


TBTL LUXURY INDUSTRY PERFORMANCE INDEX (LIPI)

June 2019 (# 6)

TBTL's Luxury Industry Performance Index (LIPI) is a monthly published indicator, providing a quick overview of the high-end industry's current status and an outlook on its development over the next months. The LIPI is distributed as a free e-newsletter edited by international strategy consulting firm The Bridge To Luxury (www.thebridgetoluxury.com).

TBTL's Luxury Industry Performance Index (LIPI):

98,6 (05/2019: 100,4) 

INDUSTRY STATUS AND MAJOR TRENDS:

- ◆ For the first time, the LIPI has fallen below the important threshold of 100 index points. Continuous uncertainty about future global trade relations keep pressurizing consumer spending moods. So far, no agreements of Sino-US American trade talks are in sight. Discussions with the EU are postponed for the moment. And even if agreements will be reached soon, a positive outcome and reliability are not ensured.
- ◆ Luxury stock-listed shares lost more than US\$80bn in market capitalization in May (-8,7%).
- ◆ The World Bank has revised its forecasts and now expects global GDP growth in 2019 of 2,6% (-0,3 basic points against January projections): USA 2,5% (stable), Euro zone 1,2% (-0,4 basic points), Japan 0,8% (-0,1), emerging markets 4,0% (-0,3).
- ◆ Meanwhile, the International Monetary Fund predicts that tariffs will cost US\$455bn in lost output in 2020.

COMPANY SNAPSHOTS:

- ◆ Kering is reported to increase its online sales either through own or controlled third party platforms (Reuters). In 2018, such sales amounted for 4,7% of revenues (total online 9,4%).
- ◆ After a loss of €288m in 2018, Bentley yielded a profit of €49m in Q1 2019. According to CEO Adrian Hallmark, the brand plans to sell 11.500 to 12.000 units this year (2018: 10.494). A first full e-mobile Bentley is planned for 2025.
- ◆ BMW and Jaguar Land Rover of Indian Tata group will develop motors for e-mobility. R&D will be based in Munich.
- ◆ Cognac producer Rémy Cointreau announces record sales of €1.216m (+7,8%); operating profit at +14,2% (€263m).
- ◆ Tiffany's net income Q1 2019 was down 12% to \$125m hit by a decreased sales of Chinese tourists.
- ◆ 2011 founded RealReal e-commerce platform filed for an IPO to be listed on the Nasdaq.
- ◆ Canada Goose reports +39% in sales at constant rates for its fiscal year 2019 (C\$830m). Operating income was C\$196m (+42%).
- ◆ Prada is the latest luxury fashion label to announce free-fur collections in the future. The brand also announced efforts to cut classical wholesale business in Europe for more unified prices to fight discounts and to defend margins
- ◆ Sephora beauty brand will close its US operations for one day to carry out diversity training for staff after racial incidents.
- ◆ Michael Kors has reduced its full-year revenue forecast to US\$4,4bn (-2,2%).
- ◆ Tapestry intends to repurchase US\$1bn in stock or the equivalent of 11% of its outstanding shares.
- ◆ L'Oreal's owned ModiFace will provide VR technology to Amazon enabling consumers to test virtually lipsticks via mobile devices.

UP-COMING EVENTS:

- ◆ Luxury Marketing Innovation Summit, June 27, 2019, Paris
- ◆ Pebble Beach Concours d'Elegance, August 18, 2019, Pebble Beach
- ◆ HKTDC Watch Fair, September 3-7, 2019, Hong Kong
- ◆ Maison d'Objet, September 6-10, 2019, Paris
- ◆ Vinzencaoro, September 7-11, 2019, Vicenza
- ◆ IAA, September 11-22, 2019, Frankfurt
- ◆ Monaco Yacht Show, September 25-28, 2019, Monaco

