8TH EDITION

JUNE 2021

True-Luxury Global Consumer Insights

BCG × ALTAGAMMA
CREATIVITÀ E CULTURA ITALIANA

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The 8TH True-Luxury Global Consumer Insight: who is talking to you today

~19M **True-Luxury Consumers** (out of ~435M total consumers) generating **39% (+8pp vs '19) of global luxury market**

Sixth Ed. 2019	**12,000+** 2,000 in China 2,000 in US	**€39K+** Average spend[2]	**10** Markets
Seventh Ed. 2020	=	=	+1 *Arabs* market[1] (UAE & KSA)
Eigth Ed. 2021	=	↓ **€33K** Average spend In line with market loss of 2020 due to COVID	=

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Research Partner for all 8 editions of the BCG Altagamma True-Luxury Global Consumer Insights

1. Begun monitoring UAE /KSA markets (300 respondents) 2. Includes personal and experiential luxury, excluding cars, yachts, smartphones and smartwatches

We bring ALTAGAMMA PARTNERS and members of BCG luxury ecosystem to the table to generate the best consumers insights

BCG partners

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True-luxury Consumer Insight 2021

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GUCCI
MaxMara
RENE CAOVILLA
BVLGARI
ORNELLAIA
DOLCE & GABBANA
TIFFANY & Co.
ACQUA DI PARMA
Zegna
illy
VERSACE
FENDI ROMA
YOOX NET-A-PORTER GROUP
Loro Piana
TECHNOGYM
HERNO
Pomellato
VALENTINO
BOTTEGA VENETA
LUXOTTICA
PRADA
RINASCENTE

Note: List of brands not exhaustive

BCG expert network ready to discuss in every large market the outcomes of True-Luxury Global Consumer Insight 2021

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"New Era" of luxury industry key trends

Who

Personal & Experiential Luxury full recovery expected between 2021 and 2022

- True-Luxury smart-working helped the top of the consumer pyramid grow its spend significantly, even in the midst of the pandemic

Millennial & Gen-Z optimistic future view, making 60+% of market by 2025

Rebound effect: repatriation of Personal Luxury to stay, experiences to fuel travelling

US & China Luxury Growth Engines

- US renaissance has begun, with US consumers recovering the quickest
- Chinese spending repatriation confirmed even post-COVID

What

LG & Accessories and P&C showing high resilience to COVID-19 crisis

Brand's values showing a clear polarization between Western and Eastern styles

- Chinese consumers increasingly preferring Extrovert attributes

Brand purpose & responsibility non-negotiable anymore (esp. sustainability, diversity & inclusion / social awareness)

In the quest for engagement relevance in a noisy environment, virtualization is a promising and growing reality (e.g. gaming & Non-Fungible Tokens)

Where / how

Channel-agnostic customer journeys

- Offline from self-standing channel to touchpoint

Clienteling 2.0: consumers demanding personalized "touch",

- Crucial for brands in the on-going quest for relevance

Social and live commerce (i.e. livestreaming) boosted

- Livestreams highly relevant for US and Chinese luxury consumers and proving to be a high "conversion" tool (about 70% on average)

New business models continue to accelerate (second-hand commerce & rental)

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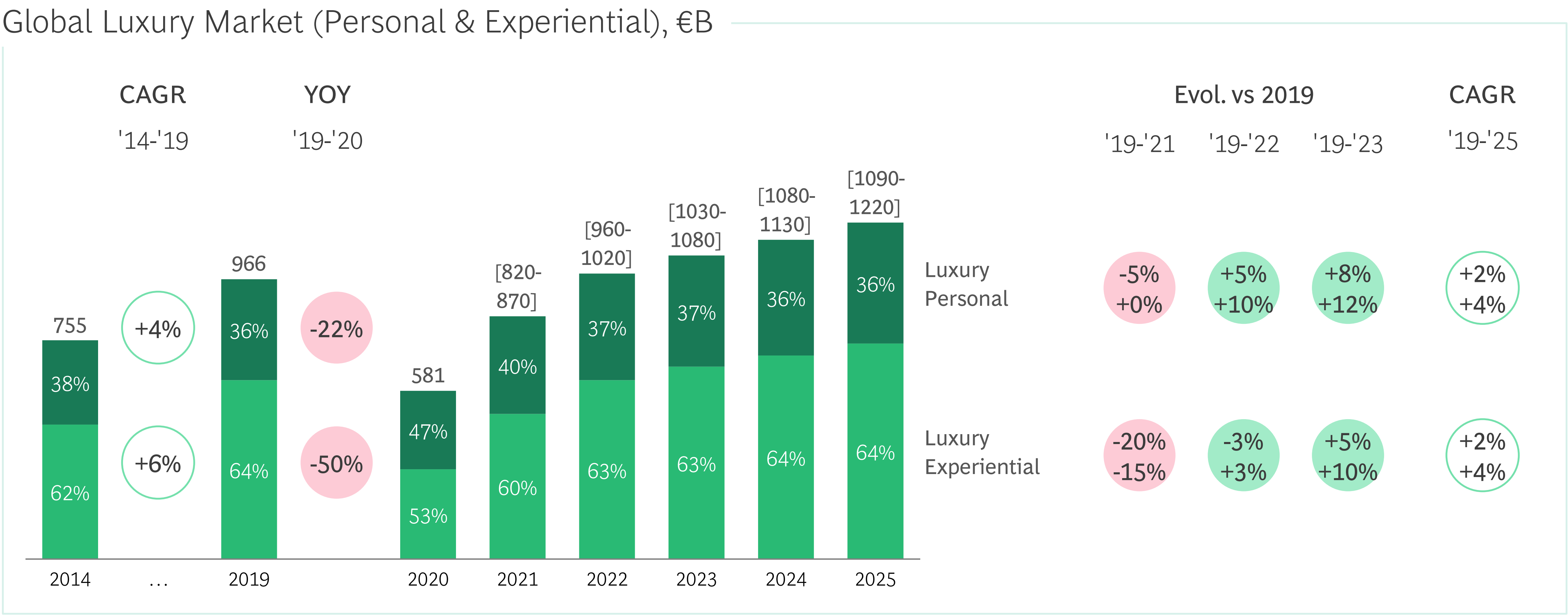
Post COVID-19: full recovery expected between 2021 and 2022

