



Trim

Trim Insight

Personal Luxury Goods Market

January 2022

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- Personal Luxury Goods Market is worth € 283b in 2021 and we expect it to reach € 370b in 2025, with a CAGR of 6,9%
- The sector is already returned to pre-pandemic levels, mostly driven by super luxury brands
- The key growth drivers for the next future are the further expansion of the Chinese customer base, the development of online sales channel and the generational shift towards Gen Y and Z

The Personal Luxury Goods (PLG) Market has already bounced back to 2019 levels, benefiting from the lack of spending on luxury experiences and driven by high-end products

Despite the overall Luxury sector not yet to pre-COVID levels (overall Luxury sector value -10% vs 2019), the Personal Luxury Goods market has experienced a **V-shaped rebound** which has allowed it to exceed the pre-pandemic levels. The recovery is mainly driven by the **forced change in customers' habits**, who devoted more of their spending towards luxury goods rather than on luxury experiences.

Personal Luxury Goods are divided into 3 main segments: **Accessories** (watches, jewellery, eyewear, perfumes and cosmetics), **Fashion** (shoes and clothing), **Leather Goods** (bags, luggage and small leather goods). **Accessories represent 48% (€135 b)** of the market in 2021 and are estimated to reach **50% by 2025 (€185 b)** with an expected **CAGR of 8,1%**; **Fashion segment is worth €81 b** and is predicted to achieve **€104 b by 2025 (CAGR 6,4%)**; **Leather goods are valued at €67 b in 2021** and are set to be worth **€78 b by 2025 (CAGR 3,9%)**, representing a **market share of 21%** (fig. 1).

To date, the overall Personal Luxury Goods value is estimated at **€283 b** and has already surpassed its 2019 value (€281 b). This rapid recovery is in line with positive growth forecasts for the near future, which estimate a global value for the industry of around **€370 b by 2025**, assuming a **CAGR 2021-2025 of 6,9%** (fig. 2).

The market is **highly and increasingly concentrated**, furthermore it **mostly rewards high-end companies**. As 2019, the **top 10 players accounted for 51,2% of 100 biggest companies' sales**, showing an yearly revenue growth of **11,9%**, respect to **4,9%** for the other 90 firms. In addition the post-pandemic recovery is mainly attributable to **luxury – high-end** brands, while **premium ones have suffered** the most from the

Figure 1 – Market breakdown by macro-segment (€b)

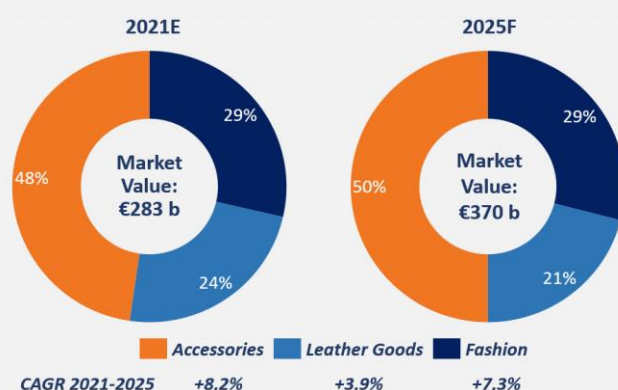


Figure 2 – PLG Market value 2019-2025 (€b)

