BAIN & COMPANY

in collaboration with REDBURN

powered by MillwardBrown

Lens on the worldwide luxury consumer

Relevant segments, behaviors and consumption patterns
Nationalities and generations compared

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Milan, 14th January 2014

Our partners

REDBURN

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.

MillwardBrown

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

Consumer research

- **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 point of view

- 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

Today's presentation

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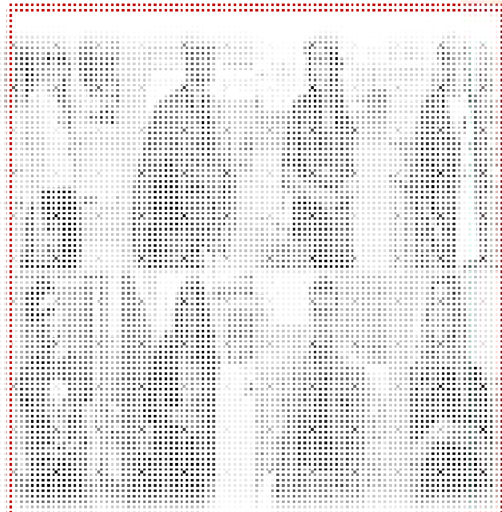
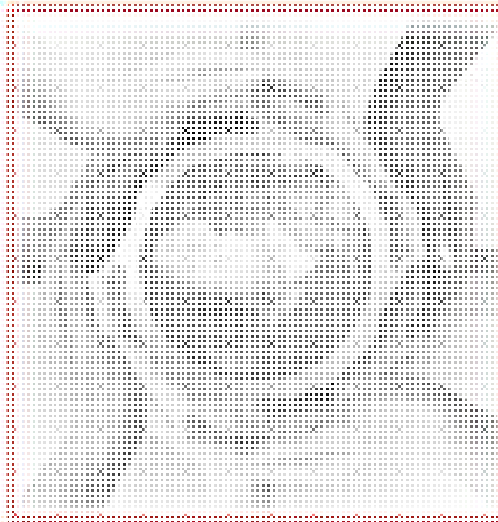
Who luxury consumer is



Consumer Profiles



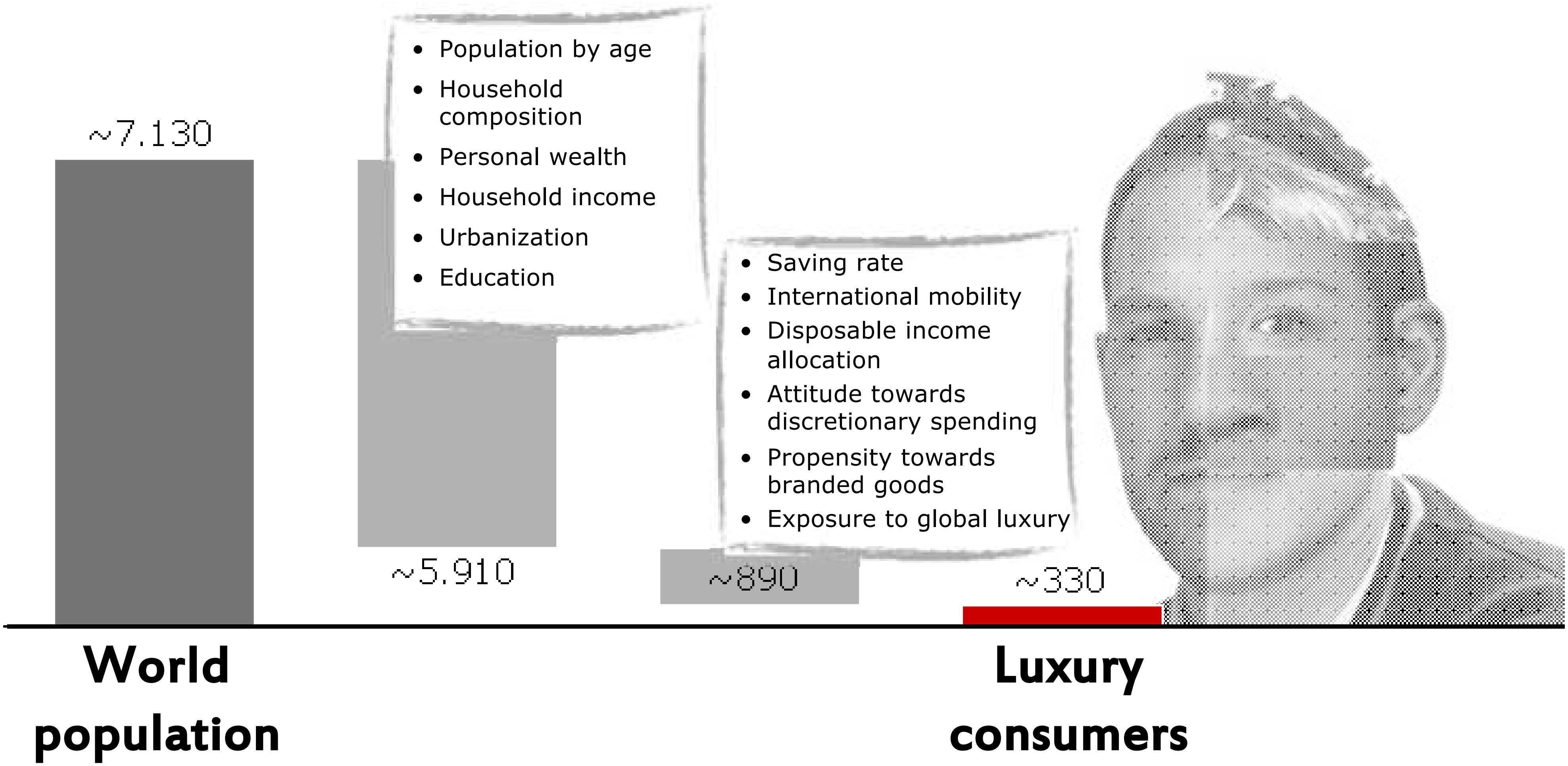
Consumer Nationalities

Consumer Generations

360° consumer insight: from knowledge to action

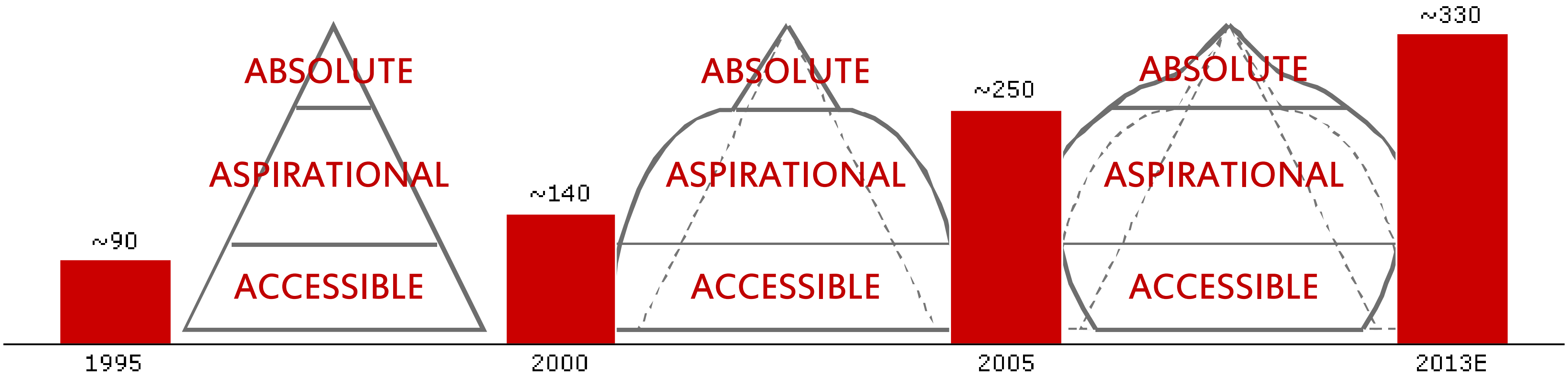
330M luxury consumers worldwide in 2013

GLOBAL LUXURY CONSUMERS (2013|M PEOPLE)

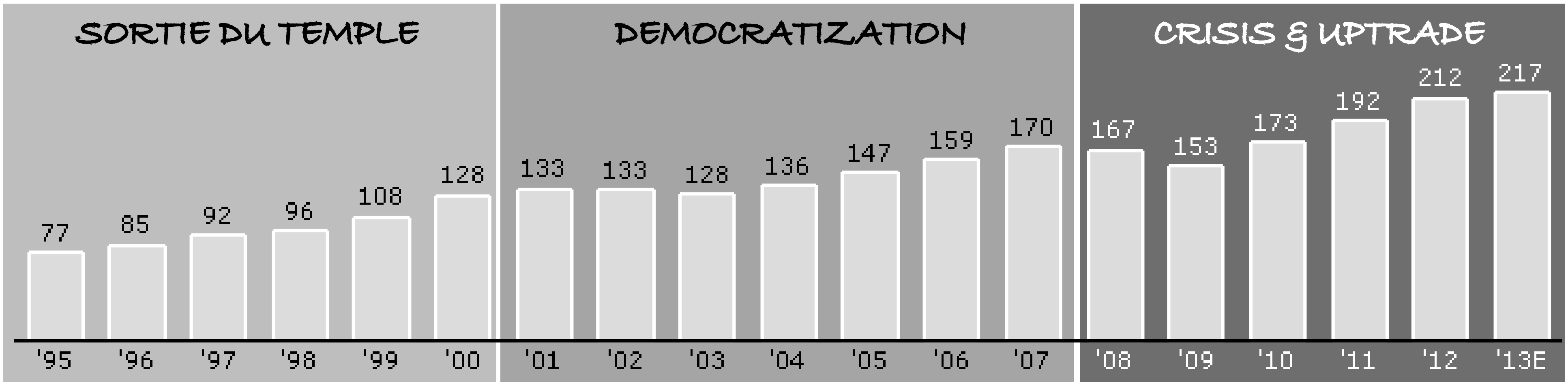


Luxury consumers more than tripled in less than 20 years, reshaping the pyramid and supporting market growth

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

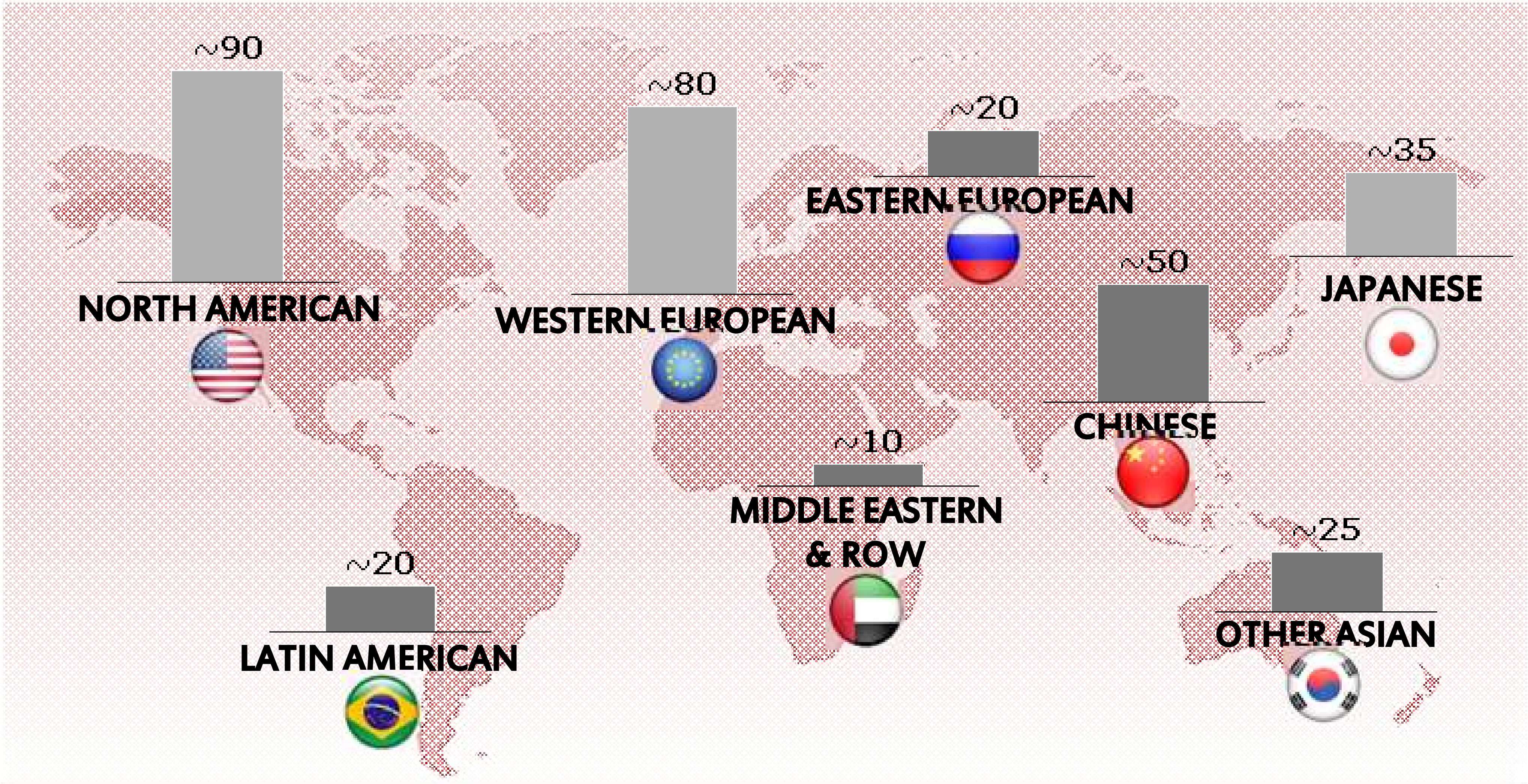


GLOBAL LUXURY MARKET EVOLUTION (1995-2013E|B€)



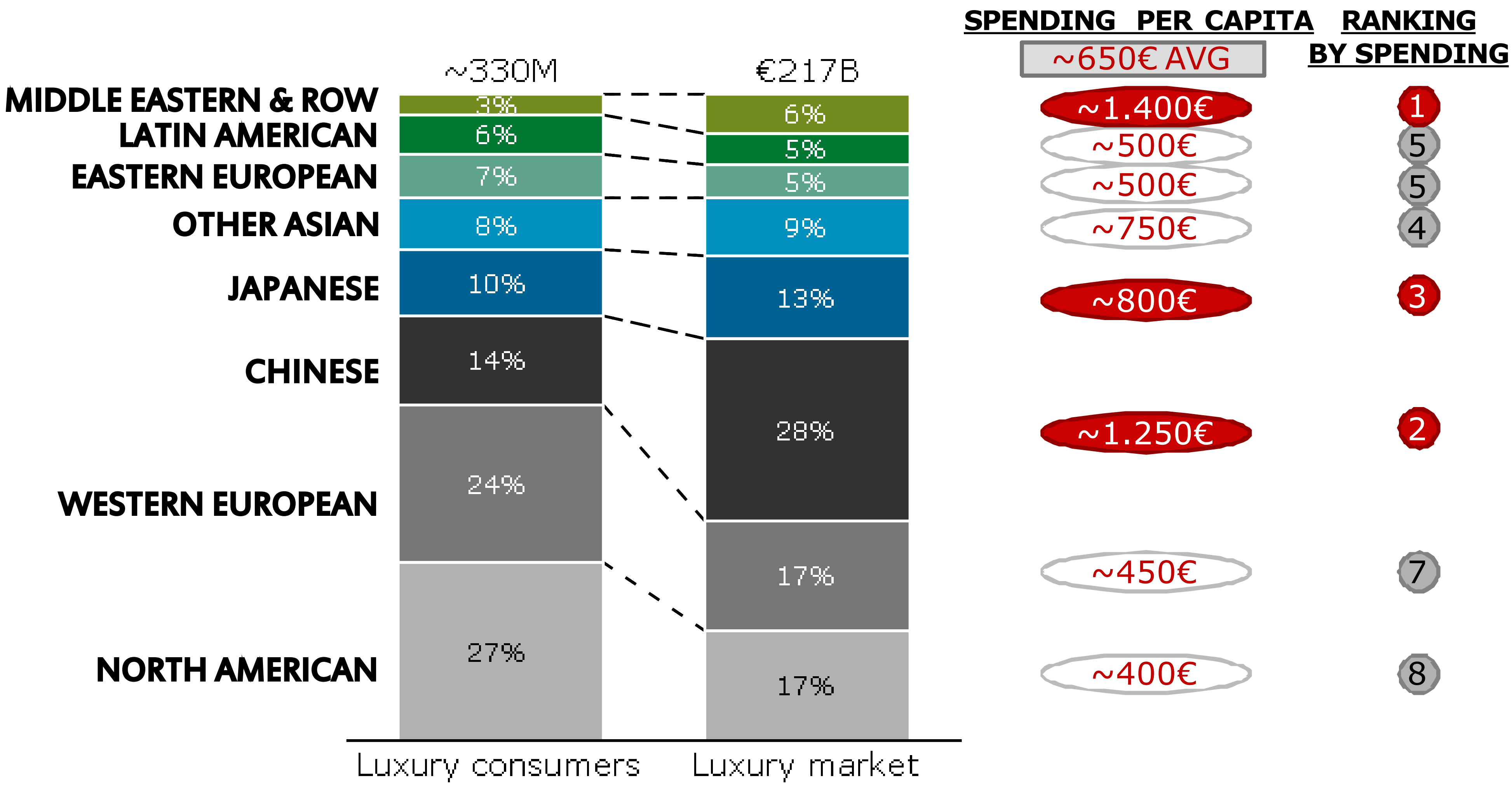
Emerging markets offer already almost 130M luxury consumers, with Chinese being the top nationality

