

# The luxury industry 2023: an outlook & beyond

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Institute for Marketing and Customer Insight  
(IMC-HSG)

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The Bridge To Luxury TBTL

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Currently, the luxury industry is in strange situation:  
While the world is in turmoil  
its affaires are seemingly doing well.

The thesis of this webinar:

**“Some good current business numbers are misleading  
as they hide challenges in the  
near and long-term luxury industry's future.”**



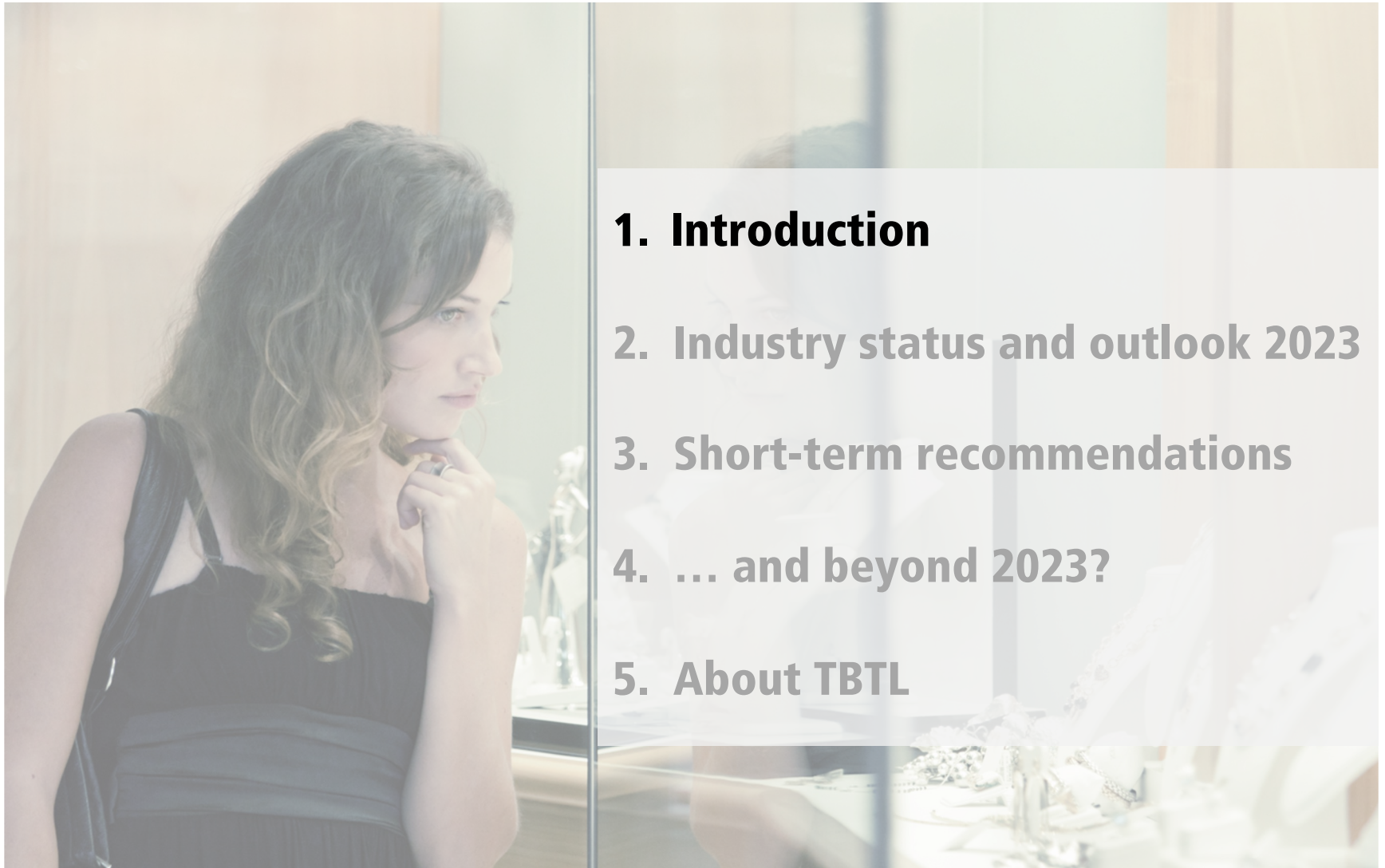