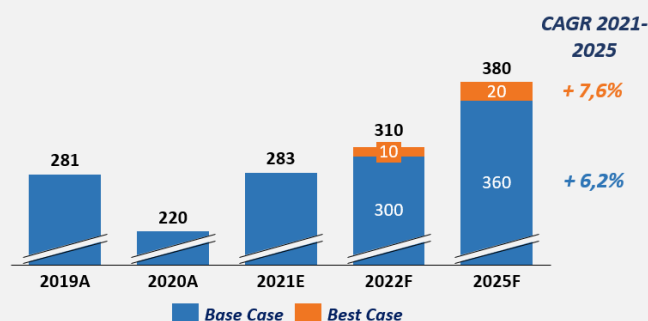
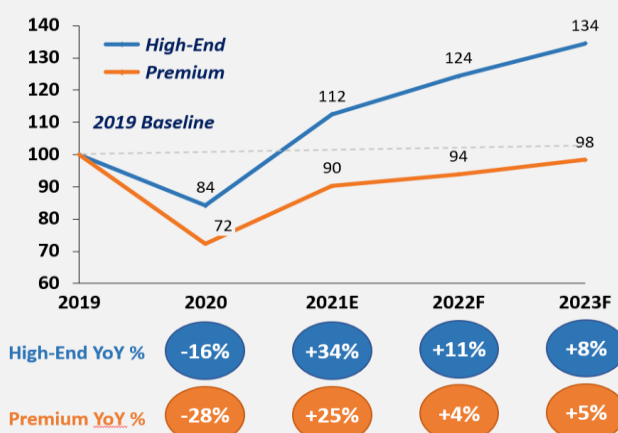


Figure 3 – Cumulated revenues trend by market segment (YoY % Change – Baseline 2019)



crisis. It is estimated that in **2021 ultra-luxury companies have already far exceeded pre-pandemic levels, with expected sales, on a precisely targeted panel⁽¹⁾, 12% higher compared to 2019**. By contrast, premium brands are expected to fully recover by 2024, with 2021 estimated turnover, on a selected specific sample⁽²⁾, 10% below 2019 values (*fig. 3*).

Overall, PLG sector has proved resilient to the pandemic and presents solid growth prospects, although companies will **need to respond to the major trends of the near future: the massive expansion of China's middle class, the sudden generational change, further catalysed by COVID-19, and the integrated development of new technologies with the main sales channels**.

The rise of the Chinese middle class is the main growth driver for the Personal Luxury Goods market

The Chinese already represent the most important customer base for the Personal Luxury Goods sector, and additionally, they constitute the clients **showing the highest growth potential**. It is estimated that **steady GDP growth (*fig. 4*) and the wealth redistribution programme** announced by the Beijing government will take Chinese customers from **22% of the total PLG market (€62 b) in 2021 to 41% (€157 b) in 2025, with an expected 2021-2025 CAGR of 26,1% (*fig. 5*)**.

Customers from other nationalities are growing at a more modest rate, with Japanese moving from a market value of **€20 b in 2021, to €22 b in 2025 (2,9% CAGR)**, while European growing at a **0,3% CAGR** over the same period, shifting from **€62 b to €63 b**. The American customer base is even expected to **decrease at a compounded rate of -1,9%**, moving from a **€88 b market value in 2021 to €81 b by 2025**.

Furthermore, the **temporary disruption of international transport has affected consumer habits, suggesting a shift towards more domestic spending** on luxury goods with respect to the recent past. Focusing on **China**, it is possible to notice how the **number of passengers flying abroad is still significantly below pre-pandemic levels (155 m 2019 vs. 21 m 2021) and is only expected to fully recover by 2023 (174 m passengers forecasted) (*fig. 6*)**.

The **Chinese** expected rise in PLG spending will therefore take place predominantly at home, with local market rising from **11% (€31 b) of the global share in 2019, to 26% (€96 b) by 2025**. European market is expected to grow from **€71 b to €89 b**

Figure 4 – Real GDP growth (YoY % change – baseline 2019)

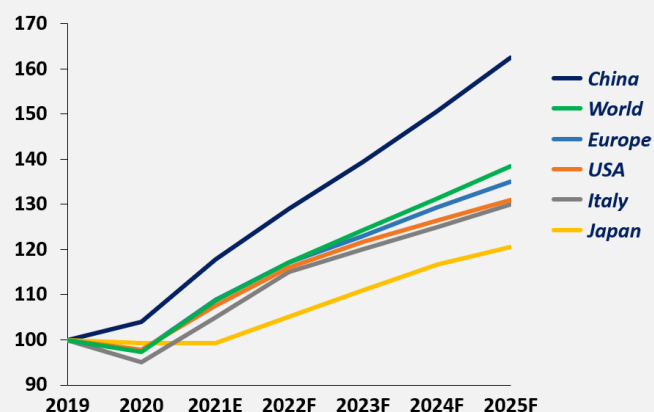


Figure 5 – Market value by customer nationality (€b)