LUXURY CONSUMERS DISTRIBUTION BY NATIONALITY (2013E|M PEOPLE)



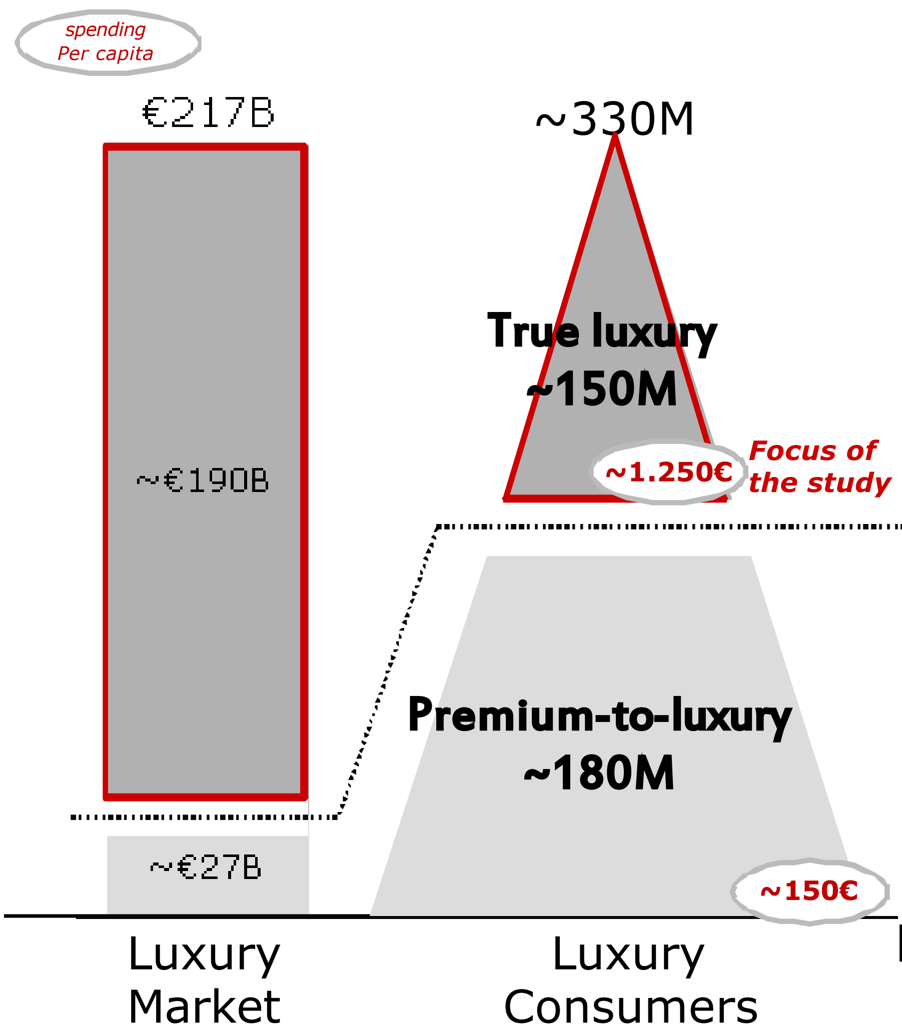
Chinese: the top nationality of the market with the third largest consumer base and second highest spending

LUXURY CONSUMERS DISTRIBUTION AND SPENDING BY NATIONALITY (2013E)



2 macro-segments of consumers, of which "true luxury" ones account for almost 90% of the market value

LUXURY CONSUMERS DISTRIBUTION BY SPENDING (2013E)

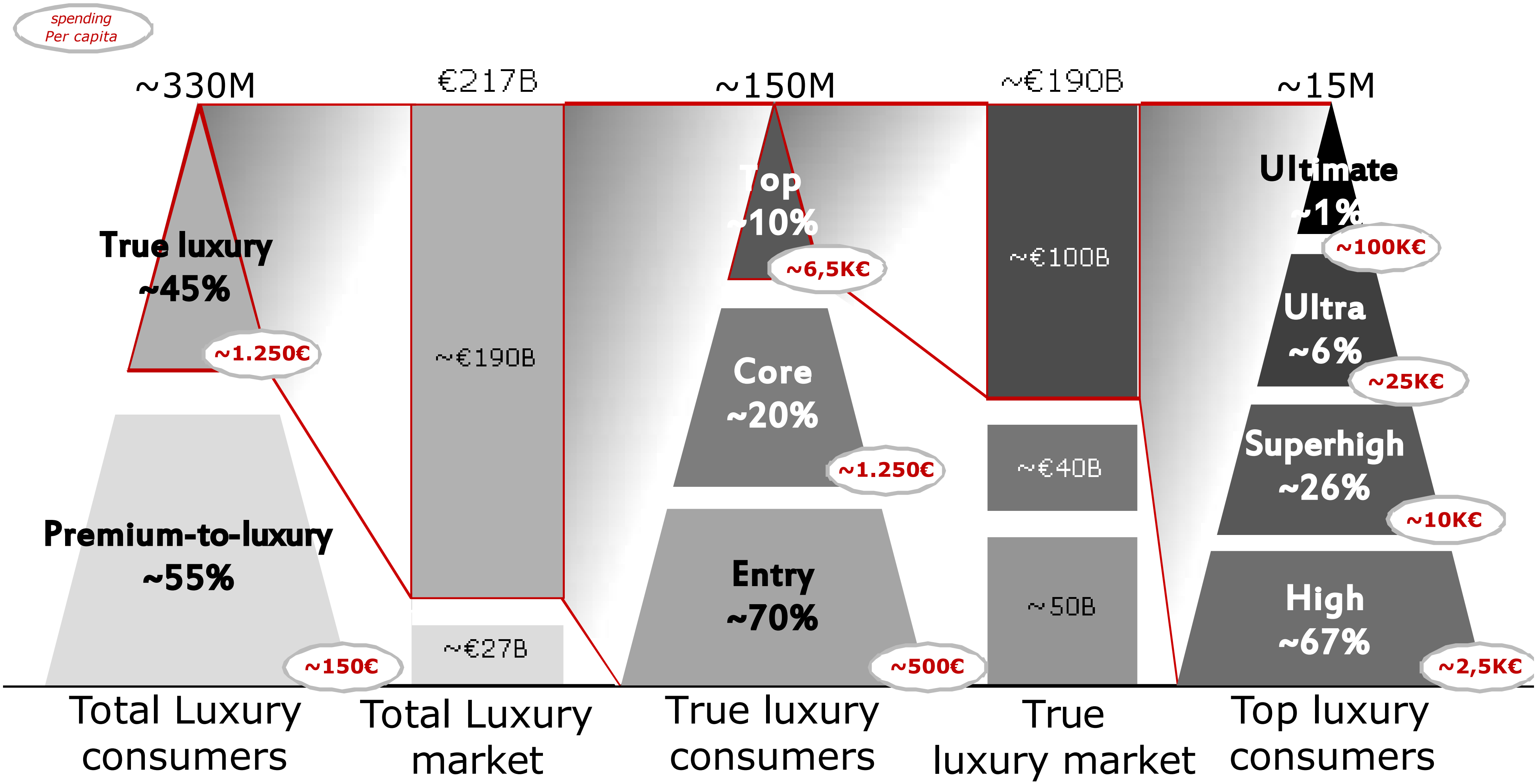


True luxury consumers consistently dedicate part of their discretionary spending to personal luxury products of various nature, usage occasions and price points

Occasional consumers desire to purchase luxury goods but can afford only few entry items among designer 2nd lines, beauty products, small accessories

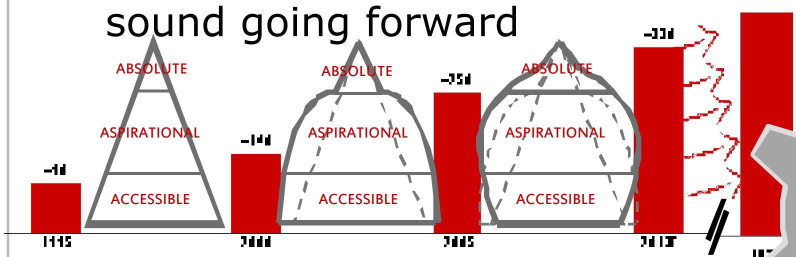
True luxury consumers are also very heterogeneous: top 10% of them capture around 50% of global spending

LUXURY CONSUMERS DISTRIBUTION BY SPENDING (2013E)

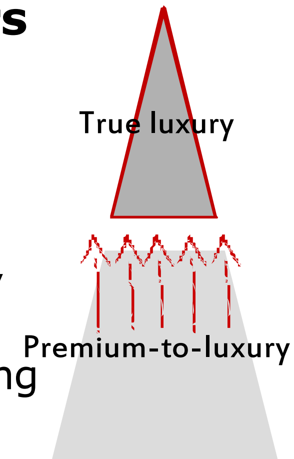


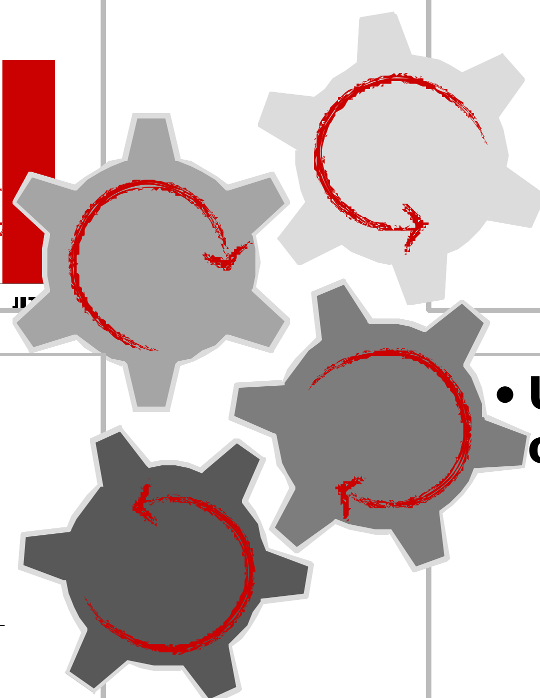
Enlarging consumer base (10M+ new consumers per year) and uptrade of the current base will fuel market growth

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

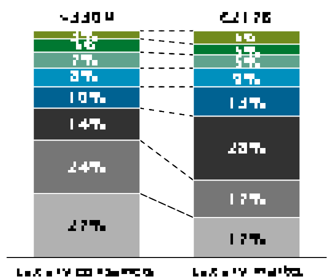


- **Bulk** of **consumers aspiring to buy luxury**
  - Premium-to-luxury consumers could become true luxury consumers in the next years increasing their spending

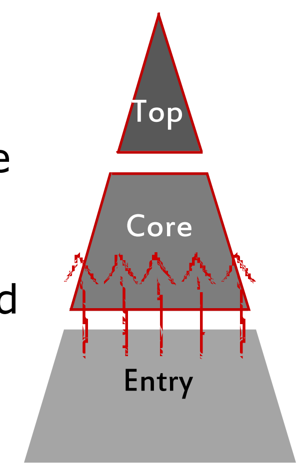




- **Emerging consumers progressively enlarging** their **share**
  - Increasingly relevant emerging consumers, with their higher spending, will further sustain market growth



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



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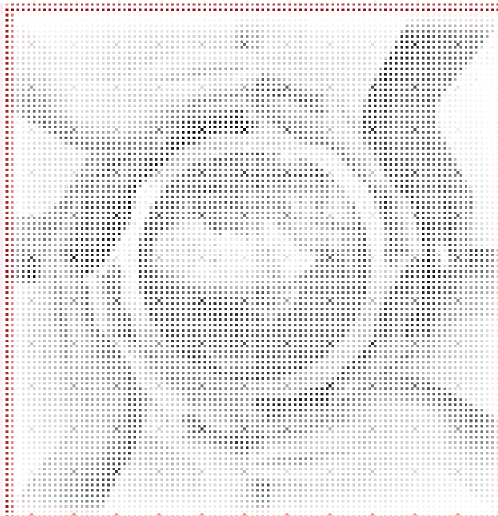
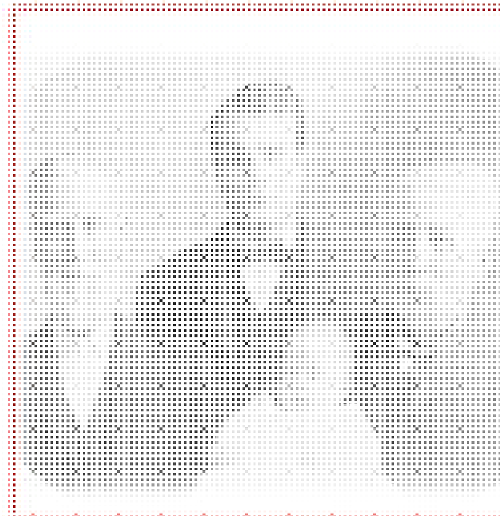


Consumer Nationalities



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

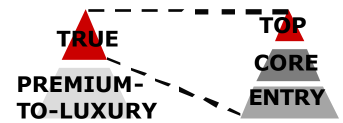
I desire it!

