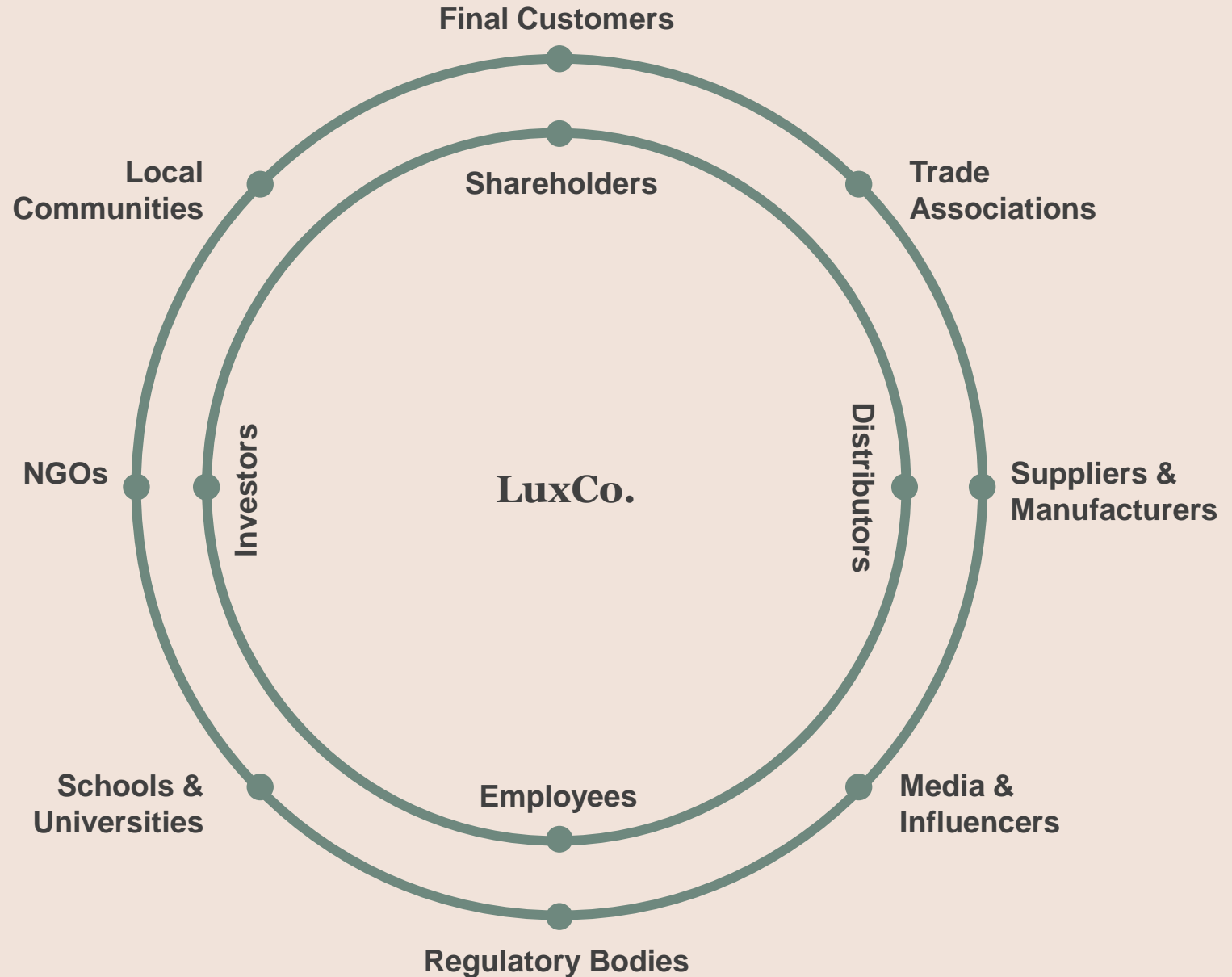


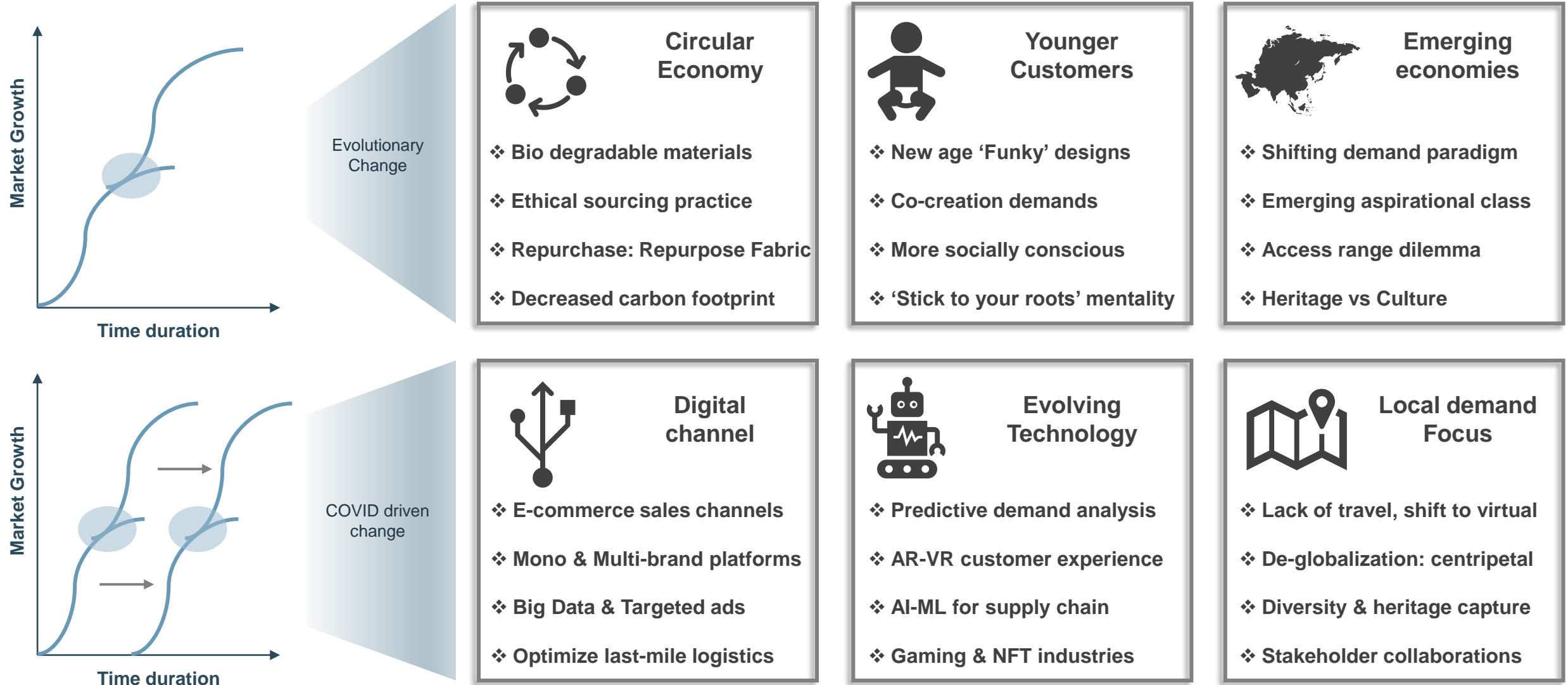
UNTAPPED OPPORTUNITY:

Exploring local