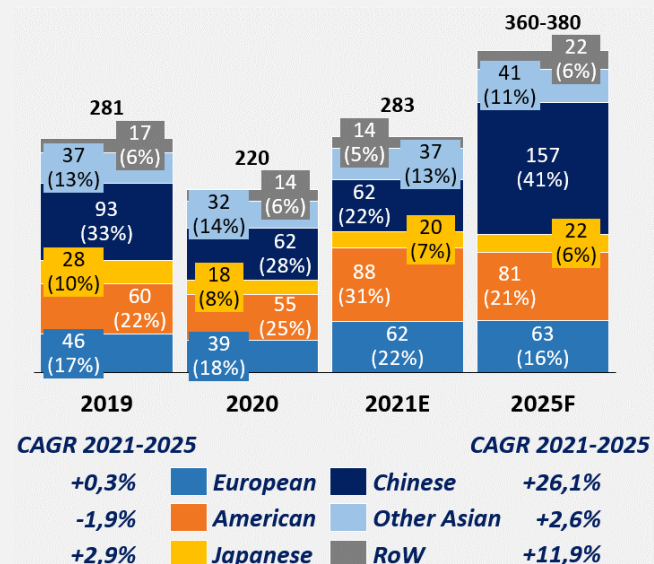
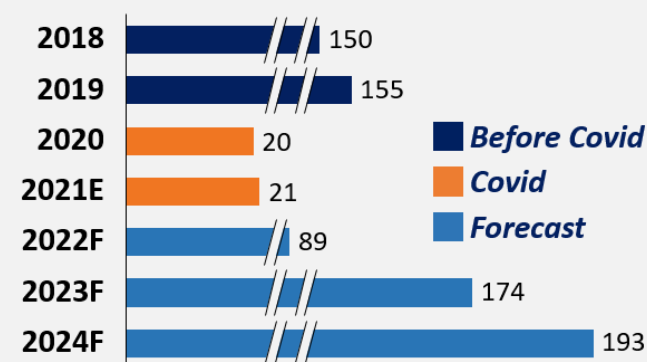


Figure 6 – Chinese outbound travelers (million people)



(2021-2025 CAGR 5,8%), moving from a 25% (€71 b) to a 24% global share (€89 b), while Japan is assumed to maintain its 7% global market share over the 2021-2025 period, shifting from €20 b to €26 b, with a compounded growth rate of 6,7%. Conversely, America is the only region of the globe where no growth is expected, with the reference market expected to maintain a value of €89 b, falling from a 31% share to 24% over 2021-2025. (fig. 7)

Another of the major **growth drivers** for the China-based luxury market is represented by the **expansion of Hainan's offshore duty-free hub**, where local consumers can spend up to RMB100 k (€13 k approx.) avoiding the onerous domestic taxes on luxury consumption. Hainan overall turnover is estimated to **grow from today's \$9,1 b (duty-free and non-duty-free revenues) to \$46,5 b by 2025**, exhibiting a 2021-2025 CAGR of 50,3% (fig. 8).

The generational change is transforming the sector, which is now pursuing a sociocultural and not just an economic value proposition

COVID-19 boosted the generational turnover within the PLG market. In fact, customers who entered the market between 2019 and 2021 represent to date a share of 25%. Generations Y and Z (people born between 1981 and 2012) went from accounting for 44% of Personal Luxury Goods in 2019 to 63% in 2021 and are expected to exceed 65% in 2025 (fig. 9).

New generations require brands not to only create value by selling their products, but also by **carrying a set of principles shared with the customer base**. Elements as **inclusivity** and **environmental sustainability** are in **high demand** among younger clients and represent a clear source of competitive advantage.

Such trends imply a **change in the socio-cultural approach** of companies, which must propose new value creation models based on the ability to establish an **emotional connection** with clients, combined with an **accentuated technological footprint**. Indeed, it has been proven that creating a relationship of engagement between brand and customers, besides establishing brand loyalty, can increase customer spending levels up to three times.