Investor

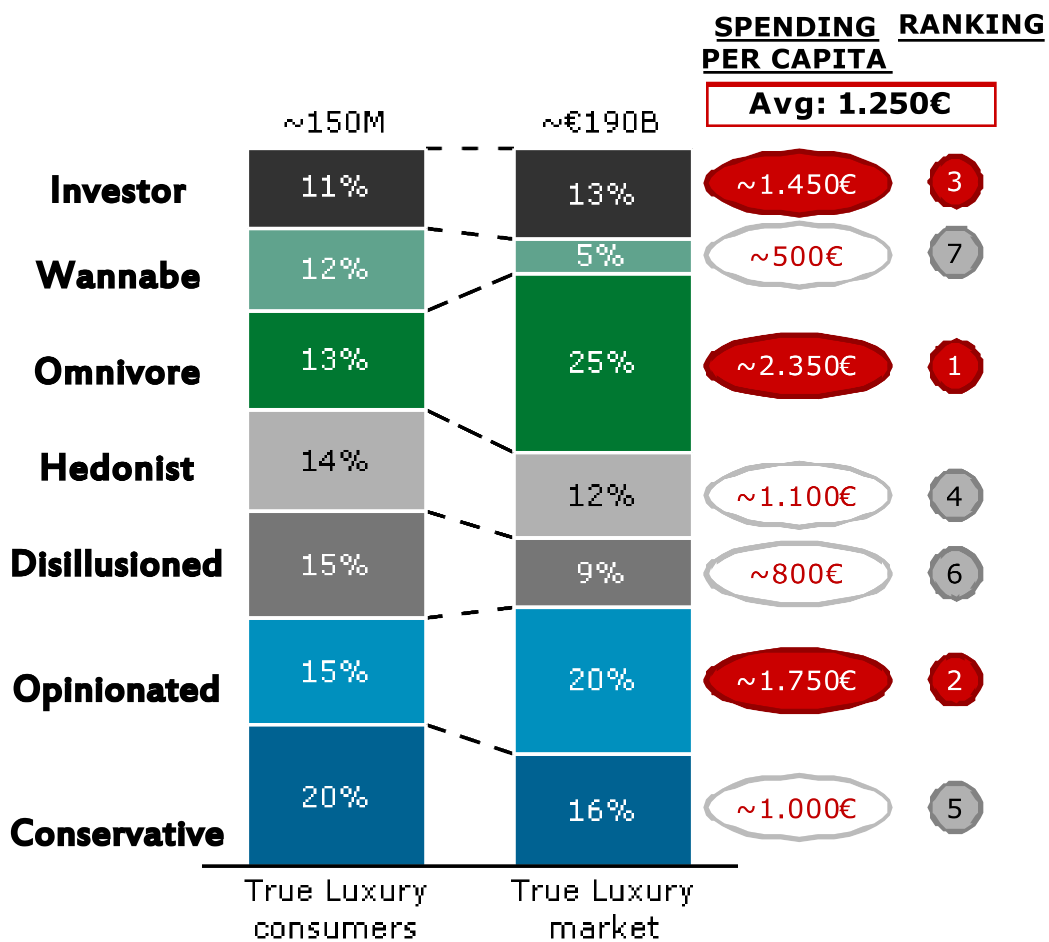
It's worthy? I buy it!

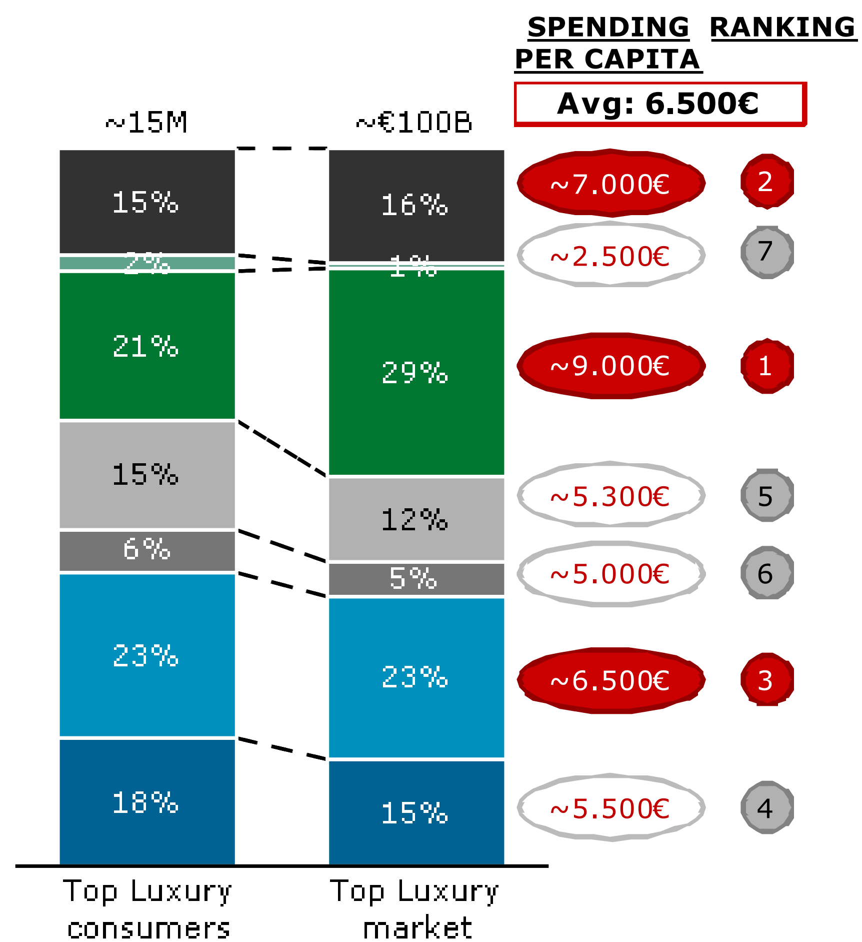
Conservative the largest segment overall; Omnivore and Opinionated making up more than half of top luxury market

TRUE LUXURY CONSUMERS AND SPENDING



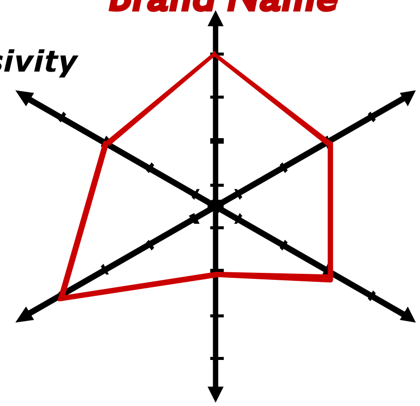
TOP LUXURY CONSUMERS AND SPENDING





Omnivore: curious and compulsive shopper, the more the better

PURCHASING DRIVERS



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

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

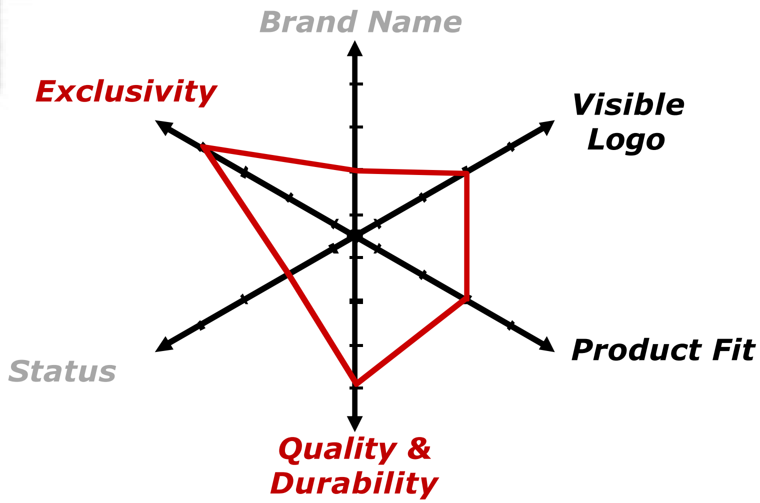
- **Highest interest** and **expenditure** on **personal luxury goods**
- **Strongest advocacy**, pairing with **structural disloyalty** to brands
- Prefers **Aspirational** brands

Sources of influence

- **Low** sensitivity to **advertising**
- Influenced by **social networks**

Opinionated: educated and both-brained luxury consumer

PURCHASING DRIVERS



KEY PERSONAL LUXURY CATEGORIES

1. **Leather Goods**
2. **Watches**

Accessories

KEY ENLARGED LUXURY CATEGORIES

1. **Travels**
2. **Electronics**

Experience and Tech

Favourite brands

BRUNELLO CUCINELLI · Berluti · CÉLINE

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

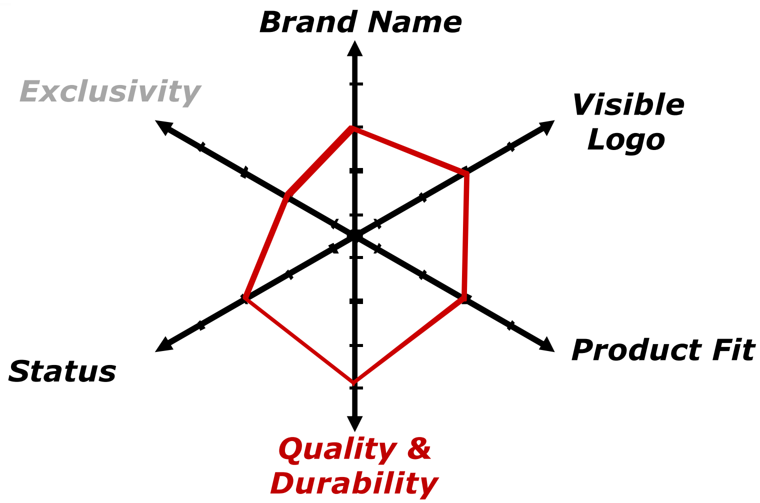
- Strong ***luxury connoisseurs***: highest brand **awareness**
- High **loyalty and advocacy**, from renown brands to niches with low price sensitivity

Sources of influence

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

Conservative: a mature mainstream consumer

PURCHASING DRIVERS



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

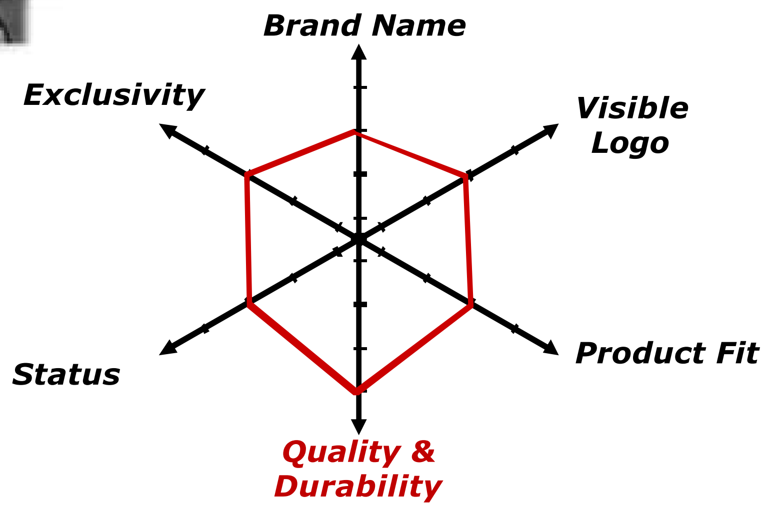
Work and functionality

Favourite brands

ROLEX VALENTINO ALFRED DUNHILL ESTABLISHED 1893

Investor: the rational actors of luxury market

PURCHASING DRIVERS



KEY PERSONAL LUXURY CATEGORIES

1. **Leather Goods**
2. **Watches**

Long lasting

KEY ENLARGED LUXURY CATEGORIES

1. **Travels**
2. **Cars**

Family-mobility

Favourite brands

Jaeger-LeCoultre — Brunello Cucinelli — Ermenegildo Zegna

FEATURES AND BEHAVIORS

Who

Male 44%	Female 56%

- **Mature markets** consumer (+ **Middle Eastern**)
- **High** penetration of **Baby boomers**

Shopping Habits

- Prefers to **shop alone** and **for him/herself** since every **purchase is programmed**
- **Hard luxury** playing a core role in the basket
- **Online** increasing its role as channel, with **multi-brand** having a strong role

Brand Attitude

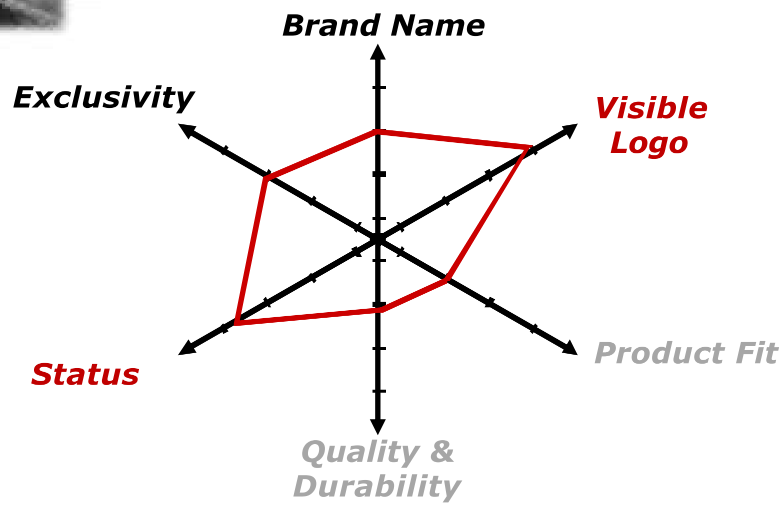
- **Product quality** and **durability** key drivers
- More **loyal** to **big Accessible brands; product-rather-than-brand** approach and preference for **absolute high-ticket items**

Sources of influence

- Rather than being influenced by **advertising**, follows other **consumers' referrals**

Hedonist: loves luxury and to show it off

PURCHASING DRIVERS



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

FEATURES AND BEHAVIORS

Who

Male 54%	Female 46%

- **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

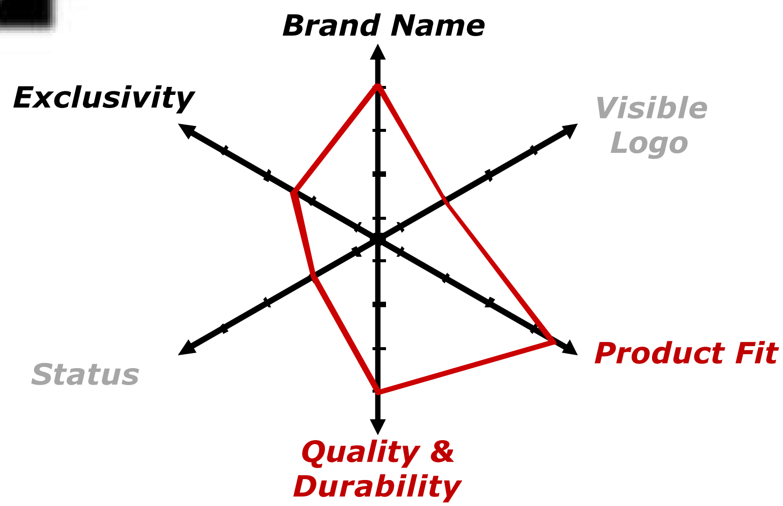
- **Loves luxury** but experiences **cognitive dissonance**
- **Not loyal** to specific brands; purchases range from **big names** to **emerging fashion icons**
- Looking for **brands easy to be recognized by others** rather than product quality

Sources of influence

- Strongly **influenced by advertising**
- Appreciates **personal shoppers' services**

Disillusioned: a detached luxury "survivor"

PURCHASING DRIVERS



FEATURES AND BEHAVIORS

Who

Male 42% | Female 58%

- **Highest penetration in mature markets**: US, Europe and Japan
- **Baby boomers** as the core generation