**1. Introduction**

**2. Industry status and outlook 2023**

**3. Short-term recommendations**

**4. ... and beyond 2023?**

**5. About TBTL**



## **1. Introduction**

## **2. Industry status and outlook 2023**

## **3. Short-term recommendations**

## **4. ... and beyond 2023?**

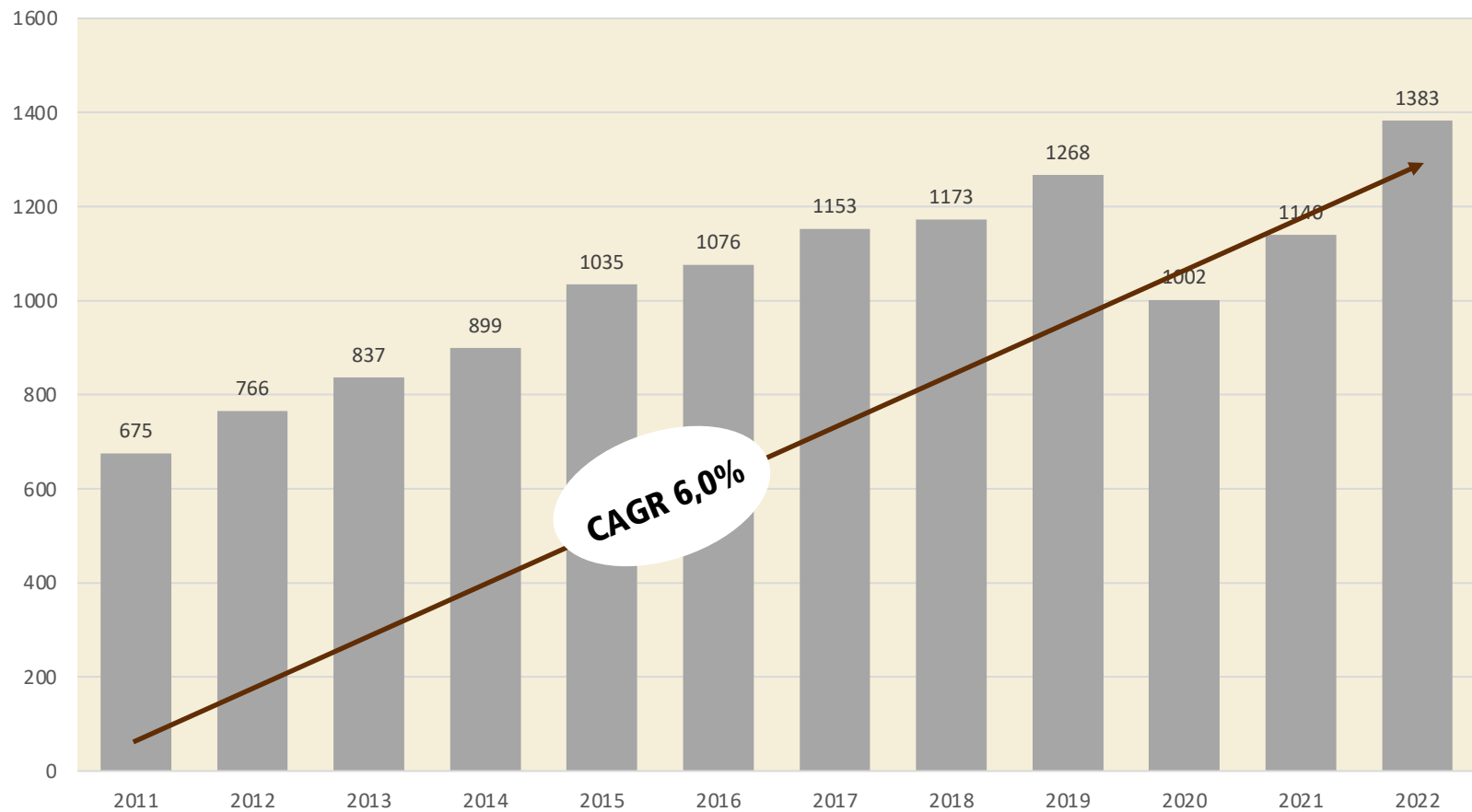
## **5. About TBTL**

## Luxury: a successful industry

1. Since 1990, the luxury industry has enjoyed a very long cycle of strong and quite resilient business growth. It has been carried by three very particular circumstances:
  - a) New markets and internationalisation: e.g. PR of China, Russia and the Middle East.
  - b) Incremental revenues and margins through vertical integration along the value chains (e.g. brand boutiques).
  - c) The online and logistics revolution (home shopping).

