A LETTER TO THE INDUSTRY

How to Navigate the Luxury Slowdown

Macroeconomic headwinds, shifting customer preferences and a deteriorating value proposition are weighing on the global luxury sector. The Business of Fashion and McKinsey & Company outline five strategic imperatives for luxury executives.

Over the past five years, the luxury industry experienced a period of exceptional value creation. Between 2019 and 2023, unprecedented demand for personal luxury goods — fashion, handbags, watches and jewellery among them — combined with a deep well of supply allowed the sector to achieve a 5 percent compound annual growth rate. Luxury brands outperformed global markets and achieved new profitability records. The pace of growth across the industry was remarkable and swift, though luxury "megabrands" with annual revenues over €5 billion ($5.3 billion) used their global presence to drive even greater visibility and desirability. Price increases accounted for more than 80 percent of growth during this period, while volume gains were more moderate. Now, as we step into 2025, the luxury industry is facing a significant slowdown that has hit even top brands hard. For the first time since 2016 (excluding 2020), luxury value creation declined.

Several of the industry's growth-driving engines have stalled. Macroeconomic headwinds — especially in the key China market, which grew more than 18 percent annually from 2019 to 2023 — are weighing heavily on the sector. Meanwhile, the luxury client base is becoming more diverse, and clients have a more complex relationship with luxury goods than ever. To that end, one challenge luxury players face is how to engage younger clients without alienating older ones, both through the products brands create as well as through their marketing strategies. Additionally, customers of all ages are becoming more interested in luxury experiences, not just luxury goods. This dynamic creates new trade-offs for clients to consider, meaning personal luxury goods players must exceed higher-than-ever client expectations to win spend over luxury travel and wellness experiences, for example. But luxury's woes are also partly self-inflicted. The sector's rapid expansion over the last five years has led to overexposure and weakened the industry's promise of exclusivity, creativity and craftsmanship. As demand surged, brands increased prices but failed to sufficiently adapt their creative strategies and supply chains to meet new scale requirements, thereby weakening their core value proposition and, ultimately, failing to keep their promise to customers.

As a result of these strategic choices and economic headwinds, growth in the years ahead will be slower, reaching between 1 and 3 percent annual global growth between 2024 and 2027. Dynamism in emerging markets such as the Middle East, India and other Asia-Pacific regions will not compensate for single-digit growth in luxury's core markets such as China and Europe, though we are more bullish on the US where we expect better overall perspectives. With sector recovery out of reach until late 2025 or 2026, the industry must use the slowdown as an opportunity to reflect and recalibrate. Luxury leaders must play a long game rather than relying on quick fixes to their most pressing challenges.

Now is the time to take bold risks, rebuild connections with clients and invest in the critical areas of your business — even if the returns may not be immediate. In our view, there are five strategic imperatives for luxury executives in the coming years:

1. Conduct a strategic reset

• Clarify core values and align on priority clients to sharpen the brand's long-term strategy and differentiated value proposition, including assortment, communication, price architecture, and experience.

• Review the synergies large groups may achieve by launching initiatives jointly, be it on growth acceleration or cost excellence

2. Restore product excellence

• Continue to invest resources in creating iconic products that will resonate with target clients and uphold luxury's promise of quality and value.

• Realign business scale with craftsmanship heritage by investing in long-term supply chain stability (through vertical integration, for example) and by implementing best-in-class sourcing and manufacturing practices.

3. Rethink customer engagement strategy

• Continue to develop unique "money-can't-buy" experiences, both in and outside of stores, for the most loyal and most promising clients that have been underserved in recent years. These experiences must align with the brand's ethos, and not simply chase the latest trends. Develop new client acquisition strategies.

• Invest in tech, AI and data capabilities to uncover powerful customer insights to help better personalize customer journeys.

4. Bridge the talent capability gap

• Attract, develop and retain the best talent across every critical function, not just in creative roles. Evolve corporate cultures and update operating models to align with the business's growing scale and complexity, and potential succession planning.

• Professionalise operations across major business units — including digital, data, technology, supply chain and procurement — by emulating best practices from other sectors, while looking outside luxury to find talent to help bridge the capability gap.

5. Futureproof the portfolio

• Review exposure to different luxury categories and regions (within large groups). Define a clear role and goals for expansion to adjacent categories, including travel and hospitality, to maximize client engagement without neglecting the core business. Allocate focus and resources to these new ventures without impacting the core business.

• Seek complementary acquisitions to build resiliency and secure a competitive edge in a more consolidated market. The nature and scale of these shifts will likely continue to recompose the industry.

The luxury industry is at a critical juncture. Executives — should they lead with vision, creativity and a renewed commitment to excellence, while also focusing on long-term investments and multiyear initiatives — can ensure the continued success and growth of their brands. If they do not make these necessary changes, they risk sacrificing brand relevancy and market share for years to come.

— Imran Amed, Founder and CEO, The Business of Fashion — Gemma D'Auria, Global Apparel, Fashion & Luxury Leader, McKinsey & Company

This report is based on extensive customer research and proprietary market forecasts

- **We engaged with luxury clients in key markets** to better understand their values, needs, and expectations for the future.
- **250+** Interviews conducted with ultra-high, high, and aspirational luxury spenders across six markets (France, China, Japan, South Korea, the US, and UAE). Part of the research was conducted in collaboration with the Luxury Institute.
- **10,000+** Global social media posts and online content created by luxury customers analyzed across selected platforms (Instagram, TikTok, Reddit, Weibo), in partnership with Quilt.AI.
- **6,000+** Aspirational luxury clients surveyed for McKinsey's 2024 report *"Beyond Boundaries: Redefining Aspirational Luxury Consumers."*
- **~50,000** Global luxury clients surveyed across categories.
- **Market sizing** is based on Euromonitor absolute values at constant exchange rates.
- **Market forecasts** are based on interviews with luxury executives, analyst reports, and proprietary McKinsey research.

The luxury industry is examined across categories, with a focus on personal luxury goods:

- **Personal luxury goods:** Watches, Leather goods, Fashion, Jewellery
- **Adjacencies:** Beauty,Wellness, Travel and hospitality ,Home décor

  Luxury categories are examined at all pricing tiers, from affordable luxury through to ultra-high-end.

01 MARKET BACKDROP

Luxury is coming off a period of rapid expansion

- The personal luxury goods industry — defined as fashion, leather goods, and watches and jewellery — has grown 5 percent per year between 2019 and 2023 (9 percent per year between 2021 and 2023), 2 percentage points above GDP growth.
- Price increases propelled growth, particularly for larger players, with prices rising 4 percent per year on average across the industry.
- The luxury industry also benefited from explosive growth in the Chinese domestic market, which grew at 18 percent per year from 2019 to 2023, effectively doubling in size, as well as high disposable incomes in the US coming out of the Covid-19 pandemic.

+5% Personal luxury goods industry growth per year from 2019 to 2023

~80% Of industry growth was driven by price increases rather than volume increases

2.6x Luxury industry economic profit nearly tripled between 2019 and 2024

The luxury sector grew faster than the economy, driven by top spenders

Luxury enjoyed a long chapter of growth between 2019 and 2023, defying macro challenges to grow faster than GDP. The pandemic played a key role in this, as clients opted to spend their disposable income and savings on luxury goods.

Top spenders — including ultra-high and high spenders — drove 40 to 50 percent of the market growth between 2019 and 2023, disproportionate relative to their 2 to 4 percent share of the luxury client base.

To feed this unprecedented demand for luxury products, luxury brands increased investments in marketing and store network expansion, boosting their visibility and desirability.

Luxury goods spending growth by customer segment, 2019-2023

- **25-30%** Ultra-high spenders (>€70,000 per year)
- **15-20%** High spenders (€10,000-€70,000 per year)
- **10-15%** Aspirational shoppers (€3,000-€10,000 per year)

Global luxury goods market growth vs global GDP growth, 2008-2023 (%):

- **2008-2010:** GDP growth: 2%, Luxury goods market growth: 8%
- **2010-2015:** GDP growth: 4%, Luxury goods market growth: 6%
- **2015-2019:** GDP growth: 3%, Luxury goods market growth: 3%
- **2019-2023:** GDP growth: 3%, Luxury goods market growth: 5%

Luxury’s economic profit nearly tripled from 2019 to 2024, but a slowdown is here

Fashion industry economic profit (EP) change, average EP for luxury (including affordable luxury) and non-luxury indexed to total industry (Total industry includes luxury and non-luxury. Includes apparel, footwear, leather goods, jewelry and watches) EP,
Total industry 2010 EP = 100

- Non-luxury
- Luxury Super Winners (Super Winners are the top fashion players by economic profit (based on economic profit for 2023) according to The State of Fashion. In luxury, they are: LVMH, Hermès, Richemont and Kering)
- Luxury — other brands

2010-2019:
Non-luxury: 66
Luxury Super Winners: 26
Luxury — other brands: 18 + 8

2019-2024e:
Non-luxury: 87
Luxury Super Winners: 67
Luxury — other brands: 64 + 3

Note: Economic profit tracks companies' value creation and financial development and is calculated as the difference between a company's current adjusted operating profit (minus taxes) and its cost of capital Source: McKinsey Global Fashion Index in The State of Fashion 2025

The luxury sector, including affordable luxury, benefitted from increased customer spending power as well as successful price elevation strategies, resulting in both higher revenues and higher margins. Large players dominated, with the four biggest players (referred to as "Super Winners" in The State of Fashion report: LVMH, Hermès, Richemont and Kering) representing the majority of the luxury industry's economic profit. These companies were able to secure higher prices while maintaining strong demand for their products. However, a slowdown emerged in 2024, raising questions about the long-term effectiveness of the strategies that drove luxury growth over the past five years.

