

TBTL MONTHLY LUXURY INDEX

November 2018 (# 11)

TBTL's Monthly Luxury Index is a free and quick overview of key performance growth indicators of the industry. As an experienced international strategy consultancy firm, focusing exclusively on luxury, TBTL provides services and solutions such as branding, internationalization, marketing-mix, organization, market analyses, funding and profitability.

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TBTL's industry growth outlook for the next 12 months:



(slightly positive vs. 10/2018)

INDUSTRY STATUS AND MAJOR TRENDS:

- ◆ Speculations on a trade deal between USA and China have elevated hopes of continuous growth in the world's second biggest luxury market while Hermès, L'Oréal, Patek Philippe, Estée Lauder or Boss report no major business downturn. Yet, questioned Chinese property and stock markets must be considered potential threats to luxury local spending.
- ◆ Asiana Airlines Inc., South Korea's second-biggest carrier, intends to prevent passengers bound for China and HK to carry baggage for commercial purposes. If followed by other airlines this could be a major step in reducing 'daigou' reselling practises - a goal envisioned by Chinese authorities also.
- ◆ In attempts to reach younger consumer segments, established fashion brands are increasingly partnering with street brands: Ralph Lauren/Palace, Feni/Fila and Louis Vuitton/Surpreme.
- ◆ The pace of social media challenges increasingly luxury brands to follow up on rapidly changing trends.
- ◆ Blockchains are increasingly becoming a tool for securing product authenticity, yet energy costs are still considered enormous.
- ◆ To offer some luxury experience to rural high-end consumers, roadshows will become more important in the future.

COMPANY SNAPSHOTS:

- ◆ Hugo Boss announces a cooperation with online retailer Zalando to strengthen its digital sales.
- ◆ LVMH cooperates with FIS on new SWIFT Global Payments Innovation for better cross-border payments.
- ◆ Chinese Alibaba and rival JD.com are increasing efforts to represent international luxury brands. Online luxury sales in China are considered crucial for future industry growth in reaching regions beyond the megacities. Alibaba has announced a partnership with Richemont's Net-à-Porter.
- ◆ U.S. Johnson & Johnson intends to buy all outstanding shares of Japanese skincare firm Ci:z Holdings Co Ltd. (brands Dr.Ci:Labo, Labo Labo and Genomer) at US\$2.05 billion. Recently Asia has been in the focus of major deals: e.g. L'Oréal acquiring South Korean Nanda (2018) and Unilever NV buying Carver Korea (2017).
- ◆ Volkswagen group is said to intensify centralisation of r&d activities and to form an alliance with Ford aiming at higher economies-of-scale. This is likely to affect Volkswagen's prestige brand Audi as the group's current innovation hub.
- ◆ Marriott (Ritz-Carlton, St. Regis) and Hilton Worldwide Holdings report lower than expected demand in the US.
- ◆ Aston Martin has been awarded as "Luxury Brand of the Year" at the Luxury Briefing Awards
- ◆ Sotheby's expects the market in 2019 to be 'a bite more subdued' according to CEO Ted Smith.

UP-COMING EVENTS:

- ◆ Insead Global Luxury Forum 2018, November 16, Paris
- ◆ Salon International de la Haute Horlogerie (SIHH), January 14-17, 2019, Geneva
- ◆ Vicenza Oro, January 18-23, 2019, Vicenza
- ◆ Baselworld, March 21-26, 2019, Basel
- ◆ Condé Nast: The nature of luxury, April 10-11, 2018, South Africa

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(A) Development share prices in the luxury industry (in %)

Company	YoY	5Y-o-5Y	CAGR 5Y	Category
Hermès	13,3%	101,3%	15,0%	Luxury group
Kering	7,6%	240,6%	27,8%	Luxury group
LVMH	5,0%	110,3%	16,0%	Luxury group
Chow Tai Fook	-12,6%	-35,2%	-8,3%	Watches & Jewelry
Citychamp	-17,9%	126,8%	17,8%	Watches & Jewelry
Hengdeli	-18,8%	-72,5%	-22,7%	Watches & Jewelry
Lao Feng Xiang	-13,5%	44,8%	7,7%	Watches & Jewelry
Movado	39,0%	-17,4%	-3,8%	Watches & Jewelry
Richemont	-19,9%	-20,8%	-4,6%	Watches & Jewelry
Swatch Group	-12,8%	-41,3%	-10,1%	Watches & Jewelry
Tiffany	18,9%	40,6%	7,1%	Watches & Jewelry
Hugo Boss	-17,8%	-34,2%	-8,0%	Fashion
Burberry	-4,8%	18,0%	3,4%	Fashion
Brunello Cucinelli	5,0%	31,5%	5,6%	Fashion
Ferragamo	-7,2%	-17,2%	-3,7%	Fashion
Michael Kors	13,5%	-28,0%	-6,4%	Fashion
Ralph Lauren	44,9%	-21,8%	-4,8%	Fashion
Moncler	25,9%	--	--	Fashion
Mulberry	-72,1%	-70,4%	-21,6%	Fashion
Prada	2,6%	-63,3%	-18,2%	Fashion
Tapestry (Coach)	3,3%	-16,5%	-3,5%	Fashion
Tod's	-5,4%	-56,0%	-15,1%	Fashion
Estée Lauder	22,9%	93,7%	14,1%	Skin care
Shiseido	52,7%	326,1%	33,6%	Skin care
BMW	-12,9%	-8,8%	-1,8%	Cars
Ferrari	0,6%	--	--	Cars
Porsche	-9,7%	-18,4%	-4,0%	Cars
Marriott	-2,2%	159,3%	21,0%	Travel
Norweg. Cruises	-21,0%	37,6%	6,6%	Travel
Luxottica	12,8%	38,8%	6,8%	Eyewear
Safilo	-69,6%	-89,1%	-35,8%	Eyewear
Sotheby's	-19,0%	-11,4%	-2,4%	Auctions
S&P Global Luxury Index	13,2%	28,9%	5,2%	Index (80 companies)