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

Exit-to-luxury

KEY ENLARGED LUXURY CATEGORIES

1. Gourmet food
2. Travels

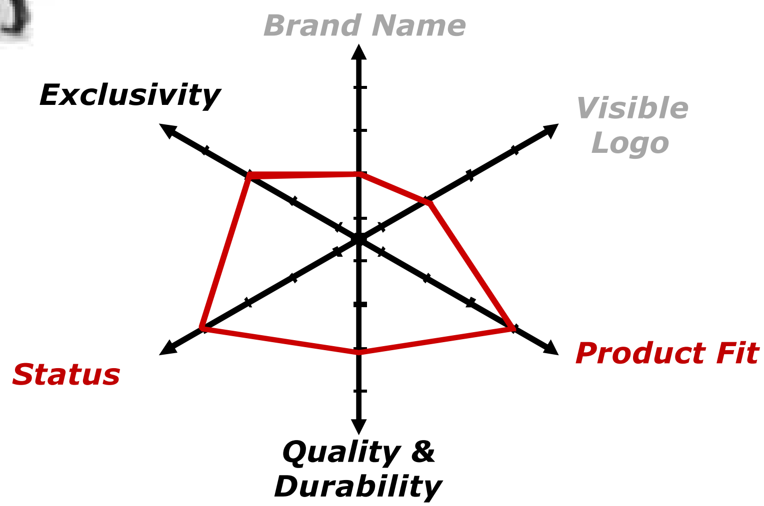
Experience 2.0

Favourite brands

HERMÈS PARIS CHANEL Cartier

Wannabe: a value-hunter fashionista

PURCHASING DRIVERS



FEATURES AND BEHAVIORS

Who

Male 25% | Female 75%

- **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

KEY ENLARGED LUXURY CATEGORIES

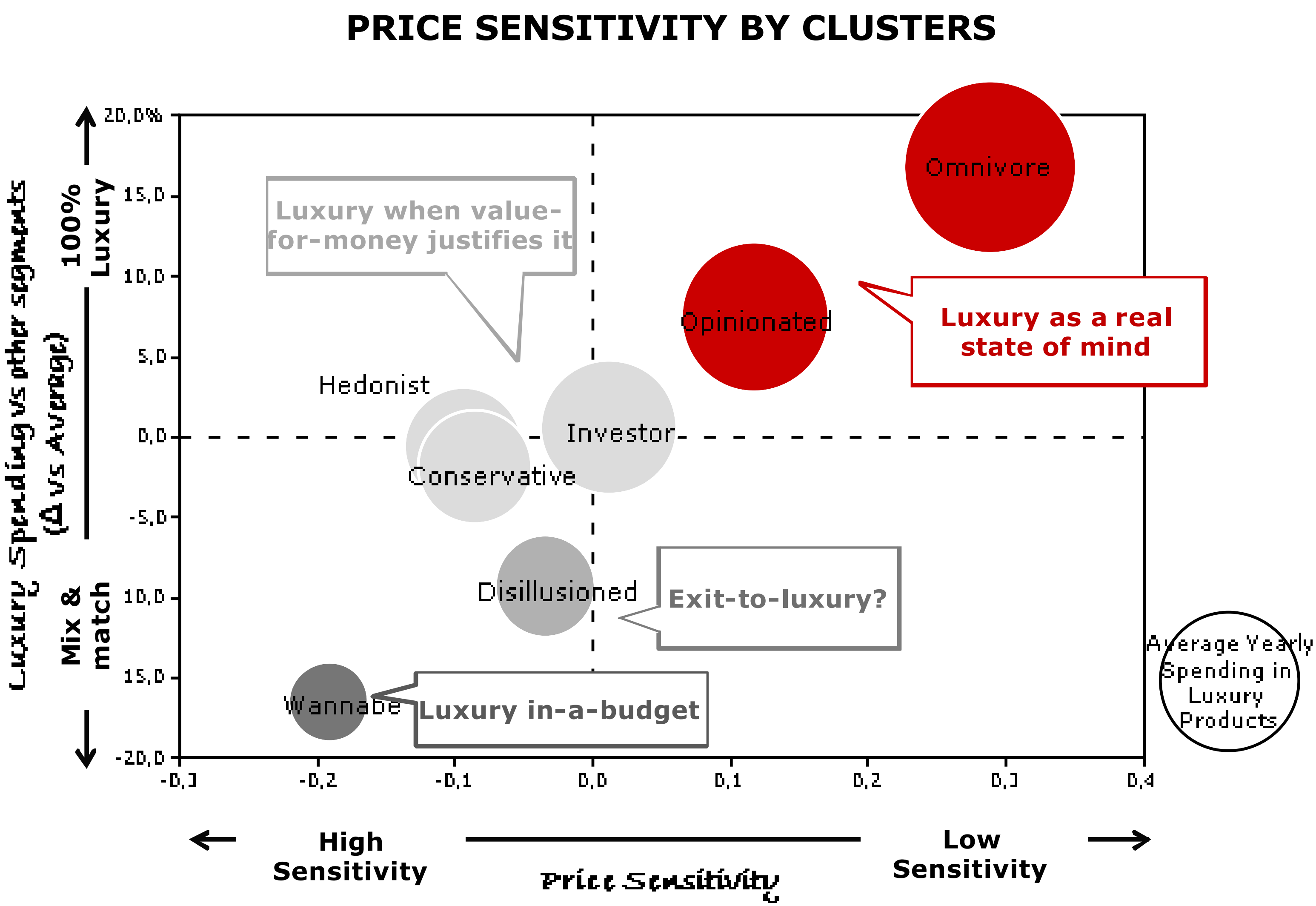
1. **Travels**

Shopping-driven experiences

Favourite brands

Dior | LOUIS VUITTON | PRADA

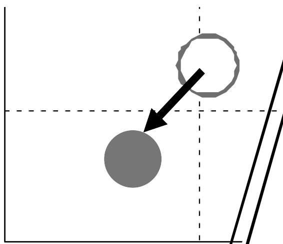
Omnivore and Wannabe coexist at the extremes of this rather heterogeneous picture



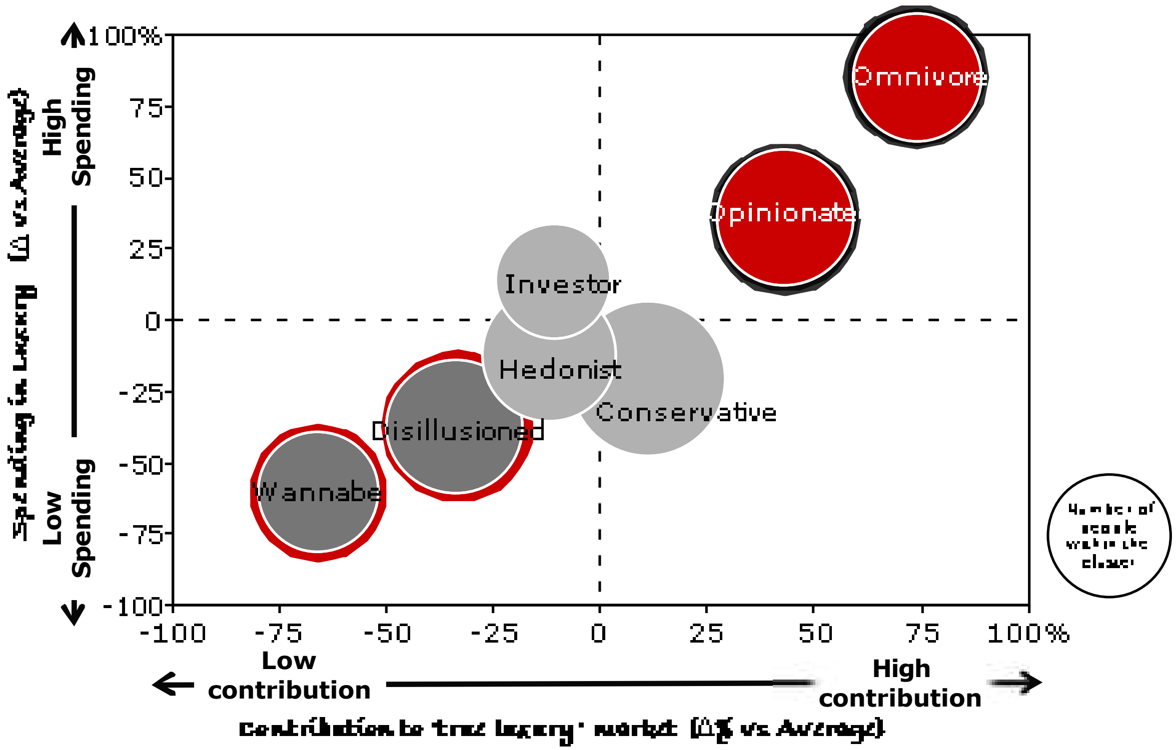
With respect to 5 years ago, segments at the "extremes" of luxury showed a significant evolution path

LUXURY CLUSTERS EVOLUTION IN LAST 5 YEARS

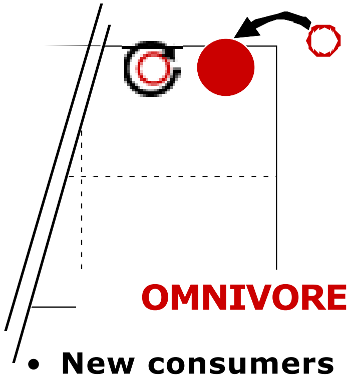
DISILLUSIONED



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

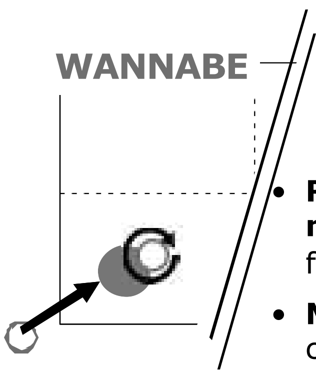


OMNIVORE



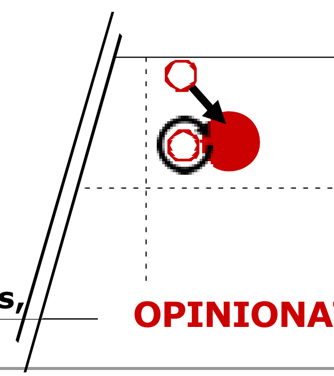
- **New consumers** (young and Chinese mainly)
- **Omnivores,** not changing their behaviors

WANNABE



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

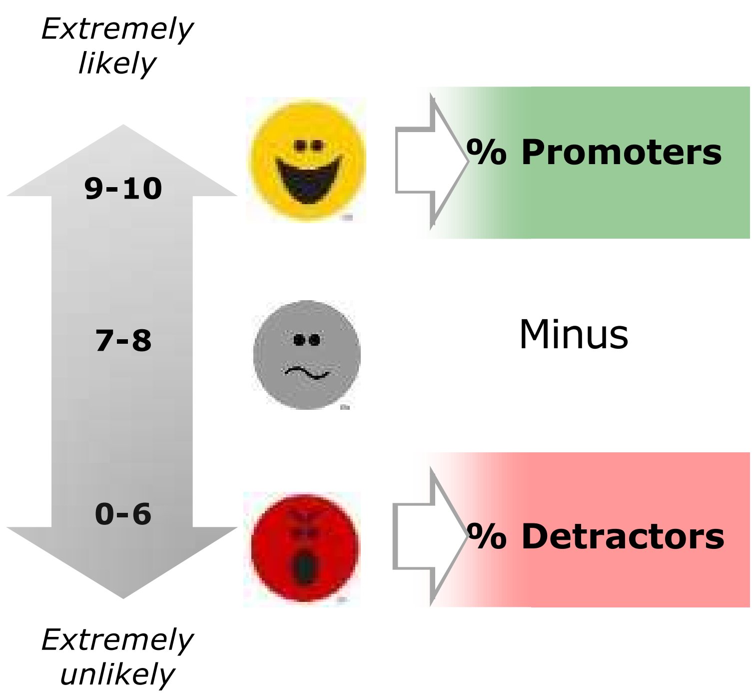
OPINIONATED



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

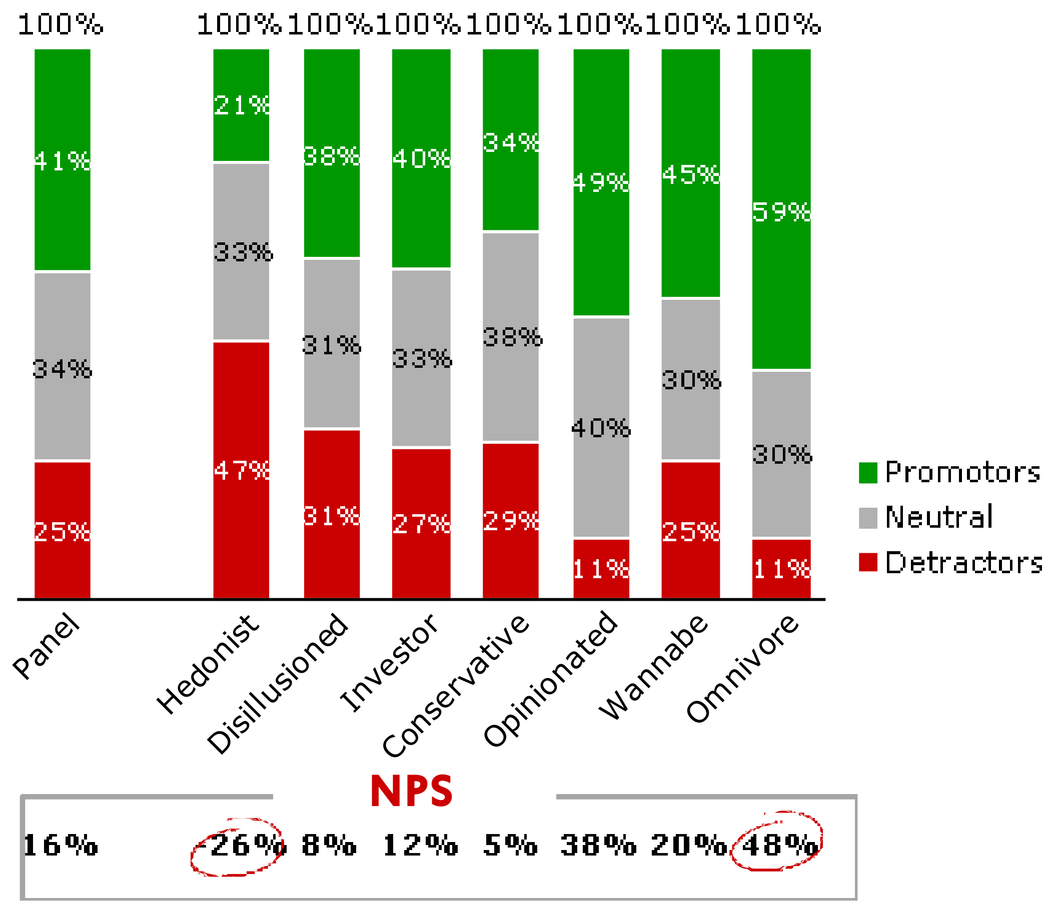
Unmet aspirations cause cognitive dissonance for Hedonist; Omnivore the most enthusiastic segment

Would you recommend luxury brands to a friend?



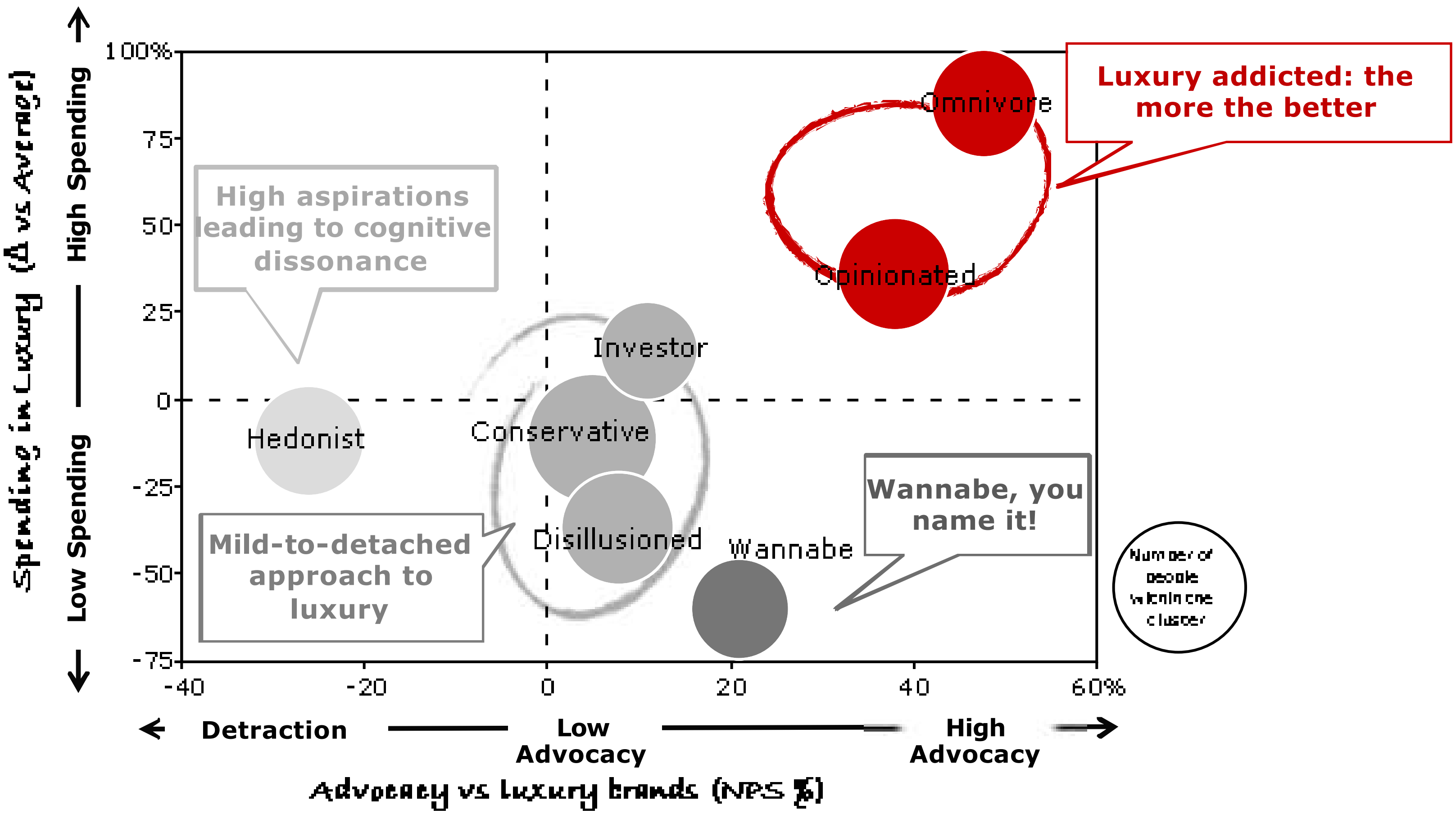
Net Promoter Score (NPS)