Exceptional growth was driven by specific pricing strategies, geographies and categories

PRICE AND VOLUME

Following years of moderate price increases of just 1 to 2 percent, brands raised prices significantly from 2019 to 2023, accounting for around 80 percent of luxury industry growth. The biggest increases were made in leather goods and other iconic products, with some brands raising prices of selected pieces as much as 50 to 100 percent over the four-year period.

Global Luxury Goods Market Growth Drivers (2019–2023):

- ~80%: Driven by price increases
- ~20%: Driven by volume increases

GEOGRAPHY

Luxury sales in China fuelled around 40 percent of global luxury goods growth from 2019 to 2023, while the US drove around 30 percent and Europe around 10 percent. The rest of the world grew at around 4 percent each year, with Japan and South Korea growing at 4 percent and 8 percent, respectively

2019–2023 Compound Annual Growth Rate (CAGR) & Retail Sales in 2023:

- **China:** 18% growth, reaching $45 billion in retail sales.
- **United States:** 6% growth, achieving $82 billion in retail sales.
- **Europe:** 2% growth, reaching $97 billion in retail sales.
- **South Korea:** 8% growth, achieving $12 billion in retail sales.
- **Japan:** 4% growth, reaching $23 billion in retail sales.
- **United Arab Emirates:** 3% growth, achieving $5 billion in retail sales.
- **Rest of the World (RoW):** 4% growth, reaching approximately $102 billion in retail sales.

CATEGORY

The leather goods and jewellery categories grew the fastest between 2019 and 2023, boosted by rising demand for investment pieces.

Leather goods were buoyed by a growing base of aspirational customers and sustained price increases, while jewellery benefitted from heightened demand for branded jewellery.

2019–2023 CAGR & Retail Sales in 2023:

- **Leather goods:** 8% growth, reaching $79 billion in retail sales.
- **Jewelry:** 8% growth, achieving $56 billion in retail sales.
- **Beauty:** 6% growth, reaching $20 billion in retail sales.
- **Wellness:** 6% growth, reaching $20 billion in retail sales.
- **Watches:** 5% growth, achieving $42 billion in retail sales.
- **Travel:** 5% growth, with retail sales reaching $239 billion.
- **Home Décor:** 5% growth, estimated retail sales between $20–25 billion.
- **Apparel:** 3% growth, reaching $147 billion in retail sales.

In this period of rapid expansion, the industry experienced transformational changes.

MARKET BACKDROP: HOW THE INDUSTRY CHANGED

Megabrand acceleration

The industry saw increased polarisation, with “megabrands” that generate over €5 billion ($5.3 billion) annually growing sales at 11 percent per year, outpacing the broader market at 5 percent from 2019 to 2023. LVMH’s acquisition of Tiffany & Co., Estee Lauder Companies’ acquisition of Tom Ford and Kering’s stake in Valentino also consolidated the industry.

Megabrands grew at twice the rate of the market between 2019 and 2023.

Scaled-up operations

Several luxury brands have doubled in size since 2019, in part through expansions into new luxury goods categories and adjacencies, demanding substantial upgrades to their supply chains and operating models. This includes more sophisticated processes to scale effectively and address growing concerns for more sustainable and ethical operations.

Some luxury brands have doubled in size since 2019.

Omnichannel adoption

Omnichannel expansion and increased digitisation, partially fuelled by the pandemic, has influenced brands' distribution strategies, requiring a blend of digital and physical experiences to meet expectations for seamless, personalised shopping.

~80% The proportion of luxury sales that are digitally influenced.

Rapid footprint expansion

Brands significantly expanded their store footprints in recent years, with a particular focus on the Americas (with luxury footprints growing **6 percent** between 2019 and 2023), East Asia (5 percent) and Greater China (3 percent). Brands such as Moncler opened more than 130 stores globally over the 2019 to 2023 period.

+6% Growth in luxury retail footprints in the Americas from 2019 to 2023.

Vertical integration

Some luxury companies have made significant investments in vertical integration to better control their supply chains, acquiring suppliers and distributors and developing in-house manufacturing capabilities. This has enabled greater control over product quality, order volumes and environmental and social impact, while optimising margins.

>20 Investments into and acquisitions of manufacturers by luxury brands from 2019 to 2023.

Source: Bernstein "Retail escalation" 2023 report, press search

Luxury customer expectations also evolved as the industry widened its reach

MARKET BACKDROP: HOW THE INDUSTRY CHANGED

Always-on marketing

- With a focus on always-on, digital-first marketing strategies, including activations that span throughout the year and across channels, luxury brands have invested significantly in their visibility to amplify reach and break free from seasonal marketing cycles. Some luxury brands dialed up their marketing budgets as a result.
- 1.5x: Growth in some luxury marketing budgets to enable always-on marketing.

Talent reshuffling

- For some fashion brands, there has been a progressive shift in creative direction away from brand heritage and towards the individual vision of creative directors, which may impact brand identity and performance in the long term.
- Meanwhile, the luxury C-suite saw talent reshuffle. Among the top 15 global personal luxury brands, 10 new CEOs have been appointed in the last three years.
- 10/15: Number of CEOs at the top luxury brands who were newly appointed from 2019 to 2023.

Increased luxury exposure

- Luxury's increased supply, marketing investments, and growing customer base have increased the visibility of luxury products. Diffusion lines, luxury beauty, and hospitality as well as the rapid growth of resale have further propelled the sector's exposure.
- Today, more people than ever can buy into luxury, meaning luxury goods no longer offer exclusivity and allure in the way they used to. Brands need other ways to generate the desirability that underpins the luxury brand proposition.
- +35%: Increase in Instagram followers for the 10 most-followed luxury brands between 2019 and 2023.

Newness at the speed of social media

- Faster trend cycles and instant access to brand content on social media gave rise to a persistent demand for newness.
- Luxury brands increasingly turned to collaborations, product "drops," and brand ambassadors to meet the constant demand for novelty. However, these strategies risk blurring the brand's core identity and potentially distancing it from its historical client base.
- 2–4 months: The average length of a trend's peak.

Demand for ethics and sustainability

- In the wake of supply chain scandals surrounding luxury brands, luxury clients have shown increased skepticism about ethical manufacturing in the industry.
- At the same time, customers reproach many luxury brands online for greenwashing and excess inventory remains a challenge.

- While sustainability may not play a central role in purchasing decisions for most, ethics and sustainability threaten luxury's promise of ethical craftsmanship.
- 48%: The share of customers who say sustainability is a top factor when buying a luxury watch.

Prada: Growing in a Luxury Downturn

Chief executive Andrea Guerra discusses how Prada and Miu Miu — luxury's 'cultural brands' par excellence — continue to outperform the market, what's behind the slowdown in luxury demand and an industry outlook for 2025. BY ROBERT WILLIAMS

After years of struggling to parley its fashion authority into topline growth, Prada Group reported its best-ever year in business in 2022. Since then, it's continued to outperform rivals, reporting surging sales even as the broader luxury market slowed, entering a downturn in 2024. Miu Miu, which has powered much of the group's recent growth, roughly doubled its sales throughout most of last year with a retooled offering of subversive yet wearable designs that have succeeded in engaging a broad sisterhood of shoppers, spanning ages and nationalities. The brand is staying in the spotlight with fashion shows that continue to spark conversation online, as well as cultural activations like literary talks, pop-up bookshops and a multi-layered art installation that served as the backdrop for its latest runway and a series of performances during Art Basel Paris. "We believe working on the cultural aspects of society is essential for our two brands to survive in the long term," the group's CEO Andrea Guerra says. The group's flagship Prada brand has also continued to grow, although at a more moderate pace, at a time when rival luxury giants LVMH and Kering are reporting slipping sales. The brand has raised prices — dramatically in some cases — but has yet to be punished by customers, who continue to splash out on both seasonal items and bestsellers like its Galleria tote bag and nylon rucksacks. Guerra — who previously led Luxottica, Eataly and LVMH's hospitality division — is Prada Group's first chief executive from outside its founding family. He's piloted the Milanese fashion empire since 2023 as it seeks to make progress on its succession plans and keep outperforming competitors in a rocky luxury market.