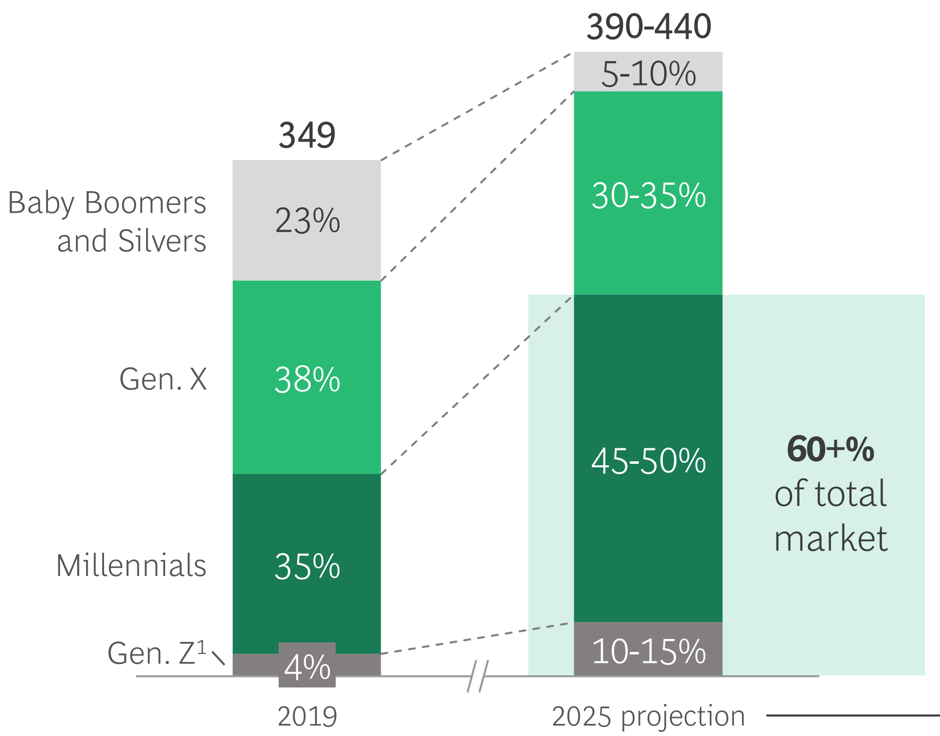


Note: Numbers rounded. Personal includes leather goods & accessories, apparel, footwear, watches, jewelry (branded and unbranded) and perfumes & cosmetics; Experiential includes furniture, food and wine, fine dining & hotel and exclusive vacations
Source: BCG Fashion & Luxury Market Model; BCG Analysis

Millennials & Gen Z key engines for growth

53% believe recovery will be fast, compared to ~20% for older generations

Luxury personal goods market (€B)



New Gen influential on overall market through trendsetting, digital engagement

New Gen share of spend growth largely **driven by increased average spend per person**

1. Gen Z grouping starts with those who are 18 years old in 2019 as lower limit

Note: Numbers rounded. Personal includes leather accessories, apparel, watches, jewellery, perfumes and cosmetics. Gen Z, 1993-2001; Millennial, 1978-1992; Gen X, 1963-1977; Baby Boomers, 1946-1962; Silvers, <1945. Effects of COVID considered in projection for 2026

Source: BCG Luxury Market Model, Altagamma, 2019 UN World Population Prospects

True-Luxury smart-working helped the top of the consumer pyramid grow its spend significantly, even in the midst of the pandemic

Cluster	2019		2020		2025	
	Pop. (M)	Size (B€)	Pop. (M)	Size (B€)	Pop. (M)	Size (B€)
Beyond money	0.4	24	**0.4**	**28**	0.6	40-45
Top absolute	1.5	36	**1.5**	**42**	2.2	55-60
Absolute	5.4	111	5.4	75	6.1	135-160
Entry absolute	11.8	123	11.8	81	12.4	145-170
Total true-luxury	**19.1**	**294**	**19.1**	**226**	**21.3**	**375-435**
Top aspirational	22.4	68	20.0	37	24.1	80-95
Other aspirational	393	603	320	318	420	**635-690**
Total Luxury Consumers	**~430**	**~970**	**~360**	**~580**	**~465**	**~1090/1220**

In 2020

12% Of total luxury market made by the 2 wealthiest clusters (Beyond Money & Top absolute); +6pp vs. 2019 thanks to a 17% growth in size, showing a total resiliency to crisis

39% Of total luxury market made by the 19M True Luxury Consumers (+8pp vs. 19)

Between 2020 and 2025…

~30% Of total luxury market growth driven by True Luxury consumers

~16% '20-25 CAGR growth of "Other Aspirational" cluster driven by the rise of Chinese middle class approaching luxury spending

~1.5pp Of '20-'25 growth delta vs market by "Aspirational" consumers, that after great suffering in 2020, will outpace in this period the growth of the overall pyramid for the first time