demand growth
for LuxCo



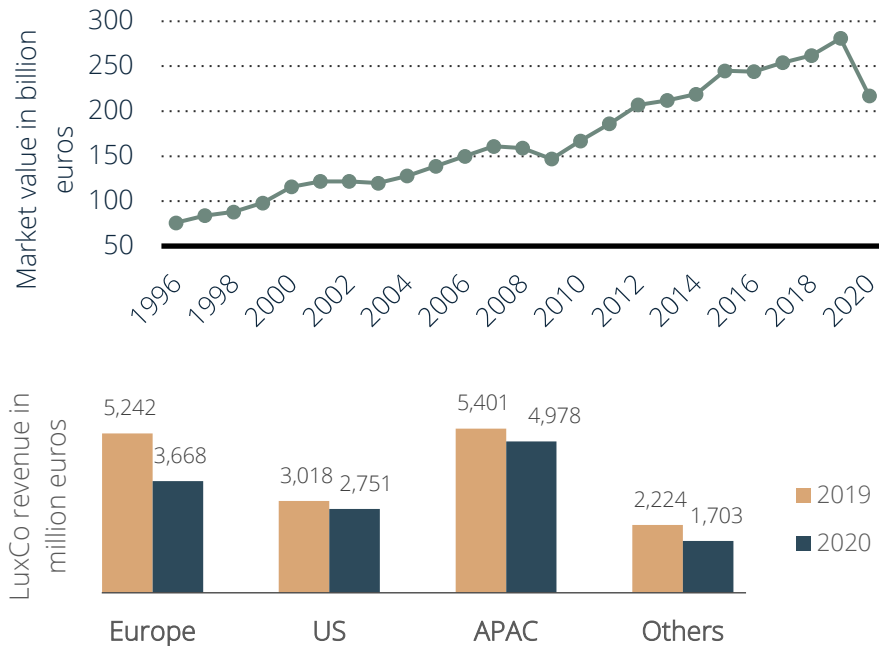
Evolution of the Personal Goods Luxury Industry