Miu Miu continued to report spectacular performance throughout 2024, even as the industry slowed overall. How can you explain this success? Miu Miu has always been very respected and very credible. But for a few years the business strayed a bit too far from the brand. Everything on the runway and in the branding was still very precise, but this wasn't always represented in the products, in stores. Since around three years ago we've put everything back in line, and this is the success story. It's also about hitting something specific in society, linking your brand and products and identity to what consumers are looking for. A lot of customers are certainly responding to that clear, creative identity at Miu Miu — is that a big part of why it's been such an outlier? Does luxury have a creativity problem? The industry is at a turning point: you have turmoil in creativity, turmoil in companies' leadership, and for the first time in years, you have some negative numbers like the industry has never seen. The brands with positive [growth] in 2024 all have a long-term view on creativity, design, communication and management. And a strong link between the creativity, the image and the company. This is one of the most important "positive tensions" you need in this industry — and which you don't necessarily see in all brands today. Going into 2025, how are you thinking about solidifying and supporting Miu Miu's business after such rapid growth? Firstly, we're not talking about greathuge absolute numbers. So it's easier to imagine how we've been doing plus 50 [percent] or doubling. Next we'll add degrees of masochism: analysing whatever weak signals come from the market, competing with ourselves even more. For our branding and creativity, we'll do the same, but always more credible, more impactful. It's about doing things which are a bit bigger, but not necessarily louder. What we did with our runway show and during Art Basel Paris gives you an idea of how strong Miu Miu's cultural roots are in art and cinema. This installation — a collaboration between the brand, Mrs Prada and Polish artist [Goshka Macuga] — was one of the most-seen events in Paris that week. We never just put a label or tag on an event. Either we are part of something or we don't do it. It's like with Luna Rossa of Prada [the Italian sailing team for the America's Cup]. It's our team. Or we could talk about the Fondazione Prada — it's our museum. So those are deep engagements, even if rather varied. Is this what you meant in your most recent earnings call, when you talked about building "polyhedric brand equity"? We believe working on the cultural aspects of society is essential for our two brands to survive in the long term. We are carving culture, carving society. If you look at our stores, they're really an open door to understand where architecture is going, where art is going, where engineering is going. That's what the world of Prada represents. The Prada brand is credible from sports, to culture, to the arts — these aspects that can reach very different typologies of consumers and attitudes. We are as relevant as a lifestyle brand as we are for a glamorous night. So Prada is naturally "polyhedric" [many-sided]: it's a living element that is able to address and live in very different parts of your life. Not many brands are capable of that. Those activities you're speaking about in art, architecture, sports are so closely tied to Mrs Prada and Mr Bertelli's interests, in a very personal way. You've been brought in to help guide the company's succession. How do you think about scaling up and taking forward these cultural messages within the framework of a succession plan? We are on a long journey. Our two founders are still very young in spirit. They work seven days a week, thinking about the future of their brands in terms of decades. It's very unusual for an Italian company to lay out a plan for generational transition, where the family is saying: we will remain independent, Lorenzo [Bertelli, son of Patrizio Bertelli and Miuccia Prada] is the boss, Lorenzo is the person who will manage this in the long term, and it's clear for everyone. If you look from 50 kilometres above, the journey looks like a Californian highway, huge and open. If you come closer, sometimes it seems more like a mountain road. Looking at the Prada brand, I know there's been a big focus the past few years on retail execution. Tell us about that. Stores are a tool for something that has completely changed in the last six, seven years at Prada, which is our relationship with the Prada consumer or potential consumers. We have always been a very brand-orientated, image-orientated, product-orientated company, but not necessarily the best in customer relationships. We are placing a lot of importance on the experience in stores because they are the epicentre of that relationship. People don't just want a tag, people want to live inside a brand. They want to know what we think, how we behave, to get excited with us. They want to have experiences that make the Prada brand alive. That is what we have been focusing on. How do you filter this approach throughout the culture of an organisation as big as Prada Group? This is another long-term journey. It's about training your own people — allowing them to understand that this is an opportunity to evolve — along with inserting some people from outside [the company] who know how to do these things from a master point of view. Brands across the luxury sector are dealing with weak consumer sentiment in key economies and the lingering impact of inflation. What else has been driving luxury's downturn? Do you see it as mainly coming from cyclical, macroeconomic pressures or is there something deeper at play? There are a couple of very specific challenges, the first being China. We believe in the long-term [potential] of Chinese consumers and China — strongly — but 2024 and I think part of 2025 will not be easy in that part of the world. There's also a cycle that's more specific [to luxury]. Many companies have been changing their creative directors, their CEOs, as there is a shift and turning point. The sector has probably been a bit spoilt by leather goods. Leather goods have increased in volume, increased in prices, and are an easier business than ready-to-wear or footwear — there is no sizing. In certain cases, there has been hyperinflation [in handbag pricing] which was not linked to the value of the dream you were giving consumers. On the other side, maybe the consumer said, I have too many bags in my closet. Maybe I'm going to have a cruise; I'm going to have a holiday in a hyper luxury hotel. But I still think that's cyclical, and that the sector by definition will continue to grow. What's been driving this hyperinflation in prices? What can brands do about it now? Prices haven't just gone up in a useless manner. There are segments of the market where the products, dreams, experiences really allowed for higher prices. But some brands who increased prices, who abandoned their aspirational customers, probably should have remained more calm. There is only one real solution, which is allowing your brands to make people dream, having products which are credible, and granting experiences to your consumers that are totally unique. The most important thing at whatever price you're selling is not to betray your core consumers. They always need to find your world comfortable for them. What does this shift to spending on experiences mean for luxury? We are seeing, especially since Covid, an explosion in that experiential luxury world. Hotels, cruises, food. What's good about that is it's still part of the luxury industry — getting larger and with stronger assets and stronger pillars. Borders are blurring; walls are coming down. So we're all competing — on heart shares, on pocket or wallet shares. Shall I spend thousands of dollars on a vacation or on a product? Can we put certain things together? There are bits and pieces of hospitality coming into personal products, and vice-versa. I think that will be the fun part of the next 10 years. So you see China remaining complicated into next year. How do you expect luxury demand to evolve more generally? 2025 will be, at least for the first six months, a tough year, as the last 12 to 15 months have been. Demand is still there; people are still wishing and dreaming about luxury. At Prada, we'll need to do an even better job in order to keep growing over the industry average and gaining back the market share I think we deserve. Prada Group, Zegna and Brunello Cucinelli have all outperformed the market in recent quarters. But competing for market share is historically tough for independent companies. How can you keep up with conglomerates like LVMH in the long term? It's tough to work in an industry where there are such powerful, wealthy giants. We need to have very good ideas. We need to be quicker. We need to be different. We need to have a closer relationship with our counterparts so we can maybe understand before others how to deal with communication, real estate, landlords. We have to do things more simply and more quickly, to be a little more clever. You're still very optimistic about the industry's potential. Why? Our brands really are here to allow people to dream. So this is what we have to do. The more we can dream, the more we're linked to society and culture, the more we can allow our next generation [of customers] to dream with us.

02. Market Outlook

The industry is now at a critical inflection point.

After a period of rapid expansion, the sector is facing a significant slowdown. Macroeconomic factors and a decline in customer spending impacted luxury's core markets. China's domestic luxury market slowed significantly.

• Meanwhile, steep price increases without corresponding product innovation, amid diminished cultural cachet and reports of declining quality and labour exploitation, have brought into question the "value" — both real and perceived — of luxury goods.

• Brands can no longer rely on steep price increases. Instead, many luxury executives intend to increase sales volumes to grow their businesses — but higher volumes of production are at odds with both sustainability goals as well as luxury exclusivity.

• Among personal luxury goods categories, leather goods and jewellery are poised for the fastest growth at 4 to 6 percent per year between 2025 and 2027. Leather goods will continue to be purchased as investment pieces, while jewellery sales will benefit from a younger and more diverse client base.

Luxury executives have a more pessimistic outlook on the industry than last year

Several factors are driving increased pessimism among luxury executives for the year ahead:

• Ongoing economic instability in China is impacting consumer confidence and spending.

• Import tariffs could affect the US economy. Tariff proposals could reduce US spending by between $46 billion and $78 billion per year.12

• Aspirational shoppers are toning down their luxury spend due to the macroeconomic environment.

• Retail footprint expansion is decelerating in line with the market slowdown. Similarly, multibrand retail is facing headwinds thanks to department store closures and luxury e-commerce profitability struggles.

• Luxury brands are prioritising cost efficiencies amid slower sales growth. Luxury executives expect to tighten control on marketing spend and headcount expenses to safeguard profitability.

a. Net intent calculated as the difference between the % of respondents who rated industry conditions next year as better and the % of respondents who rated them as worse Source: BoF-McKinsey State of Fashion 2025 Executive Survey (conducted in August 2024), Beyond Boundaries: Redefining Aspirational Luxury Consumers (McKinsey, April 2024), National Retail Federation

Global luxury sector growth slowed considerably in 2024 and will be modest in the years ahead

The global luxury sector experienced a significant deceleration in growth in 2024, with future growth projections expected to remain modest. The market for global personal luxury goods, valued between $265-275 billion in 2019, grew consistently from 2020 to 2023, reaching $320-330 billion. However, growth slowed to 0-2% in 2024 and is projected to remain moderate at 2-4% annually through 2027, with an expected market size of $365-375 billion. Growth rates vary regionally: Europe experienced steady growth at 2-4%, while the U.S. saw gradual increases from 1-3% (2023-2024) to 4-6% (2025-2027). In contrast, China's luxury market faced challenges, with year-on-year growth slowing by -7% in 2024 but expected to recover to 3-5% growth by 2027. The Rest of the World (RoW) also exhibited mixed performance, with a decline of 18% in 2020 but gradually improving through modest growth in subsequent years. The compound annual growth rate (CAGR) for the sector from 2023 to 2027 is anticipated to remain between 2-4%.

a. Europe Includes Russia Note: Includes luxury apparel, footwear, leather goods, watches and jewellery Source: McKinsey State of Luxury forecasts, based on McKinsey Global Fashion Index in The State of Fashion 2025, McKinsey Global Institute, Euromonitor historicals, ECB, Savills, Trading Economics, analyst reports, company results, expert interviews

The US is forecast to become luxury's growth engine, thanks to favourable economic factors

From 2025 to 2027, the luxury market is expected to grow modestly across regions, with varying drivers and barriers. Europe is forecasted to grow by 2-4%, driven by a positive economic outlook, decreasing inflation, and a rebound in international luxury tourism, particularly from China, which exceeded 2019 levels by 7.2% in early 2024. However, consumer confidence remains a challenge, with the Consumer Confidence Index declining from 109.2 in 2021 to 98.9 in 2024.

In the U.S., projected growth of 4-6% is supported by increasing disposable incomes, growing interest from middle-class shoppers, and a rising ultra-high-net-worth individual (UHNWI) population, growing at 5% annually through 2028. Reduced political uncertainty post-2024 presidential elections may accelerate growth, though employment uncertainty in aspirational sectors like tech and banking remains a barrier.

China's luxury market, expected to grow by 3-5%, is anticipated to recover by late 2025 due to government initiatives and macroeconomic stability. Growth is also fueled by an 8% annual increase in the UHNWI population and untapped potential in cities like Wuhan and Hangzhou. However, weak domestic spending due to low consumer confidence presents challenges.