NPS BY SEGMENT



Luxury affection not always correlated to spending

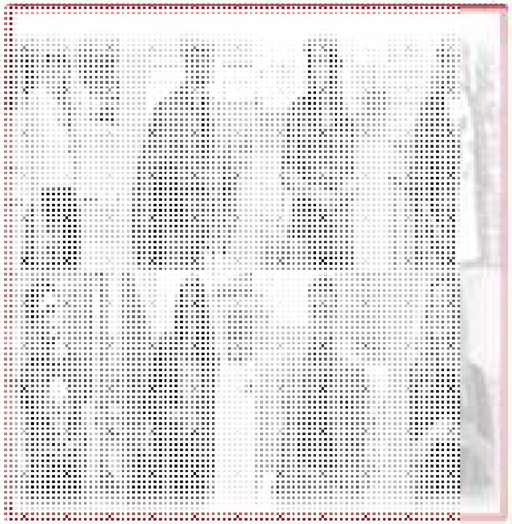
LUXURY SPENDING VS. ADVOCACY BY CLUSTERS

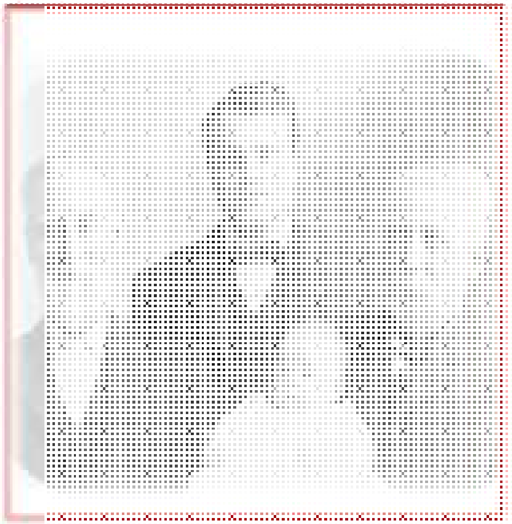


Today's presentation

Luxury consumers worldwide: key figures

Who luxury consumer is





Consumer Profiles

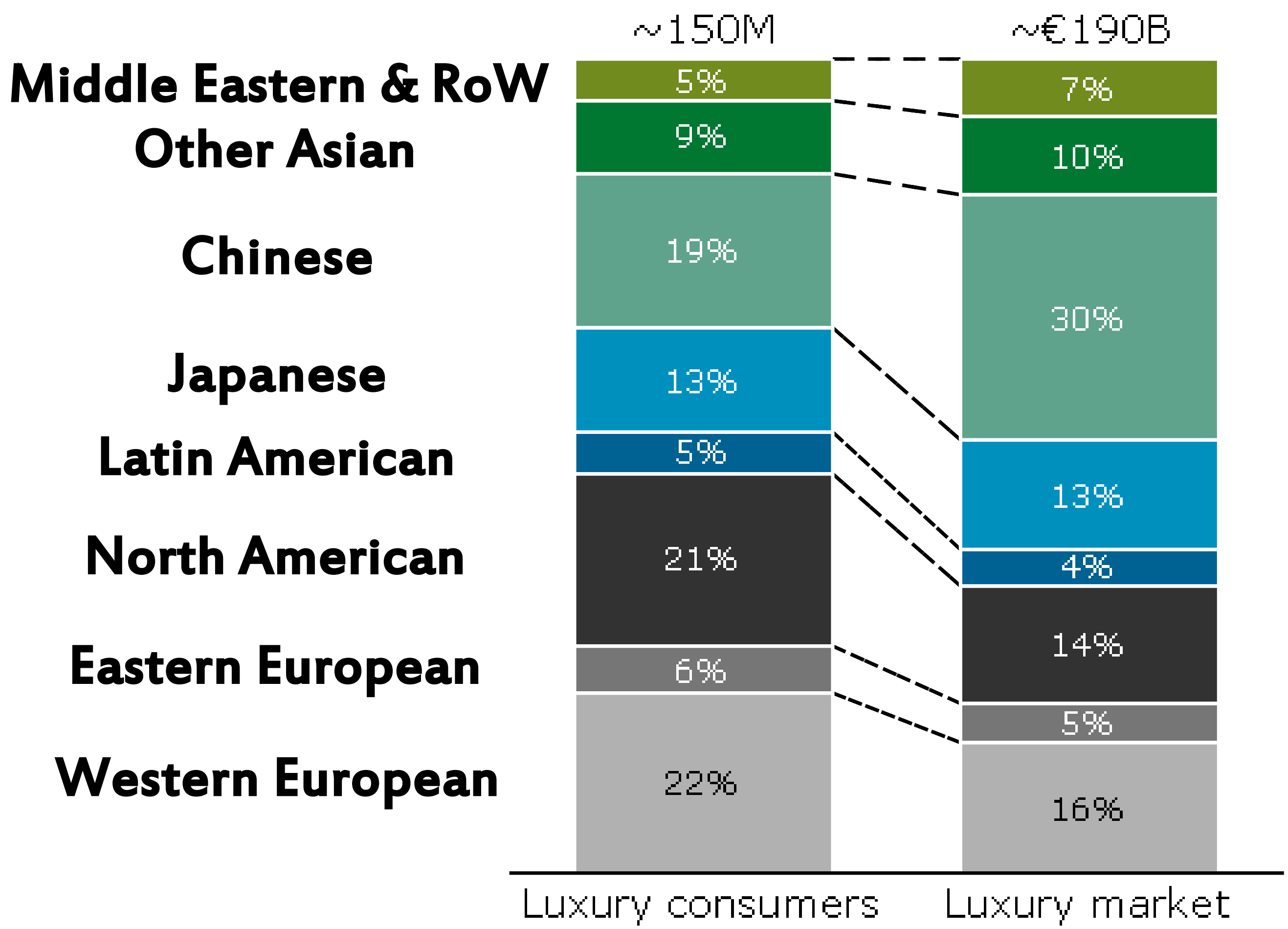
Consumer Nationalities

Consumer Generations

360° consumer insight: from knowledge to action

Chinese consumers are spendthrift, mature Europeans and Americans are penny-pinching

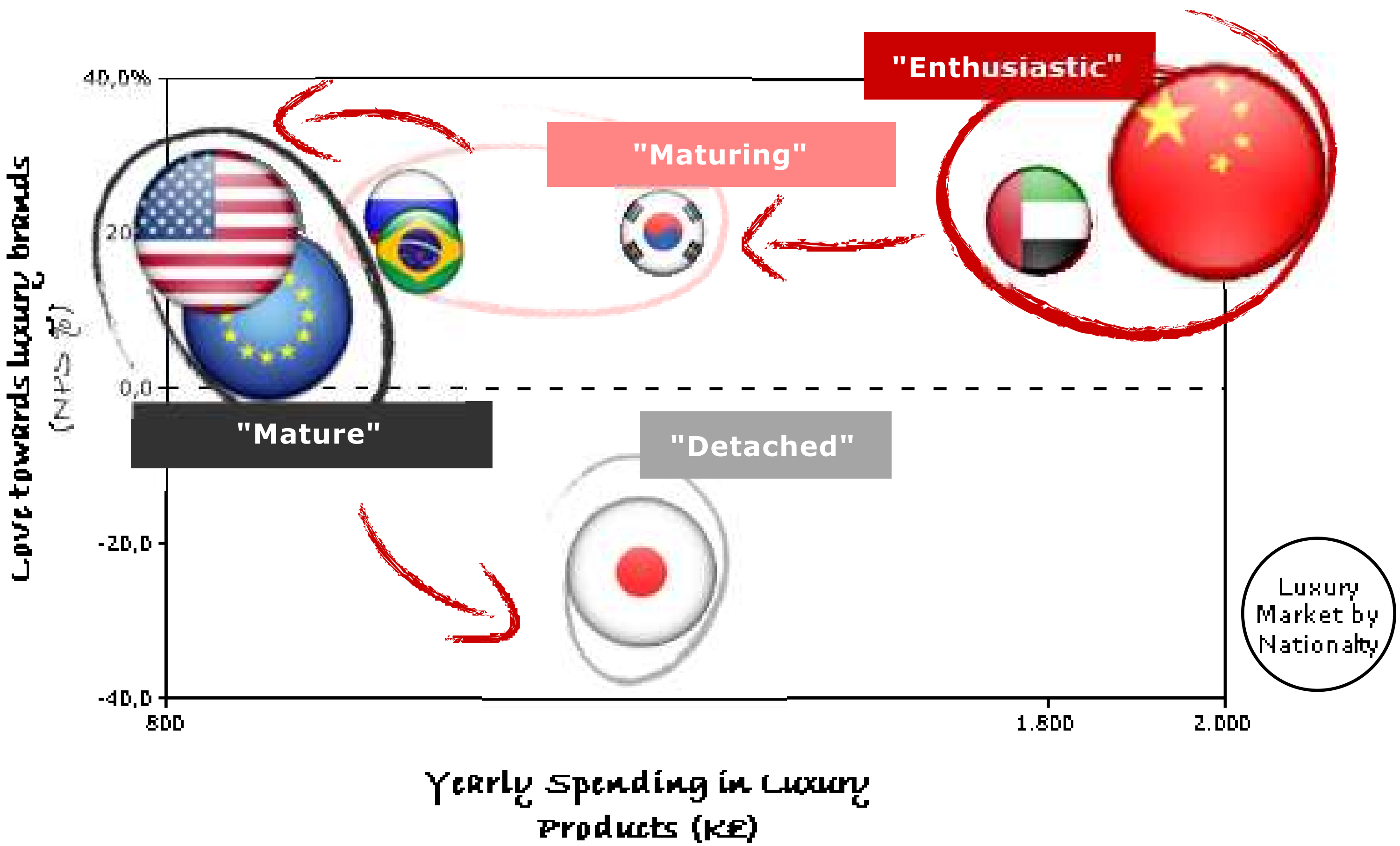
TRUE LUXURY CONSUMERS AND SPENDING BY NATIONALITY (2013E)



Nationality	SPENDING PER CAPITA	RANKING BY SPENDING
Middle Eastern & RoW	~1.800€	2
Other Asian	~1.350€	3
Chinese	~2.000€	1
Japanese	~1.350€	3
Latin American	~1.100€	5
North American	~850€	8
Eastern European	~1.100€	5
Western European	~900€	7

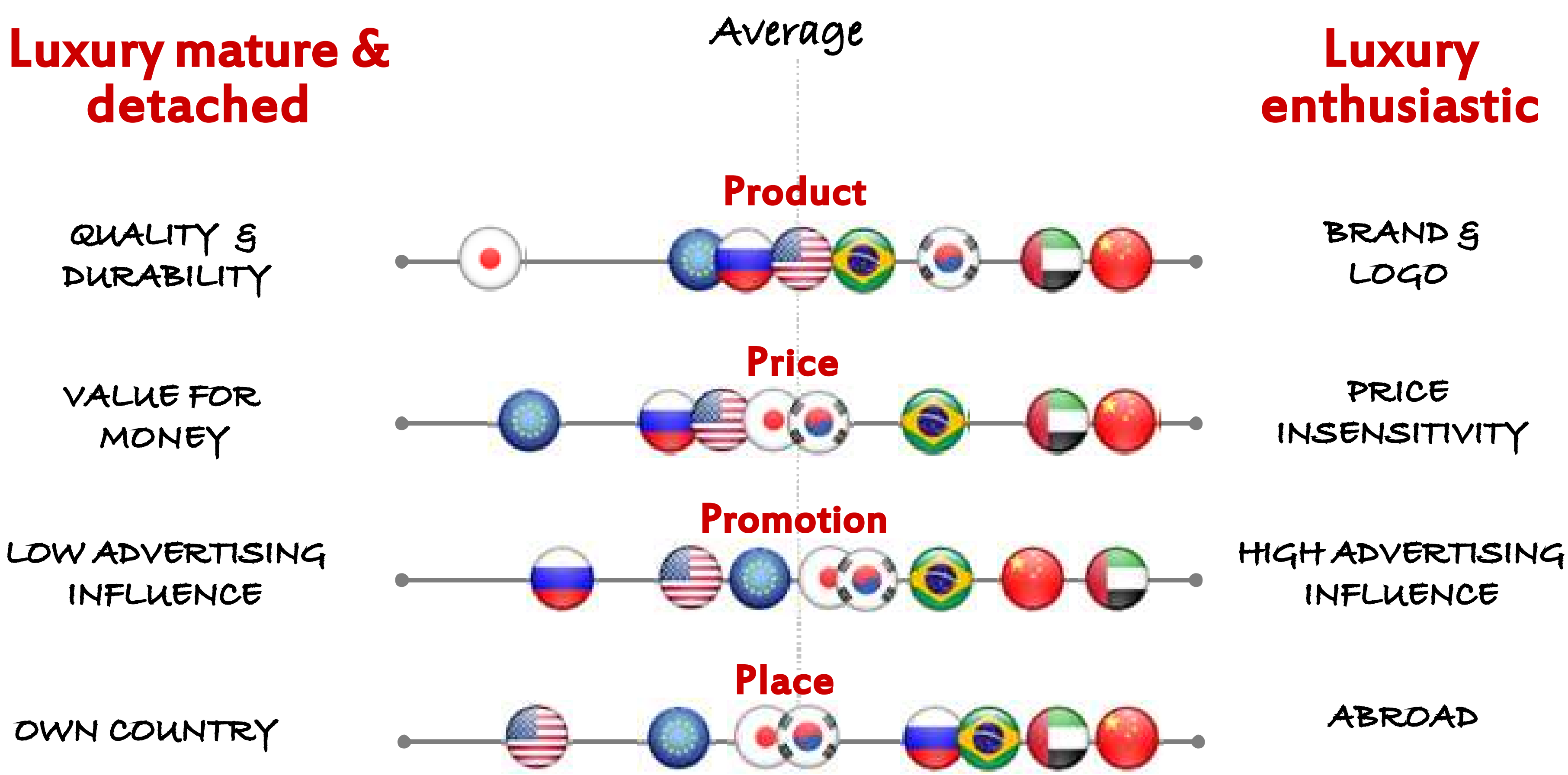
Evolutionary path: from enthusiastic Chinese to detached Japanese consumers

LUXURY CONSUMERS BY NATIONALITY (2013E)