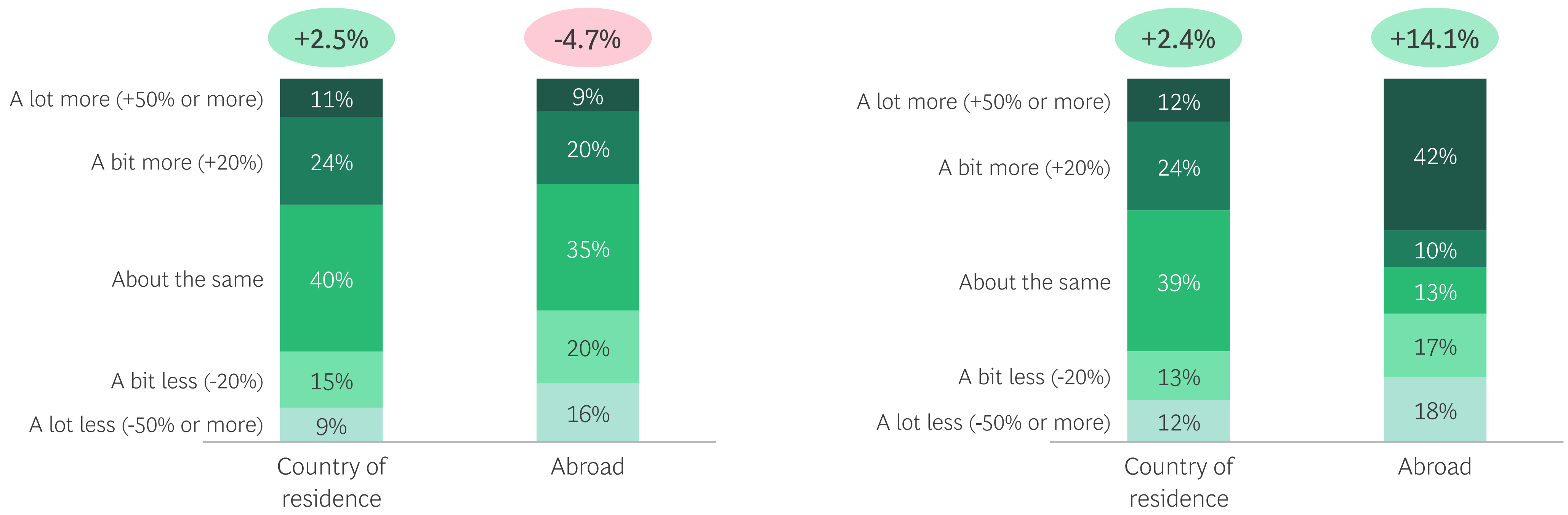
Note: Numbers rounded. Personal includes leather goods & accessories, apparel, watches and jewelry (branded and unbranded) and perfumes and cosmetics; Experiential includes furniture, food and wine, fine dining & hotel and exclusive vacations
Source: BCG & Altagamma Market Model; BCG Analysis

In the next 12 months, repatriation of Personal Luxury will stay, while experiences will fuel travelling

> With COVID-19 most likely under control, do you expect to spend more, less, or about the same on **luxury products** in the next 12 months compared to before?

> With COVID-19 most likely under control, do you expect to spend more, less, or about the same on **luxury experiences** in the next 12 months compared to before?

Average delta spending



Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Mar/Apr 21 (12K respondents in 12 countries), Expert interviews, BCG estimates

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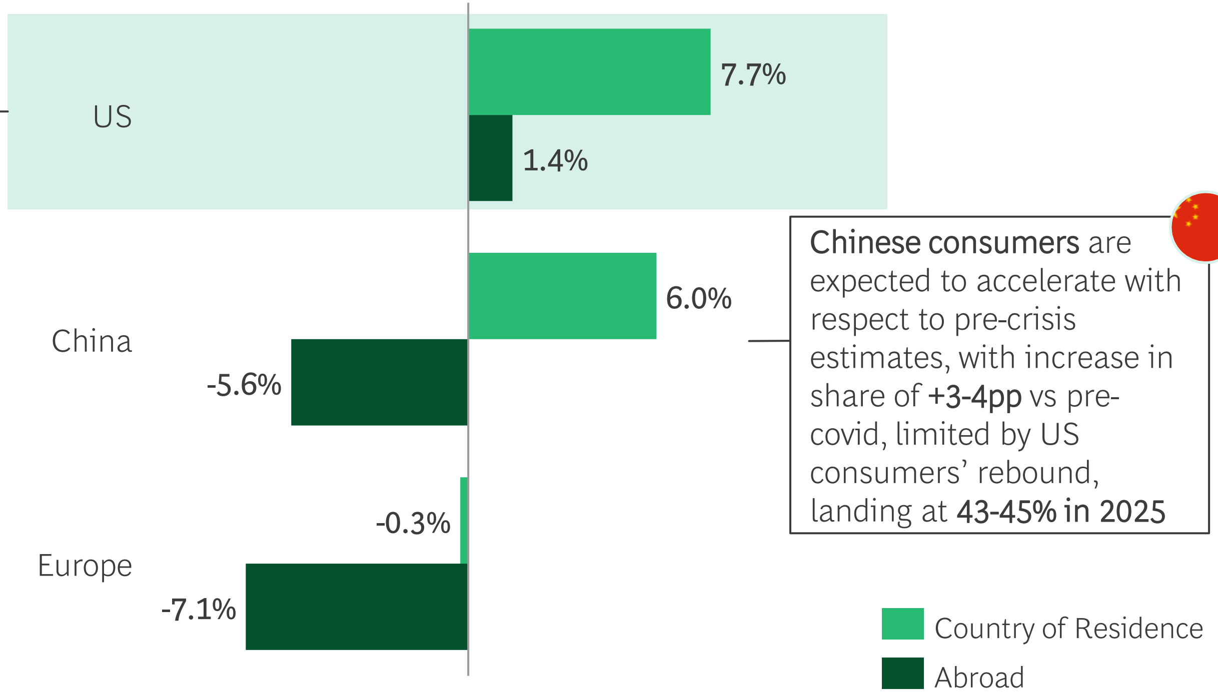
U.S. & China growth engines

Americans, bullish both on domestic and abroad spend, are poised to regain their relevance…

US consumers forecasted to resume growth at higher pace vs. pre-pandemic estimates, resulting in increased share of **+2-3pp** vs pre-covid forecasts, landing at **19-21% in 2025**

"Do you expect to spend more, less, or about the same on **luxury products** in the next 12 months?"