The Rest of the World (RoW) is forecasted to grow by 2-4%, with hotspots like Japan, the Middle East, and India benefiting from infrastructure improvements, economic development, and urbanization. Emerging markets in Asia-Pacific (APAC), including Indonesia and Thailand, are positioned for growth due to expanding middle- and high-income consumer bases. However, record-low consumer and investor confidence remains a concern, with the Consumer Confidence Index significantly declining from 127 in 2021 to 86.2 in 2024.

a. Consumer Confidence Index Indexed at 2005 = 100

Source: McKinsey State of Luxury forecasts, based on McKinsey Global Fashion Index in The State of Fashion 2025, McKinsey Global Institute, Euromonitor historicals, ECB, Savills, Trading Economics, analyst reports, company results, expert interviews

Smaller luxury markets will continue to provide dynamic pockets of growth for brands

The Japanese luxury market is expected to grow between 6 and 10 percent in 2025, retaining its position as a core luxury market, driven by both solid domestic demand and tourism spend:
• Japan is home to the second-largest number of UHNWIs in Asia, which is expected to grow by more than 12 percent from 2023 to 2028.
• The sustained appeal of Japan as a travel destination and favourable foreign exchange dynamics will buoy inbound tourism, though this trend may be impacted by the yen's trajectory. The Japan Tourism Agency expects annual tourism spend to reach around $100 billion by 2030. The Middle Eastern luxury market will continue its positive trajectory, growing 3 to 7 percent in 2025.
• The HNWI population is expected to grow 15 percent per year between 2022 and 2035 in both KSA and UAE.

• Significant investments in residential and commercial real estate are planned (e.g. the opening of Amaala's 25-hotel luxury complex, the planned 120 percent increase in branded residences by 2030, the Mall of Saudi in Riyadh in 2025), fuelling domestic and international spend.24 The Indian luxury market is expected to grow between 15 and 20 percent in 2025, fuelled by demographic and structural shifts.
• India's UHNWI population is expected to grow 50 percent from 2023 to 2028, making it the fastest-growing UHNWI population globally.
• New luxury malls and department stores, such as the Jio World Plaza and Galeries Lafayette, are increasing luxury real estate in tier-one cities.
• Newly increased taxes on imported goods over INR 700,000 ($8,400) are expected to encourage domestic spending, although the domestic Goods and Services tax on luxury goods remains high at 28 percent.

Note: Luxury includes ready-to-wear and footwear, leather goods, watches and jewellery. Estimates reflect macroeconomic context as of December 2024 and are highly volatile due to FX and tariff uncertainty Source: McKinsey State of Luxury forecasts, based on McKinsey Global Fashion Index in The State of Fashion 2025, McKinsey Global Institute, Euromonitor historicals, ECB, Savills, Trading Economics, analyst reports, company results, expert interview

Jewellery and leather goods are expected to be the most resilient categories through 2027

Source: McKinsey State of Luxury forecasts, based on McKinsey Global Fashion Index in The State of Fashion 2025, McKinsey Global Institute, Euromonitor historicals, ECB, Savills, Trading Economics, analyst reports, company results, expert interviews

The global personal luxury goods market has shown remarkable growth since 2019 and is projected to continue expanding through 2027. Following a sharp decline of 18% in 2020 due to the global pandemic, the market rebounded strongly with a 26% year-on-year growth in 2021. Between 2022 and 2023, growth stabilized at approximately 9% and is expected to maintain moderate increases of 0–5% annually through 2027, resulting in a compound annual growth rate (CAGR) of 2–4%. Market value, which stood at $265–275 billion in 2019, is anticipated to reach $365–375 billion by 2027. Categories like apparel, footwear, watches, jewelry, and leather goods have all contributed to this growth, with each segment maintaining steady contributions over the years. Regionally, growth rates between 2019 and 2023 varied, with the highest increases observed in specific regions, while future projections (2023–2027) indicate a stabilization and modest acceleration across regions.

With historical levers exhausted, performance across categories will be mixed

Source: McKinsey State of Luxury forecasts, based on McKinsey Global Fashion Index in The State of Fashion 2025, McKinsey Global Institute, Euromonitor historicals, ECB, Savills, Trading Economics, analyst reports, company results, expert interviews.

Luxury category growth, 2025E-2027E

LUXURY APPAREL & FOOTWEAR
(**2–4%** Estimated annual growth rate for luxury apparel and footwear)

- **Key growth drivers and barriers by geography**
    - Sustained appetite to spend on fashion for special occasions, such as events or weddings.
    - Increased desirability of new apparel-focused brands with minimalist styles, such as Khaite, Lemaire, and The Row.
    - Decreased spend from aspirational customers given reduced disposable income, with a greater impact on luxury footwear than luxury apparel.
    - Competition from the secondhand market.

LUXURY LEATHER GOODS
(**4-6%** Projected annual growth rate for leather goods.)

- Short-term resilience of iconic products, seen by clients as holding value over time (e.g., Hermès Birkin).
- Sustained demand for luxury gifting, often for special occasions.
- Mixing of luxury accessories as statement pieces with non-luxury items.
- Opportunity to create exclusivity through limited editions and personalization.
- Competition from the secondhand market.

LUXURY WATCHES
(2-4% Forecasted growth rate for watches.)

- Increased production capacity of the "Big Three" (Patek Philippe, Audemars Piguet, Rolex) expected 2024 to 2029.
- Increased availability following changes to product distribution, with multibrand retail sales associates acting as “concierge” to clients, securing coveted products.
- Continuous decline of traditional watch-wearing due to competition from smart and sports watches.
- Reduced speculation (buying watches to sell for a profit) for iconic watches.
- Increased competition from the pre-owned market, putting downward pressure on prices.

LUXURY JEWELLERY
(4-6% Predicted annual growth rate for jewellery.)

- Rising demand from ultra-high spenders and continuous investment from luxury houses into technology and expertise.

- Shift of customer preferences from non-branded to branded jewellery.
- Younger, diverse clientele purchasing jewellery, with new gifting occasions and genderless collections.
- Uncertainty over the impact of lab-grown diamonds on the market for natural stones.
- Unclear evolution of bridal-related demand following years of post-pandemic rebound.

Executives expect to drive more growth through volume increases rather than price in 2025

According to the BoF-McKinsey State of Fashion 2025 Executive Survey, conducted in August 2024 among executives of luxury and affordable luxury companies, 26% of respondents expect their company's global sales growth in 2025 to exceed 10% compared to 2024, while 24% project growth in the range of 5% to 9%, and 28% anticipate a modest increase of 0% to 4%. A smaller portion expects no change (7%), a decline of -4% to 0% (14%), or a drop of -5% or more (2%).

When asked about expected changes in retail sales prices across all products/categories in the following year, 55% of respondents plan to increase prices, with 39% expecting a rise of 1% to 5%, 13% predicting a 6% to 10% increase, and 3% foreseeing growth of more than 11%. Meanwhile, 33% anticipate no price changes, and 13% expect slight to significant declines.

Regarding retail sales volumes, 66% of executives predict an increase, with 31% estimating growth of 1% to 5%, 19% expecting a 6% to 10% rise, and 16% projecting growth exceeding 11%. Meanwhile, 15% foresee no change, and 18% predict declines ranging from -4% to -5% or more.

Top-spending clients will create 65 to 80 percent of global market growth through to 2027

Global luxury personal goods and experiences market by customer segment

The luxury personal goods and experiences market from 2023 to 2027 is expected to see 65–80% of growth driven by high spenders (annual spend: €10k–70k) and ultra-high spenders (annual spend: >€70k). Ultra-high spenders are projected to contribute 15–20% of growth, while high spenders will drive 50–60%. Aspirational luxury spenders (annual spend: €3k–10k) and others (annual spend: <€3k) will each contribute 10–15% to growth. The market size in 2023 is estimated to be $600–800 billion, with ultra-high spenders accounting for ~€70–105 billion (10–15%), high spenders ~€140–175 billion (20–25%), aspirational spenders ~€105–140 billion (15–20%), and others ~€315–350 billion (45–50%). In terms of market volume, ultra-high spenders represent 0–1% of individuals, high spenders 2–3%, aspirational spenders 5–12%, and others 80–85%.

Insights

- **Very important clients (VICs)** will be central to luxury brand growth in the coming years, as these ultra-high spenders are less impacted by slower market conditions than aspirational shoppers.
- High spenders and above make up only 2–4% of the luxury client base but currently account for 30–40% of the market's spend. They are projected to drive 65–80% of growth from 2023 to 2027.
- Concentrating on this smaller pool of potential clients means competition between brands for customers' attention will be high. Brands should differentiate their offerings as much as possible and create robust customer engagement engines.
- To capture growth in the years ahead, brands should focus on the top-spending client segments while also investing strategically in building relationships with aspirational and other spenders, who account for around 60–70% of total spend.

a. Market values for luxury personal goods (designer apparel, leather goods, jewellery and watches) from McKinsey State of Luxury 2024; model for luxury travel and hospitality from McKinsey State of Travel 2024, Global Wellness Institute for luxury spas, McKinsey State of Beauty 2024 for luxury beauty, Fortune Business Insight for premium home and décor Source: McKinsey State of Luxury analysis, based on McKinsey State of Tourism and Hospitality 2024, Knight Frank, Wealth-X, Credit Suisse/UBS, Capgemini, Global Blue Shopping Report, Project Max Travel Advisor Surveys (October and November 2023), Beyond Boundaries: Redefining Aspirational Luxury Consumers (McKinsey, April 2024), McKinsey State of Beauty, Global Wellness Institute, Fortune Business Insight, expert interviews