The recent interest in more sustainable business models offers promising development opportunities for companies in the sector among which **rent and resale activities**. The luxury goods **resale market** is now worth €33 b and has grown at a 13,3% CAGR between 2017 and 2021. It is estimated that companies which undertake **rent and resale-focused models**,

Figure 7 – Market value by geographic region (€b)

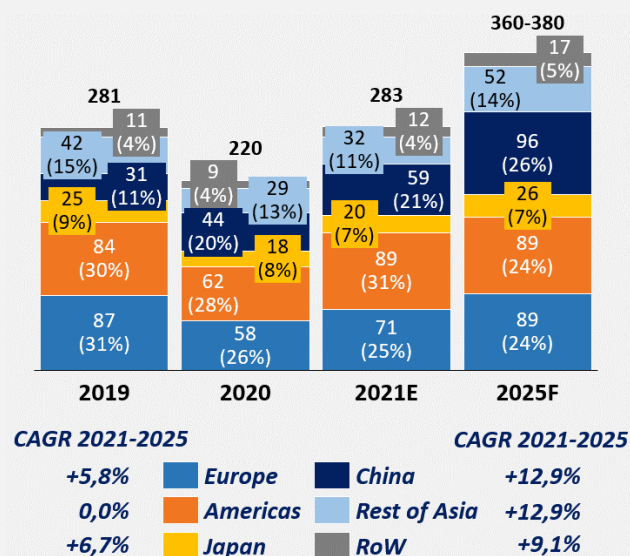


Figure 8 – Hainan total revenues (\$b)

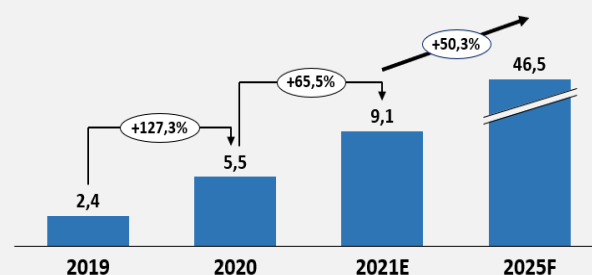
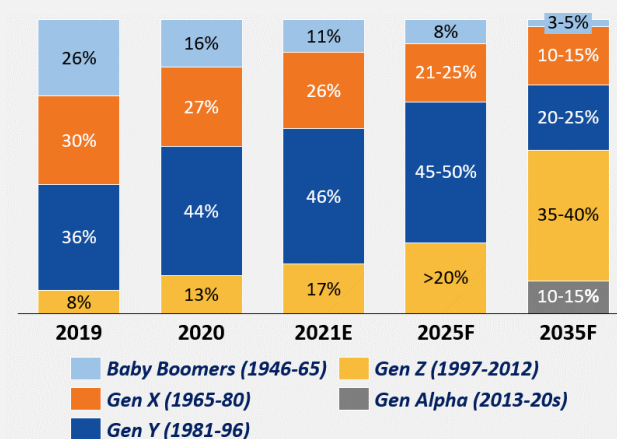


Figure 9 – Personal Luxury Goods market share by generation (%)



besides enjoying a better image due to a better environmental management, will be able to count on **two side businesses capable of generating an expected additional 30% of revenues for the company by 2030** (fig. 10).

E-commerce will become the main sales channel, the ability to create engagement is going to be one of the key success factors for companies

Another of the main consequences of the pandemic has been a further boost to the development of **e-commerce**. **Overall online retail sales increased from \$3.351 b in 2019 (14% market share) to \$4.921 b in 2021 (18% market share) and are expected to reach \$7.385 b in 2025 (25% market share) growing at a 2021-2025 CAGR of 10,7%**. China is the largest market for online purchases, which in 2021, represents **57% of its total retailing**. The country has e-commerce retail sales equal to **\$2.564 b in 2021, accounting for 52% of the world market, which are projected to grow to \$3.786 b by 2025 (2021-2025 CAGR 10,2%)**. The **United States** are the second biggest online retail market, they represent **19% of global sales in 2021 (\$933 b) and are expected to reach 22% (\$1.648 b) by 2025, with a 15,3% CAGR**. **Europe**, on the other hand, has more modest growth prospects, with the market expected to grow from **\$621 b (13% of global sales) to \$758 b (10% of global sales) in the period 2021-2025, showing a compounded growth rate of 5,1% (fig. 11).**