Expected delta in luxury spending, average %

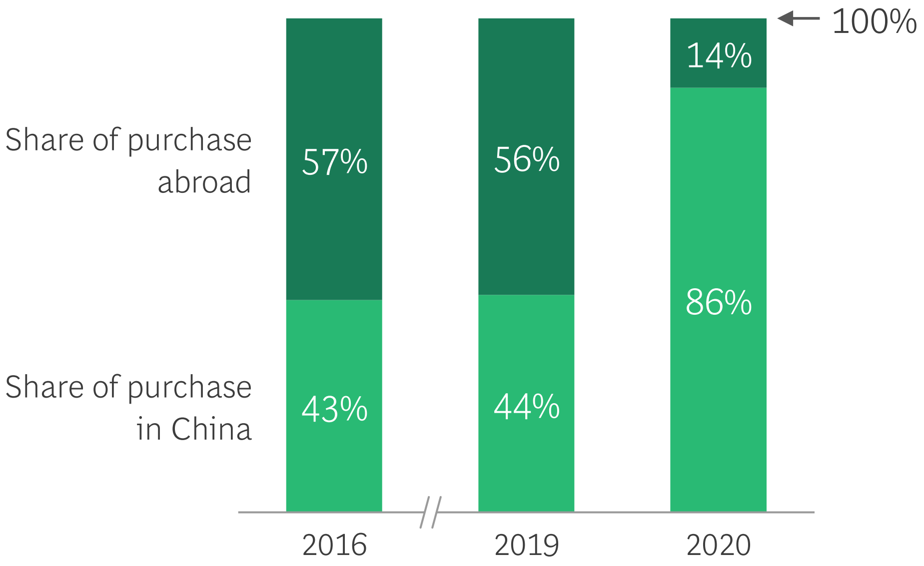


Chinese consumers are expected to accelerate with respect to pre-crisis estimates, with increase in share of **+3-4pp** vs pre-covid, limited by US consumers' rebound, landing at **43-45% in 2025**

Note: Europe includes Italy, France, Germany and UK.
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Mar/Apr 21 (12K respondents in 12 countries), Expert interviews, BCG estimates

…Chinese instead, expected to increase their spend, but only domestically: China repatriation trend to stay

Before COVID-19 hit, **56% of the yearly luxury purchases** of Chinese consumers were done abroad…



"In the 12 months after the crisis has ended, how much of your yearly luxury spend you used to do abroad do you expect to convert to your country of residence?

From half to all of it
69%

13%	56%	21%	10%
All of it	More than half	Less than half	None

-4p.p. vs last year **73%**

Even if pandemic situation is more relaxed compared to last year, some **consumption habits could have changed** for the medium term also

Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Mar/Apr 21 (12K respondents in 12 countries), Expert interviews, BCG estimates

Virtualization

Quest for engagement relevance in a noisy environment: Virtualization a promising and growing reality

New inspiration channels

Global video game industry to increase to $178B in 2020, surpassing film industry

4 of every 5 U.S. consumers have played a video game in the past 6 months

About 1/3 of gamers are aged 21-35

New revenue streams

Selling skins, team/individual sponsorships

Capsule collections, limited edition products & partnerships

Virtual product "labs"

New product & technology

World's first global luxury blockchain launched; more to come

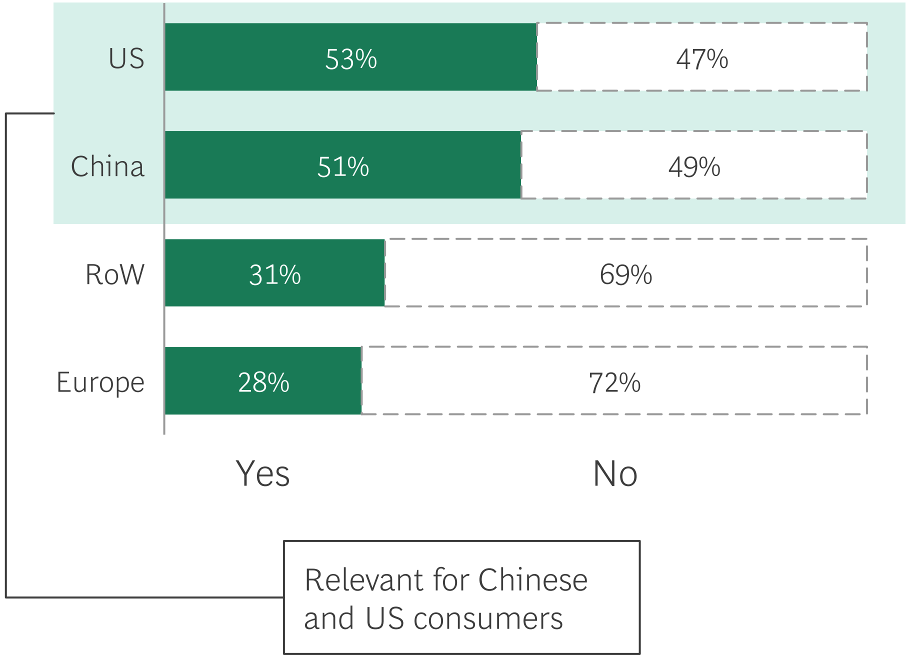
Luxury brands poised to jump in on NFT market, following success in art world