Piaget: Powering Up Icons

The Richemont-owned jewellery and watch brand is enjoying newfound momentum after relaunching its Polo 79 timepiece — part of a broader programme to reactivate the glamour of its jet-set glory days. CEO Benjamin Comar shares his vision for how Swiss watchmakers can reach new clients and increase their desirability in a challenging market for hard luxury. ***- BY ROBIN SWITHINBANK***

In 2024, the value of Swiss watch exports slipped after two years of record sales in 2022 and 2023. Brands battled the lingering effects of inflation across key markets, a sustained deterioration in Chinese demand and a challenging geopolitical climate amid conflicts in Ukraine and the Middle East. Volumes also continued to slide: Despite a bump from Swatch and Omega's MoonSwatch (estimated to shift around 1.5 million units a year), the number of Swiss watches exported each year has roughly halved since 2015. There were signs of life, though. The US continued to grow and consolidate its position as the industry's engine room, as did Japan, Korea and India. For luxury watchmakers, the challenge is to increase desirability and market share in a shrinking market. Benjamin Comar was appointed chief executive of Richemont-owned watch and jewellery brand Piaget in 2021 after stints at Cartier, Repossi and Chanel. Comar has positioned the 150-year-old Genevan company around what he calls "extrelegance" — products that marry extravagance and elegance. In February 2024, Piaget reintroduced one of its most iconic designs, the Polo 79 grooved gold sports watch that crystallised the jet-set glamour associated with the brand in the late 1970s. Under its then-leader Yves Piaget (great-grandson of the company's founder), the brand fostered a community of illustrious A-listers including Jacqueline Kennedy Onassis, Elizabeth Taylor, Sophia Loren and Andy Warhol — a “Piaget Society” which Comar hopes to recreate today.

The relaunched Polo 79 won the Iconic Watch Prize at the Grand Prix d’Horlogerie de Genève in November. The same month, the company announced a new collection inspired by another 1970s design: a dress watch with a stepped, TV-shaped case known for its association to Andy Warhol.

Comar outlines his vision for reactivating Piaget’s heritage and evolving its business to power growth in a challenging market. Piaget just celebrated its 150th anniversary. How did you activate this milestone and what results did you observe? It’s been a year of reinstating the brand’s real DNA and codes. This has created momentum and the results have been great. We’ve staged a touring exhibition of vintage pieces, which showed the continuity of creation at Piaget. We also revisited some of the great watches with the update of the Polo 79, the Andy Warhol collection and Altiplano Ultimate Concept Tourbillon. In its most recent report, Richemont’s watch division reported sales down 17 percent year on year. What factors are driving this downturn? In business terms, it’s been a complicated year, especially in China, which is suffering. This is the same for the watch industry in general. But [at Piaget] we’ve compensated for this with [growth in] other markets. Do you expect this downturn to continue in 2025? I’m an optimist. My gut feeling is that it will get better. You have to work to get out of the situation as fast as possible with products that seduce people. We’re in a moment of reconnecting with our true client base, so I have high hopes. Can the industry bounce back without China? Yes, because over-exposure to China is behind us now. The story towards the end of 2024 was of brands resorting to furlough schemes and cancelling orders, and retailers selling back inventory to manufacturers. Is that your experience? We are less exposed to returns because we have much more [direct-to-consumer (DTC)] retail than most watch brands. So we don’t have the same phenomena. Where do you see the most potential for the industry to grow? I’d say Southeast Asia, Korea. The Middle East will continue to do well. And obviously the US, which I think can still grow a lot more. For Europe, let’s stay cautious. We have high hopes in India, which is starting to grow. The Swiss franc remains strong. How will this shape the industry in 2025? From what I read, it’s expected to weaken. But when a product is 100 percent made in Switzerland, and when the percentage of manpower in the value of a watch is high, obviously your costs increase [when the Swiss franc is strong]. Prices of luxury Swiss watches have soared since the pandemic. It’s been reported that consumers are suffering from pricing fatigue. Have you witnessed this? The valuation of the Swiss franc has not been easy for everyone [in watchmaking], but even if your costs increase, you have to respect your customers. Richemont has invested heavily in retail and DTC distribution in recent years. How successful has this transition been? How will this strategy shape the next five years? We are majority retail, but I like the balance we have between direct-to consumer and partnerships with retailers. It helps you take the temperature. In your own retail, you can showcase your world and in our case that we’re a multi-faceted brand with watches, jewellery, high jewellery, and products for men and women. So it’s true that retail is the natural way and you get to know your customers through it. But our partners introduce us to people that we don’t know. We try and work with them to offer the same level of experience for customers so that the difference between the two is getting thinner and thinner. Experiences are often labelled as a threat to hard luxury as customers increase spend on travel and leisure. How is Piaget responding to increased demand for experiences? Experience and personal service are of course part of a luxury purchase. For us, we try and make people understand what the craftsmanship in our work is about. We do a lot of workshops in-store about stone selection, stone-setting, gold and drawing. Sometimes, when you put products in advertising, we can lose the value of what’s behind them. We want to reinstate that. We also do workshop visits and give freedom to our local markets to create experiences that gather people together and create good, honest moments. Changes in regulation mean that by the end of the decade, large Swiss companies will be obliged to adhere to the EU’s new sustainability reporting rules. How will this shape your decision-making over the next three to five years, and how are you preparing for this now? We're following the sustainability laws and I think it's very important we have to do that. For us, it's a [Richemont] group thing and not a brand-by-brand thing and so we work with the group on this. A lot of improvement has been made and there's more to be done. How should the industry adapt to the behaviours and interests of Gen-Z? I don't really like this adapt thing. Looking forward and tradition aren't against each other. I don't make segmentation about age or regions. Each time I've done that over the past 30 years, I've been wrong. Younger generations are more educated on luxury and they are more motivated by emotion than older generations were. I believe you simply have to be true to your DNA. Some will like it, some won't. Younger generations are turning to certified pre-owned to find better price-to-value ratios, particularly as secondary market values decline. What plans do you have in this space? I have no formal plans, but it's something we're looking at. We're certainly very proud of what Piaget did in the past. If we do [resale], we'll do it the right way. Prices of Piaget watches were lower to start with [than some brands, such as Rolex and Patek Philippe], so we are happy with what's happening [with Piaget watch prices] on the second-hand market, which is helped by the release of the Polo 79 and the Andy Warhol products. The second-hand of tomorrow will be strong, and prices will go up again. In 2024, a large number of new brands entered the market. Do these micro-brands pose a challenge to establishment players? A market with no newcomers and no innovation is a dying market. So these brands are a sign of a healthy market. And they push the big brands to be creative and not sit back in their armchairs. Globally they give the market visibility, and we're better when we're together. Cutting through the noise to reach potential customers remains difficult. How vital is it now to work with collaborators, such as the Andy Warhol Foundation in your case, to amplify your position? I wouldn't say "vital." It's not a fulltime strategy. If you do it, it has to be very adapted to your story. For us, the Andy Warhol watch was an officialisation of a name we've always known. Looking ahead to 2025, what are the industry's biggest threats and how will it counter them? The threat is to do short-term things and be too influenced by fashion, and to do too much. For hard luxury, the basics are transmissibility, long-term products, value creation and desire. And what would you say is the watch industry's outlook? The watch industry has cycles. So I think it will come back. In any case, there's a dichotomy between East and West and most of [the decline] is in the Chinese market. And we don't know what's going to happen there. But already we see that high-ticket items continue to do well in China. It won't be an endless downtrend.

03. CUSTOMER INSIGHTS

Luxury's promise has fallen short of expectations

• On top of challenging macroeconomic factors, luxury players have struggled to keep their promises to customers, primarily when it comes to quality and price. This is undermining the perception of exclusivity that is so critical to the luxury model. Luxury brands must uncover what matters to their clients to reinstate their worth.
80% of UHNWIs (Ultra-High-Net-Worth Individuals) say they want to discover new, niche brands

• Customers are increasingly opting to trade-off luxury goods purchases for experiences, such as travel and health and wellness. Time is the greatest luxury of all, and customers perceive these experiences to enrich their time more than expensive items. While a threat to personal luxury goods growth, it is also an opportunity for brands to evolve their engagement strategies and portfolio.
~80% of HNWIs (High-Net-Worth Individuals) expect to shift part of their spend to experiential luxury and wellness

• Customers express high expectations for luxury brands in terms of both product innovation and in-store experience. Brands must build capabilities and evolve their operating models to meet growing expectations
36% of luxury customers believe that luxury in-store experience has worsened.

Luxury’s value equation — and the relationship between price and quality — is in question

Customers are questioning whether luxury products are worth their high price tags

- **Price increases are hitting ceilings across all customer segments:** Price increases have reached levels where some luxury clients no longer perceive them to be justified, neither according to brand value nor product quality. Social media analysis suggests that luxury clients are vocal about ongoing price increases, while aspirational clients’ discontent with price increases is exacerbated by ongoing financial constraints.
- **Customer brand loyalty is at risk in the absence of innovation and attention to quality:** Online conversations reveal that luxury clients express a growing desire for novelty, which they find in emerging brands, as well as intrinsic product qualities such as materials, design and craftsmanship. In challenging times, luxury clients also tend to favour brands and wellmade items they think will best retain their value over time. In search of affordability and uniqueness, customers are turning to pre-owned goods.
- **Customers increasingly value experiences over luxury goods:** The majority of luxury clients say they make more frequent trade-offs between luxury goods and experiences, such as travel, hospitality, and health and wellness. Whilst excitement for luxury goods remains high, experiences can be seen as more exclusive and personal and can carry more social clout than owning luxury goods.
- **In-store shopping does not deliver a consistent luxury experience:** While multiple brands have already made significant investments to improve the customer experience across channels, luxury clients continue to report frequent pain points associated with their shopping experience. Social media only serves to amplify the visibility of luxury clients’ frustration.
- **Customers express concerns around ethical craftsmanship in luxury:** The majority of customers expect luxury brands to demonstrate high sustainability and ethical sourcing standards. Luxury’s recent labour exploitation allegations further disillusion customers and undermine the value proposition of luxury products.