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

Company	MoM	YoY	5Y-o-5Y	CAGR 5Y	Category
Hermès	-5,2%	-1,5%	128,8%	18,0%	Luxury group
Kering	-11,6%	-4,8%	209,2%	25,3%	Luxury group
LVMH	-3,0%	14,0%	157,4%	20,8%	Luxury group
Chow Tai Fook	-20,1%	-35,3%	-20,1%	-4,4%	Watches & Jewelry
Citychamp	2,3%	7,9%	81,6%	12,7%	Watches & Jewelry
Hengdeli	-7,3%	-3,8%	-59,1%	-16,4%	Watches & Jewelry
Lao Feng Xiang	-8,0%	3,9%	85,1%	13,1%	Watches & Jewelry
Movado	-27,7%	-47,5%	-32,7%	-7,6%	Watches & Jewelry
Richemont	-1,0%	-18,4%	-21,8%	-4,8%	Watches & Jewelry
Swatch Group	-19,1%	-47,4%	-52,4%	-13,8%	Watches & Jewelry
Tiffany	-17,4%	-31,9%	-10,4%	-2,2%	Watches & Jewelry
Hugo Boss	-16,2%	-32,2%	-50,0%	-13,0%	Fashion
Burberry	-16,0%	-18,1%	10,6%	2,0%	Fashion
Brunello Cucinelli	-13,0%	-17,8%	49,6%	8,4%	Fashion
Ferragamo	-7,6%	-24,5%	-16,4%	-3,5%	Fashion
Capri (Michael Kors)	-26,3%	-43,4%	-65,6%	-19,2%	Fashion
Ralph Lauren	-20,1%	-21,9%	-31,5%	-7,3%	Fashion
Moncler	-9,8%	-16,0%	146,6%	19,8%	Fashion
Mulberry	-1,9%	-63,9%	-60,8%	-17,1%	Fashion
Prada	-0,7%	-46,7%	-62,1%	-17,6%	Fashion
Tapestry (Coach)	-11,5%	-34,7%	-29,8%	-6,8%	Fashion
Tod's	-0,6%	-22,2%	-56,4%	-15,3%	Fashion
Estée Lauder	-6,3%	7,8%	110,2%	16,0%	Skin care
Shiseido	-10,2%	-9,2%	357,8%	35,6%	Skin care
BMW	-18,3%	-27,4%	-32,7%	-7,6%	Cars
Ferrari	5,7%	14,4%	--	--	Cars
Porsche	-9,8%	-11,6%	-28,8%	-6,6%	Cars
Marriott	-8,5%	-7,8%	102,6%	15,2%	Travel
Norweg. Cruises	-3,0%	4,5%	62,1%	10,1%	Travel
Luxottica	-4,9%	-11,8%	33,9%	6,0%	Eyewear
Safilo	3,8%	-63,8%	-90,7%	-37,9%	Eyewear
Sotheby's	-20,1%	-38,5%	-14,6%	-3,1%	Auctions
S&P Global Luxury Ind.	-9,4%	-12,2%	7,1%	1,4%	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 %) Q1 2019

Company	roll. 4 Qs	5Y-o-5Y	CAGR 5Y
Mercedes-Benz Cars	-2,3%	30,7%	5,5%
BMW	1,2%	15,9%	3,0%
Rolls-Royce	31,1%	14,2%	2,7%
Audi	-6,4%	1,7%	0,3%
Bentley	-3,1%	-0,9%	-0,2%
Lamborghini	67,5%	129,4%	18,1%
Porsche	-0,7%	22,8%	4,2%
Bugatti	-8,1%	68,1%	10,9%
Ferrari	8,6%	28,6%	5,2%
All	-2,4%	16,3%	3,1%

Source: company reports and press releases

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

Price Category	roll. 12 M	5Y-o-5Y	CAGR 5Y
Export value 0-200 CHF/unit	-9,2%	-30,6%	-7,0%
Export value 201-500 CHF/unit	-6,7%	-17,7%	-3,8%
Export value 501-3.000 CHF/unit	0,5% #	3,6%	0,7%
Export value > 3.000 CHF/unit	6,7%	-3,1%	-0,6%
All	3,5%	-4,5%	-1,2%

Source: Swiss Watch Federation

(B3) Current production of superyachts

	2018	2017	2016
number of superyachts	830	773	760

Source: Global Order Book, 2019, Boat International Media

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

Metal	MoM	YoY	5 Years	CAGR 5Y
Gold	0,8%	-0,8%	-2,1%	-0,4%
Silver	-2,7%	-11,6%	-27,0%	-6,1%
Diamonds	-0,3%	-0,5%	-8,3%	-1,7%

Sources: Macrotrends (monthly quotes); IDEX
















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(B5) Fine wines

	MoM	YoY	5Y-o-5Y	CAGR 5Y
Fine wines	0,0%	-1,6%	31,3%	5,6%










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

(C) GDP annual growth rate (in %)

Country		2016	2017	2018	2019E	2024E
USA		1,7%	2,4%	2,2%	1,8%	1,6%
Brazil		-3,3%	1,1%	1,1%	2,1%	2,2%
Japan		0,6%	1,9%	0,8%	1,0%	0,5%
China		6,7%	6,9%	6,6%	6,3%	5,5%
Hong Kong		2,2%	3,8%	3,0%	2,7%	3,0%
India		8,2%	7,2%	7,1%	7,3%	7,7%
UAE		3,0%	0,8%	1,7%	2,8%	2,7%
Russia		0,3%	1,6%	2,3%	1,6%	1,6%
France		1,2%	2,2%	1,5%	1,3%	1,5%
Germany		2,2%	2,5%	1,5%	0,8%	1,2%
Italy		1,1%	1,6%	0,9%	0,1%	0,6%
Spain		3,2%	3,0%	2,1%	2,2%	1,6%
Switzerland		1,6%	1,7%	2,5%	1,1%	1,6%
Great Britain		1,8%	1,8%	1,4%	1,2%	1,6%
World		3,4%	3,8%	3,6%	3,3%	3,7%

Source: IMF, 04.2019

(D) Currencies exchange rates: the Euro's performance (change in %)

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

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 this monitor.

ABOUT US

The Bridge To Luxury (TBTL) is an international strategy consultancy firm, focusing exclusively on high-end brands, products and services. TBTL and its global network support owners, management and investors on luxury related topics: market assessments and research, strategy and branding, product development, communications including social media, distribution and internationalization, organization and restructuring, business modelling and evaluation, m&a.

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