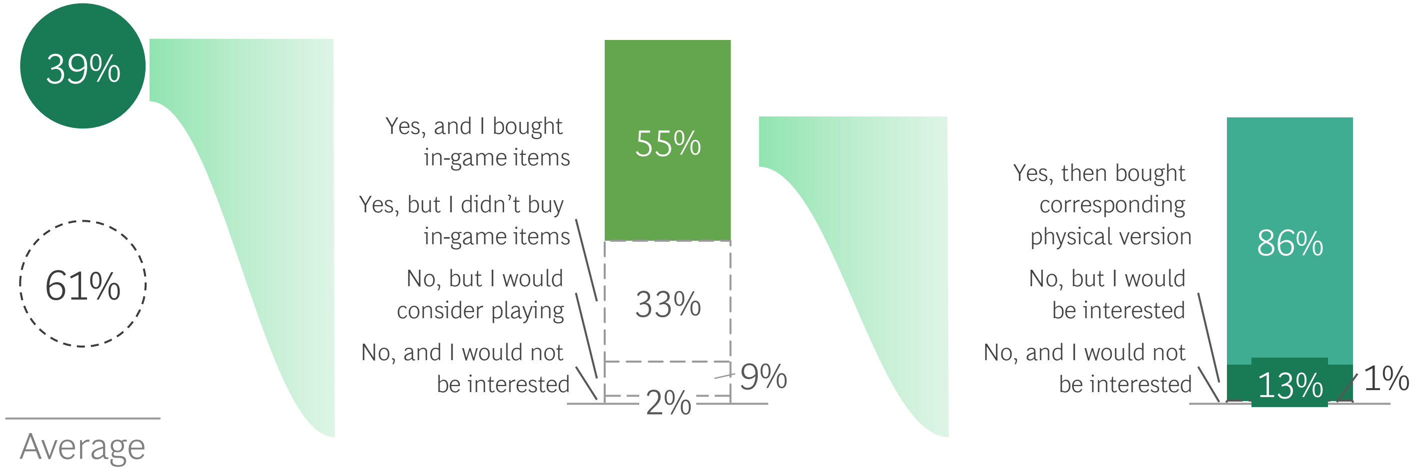
1 out of 2 true luxury consumers, among the 39% aware, has bought luxury in-game items and, out of them, 86% purchased the corresponding physical version

“ Are you aware of luxury brands that lately have been interacting with their customers using virtual online games?

“ [Of those aware] Have you ever been part of a virtual online game that involved a luxury brand and/or bought in-game items?

“ [Of those who bought in-game items] Afterwards, did you also buy the corresponding physical version of the item?





Effective both as **alternative stream of income** and **marketing tool** to feed **traditional products sales**

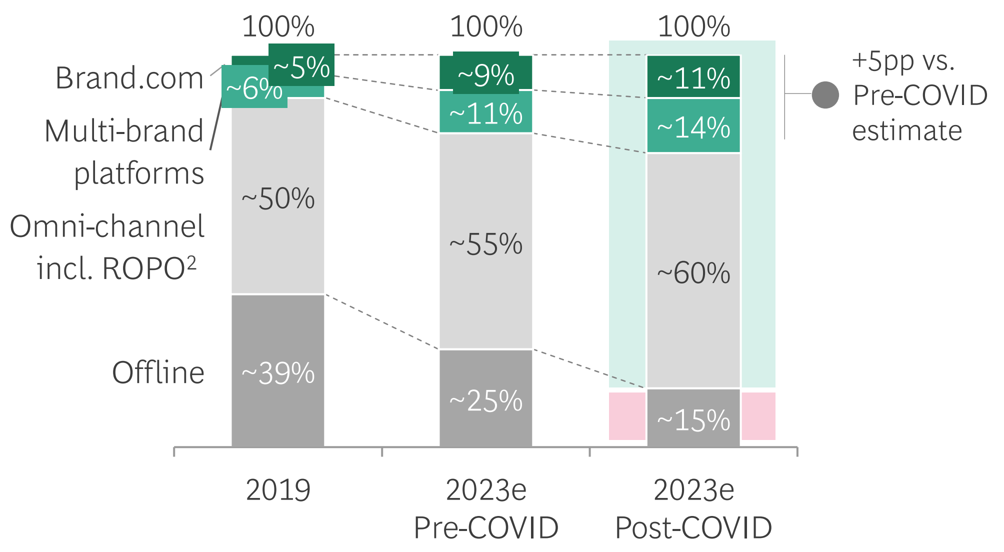
Note: Europe includes Italy, France, Germany and UK; RoW includes Japan, South Korea, UAE, KSA, Russia and Brazil
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Mar/Apr 21 (12K respondents in 12 countries), Expert interviews, BCG estimates