1. **Price**

Customers across segments feel price increases aren’t justified by quality or innovation: Around 80 percent of interviewed UHNW clients express dissatisfaction with ongoing price increases and many link this to the discussions of quality and innovation. Similarly, 41 percent of social media conversations related to luxury prices include frustrations about luxury becoming less affordable amid price increases and intensifying economic pressures. While discontent with luxury prices is relatively consistent globally, it is even more apparent in the UAE, where luxury price-related comments online occur around 4.5x more than the global average, predominantly focused on price disparities between different markets.

“That’s the catch: the prices have gone through the roof while product quality has not necessarily gone in the same direction”. — UHNWI, Europe

"You cannot just double the price in a few years… luxury does not justify it all" — UHNWI, Europe

UHNWI and HWNI are categorized by Knight Frank as having respectively at least $30m and $1m in assets, including their primary residence Source: McKinsey State of Luxury Interviews with UHNWI, HNWI and aspirational clients (US, France, China, Japan, South Korea, UAE), of which selected conducted in collaboration with the Luxury Institute, The Business of Fashion, Marketvision, brand websites as of August 2024, expert interview

The price range for select luxury bags across seven major brands has experienced notable growth from 2019 to 2024, reflecting significant shifts in the luxury market. In 2019, prices ranged from $1,320 to $10,100 USD, whereas by 2024, this range is projected to rise to between $2,040 and $11,400 USD. This represents a substantial 55% increase in the minimum price and a more moderate 13% increase in the maximum price.

Brands must rethink their target customer base and tailor their product portfolio accordingly

Luxury brands are facing a significant challenge as they contend with a more diverse client base, as well as growing disparity in luxury spending power, preferences and expectations. To navigate these challenges, luxury brands need to revisit their target client segments to prioritise which customers they want to address. They also need to invite new customers to their brand, meeting them through the channels these customers use. This involves making strategic decisions on how best to address the unique needs of each segment and adjusting their price architecture accordingly, all while protecting brand equity. However, customers do not neatly fit into static, monolithic segments. To truly understand their clients, brands must define dynamic customer segments that blend demographics, spending habits and psychographic attributes. This requires investing in deep, next-generation insights across channels to identify and engage customers effectively.

- **ULTRA-HIGH & HIGH SPENDERS**
    - Continue to elevate the brand mix with exclusive limited editions and personalized products
    - Integrate holistically into the lives of top spenders through VIP spaces
    - Expand into lifestyle categories like hospitality or by offering money-can't-buy experiences
- **ASPIRATIONAL SHOPPERS**
    - Rework product range and price architecture to cater to shoppers who have been priced out by recent price increases
    - Foreground in marketing products at entry price points that enable aspirational customers to enter the brand's universe
- **ENTIRE LUXURY CLIENT BASE**
    - Ensure brand consistency across products, experiences and price points
    - Create memorable touchpoints both in-store and online to build lasting emotional connections and brand loyalty
    - Inspire customers through innovative design and marketing messages that reinforce brand prestige

2. **INNOVATION AND QUALITY**
   Customers flock to innovative brands with high-quality products and staying power
   - **DESIRE FOR INNOVATION:** 80% of UHNWI clients highlight the desire to discover new, niche brands and mix/match. Some clients, especially HNWIs and those who are less vulnerable to financial difficulty, express a desire to find novelty and innovation and actively look for emerging and local designer brands.
   - **QUALITY AT THE FOREFRONT:** 37% of online discussions suggest that brands that prioritise exclusivity and quality are more likely to retain clients. HNWIs pay attention to intrinsic product qualities, such as quality, design and craftsmanship.
   - **SEARCH FOR LONGEVITY:** 70% of clients surveyed express strong loyalty towards established brands. Clients (especially aspirational ones) tend to prioritise brands that hold their value over time. 25 percent of online discussions connect macroeconomic factors and related financial constraints (e.g. inflation and currency fluctuations) to a potential decline in brand loyalty.

   For value-minded luxury customers, unique pre-owned goods make for smart purchases
   - 1 in 3 US luxury customers have bought or sold on a resale platform
   - 1 in 2 US luxury resale customers did not enjoy their experience
     Top cited reasons: Quest for unique, hard-to-get pieces, Thrill of finding attractive deals, Appetite for more sustainable choices, Easy checkout flow.
     Top cited deterrents: Authenticity concerns, Product quality, Difficult sales process (e.g. tariffs, duties), Limited supply of most desired products.
   - Chinese clients are increasingly adopting resale, but authenticity, origin and cultural stigma associated with pre-owned goods remains.
   - French clients express deep engagement in resale with a long history of appreciation for vintage and pre-owned goods.
   - UAE clients are the most sceptical about resale, as their purchases are mostly driven by status and buying resale suggests one cannot afford to buy new.
   - Japanese clients express a relatively high resale adoption rate, with resale deeply embedded in local culture and aligned with values of sustainability and minimalism.

   25 percent of online customer conversations about luxury resale are linked to an appreciation for the uniqueness and history of secondhand and vintage luxury. Another 24 percent is related to the affordability and accessibility of pre-owned luxury goods. Concerns still exist around authenticity and reliability in resale, however. 20 percent of conversations revolved around buyers seeking reliable platforms that can guarantee the authenticity of pre-owned luxury goods. In countries like the UAE where there is a high level of scepticism around pre-owned luxury, there is positive sentiment from younger customers and expats sharing their experiences of buying affordable luxury through resale platforms. Chrono24 and StockX were specifically cited as trusted platforms to purchase authentic pre-owned luxury.

Source: McKinsey State of Luxury Interviews with UHNWI, HNWI, and aspirational clients (US, France, China, Japan, South Korea, UAE), of which selected conducted in collaboration with the Luxury Institute, Quilt.AI analysis for BoF Insights

3. GOODS VS EXPERIENCES

As clients shift spend away from luxury goods, unique on-brand experiences can drive growth

~80% of HNWIs expect to shift part of their spend to experiential luxury and wellness:

- Among these customers, there is a shared feeling that they have "overconsumed" since the pandemic.
- UHNWIs also express excitement to spend more on other categories including home décor (~71 percent) and travel and hospitality (~64 percent), and less on personal luxury goods.
- Clients say they are seeking more ways to enhance their lifestyle, take care of themselves (both physically and emotionally) and share meaningful experiences with their communities.

Brands can lean into money-can't-buy experiences to generate exclusivity for their top-spending clients:

- Offering top-spending customers and UHNWIs exclusive benefits and invitations to closed events fosters a sense of belonging to the high-fashion community. This provides customers with a newfound sense of value for their luxury purchases and promotes brand loyalty.
- These experiences should align with a brand's values and ethos. Rather than attempting to do it all, brands should focus on creating experiences that feel authentic and are deeply connected to what the brand stands for, ensuring they are an organic extension of its identity.

Mytheresa invited 30 of its top customers to designer Brunello Cucinelli's private 70th birthday celebrations for family and friends of the brand.

Cartier extended invitations to its masquerade ball at the Belvedere palace in Vienna to some clients.

Max Mara hosted a dinner in the courtyard of Doge's Palace in Venice inviting its top clients.

Evolving the portfolio beyond luxury goods provides new engagement points for brands

Operating profit and level of client acquisition and engagement by product/service category

Key Details:

- **Market size 2023, EUR (billion)**
  - Beauty: High-profit margin (~35%).
  - Jewellery and Leather goods: Around 30-35%.
  - Ready-to-wear and Premium home décor: ~25%.
  - Watches, Luxury spa : ~20%.

- Luxury travel & hospitality: Lower margins (15-20%).(Profitability highly dependent on chosen operating model (e.g. licensing, owner and operator)

Analysis:
Luxury executives should consider adjacencies as new growth opportunities that can play a key role in acquiring new customers. However, leaders must be aware of the different profitability and cash dynamics of each category. Travel and hospitality ventures may help brands tap into customers' lifestyles more broadly, but they may also be riskier due to lower profitability. Striking gold in a category expansion is possible, but it will likely remain a marketing vehicle for most luxury players.

Within large luxury groups, executives should assess how their own brands could better engage customers and determine whether new categories or collaborations can help bridge this gap.

Equinox Group: Making Health the Ultimate Status Symbol

Spearheading Equinox's evolution from upscale gym to luxury wellness and lifestyle brand, executive chairman and managing partner Harvey Spevak has led the charge to stay relevant with a wellness-obsessed clientele. BY LIZ FLORA

When Harvey Spevak took the helm of Equinox Group in 1999, its properties consisted of five well-appointed gyms. Since then, he has overseen its move into spas, hotels and healthcare to meet its affluent customer base's growing interest in optimising every aspect of its health. Across 110 clubs, members can now access classic spa treatments and trending services like cold plunges, cryotherapy, infrared saunas and compression. In May 2024, it added the $40,000- a-year Optimize by Equinox programme featuring a concierge, trainer, nutritionist, massage therapist and sleep coach, along with blood tests from health management platform Function Health. Spevak is positioning Equinox to be at the forefront of luxury wellness today, a space occupied by high-spending clientele looking for exceptional service and the latest cutting-edge treatments as they try to live longer, healthier lives — physically and mentally. While women have historically been the target market for the wellness world, for Equinox that group includes a growing number of men looking for offerings beyond fitness equipment. The journey hasn't come without challenges, most notably during the pandemic. The group is still working to entice members back in its aftermath. But the recovery efforts have paid off, according to Spevak, as member numbers have almost fully recovered. Now Equinox is focused on the future as it charges ahead with its expansion. In September 2024 it had plans to open three more clubs within the year, with 30 more in the pipeline, and means to extend its hospitality push as well. After unveiling its first hotel in New York in 2019, it hopes to open a Saudi Arabia resort by the end of 2025.