Sources: Reuters (monthly average), S&P

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(B) Development selective industry indexes

(B1) Luxury cars: Quarterly growth rates (units sold in %) Q3 2018

Company	roll. 4 Qs	5Y-o-5Y	CAGR 5Y
Mercedes-Benz Cars	-0,9%	40,0%	7,0%
BMW	2,7%	19,9%	3,7%
Rolls-Royce	-1,4%	-12,2%	-2,6%
Audi	3,6%	12,5%	2,4%
Bentley	-12,9%	-9,5%	-2,0%
Lamborghini	26,1%	121,6%	17,3%
Porsche	4,8%	44,4%	7,6%
Bugatti	92,9%	39,7%	6,9%
Ferrari	6,6%	27,9%	5,0%
All	1,6%	24,7%	4,5%

Source: company reports

(B2) Swiss watch exports growth rates (value in %)

Price Category	roll. 12 M	5Y-o-5Y	CAGR 5Y
Export value 0-200 CHF/unit	-4,1%	-21,5%	-4,7%
Export value 201-500 CHF/unit	2,1%	-14,1%	-3,0%
Export value 501-3.000 CHF/unit	11,0%	2,3%	0,5%
Export value > 3.000 CHF/unit	6,7%	-6,1%	-1,3%
All	6,7%	-5,8%	-1,2%

Source: Swiss Watch Federation

(B3) Current production of superyachts

	2018	2017	2016
number of superyachts	773	760	764

Source: Global Order Book, 2018, Boat International Media

(B4) Precious metals and diamonds (growth in %)

Metal	YoY	5 Years	CAGR 5Y
Gold	-6,2%	-14,8%	-3,1%
Silver	-16,3%	-41,8%	-10,3%
Diamonds	3,4%	-5,1%	-1,1%

Sources: Macrotrends (monthly quotes); IDEX
















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(B5) Fine wines

	YoY	5Y-o-5Y	CAGR 5Y
Fine wines	3,2%	25,3%	4,6%










Source: Li-ex 500 wine index (per previous month)

(C) GDP annual growth rate (in %)

Country	2016	2017	2018E	2019E	2023E
USA 	1,7%	2,3%	2,4%	2,1%	1,5%
Brazil 	-3,5%	1,0%	1,4%	2,4%	2,2%
Japan 	1,0%	1,7%	1,1%	0,9%	0,5%
China 	6,7%	6,9%	6,6%	6,2%	5,6%
Hong Kong 	2,2%	3,8%	3,8%	2,9%	3,1%
India 	7,1%	6,7%	7,3%	7,4%	7,7%
UAE 	3,0%	0,8%	2,9%	3,7%	2,9%
Russia 	-0,2%	1,5%	1,7%	1,8%	1,2%
France 	1,1%	2,3%	1,6%	1,6%	1,6%
Germany 	2,2%	2,5%	1,9%	1,9%	1,2%
Italy 	0,9%	1,5%	1,2%	1,0%	0,7%
Spain 	3,2%	3,0%	2,7%	2,2%	1,7%
Switzerland 	1,6%	1,7%	3,0%	1,8%	1,7%
Great Britain 	1,8%	1,7%	1,4%	1,5%	1,6%
World 	3,3%	3,7%	3,7%	3,7%	3,6%

Source: IMF, 07.2018

(D) Currencies exchange rates against the Euro (change in %)

Currency	1 Month	6 Months	12 Months
US \$ 	-1,8%	-5,4%	-2,2%
BRL 	-9,8%	0,1%	10,9%
CNY 	-0,8%	3,6%	2,7%
HK \$ 	-1,7%	-5,6%	-1,7%
JPY 	-2,8%	-2,7%	-3,2%
INR 	9,9%	4,0%	10,9%
RUB 	-11,5%	-1,8%	10,4%
CHF 	0,3%	-4,5%	-2,1%
GBP 	-0,3%	0,8%	1,1%

Source: Oanda, per first of month

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TBTL appreciates any suggestion for additional performance indicators of the luxury industry to be incorporated into

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