Channel-agnostic customer journeys & personalized clienteling 2.0

The path ahead for Offline: from self-standing channel to touchpoint

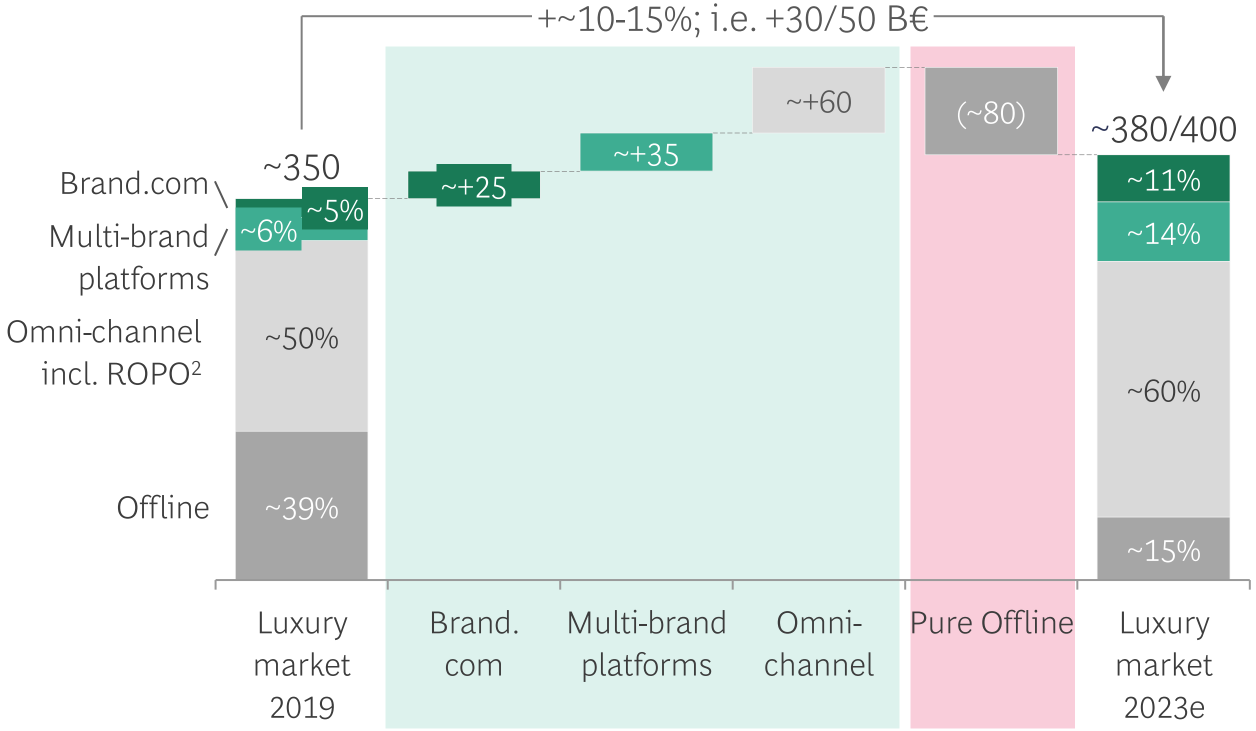
Luxury market[1]

Channel mix (%)



Luxury market[1] growth by channel, 2019-2023e (B€)

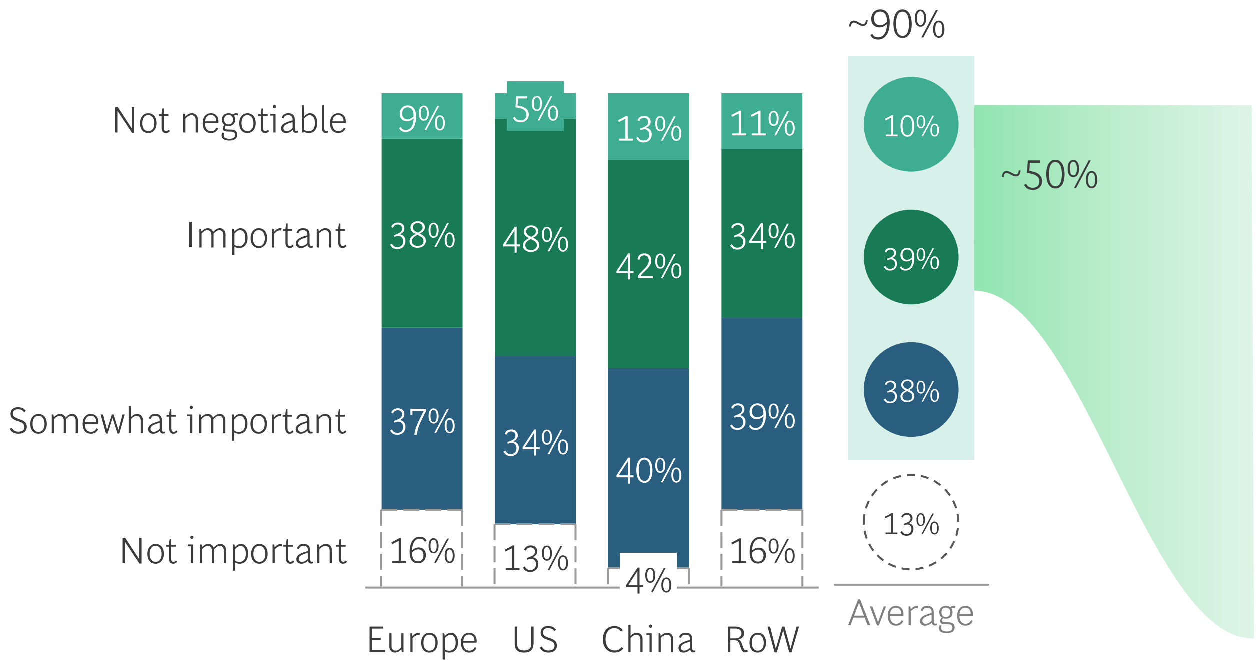
Channel mix and contribution to market growth (%, B€)



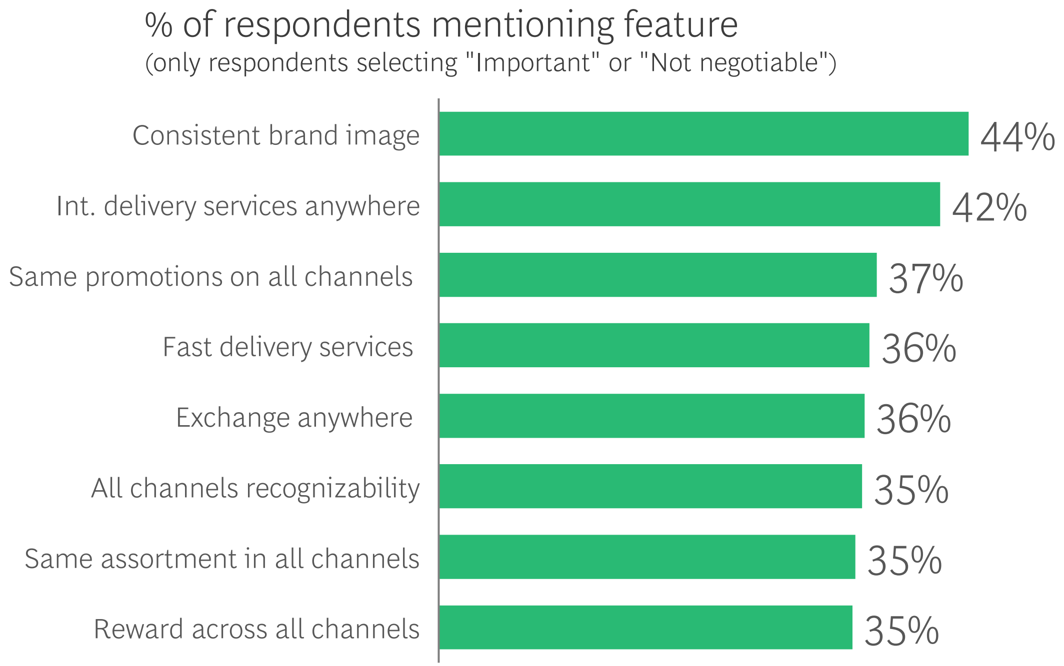
1. Personal luxury market only (excluding experiential luxury), including true luxury, affordable luxury, and premium segments.; 2. Research Online Purchase Offline
Source: Future of Distribution consumer survey, Post-COVID Luxury scenarios (BCG Lighthouse), expert interviews, BCG analyses and estimates