Equinox has expanded into an array of wellness and hospitality services. What consumer mindset shifts have prompted this evolution? Over the years, we've done a great job of leading and anticipating where the consumer is going. The most recent example of that is the hotel. When we first started thinking about doing an Equinox hotel, people were like, 'Help me understand that. Is this just going to be like a gym with rooms on top? What are you exactly doing?' And we said, 'No, consistent with what we do, it's going to be a holistic and unique experience and offering.' If you think about how we think about the consumer, just as a brand, we're always looking for unique ways to engage our members, and we think about it holistically, from a science perspective — what we call high-performance living and catering to those who want to live a high-performance lifestyle. Are luxury consumers shifting more spending from physical luxury goods towards health and wellness? There's no doubt that the consumer is more focused on experience and not just products. We've been at the cross-section of that — experience, luxury, wellness and community — for many years, if not the pioneer in a lot of that. Many years ago, the younger population would — if you were single in a major city, like where we operate — go out and party 'til 3:00, 4:00 in the morning [on weekends], hope you don't get in trouble, and then you would sleep it off the next day to whatever time you woke up. And you would do it again the next night. Now, people at all ages might have dinner out, but it's important that they get home at a decent time, because they want to get a good night's sleep so they can go and experience their favourite class at Equinox. Thinking about post-pandemic consumer psychology, do consumers want indulgence now, or do they want self-discipline? Our hotel brand positioning has been from the day we opened for those who want it all. The consumer today, certainly our consumer, wants to travel, wants to have a good time. I can't talk about the hedonism part, but psychedelics and mental wellbeing is a huge part of what's happening. Do you have a vision of the future where wellness sits in with the wider luxury space? The consumer that we target very much wants a lifestyle experience, a unique experience, but an elevated experience. They want something that's high-touch, service-oriented, thoughtful around design, has the right amenities. That's what the consumer expects more of, and they expect you to deliver more uniqueness. We have an Equinox in West Hollywood on Sunset Boulevard. We wanted to do something unique, more forward-thinking, so we've been working with the sculpturist Daniel Arsham. Daniel helped us reimagine what that club should be. That's going to be a good representation of what we think the future will be like from an experience perspective. Do you think that health and fitness is becoming more of a status symbol compared to luxury goods these days? The status symbol, in my mind, is not comparing to luxury per se. The status symbol is, 'I'm living a healthy lifestyle, which gives me a lot of energy, that gives me a lot of permission to explore all aspects of life.' What's amazing to me is the convergence of fashion, luxury, music, entertainment, sport, hospitality, wellness — it's all of that coming together. Celine doing stuff in Pilates or Hermès doing stuff around yoga. That is all converging, and it's because the consumer wants the high-performance lifestyle. Did the pandemic cause any long-term changes to customer behaviour in terms of spending on wellness as a luxury? Higher spend — in a lot of cases, no limit on what they will spend, as long as you give them a high-quality product and a high-quality experience. What our members have proven to us, time and time again — and Equinox Optimize is a good example — is if we put in front of them a high-quality, differentiated offering with our authority, our authenticity and our expertise, they get excited about it and they'll pay for it. Equinox Optimize is a $40,000 membership. We have hundreds of people on a waitlist eager to become Equinox Optimize members. The consumer has more discretionary income for health and wellness than ever before.

What are the strategies for getting members to keep up their Equinox memberships? Our most engaged members are, frankly, from a business perspective, our most lucrative members. If you're getting results, you're going to feel good, you're going to become an evangelist for the brand, and you're going to stick around longer. How we do that is by making sure we've got that great experience, high level of service, great touchpoints in terms of our amenities and what happens in the locker rooms. We just transferred from Kiehl's to Grown Alchemist. What are the top emerging trends you see shaping the future of luxury wellness? It's very much focused on longevity, GLP-1 [glucagon-like peptide-1, the hormone mimicked by weight-loss drugs such as Ozempic], 'how do I use biomarkers and data to inform what I'm going to do and what results I get?' There's a growing focus from men in terms of how they think about wellness. There's a growing focus from women about how they think about longevity, and all of that ties into unique experiences. Equinox recently unveiled its GLP-1 Protocol, a personal-training programme designed for clients taking GLP-1 agonist weight-loss drugs. What kind of reception have you seen for your GLP-1 programme and will

Equinox ever offer GLP-1 medications directly? We do not see a future of offering GLP-1 directly. We think that's for the healthcare practitioners. There are places that are willing to do that for you, and we think that's a big mistake. You should be under the care of a medical professional, and that's not who we are. With that said, there's been a tremendous amount of interest in the GLP-1 protocol that we developed. What are customers' expectations around longevity these days, and how do they align with what can be accomplished? We all want to live longer, but we also don't want to be sedentary when we live longer. People are very focused on 'how am I going to not just extend my life, but how am I going to do it in a healthy way?' The concept of wellness is always talked about, most often with businesses targeted toward women and the wellness industry. Have you seen men shift their focus from fitness more to overall wellness? Yes, and that shows up in a lot of ways. We see that with a higher level of engagement, just like we see with women, but we think that men are more focused on preventative care. Men are at the beginning of a trend of really engaging more and more in terms of their holistic and overall wellbeing, not just the physical and working out. There's been talk about IPO possibilities over the years, so you raised the $1.8 billion to refinance maturing debt. What would the financial picture need to look like in order to pursue an IPO in the future? We have and continue to be focused on our long-term vision of building a global luxury lifestyle brand. There's so much desire for us all around the world. We're not focused on an IPO right now. We get calls, we get bankers, you know, at the right time, we'll consider it.

Marriott International: Redefining Luxury Travel

The post-pandemic travel boom may be on the wane, but in its wake it leaves a tourism market that has been utterly transformed. Tina Edmundson, president of luxury at Marriott International, explains how the hospitality giant is adapting its offerings to customers' rapidly evolving needs. -BY BRIAN BASKIN

The travel industry has emerged as one of the big winners of the post-pandemic era. From the moment lockdowns lifted, tourists flocked to destinations both exotic and domestic. This was about more than making up for lost time; numerous surveys of spending habits show that customers are steering spending away from tangible goods and towards experiences of all kinds. Marriott International, which puts its stamp on over 9,000 properties in 142 countries across its more than 30 brands, has been rapidly evolving its approach to hospitality to meet this new demand. Nowhere is that truer than in the company's luxury division. While customers of all income levels travelled more post-Covid, the explosion in tourism among the wealthy has proven the most enduring. What these tourists want is also changing. Many now approach travel holistically; the hotel is no longer just a place to sleep, but an integral part of the experience. For high-net-worth travellers, this means fine dining, personalised experiences and high-touch hospitality. Marriott is in the midst of a rapid expansion of its luxury properties, with committed plans as of the third quarter of 2024 to open an additional 245 luxury hotels in the coming years under brands including St. Regis, Ritz-Carlton and JW Marriott. The company is also finding success with a push into new luxury tourism hotspots such as India, and with hospitality formats, including yacht cruises and all-inclusive resorts that put a high-end spin on categories that haven't always had the best reputation among luxury travellers. Marriott is also taking a more active role in shaping customers' stays, whether through retail partnerships or resorts built around adventure.

For a couple of years after the lockdowns lifted, we saw this huge surge in travel, pretty much across the board, at every price point, every destination. We've seen something of a return to normal and even signs of a slowdown in certain segments. How are things looking at the high end of the market? We are definitely seeing some normalisation in markets like the US, as well as in Greater China. We continue to see huge demand and numbers in the rest of the world, including countries like India, all of Europe and the Middle East. Even within luxury, ultra-luxury seems to be quite unaffected. They exist above the fray, if you will. I will say, overall, luxury travel is still on the rise. We see that as customers continue to trade goods and things in order to have experiences. Travel is a wonderful canvas to be able to do that. The absence of Chinese tourists in many international destinations has been a huge story since their lockdowns lifted. How is Marriott working to get those customers back? Luxury travel in China is moderating, which is different from the Chinese traveller outside of China, where we are actually seeing quite a big pickup. They're cautious, and so we're seeing a lot of last-minute, shorter-term bookings. Your CEO recently said there are signs, even in the luxury sector, of travellers pulling back on certain types of spending [such as] food and drink. How does that manifest at your locations? It really depends on where the customer is and what they're looking for. Post-pandemic, customers that are not necessarily high-net-worth are trading up. [But] they're being conscious of where they want to spend. So yes, they are choosing the five-star location but will be much more surgical about where else they want to spend their money during that vacation. It might be instead of five nights of gourmet restaurants, I might be doing that twice. There's been this huge ramp-up at the very top of the market, $1,000- plus-per-night hotel rooms, for instance. What's driving that and is there still much more room to grow with these ultra-high-net-worth clients? There has been a real mindset change. [The pandemic] proved to us that travel was not discretionary. People realised that they needed to travel for their own wellbeing; it became fundamental. They've realised that life is too short. Instead of putting off trips, they have converted their bucket list into a to-do list. As they're doing that, they want to do it in a way that will create memories. For a segment of the population, that means trading up, and that means creating these experiences for themselves and their loved ones that are meaningful. So that's where we have seen a couple of things happen. One, to your point, the price of these experiences is high, but I would also argue that what you're getting is different from what you used to get. We're curating experiences for you. It's really at a different level. I don't think it continues to accelerate at the rate that it did coming out of [the pandemic]. Do I think it is durable? Yes, I think it will continue.