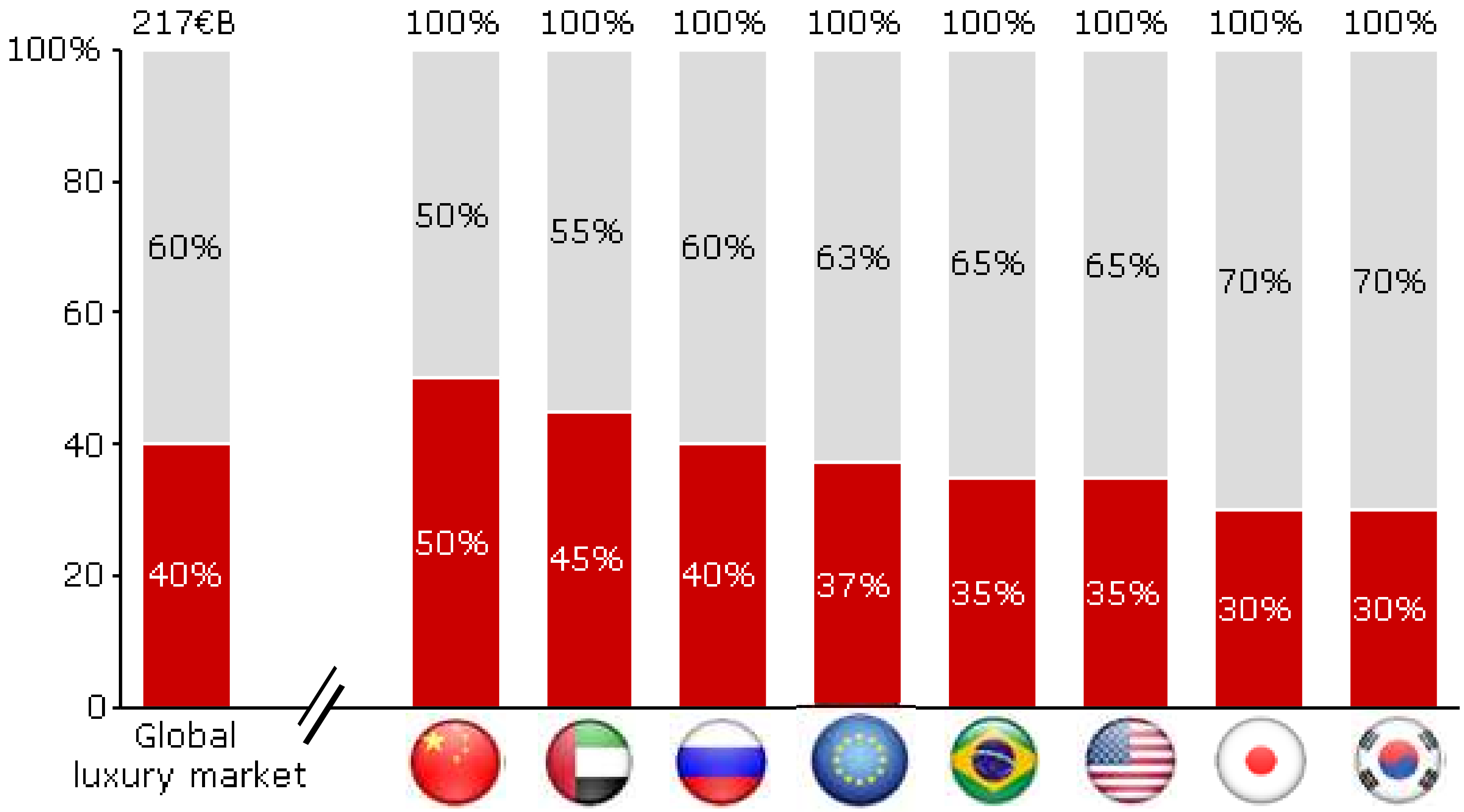
Polarized attitudes: Chinese & ME seek brand and advertising power, detached Japanese product quality

PURCHASING DRIVERS AND SHOPPING BEHAVIORS



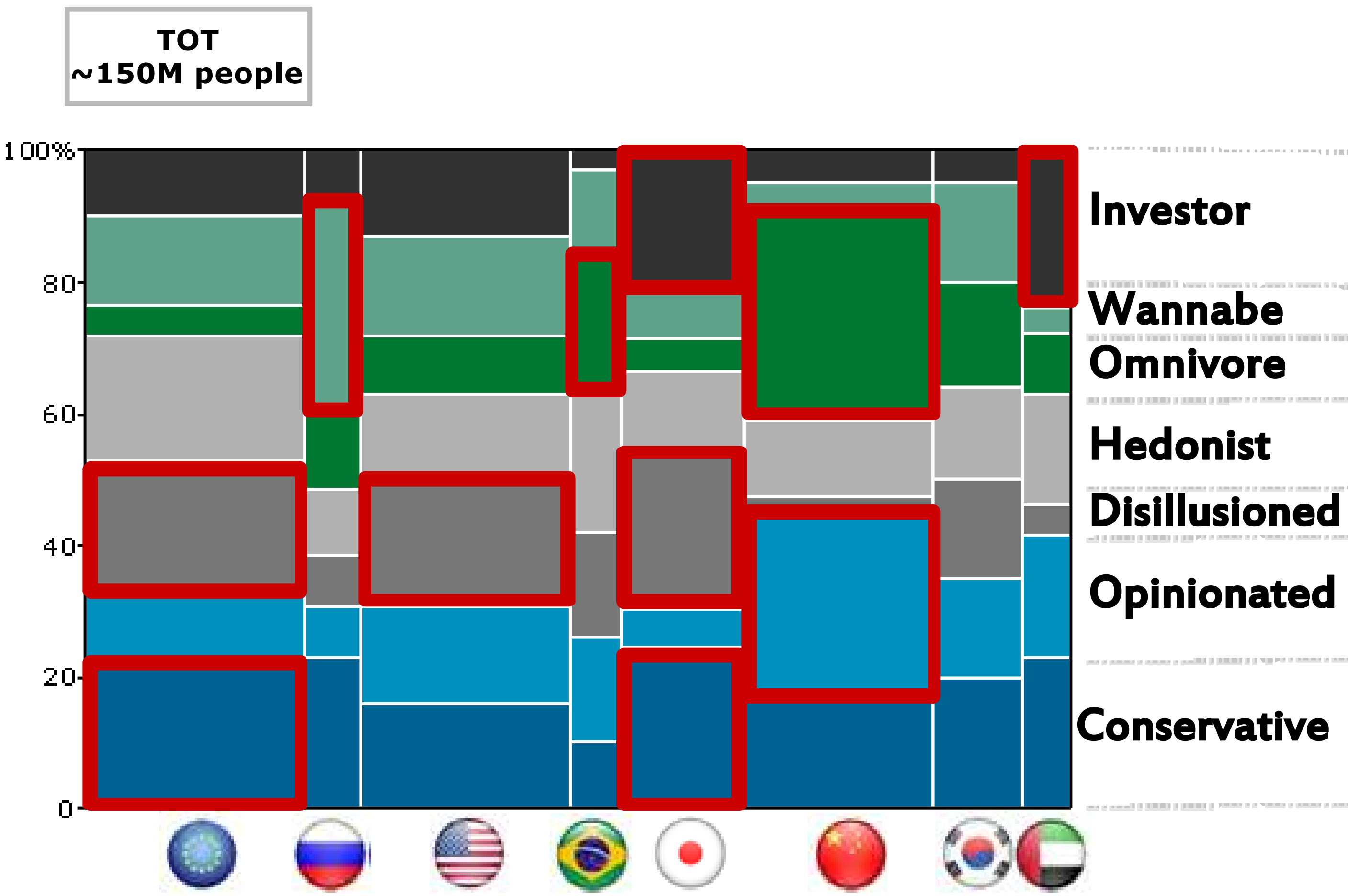
40% of luxury purchases worldwide are for gifting; Chinese the most "generous" nationality

WEIGHT OF LUXURY GIFTING BY NATIONALITY



The relative weight of individual consumer clusters varies across regions

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



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**

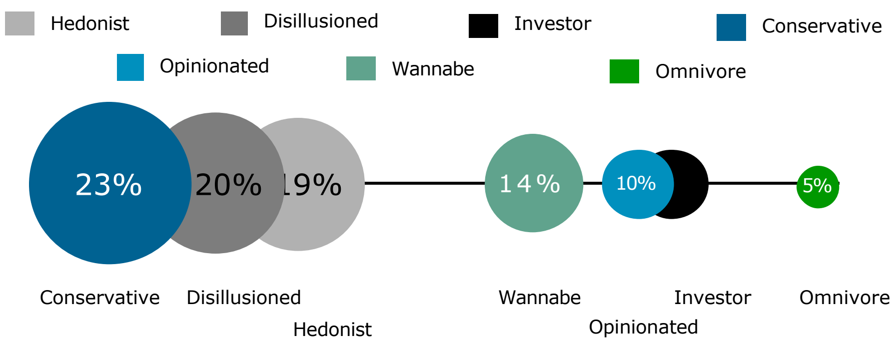
2nd top cluster for **Chinese** also relevantly **represented** in **mature markets** but on average by older generations

Overall the largest cluster worldwide, but ranks first only in **Europe** and **Japan**

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

Western European

Luxury consumers by cluster

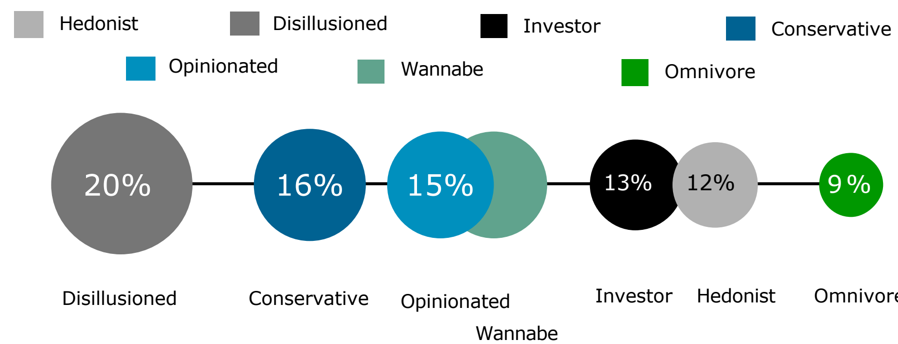


Behaviors and Habits

- 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

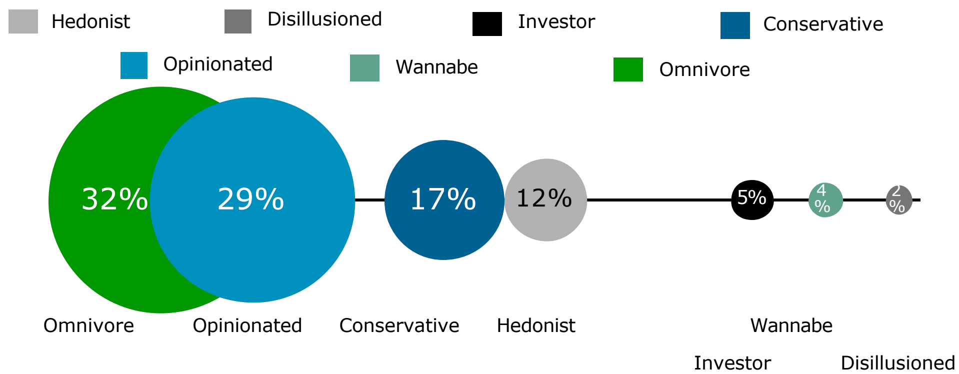


Behaviors and Habits

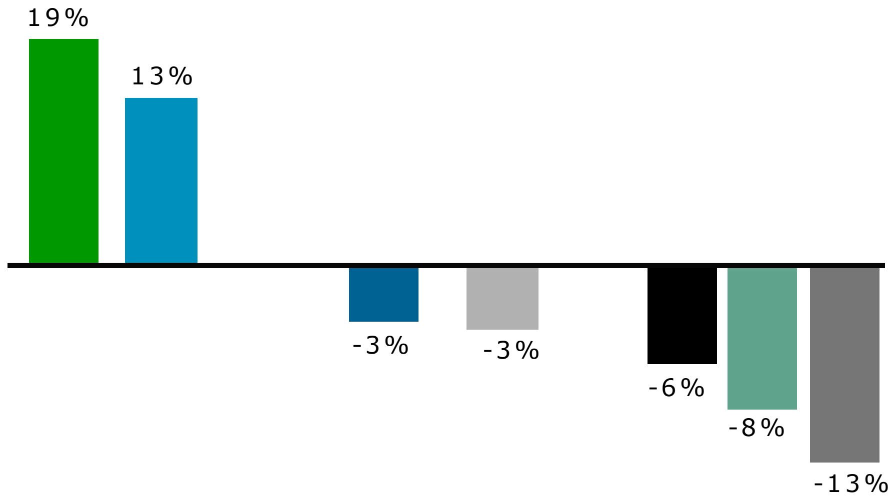
- **Mature luxury community** looking for **product fit, high quality of materials** and **value for money**
- For **Generation Y logo visibility and brand name are even less important**, showing a sophisticated approach
- Strong **advocacy towards accessible brands confirmed by superior NPS**
- **Luxury 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



Concentration index vs. global average

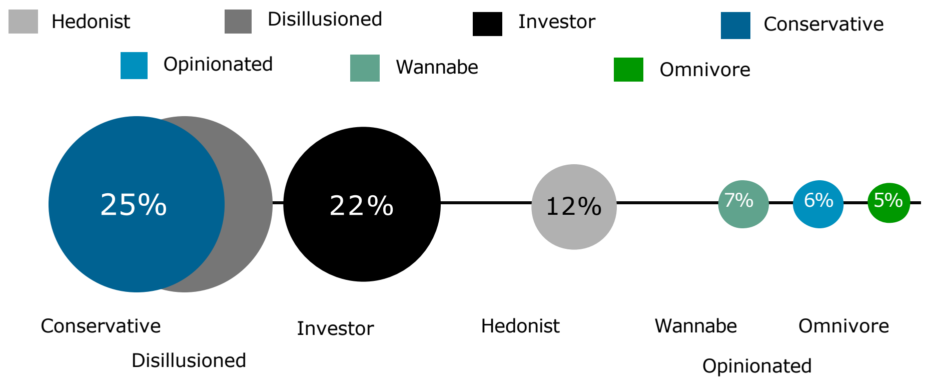


Behaviors and Habits

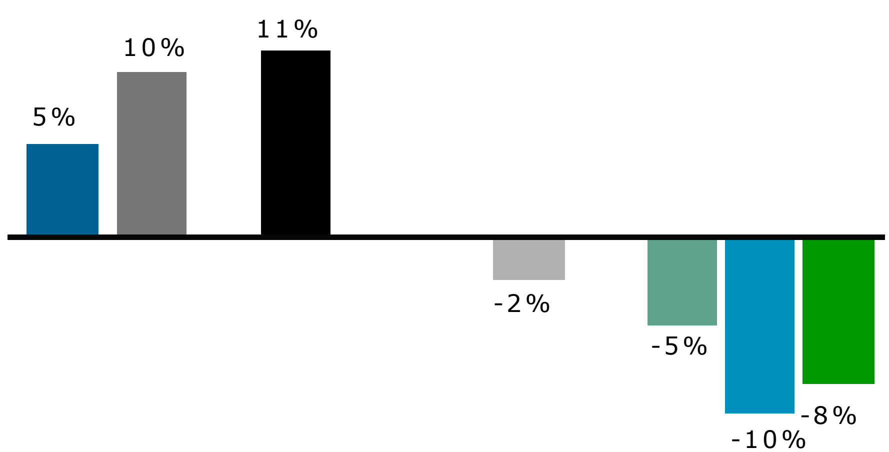
- Strong **polarization** towards **Omnivore and Opinionated**, accounting for more than 60% of total consumers
- **Key purchasing drivers** reflect different souls of Chinese luxury consumers
  - **Overall,** luxury seen as a **"social enabler"**: preference for **well-known brand names**, **sense of 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**

