</table>
The "new covenant" between luxury brands and consumers

- **Face reality** and acknowledge the change, across the company
- **Embrace the change** now and gain **first mover advantage**

*Pretending this is not happening, won't make it less painful*

- Adopt **consumer-insight** practices and enhance the consumer **segmentation** variables to match the increased complexity

*Your current CRM doesn't answer the most compelling questions about consumers (behavioral profiles, deep why, desired experience, ...)*

- **Choose** the consumer segments you want to win (call for priorities)
- Design strategies that are "**tailor made**" on the target segments

*There's not "one size fits all" value proposition*

- **Execute** the strategy in a **compelling way** for the target segment
- Be **excellence-obsessed** along all touch-points, day in day out

*Execution is the only strategy consumers see*
Luxury value proposition must be re-shaped on the basis of the new paradigm

<table>
<thead>
<tr>
<th>VALUE PROPOSITION</th>
<th>PREDOMINANT VALUE DRIVER</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Material</strong></td>
<td></td>
</tr>
<tr>
<td>Product</td>
<td>High quality, Old paradigm</td>
</tr>
<tr>
<td>In-store experience</td>
<td>Right quality, New paradigm</td>
</tr>
<tr>
<td>Service</td>
<td>Detached selling ceremony, Needs response &amp; &quot;customer relationship&quot;</td>
</tr>
<tr>
<td>Self identity</td>
<td>Consistency with monolithic identity</td>
</tr>
<tr>
<td>Social identity</td>
<td>Status and belonging</td>
</tr>
<tr>
<td><strong>Symbolic</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Desires anticipation &amp; personal touch, Contribution to multifaceted-self, Community and social meaning</td>
</tr>
</tbody>
</table>
"I do, I do, I do": the three crucial moments to be maximized in the brand-consumer love story

<table>
<thead>
<tr>
<th>CONSUMER CORRIDOR</th>
<th>BRAND LEVER</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The courtship</strong></td>
<td>Communication</td>
</tr>
<tr>
<td>Awareness &amp; desire</td>
<td>• Press and PR focus</td>
</tr>
<tr>
<td>Purchase</td>
<td>&quot;I do&quot; moment</td>
</tr>
<tr>
<td>Store Sales associates</td>
<td>• &quot;Don’t turn me off&quot;</td>
</tr>
<tr>
<td>Post-sale service CRM NPS</td>
<td>• &quot;Don’t disappoint me... too much&quot;</td>
</tr>
<tr>
<td><strong>The date</strong></td>
<td>&quot;I do&quot; moment</td>
</tr>
<tr>
<td>Purchase</td>
<td>• &quot;Turn me on&quot;</td>
</tr>
<tr>
<td><strong>The marriage</strong></td>
<td>&quot;I do&quot; moment</td>
</tr>
<tr>
<td>Repurchase &amp; advocacy</td>
<td>• &quot;Make me fall in love again and again&quot;</td>
</tr>
</tbody>
</table>

Winning consumer's heart at the early stage won't be enough anymore, the love promise must be renewed at every stage.
Luxury consumers of the future: global picture will get increasingly heterogeneous... You cannot afford to lag behind!

LUXURY CONSUMERS EVOLUTION (M# | 2013-2030)

New consumer segments
- Z generation
- African
- New profiles (?)

New consumers from current profiles
- Mainly Y generation
- Mainly Chinese and from emerging markets
- Omnivore and Opinionated from new markets
- Wannabe and Conservative from mature markets

Evolution of current consumer base
- Mainly X & Y generations
- More Opinionated and Hedonist
- More Chinese