Clients become channel agnostic, expecting consistency…

> Brands increasingly communicate and sell using different channels. How much important is it for you that a brand is multi-channel?



> What would you expect when interacting with your preferred luxury brand through multiple channels?

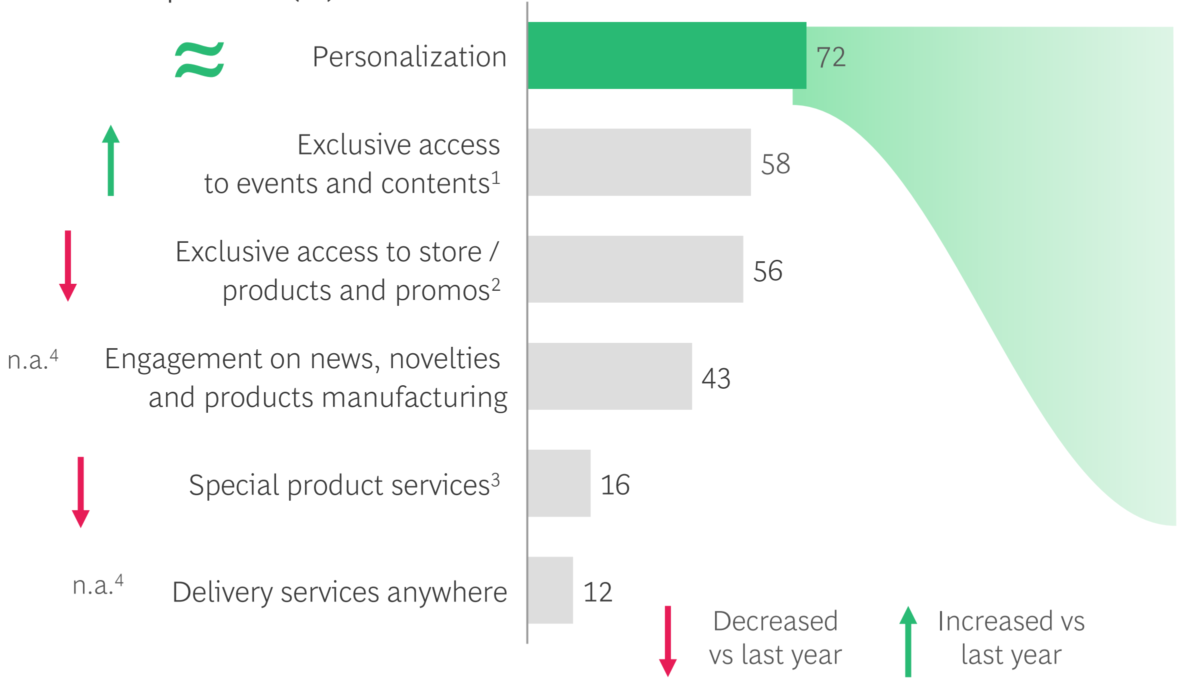


Note: Europe includes Italy, France, Germany and UK; RoW includes Japan, South Korea, UAE, KSA, Russia and Brazil
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Mar/Apr 21 (12K respondents in 12 countries), Expert interviews, BCG estimates

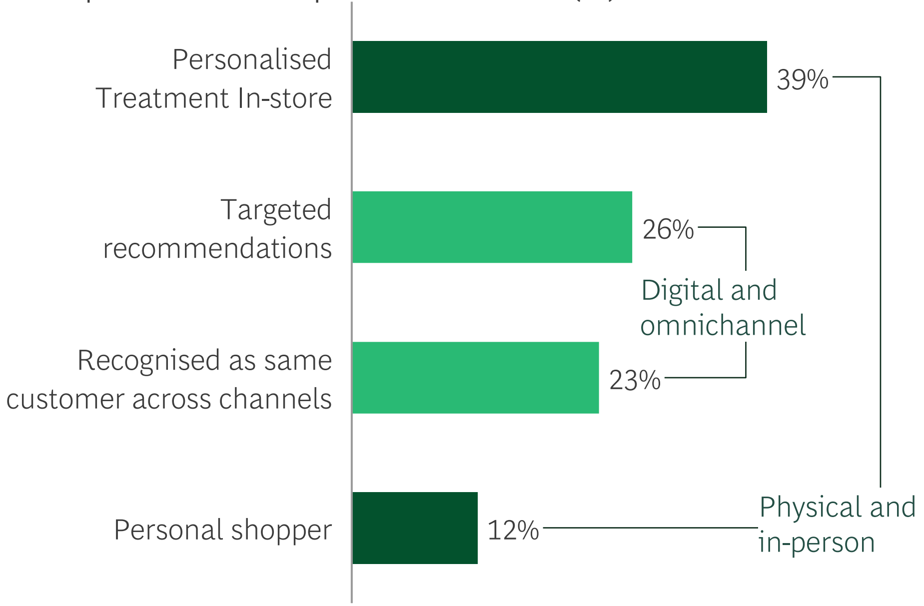
...and demanding personalized "touch": crucial for brands in the on-going quest for relevance

" What are the elements that you appreciate the most when the brand interacts with you / takes care of you?