Tracing opportunities in the industry to capture value along with new drivers of growth



The Local Demand Opportunity

Exploring the local demand opportunity to effectively use & build capabilities, capitalizing on new market direction

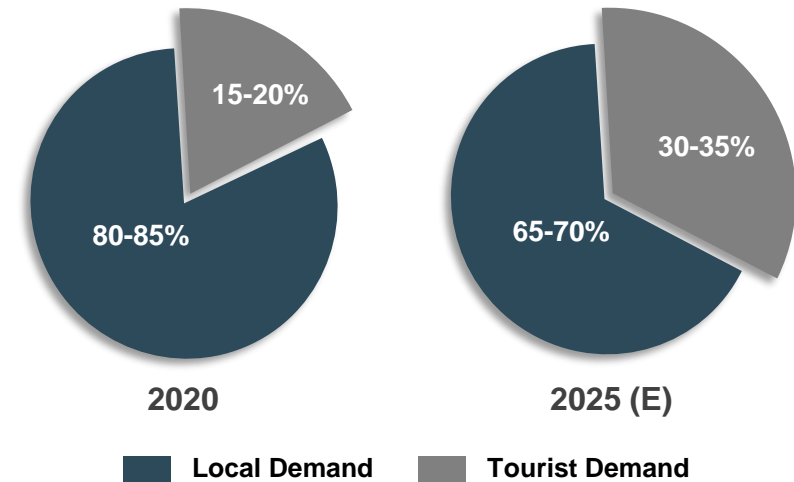


2020: Share of local purchases reached **80-85%**,

- ❖ Driven by curbs on international travel
- ❖ Drastic fall in the total # of intl. tourists

2025 (E): Share of local purchases expected to stabilize around **65-70%**,

- ❖ Driven by domestic relevance in China & the broader Asian region
- ❖ Locals expected to shift to online channels



The Nuance of Local demand: (Opportunities & Challenges)



Connect with **regional culture & heritage**



Scope for **customization** to establish real connect



Language & style variances to tap diverse customer segments

Emerging preference towards **affordable 'access ranges'**



Greater emphasis on **local community & sourcing**



Require **newer ways** of messaging, less **brand loyalty**



Local Influence in Design & Procurement

Starting at the top of the value chain to nuance ideology & operations in line with emerging needs

Recommendations

Implementation

-  Sourcing of local ethnic fabric and prints, **handcrafted design from SMEs**
-  Local themed designs, popular **icons/symbology in designing**
-  Product development focused on the **youngsters and boomers** separately
-  **Cocreation** of limited-edition designs with community involvement,

Operational Steps


APAC:

- ❖ Strengthening supplier community in local area
- ❖ Financial and regulatory support

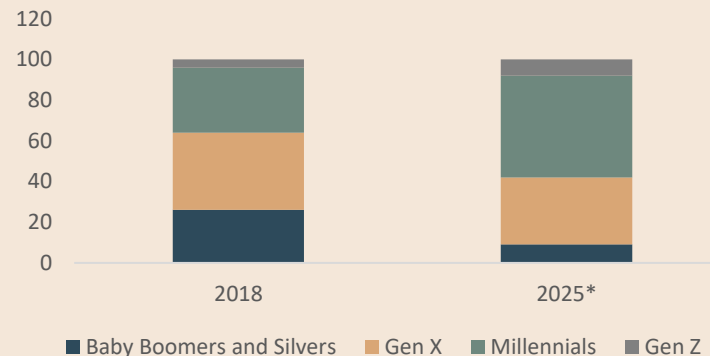
Overall:

- ❖ Two major collections of the year each focusing boomers and youngsters
- ❖ Digital designing competition to initiate co-creation

Rationale

-  **Inclusion**
Co-creation is a rising trend among new gen
-  **Sustainability focus**
millennials & Gen Z focus on sustainability
-  **Diverse preferences of locals**
standard design vs local markets is a huge challenge
-  **APAC is major market for LuxCo**
Focus on emerging local markets

Generational Shift in Consumers



Cost/Benefit Analysis

Costs associated

Procurement Cost

Complexity in Supply Chain

R&D, Design

Increased cost of personnel & skillsets

Rising inefficiencies

Loss of Global Economies of Scale

Legal & Regulatory

Regulatory & Legal barriers arising in APAC

Benefits Derived

- ❖ Growth in **Brand visibility** among new gen
- ❖ More power through **close supplier network**
- ❖ Respect in **local community** resulting in **higher sales**
- ❖ Possible **Regulatory / Tax benefits** in host countries

KPIs to Track

- ❖ Design acceptance rate
- ❖ Collection Inventory turnover
- ❖ # Customers lost due to stock-outs
- ❖ Delivery reliability
- ❖ Employee safety & satisfaction
- ❖ Customer repurchase rate

Exploring Digital Channels

Leveraging new age technological capabilities to successfully connect with local consumers

Recommendations



E-Commerce platforms



Localized digital advertising



Custom social media campaign



Immersive store experience - VR

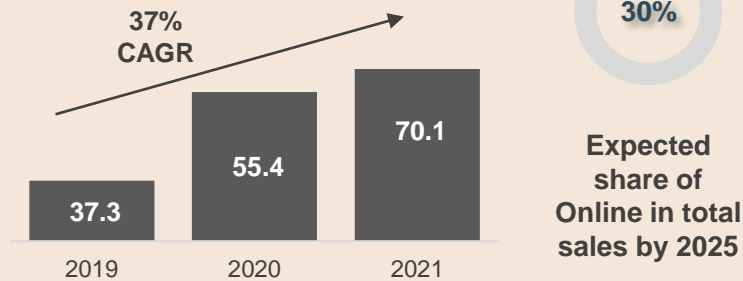
Measurement Metrics



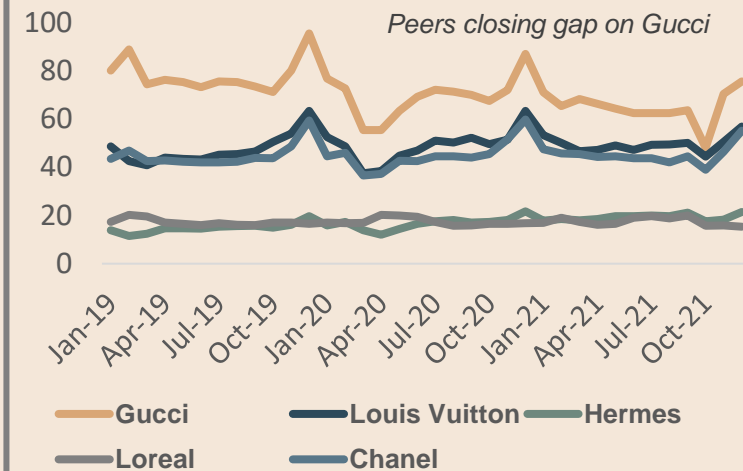
- ❖ **Customer engagement:** Audience, Share of Voice
- ❖ **SEO-SEM:** Search rankings, # of industry keywords, Cost per Click
- ❖ **Traffic analysis:** Inorganic vs Organic split, Paid advertisement tracking, Monthly active users
- ❖ **Website performance:** Load time, pages per visit, Bounce rate (%)
- ❖ **Customer reviews:** Yelp ratings, Consumer forums

Rationale

Online Luxury Sales (\$)



Brand interest on Google*



Cost Benefit Analysis

Based on **Case study** (*Piaget in China*)

Insights from the case:

- ❖ Customers spend **6 hrs / day** on Phone
- ❖ **55%** of Luxury Shoppers ended up buying recommended products
- ❖ **9x increase** in total community observed

Assumptions:

- ❖ Initial community size taken as 100
- ❖ Increase due to online presence taken 9x
- ❖ Visibility index taken to be 25%
- ❖ Conversion rate taken 55%

Item	In € (monthly)
Incremental revenue (€)	956
Cost of advertisement program (€)	218
Net monthly benefit (€)	738

Note: *Digital Brand Interest data pertaining to global traffic on Google

Source: Google trends; FashionAgency 2021, 5 Reasons Your Luxury Brand Must Be on Tmall Luxury Pavilion; Team Analysis

Adaptive & Localized Collaborations to Deliver Impact

Adapting the local culture and frenzy in collaborations & marketing strategy to drive brand recall & connect

Recommendations



Onboard **local icons** as **brand ambassadors**



Associate **LuxCo brands** with **local relished artifacts** – Tap cultural pride



Use of **Micro-influencers & social media** – Engage and activate Gen-Z



Portable points of outreach & sale (Kiosks)



Live stream collection reveals & fashion shows globally – Enhances customer's intimacy to the brand



Actively seek & incorporate feedback – Conduct events like design competitions



Decentralize autonomy & employ local expertise - Identify best routes for communicating brand identity

Rationale

- ❖ Advent of **social media** has **shifted the power** in favor of consumers
- ❖ Luxury **no longer a one-way street** - monolithic approach not likely to work
- ❖ Customer **understanding, engagement & feedback** paramount
- ❖ Need for **Cultural marketing** to connect with customers



Increasing engagement of locals with **community groups** & local bodies



+ve synergies from **complementary** business activities emerging



Proven **success stories** in **emerging markets** like China

Cost Benefit Analysis

	Cost (Annual) in € Mn	Metric impacted
Brand ambassador	5	Search index
Design competitions	0.04 * 25	Design Insights
Sponsorship of events & artifact displays	(0.5 – 0.6) * 2	Brand identity
Micro-influencers	~2 – 3	Capture Gen-Z
Virtual fashion shows	~0	Retention
Portable kiosks	0.03 * 5 * 25	Access & Visibility

- ❖ **Establish brand identity** in the local context
- ❖ **Capture the growing Gen-Z market** (~70% of 2025E demand from Gen Y & Gen Z)
- ❖ **Enhanced accessibility, visibility** and reach
- ❖ **2-way exchange** through feedback incorporation to propel popularity

Unit Costing & Financial Impact

Estimated impact on unit economics and financials upon implementation of suggested recommendations

Unit Costing of a luxury bag

Retail Price  100%

Mark-up / Profit  93.75%

Cost of goods  6.25%

Cost headers (as a % of goods cost)

Material cost  24.0%

Transport & Logistics  22.5%

Labour & Personnel  9.3%

Marketing & Promotion  32.0%

General & Administrative  12.2%

Design & Sourcing

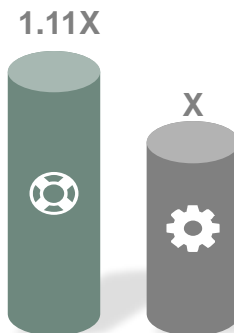
Increase in material cost 40%
Increase in labour cost 50%

Reduction in Transport & Logistics 20%
Reduction in Import price 40%

Sustainability & Value increase #sales 6-10%

Overall Benefit Obtained ~11%

- Overall markup will increase by ~2-3%
- Sales will go up by 6-10%



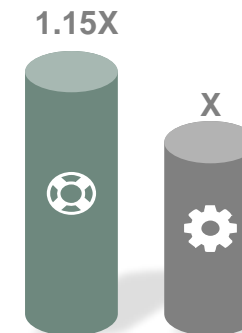
Digital sales channels

Increase in marketing cost 7-8%
Increase in admin cost 2-3%
Increase in personnel cost 10%

Increase in engagement 450%
Increase in #Sales 20%

Overall Benefit Obtained ~12%

- Decrease in markup by 4-5%
- Huge increase in sales by 20% as a share of all sales channel