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

Luxury consumers by cluster



Concentration index vs. global average

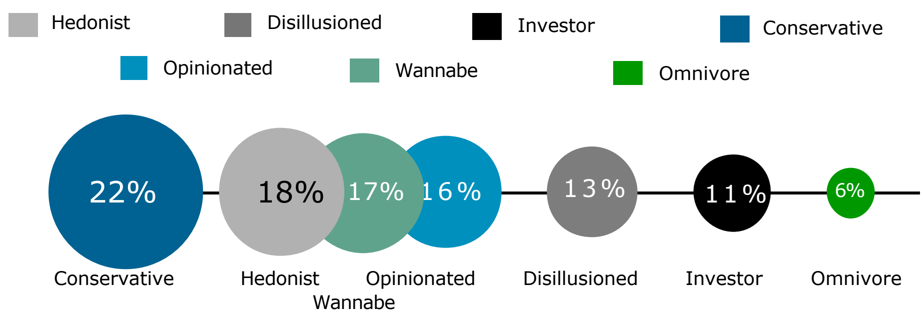


Behaviors and Habits

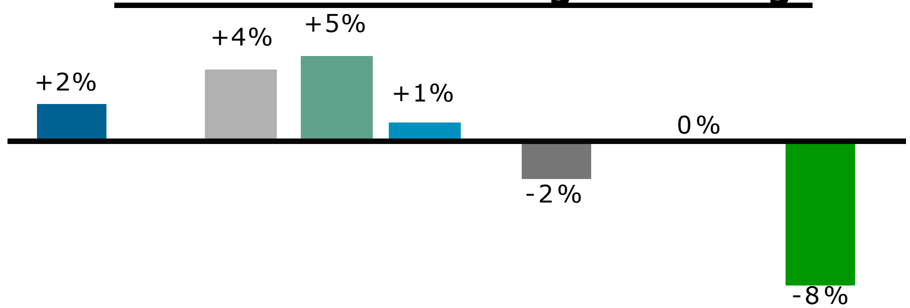
- **Investor, Conservative and Disillusioned** most relevant clusters, strongly **above global average**
- The most **sophisticated luxury community**
  - Dislike of **visible logo**
  - Strong **attention to product intrinsic values**: fit, quality, durability and value for money
  - **Own taste** and **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

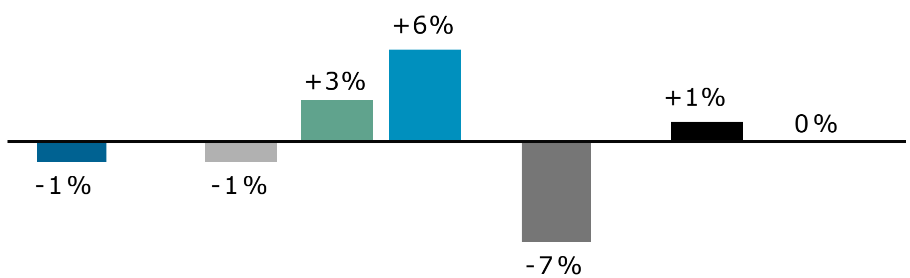
Luxury consumers by cluster



Concentration index vs. global average



Concentration index vs. W. European average



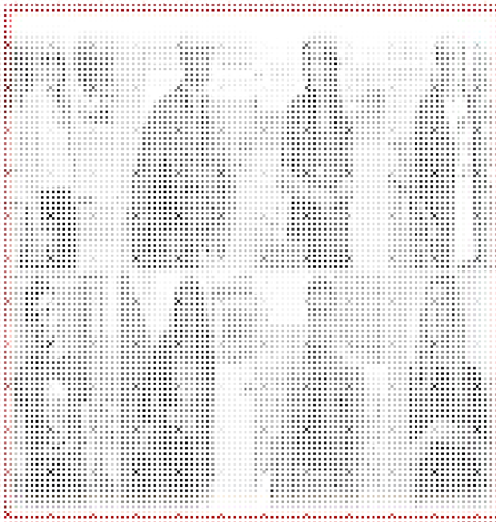
Behaviors and Habits

- **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

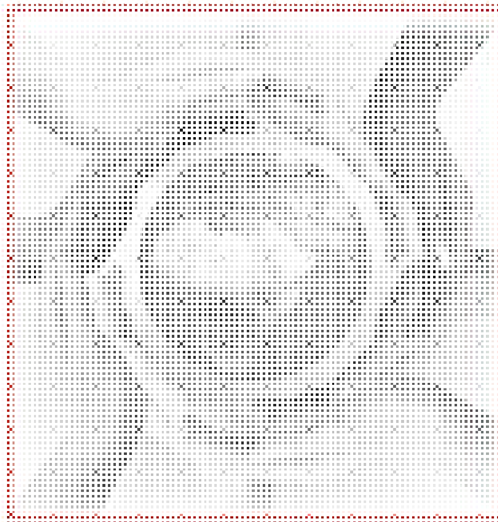
Today's presentation

Luxury consumers worldwide: key figures

Who luxury consumer is



Consumer Profiles



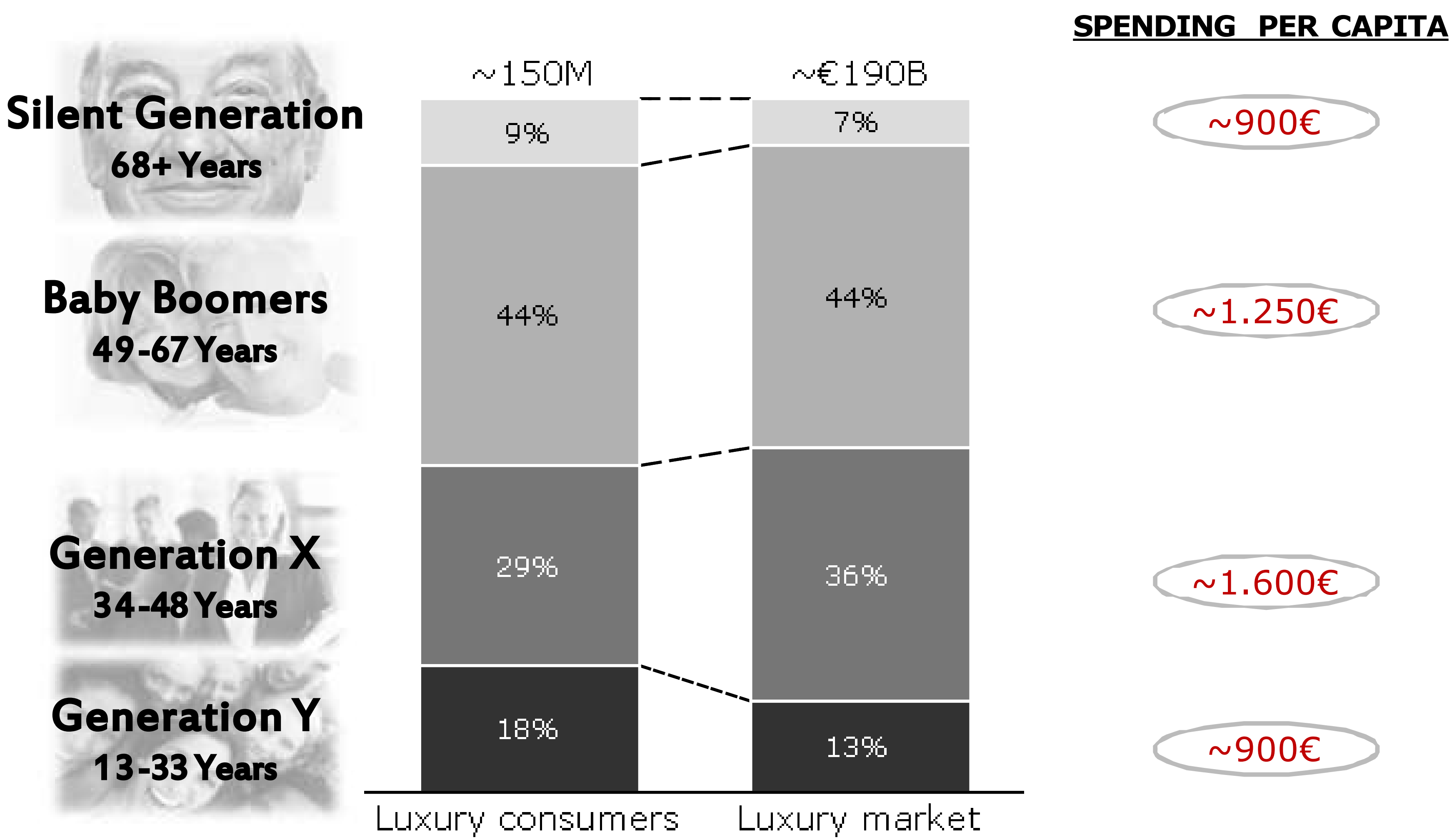
Consumer Nationalities

Consumer Generations

360° consumer insight: from knowledge to action

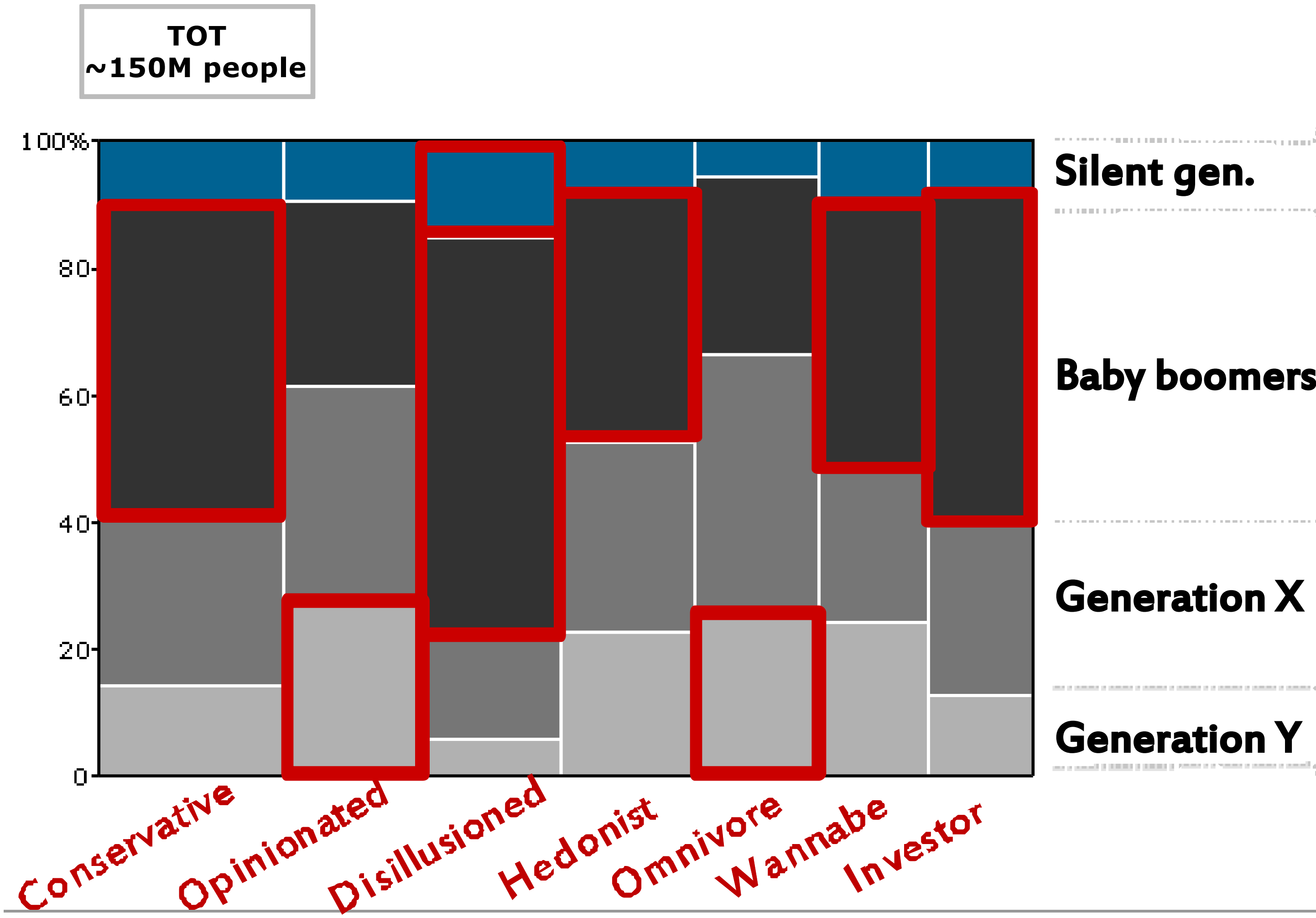
Baby boomers are the *mass* of the market, Generation X, at the top of their careers, the top spenders

TRUE LUXURY CONSUMERS DISTRIBUTION AND SPENDING BY GENERATION (2013E)



Baby boomers, core luxury generation, behaving very differently from Boomers' babies (Gen Y)

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



Lowest share across clusters, in particular for **Omnivore**

Only in the case of **Disillusioned** the **Silent generation** is **larger** than the **Generation Y**

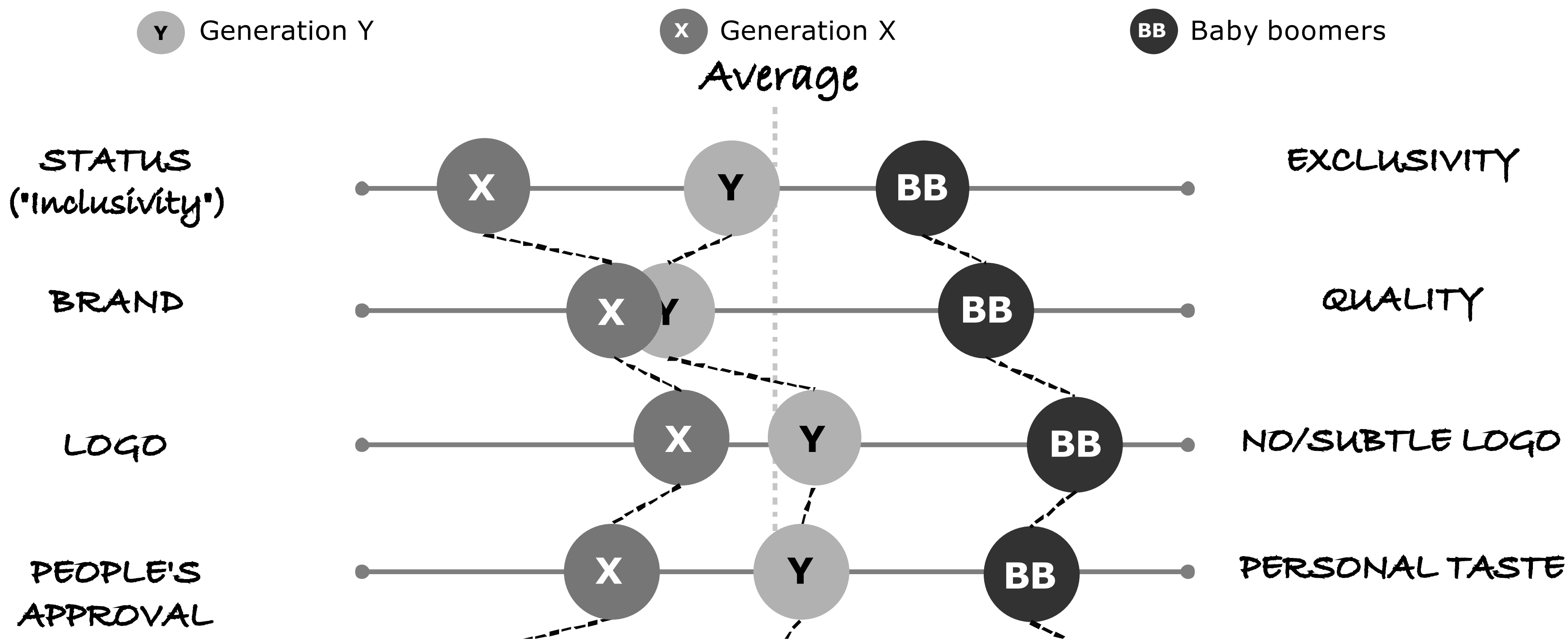
Top generation in nearly **all clusters**, **overrepresented** among **Conservative**, **Disillusioned** and **Investor**

Relevant generation across clusters but **underrepresented** among **Disillusioned**

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

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

PURCHASING DRIVERS

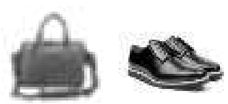
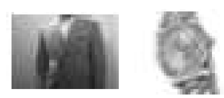
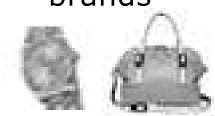


What luxury stands for?