The e-commerce growth is even **more pronounced in Personal Luxury Goods, where players have had to develop and strengthen their remote sales channels to cope with the COVID-19 restrictions**. Furthermore, the market is **shifting from a paradigm where every channel was considered as a separate medium to sell their products, to an integrated vision where the various channels, both physical and digital, are considered at the same time advertising investments, commercial facilitators, and loyalty builders**. Companies are therefore increasingly need to focus on digital platforms and communication to attract new customers and create more engagement.

Personal Luxury Goods online retail sales almost **doubled their weight in 19-21 period, growing from 12% (\$33,7 b) to 22% (\$62,3 b) of the market (2019-2021 CAGR 36,0%)**. Such a trend is expected to continue, with a **30% online sales share by 2025 (\$111,0 b), representing a 14,6% CAGR over 2021-2025**. A positive growth trend is forecast for **outlet stores** as well, which

Figure 10 – Revenue growth projection of a company X, considering resale & rent (Baseline 2021)

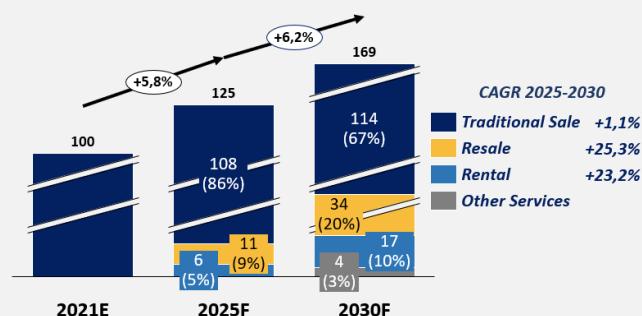


Figure 11 – Retail E-commerce sales worldwide, 2019-2025 (\$b)

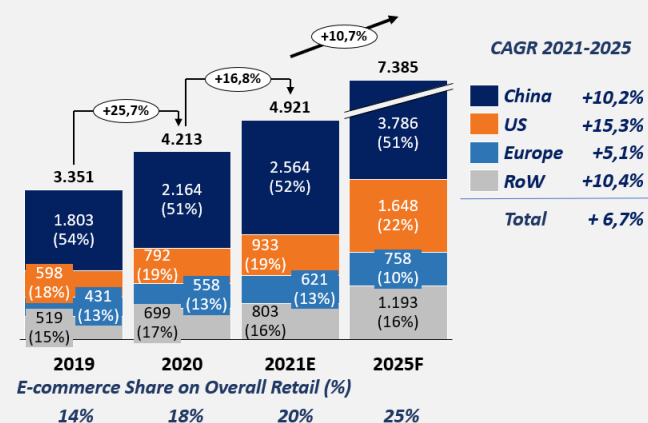
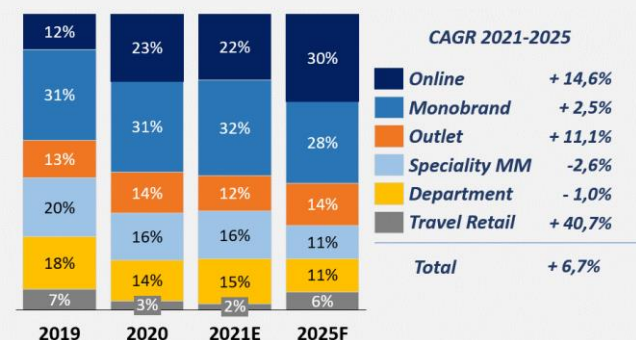