On that experiences front, Marriott is experimenting with some new formats, the all-inclusive resort, the Yacht Collection. What have you learned from these projects and what else might be in the pipeline? Part of our mission is to make sure that we are in places that you want to be, whether it is physical places or experiences. Part of our strategy is really to grow our ecosystem, and to continue to keep [customers] interested and keep them loyal. All-inclusive is a great one. Whereas at one point, all-inclusives were seen as bad buffets and cheap booze, our mission is obviously to turn that on its head. We [opened] our new, allinclusive, luxury collection, called Almare, right outside of Cancun [in October]. We've signed a couple of Ritz-Carlton all-inclusives. We have a W all-inclusive that we'll open next year in Punta Cana. We just launched our second yacht, the Ritz-Carlton Yacht. Again, when you think about cruises, one can conjure up in your mind what that looks like. Ours feels like a RitzCarlton at sea. About 50 percent of people that sail on our Ritz-Carlton yacht are new to cruise. We are clearly attracting a different consumer because they want the RitzCarlton experience, but they don't want the cruise experience. The other thing that we are seeing and that we are acting on is this consumer wants adventure and they want new and exciting ways to travel. We launched the JW Masai Mara Lodge a year ago. That has done extremely well — since then we've also signed three Ritz-Carlton tented lodges and camps, and several other JWs, as well as Luxury Collection ones.

How do you personalise these experiences? Technology plays a big role in it. The ability to capture preferences that customers want to share with us, so that we can provide a better stay. The second part of it is the training that we do on property with associates. Making sure that they are very keenly focused on what guests need, to be able to respond to both expressed as well as unexpressed needs, which really then creates that wow moment. Then the third piece of it is we have a programme for our most important customers, where we provide a personal ambassador [who] will take care of your every need. This is a fun story. There's a gentleman who wanted to propose to his [girlfriend], he said he wanted it to be a surprise. So, he told her that he was going to a conference. The hotel actually sent them conference materials, so it felt totally real. The hotel really ended up being this wonderful platform for him to be able to actually propose, and the hotel was in cahoots with him. I was curious if there's any new frontiers you're exploring on [the personalisation] front, whether it's technology or just a different type of experience that you're looking at. The way we look at it is more of how do we use [technology] to remove the friction and the transaction from the experience. When we think about AI we think about, how can AI help with the grunt work? So that you can actually then just have a conversation with the guest about what they want to do or where to go. Are you open to the idea that AI potentially is also customer-facing? Maybe we'll make such advances in AI that we'll all be surprised, but for right now, [luxury travellers are] very much looking for that personal endorsement. What am I really going to get? Can I make sure that the wine that I select is exactly this one, from this year, this vintage? You don't get that through technology; you have to get that through people. Tell me how Marriott thinks about retail within your properties. What makes a good partnership? We love the relationship between hospitality and retail. They are so complementary. When people travel, they're much freer. They're not bogged down by all of the stuff that bogs us down at home, whether it's the kids or the job or whatever. So they are much more open, and much more willing to explore, willing to discover and willing to spend. It's a win-win, for the retailer and for the hotel. When we look for partners, we're looking for brands that match our ethos. So, what makes sense for St. Regis may be different for what makes sense for JW. Then we're looking for how does that brand [fit into] the guest's stay? One that we've done is the St. Regis with Vilebrequin. We have a broader relationship with them, four or five hotels, capsule collections, and hugely popular. Then you have the one-offs. Ritz-Carlton Bali, Missoni is going to do a store actually in the hotel, and they're also doing a beach club. It is about bringing their brand to life.

4. **THE RETAIL EXPERIENCE**

Customers say in-store shopping does not deliver a consistent luxury experience

Clients are largely satisfied with their shopping experience but still encounter friction points that could harm their long-term relationship with brands.

Over a third say the in-store experience has worsened in recent years. Expectations are also higher as clients benchmark their experiences against adjacencies such as luxury hospitality, as well as non-luxury sectors like logistics (e.g., Amazon, UPS).

The in-store experience is especially important to older shoppers aged 55 and above, who are more likely to seek inspiration and shop in-store in the US and Europe.

Question:

Do you think the in-store luxury experience has gotten better, worse, or stayed the same over the last

few years?
%

- Improved: 21%
- Stayed the same: 43%
- Worsened: 36%

Top friction points aspirational luxury clients mention when visiting stores:

1. **Impersonal, generic services and communication**
    - *"I emailed client service about an inquiry and got a generic response that did not address my specific concerns. I was so disappointed."*
      — US
2. **Inadequate attention to detail**
    - *"I bought a bag in a luxury store, but when I asked for gift packaging, the store just didn't have the most appropriate packaging and gift box to match this bag."*
      — China
3. **Inconsistent attention given to customers, lower quality service vs. other luxury sectors**
    - *"At a Michelin star restaurant, everyone is treated the same regardless of how much you spend or whether or not you purchase wine. In luxury fashion, service is inconsistent."*
      — Europe
4. **Insufficient expert guidance and product knowledge**
    - *"I came in looking to purchase a watch. My advisor was not knowledgeable of the timepiece, couldn't find a strap, gave me the wrong info. Horrible."*
      — US
5. **Unsatisfactory post-purchase and aftersales experience**
    - *"When you purchase a several thousand-dollar bag, you expect elevated aftercare and repair services. Not to have to pay half of the price tag again a year later."*
      — Europe

Source:
McKinsey State of Luxury Interviews with UHNWI, HNWI, and aspirational clients (US, France, China, Japan, South Korea, UAE), conducted in collaboration with the Luxury Institute.

A superior retail experience requires targeted solutions to customer pain points

PAIN POINTS
Relevance based on luxury customer research findings

Lack of personalised interactions across the omnichannel journey

- Communication and services not informed by client data
- No differentiation across client segments

Solution:
Tap into the "human side" of sales by strengthening knowledge of clients' interests and preferences through granular data collection and analysis. Train store associates to use this data to personalise their interactions and recommendations and create tailored offerings based on client potential.

- Optimise communication through 1:1 clienteling on platforms like WhatsApp.

Continuous in-store frictions

- Long queues
- Lack of stock transparency
- Cumbersome checkout and gifting processes
- Uninspiring environment lacking joy, intrigue, or entertainment

Solution:
Deploy tech-driven solutions to enhance in-store and online operations through centralised omnichannel stock transparency.

- Implement mechanisms to collect, analyse and act on client feedback rapidly, both in-store and in the digital ecosystem.
- Create mechanisms to entertain or inspire clients, such as through technology or in-store activations.

Insufficient guidance and product knowledge

- Limited expertise on product intricacies
- Lack of brand knowledge, which can hinder customer product discovery and engagement
- Lack of multilingual assistants

Solution:
Upskill store personnel by arming them with the knowledge and tools to improve customer satisfaction and engagement, rewarding them with incentives.

- Ensure that the experience remains inspirational and consistent across all interactions.

Unsatisfactory aftersales experience

- Missed opportunities due to unstructured follow-ups
- Scarce aftercare information
- Inefficient return process and repair services

Solution:
Revamp the post-purchase and aftersales experience, incorporating systematic client follow-up to maintain purchase excitement.

- Offer valuable repair services that contribute to brand equity and product longevity.

5. ETHICAL CRAFTSMANSHIP

Customers say that production practices do not align with luxury's craftmanship promise

Here is the structured text from the image:

Question: To what extent do sustainability and environmental/social practices influence purchase decisions?
% share of "extremely important" response

Data on importance of sustainability in luxury purchase decisions:

- **Global:** 50%
    - *Half of luxury clients globally say sustainability is "extremely important."*
- **China:** 72%
- **Japan:** 60%
- **US:** 56%
- **France:** 46%
- **Korea:** 38%
- **UAE:** 28%

Insights on sustainability concerns in luxury:

There is a rising demand for sustainable products, persistent ethical concerns, and increasing skepticism about greenwashing among luxury customers online, as customers call for greater transparency in luxury brands' sourcing and production. Conscious shoppers cite brands such as Stella McCartney and Patagonia for their sustainability efforts while reproaching many other luxury brands for greenwashing.

This issue is further intensified by recent allegations of labor exploitation in luxury supply chains. These allegations, combined with price increases, have further disillusioned luxury customers who expect ethical craftsmanship to accompany high prices.

Product quality and craftsmanship are the cornerstone of the luxury industry's competitive advantage, so investing in and nurturing the supply chain should be a top priority. Without this, brands may risk eroding the reputation they have built through decades of cultivating heritage.

Consumer quotes:

"I expect luxury brands to comply with sustainability standards, but do not actively research their practices."
— Aspirational luxury shopper, Europe

"I try to buy as little as possible, but I don't actually know what brands are sustainable or environmentally friendly."
— Aspirational luxury shopper, US

6. EXECUTIVE PRIORITIES

Luxury companies should evolve their strategies to reinforce their worth to customers

Sharpen the core proposition:

- Clarify the brand's differentiated value proposition.
- Align on priority clients to sharpen the brand's long-term strategy.
- Feed this strategy into assortment, communication, price architecture and customer experience.

Renew focus on product excellence

- Continue to invest resources in creating iconic products that will resonate with target clients.
- Renew the focus on craftsmanship through best-in-class sourcing and manufacturing practices.
- Invest in the longevity of the supply chain, through vertical integration, for example.

Enhance experiences

- Develop unique "money-can't-buy" experiences, both in and outside of stores.
- Tailor experiences to customer profiles, targeting top spenders as well as other promising segments.
- Align experiences with the brand ethos rather than the latest trends.
- Uncover powerful customer insights with tech, AI and data solutions to better personalise customer journeys

Assess expansion opportunities

- Review exposure to different luxury categories and regions (within large groups).
- Define clear goals for category expansion to maximise client engagement while staying true to the brand.
- Allocate focus and resources to these new ventures without impacting the core business.
- Seek synergistic acquisitions to build resiliency and secure a competitive edge