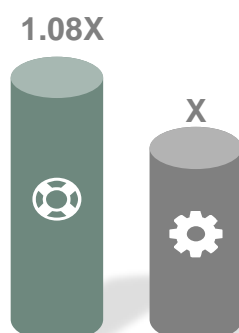
Strategic collaborations

Increase in marketing cost 5-7%
Increase in admin cost 2-3%

Increase in engagement 50%
Increase in #Sales 10%

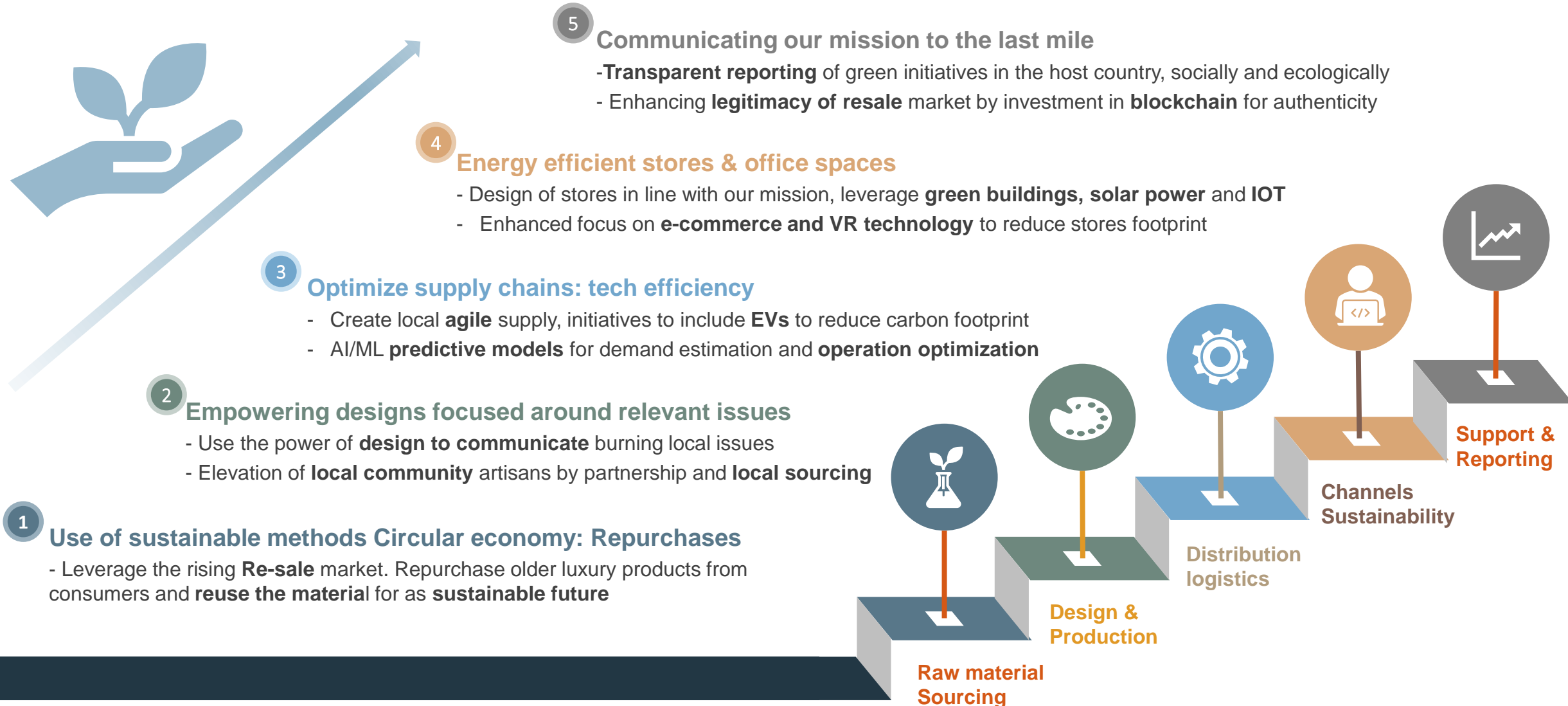
Overall Benefit Obtained ~7-8%

- Decrease in markup by ~1-2%
- Increase in #sales by about 10%



Sustainability Focus across The Value Chain

Continued focus on sustainable value creation, to stay relevant to emerging customer priorities



Integrated Customer Strategy

Leveraging new age technological capabilities to successfully connect with local consumers