Figure 12 – PLG market by channel (% distribution by channel sales)



will benefit from the **complete loosening of restriction** and from the ongoing process of **"democratisation"** of luxury goods; the distribution channel's revenues are expected to increase from 2021 \$34,0 b (12% of total sales) to 2025 \$51,8 b (14% of total sales), presenting a 11,1% CAGR. Monobrand stores will continue to represent a relevant sale channel, maintaining a market share of around 30% (32% in 2021 vs. 28% in 2025); sales through the channel will increase from \$90.6 b to \$103.6 b over 2021-2025, showing a 2,5% CAGR. Specialty and department stores are expected to be the **most affected** by the ongoing changes, with an estimated CAGR of -2,6% and -1,0% respectively. Finally, travel retail represents the segment that will benefit the most from the **definitive easing of restrictions**, with an expected 2021-2025 CAGR of 40,7%, but it's going to remain a rather **marginal channel**, representing an expected market share of 6% by 2025 (fig. 12).

The rise of PLG online distribution channel is notably relevant in **China** and in the **United States**, where e-commerce retail sales account for 39% and 35% of the overall market revenues in 2021, respectively, and will represent a share of 49% and 43% by 2025 (fig. 13).

Increasing **digitalisation** also enables the development of new strategies for value creation, such as **NFTs** (Non-Fungible Tokens) or **live/social commerce sessions**. The latter allows people to **purchase products presented during social events or live streaming** and it is steadily expanding, especially in the strategic market of **China**, where 73% of the population is aware of the existence of such platforms, while in the US and Europe this awareness stands at 55% and 30% respectively. These platforms show **interesting potential** as they have proven to **encourage customers to purchase**. In fact, according to a recent survey, participants in these kinds of events showed a **purchase conversion rate of 63% in China, 70% in the United States and 80% in Europe** (fig. 14).

Figure 13 – Online market share of Personal Luxury Goods retail sales (%)

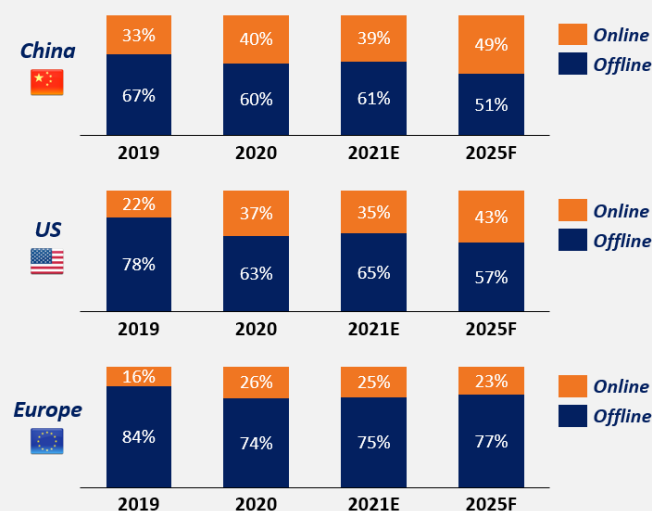
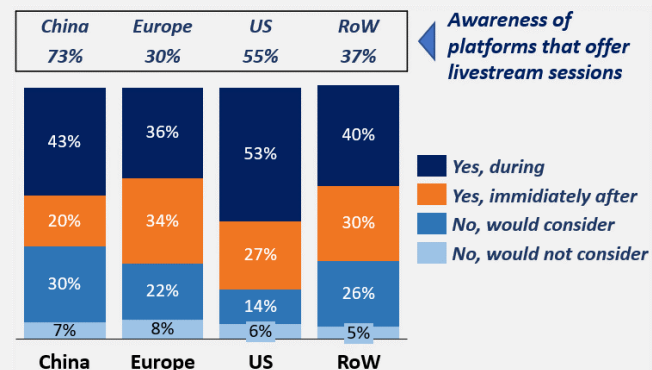


Figure 14 – Responses to the survey addressing the question "Have you ever bought luxury goods during a livestream session?"



Notes

- (1) High-end companies panel: LVMH, Salvatore Ferragamo, Prada, Hermes, Richemont, Kering, Capri, Brunello Cucinelli, Moncler, Burberry
- (2) Premium companies panel: Ralph Lauren, Hugo Boss, G-III, SMCP (Tory Burch), PVH (Tommy Hilfiger, Calvin Klein), Coach

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