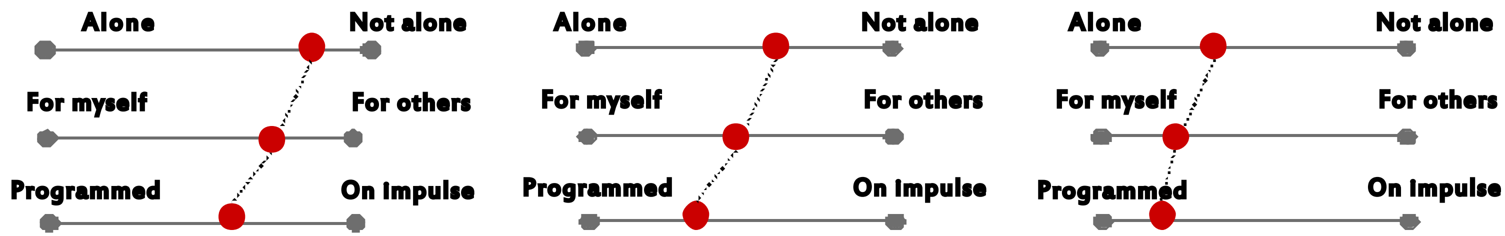
	Status and appearance	Sense of belonging with a personal taste	Product Intrinsic values
NPS	18%	18%	3%

Each generation shows strong preferences in categories, brands & shopping attitude; Generation Y buys more online

	Generation Y	Generation X	Baby Boomers
	13-33 Years	34-48 Years	49-67 Years
What they love (NPS)	**Leather goods and shoes** brands	**RTW and hard luxury** brands	**Hard luxury** brands
What they buy (loyalty)	CHANEL, ROLEX, JIMMY CHOO	GUCCI, Dior, PRADA	Salvatore Ferragamo, BURBERRY, LOUIS VUITTON
Where they shop	1 **Monobrand** 2 **Online** 3 Multibrand	1 **Monobrand** 2 Multibrand 3 Department stores	1 **Department stores** 2 Monobrand 3 Multibrand

How they shop



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

	Global	Generation Y	Generation X	Baby Boomers
Internet channel penetration over luxury purchases	12%	15%	12%	10%

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

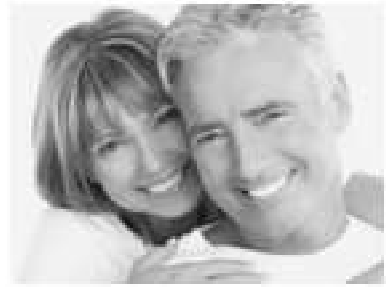
	Generation Y	Generation X	Baby Boomers
I prefer the physical experience	- -	=	++
I don't like the online experience	++	=	- -
I don't find what I want	+	=	-
I don't trust the service	+	=	-

Generation Y demands an updated and more engaging digital experience to better fulfil consumers' new desires

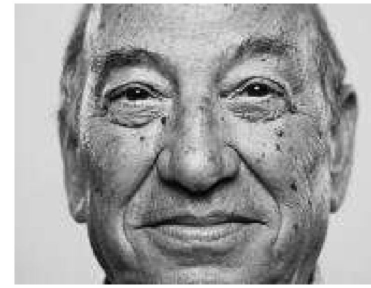
Y & X, luxury consumers of the future, the most disparate: newbies & experts, classic & edgy, enthusiast & detractors

Generation Y
13-33 years

Generation X
34-48 years



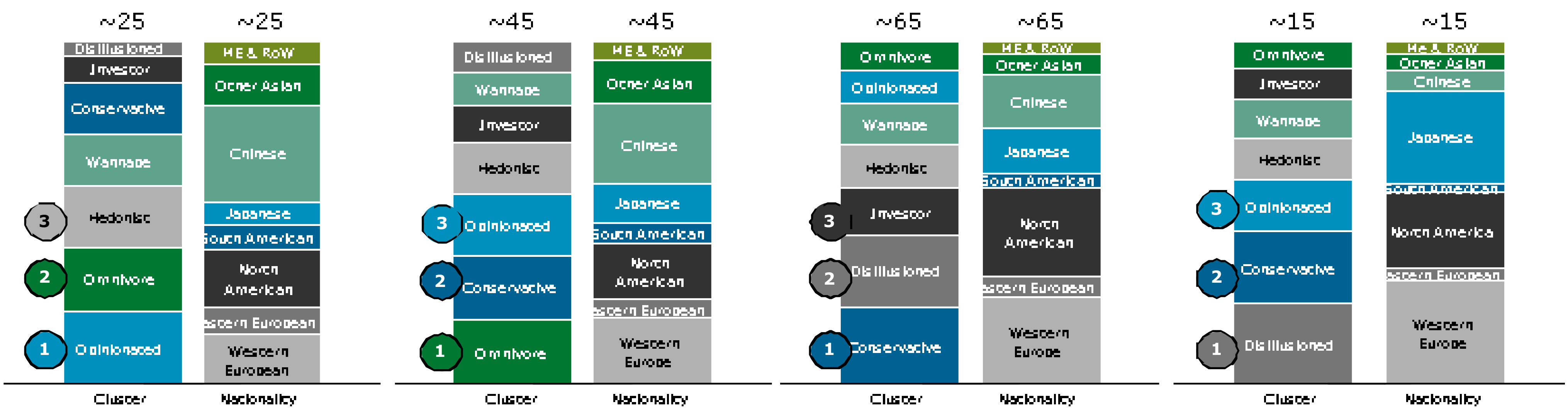
Baby Boomers
49-67 years



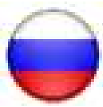
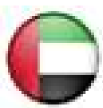
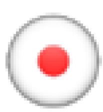
Silent Generation
68+ years

Who are they?

(M people)



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

	Generation Y 		Generation X 		Baby Boomers 
	21%	↗	31%	↗	45%
	26%	↘	23%	↗	39%
	17%	↗	19%	↗	41%
	19%	↗	22%	↘	-17%
	15%	↘	7%	↘	4%
	-10%	↘	-23%	↘	-31%

- **Positive NPS** across **all generations**
- **Baby boomers are still** strong **luxury supporters**

- **Luxury** impacts more **Generation X&Y**

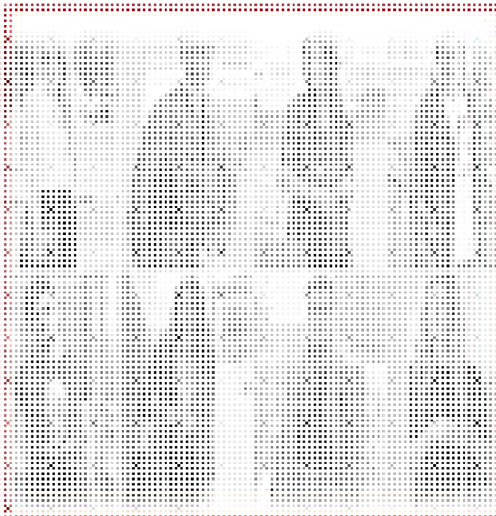
- **Progressive detachment** from luxury for **old generations**

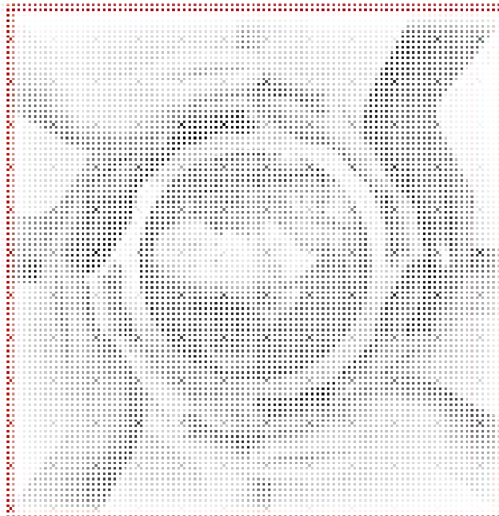
- **Luxury disillusioned consumers**
- **Baby Boomers** completely **detached**

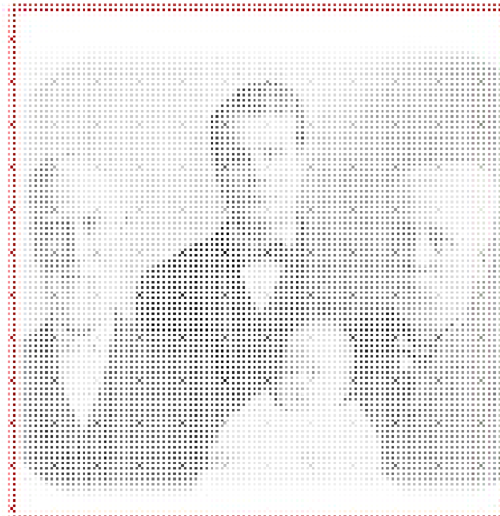
Today's presentation

Luxury consumers worldwide: key figures

Who luxury consumer is







Consumer Profiles

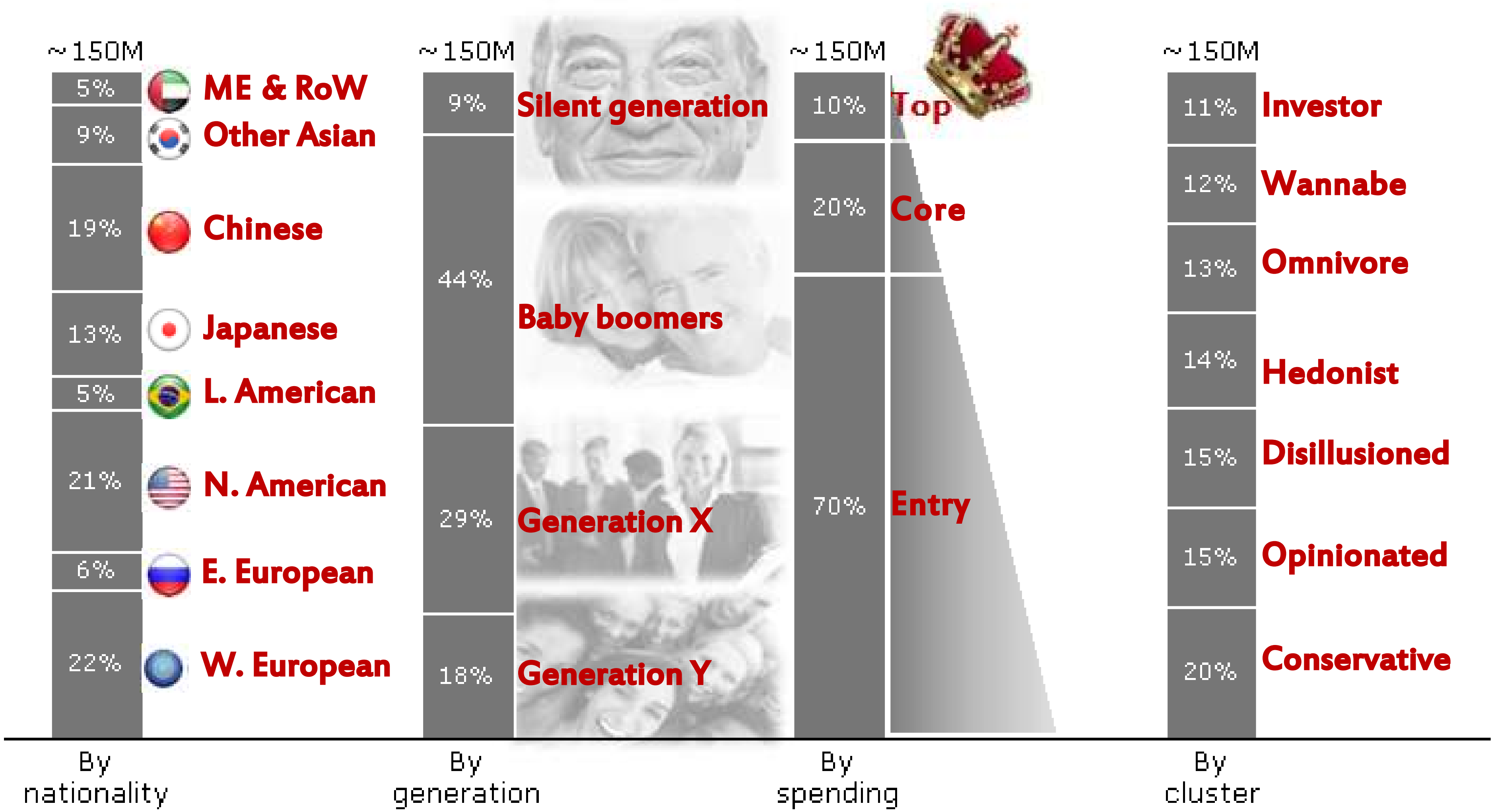
Consumer Nationalities

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)



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 **disproportioned 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

INDUSTRY

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

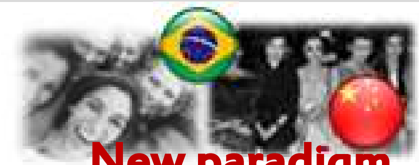
CONSUMERS

The "new covenant" between luxury brands and consumers

Trigger the mind-set revolution	• **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***
Smart-segment your target consumer	• 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, ...)***
Design segment-based strategies	• **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***
Deliver impeccable execution	• **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

Material ↓ **Symbolic**



VALUE PROPOSITION	PREDOMINANT VALUE DRIVER	
	Old paradigm	**New paradigm**
Product	**High** quality	**Right** quality
In-store experience	**Detached** selling ceremony	Tailored **entertainment**
Service	Needs **response** & "customer relationship"	Desires **anticipation** & personal touch
Self identity	Consistency with monolithic **identity**	Contribution to **multifaceted-self**
Social identity	**Status** and belonging	**Community** and social meaning

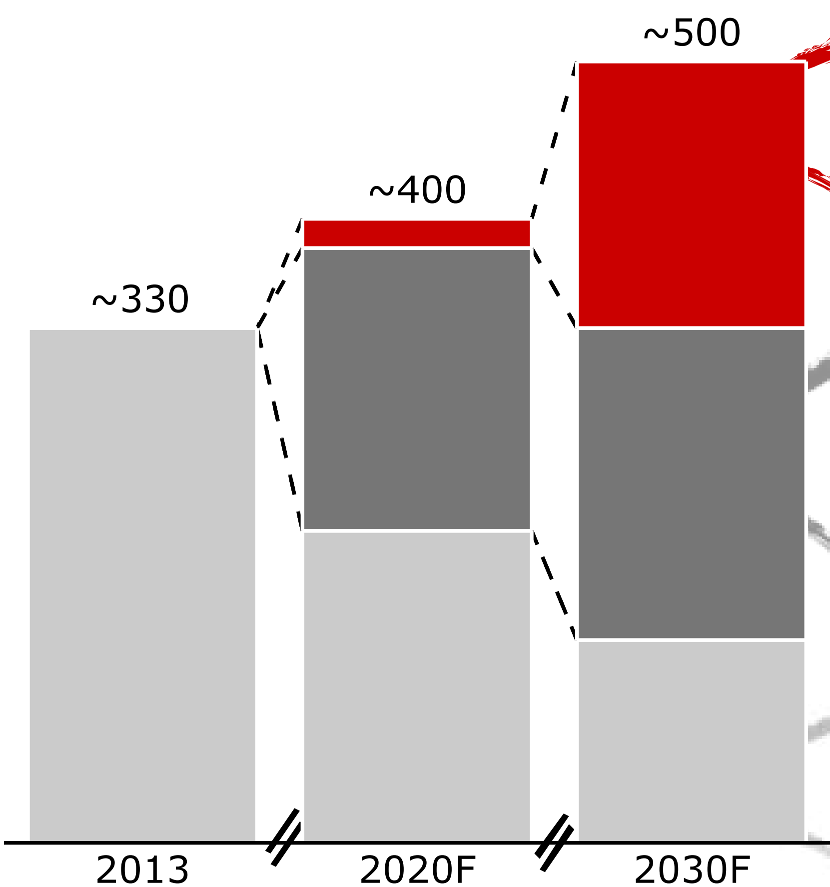
"*I do, I do, I do*": the three crucial moments to be maximized in the brand-consumer love story

CONSUMER CORRIDOR		BRAND LEVER	Old paradigm	New paradigm
The courtship	Awareness & desire	Communication	• **Press** and **PR** focus **"I do" moment**	• **Omni-channel** (new codes, fluid, social…) **"I do" moment**
The date	Purchase	Store Sales associates	• "**Don't turn me off**"	• "**Turn me on**" **"I do" moment**
The marriage	Repurchase & advocacy	Post-sale service CRM NPS	• "**Don't disappoint** me… too much"	• "Make me **fall in love** again and again" **"I do" moment**

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**