Greatest demand exists for personalization services ...



... through both digital and physical avenues



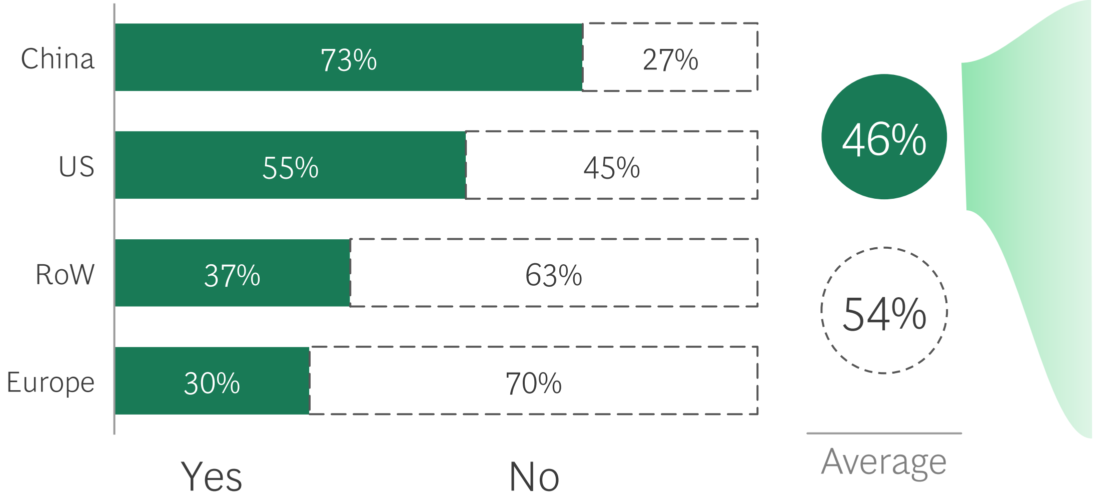
Personalized in-store treatments are most popular with Baby Boomers ~45% of those surveyed ranking it in their top 3 perf. services

1. Special glamorous events (parties, fashion shows), access to special brand content, invitation to runways, backstage photos, VIP events and other external events; 2. Special promotions (e.g. pre-sales, loyalty program, birthday gift) and exclusive shopping areas or hours in store; 3. Ability to have products refurbished by brands; 4. Not available due to change in cluster methodology
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Mar/Apr 21 (12K respondents in 12 countries), Expert interviews, BCG estimates

Social and live commerce (i.e. livestreaming) boosted

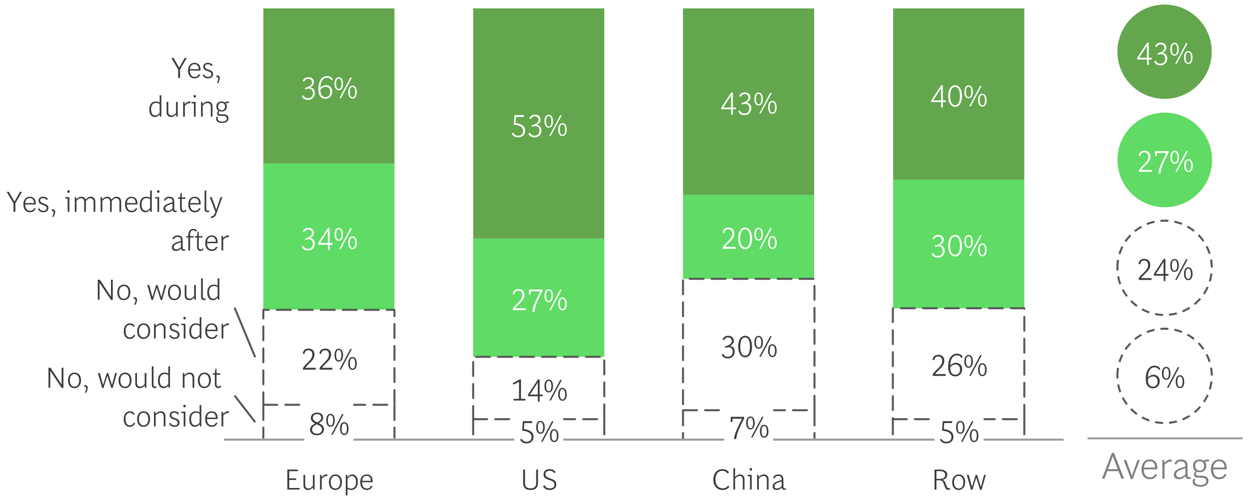
Livestreams highly relevant for US and Chinese luxury consumers and proving to be a high "conversion" tool (about 70% on average)

“ Are you aware of online shopping platforms or physical stores that lately have started offering livestream sessions for shopping?



Virtual livestream are very popular in **China** and to a lesser extent in **U.S.,** with Europe lagging behind …

“ [Of those aware] Have you ever bought luxury goods during or immediately after a livestream session with a brand, an online shopping platform or a physical store?



… however, on average they prove to have **high potential** in terms of **conversion**, with **70% of respondents** that have already purchased during or after them and **no groups below the 60% threshold**

Note: Europe includes Italy, France, Germany and UK; RoW includes Japan, South Korea, UAE, KSA, Russia and Brazil
Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey Mar/Apr 21 (12K respondents in 12 countries), Expert interviews, BCG estimates

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Thank you!