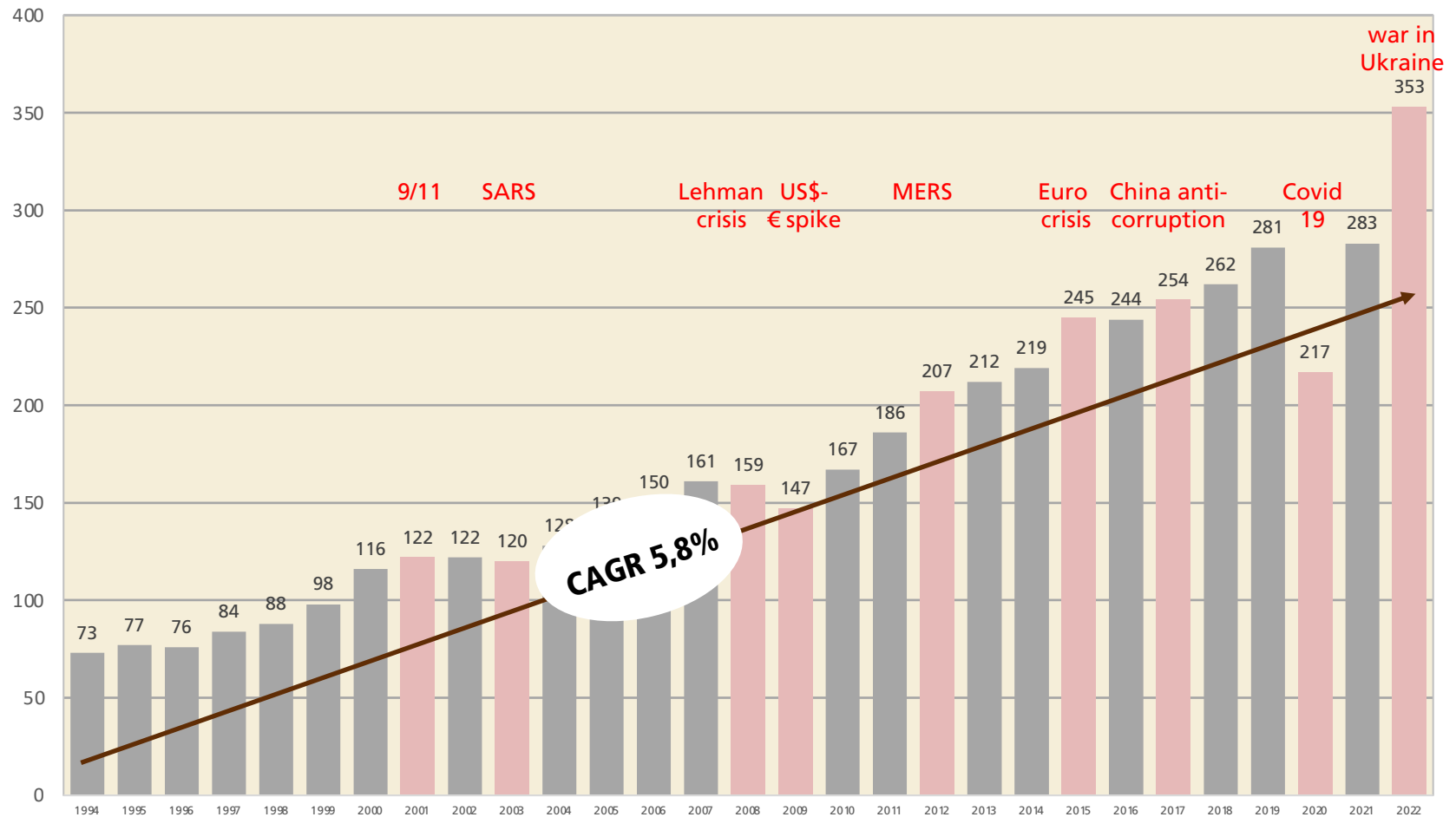


## The luxury industry since 2011 (billion€): a stable one



Source: Bain/Altagamma, 2022

## High-end personal goods 1994-2022 (billion€): resilient growth



Source: Bain/Altagamma, 2022

## Recap 2022: A year of challenges for the world's economies

Topic	2022
The Russian war in Ukraine	!!!
High inflation and higher interest rates	!!!
Volatile exchange rates	!!!
China lockdown hindering spending and travel	!!!
China's struggling economy	!!!
High oil and gas prices	!!!
Deteriorating US-Sino relationships	!!
Implosion of the crypto bubble	!!



## ... yet, the industry did relatively well in 2022\*:

Category	Company	Growth Revenues		Growth Profits		Profit margin
		Δ % 2021 (const.)	Δ % 2019	Δ % 2021	Δ % 2019	% 2022
Group	Hermès	29% (23%)	70%	-5%	44%	29%
Group	Kering	15% (9%)	32%	11%	17%	27%
Group	LVMH	23% (17%)	48%	23%	83%	27%
Leather	Gucci	8% (1%)	9%	0%	-5%	36%
Leather	Bottega Veneta	16% (9%)	49%	28%	70%	21%
Leather	LVMH category	25% (20%)	74%	22%	114%	41%
Watches	Richemont**	--	--	--	--	--
Watches	Swatch Group	3% (5%)	-9%	13%	13%	15%
Eyewear	EssilorLuxottica	14% (9%)	41%	19%	46%	17%
Eyewear	Safilo	11% (8%)	15%	115%	-121%	5%

\*annual reports, \*\*not yet announced

## ... yet, the industry did relatively well in 2022\*:

Category	Company	Growth Revenues		Growth Profits		Profit margin
		Δ % 2021 (const.)	Δ % 2019	Δ % 2021	Δ % 2019	% 2022
Fashion	Yves Saint Laurent	31% (23%)	61%	43%	81%	31%
Fashion	Hugo Boss	31% (27%)	27%	47%	-3%	9%
Fashion	Brunello Cucinelli	29% (25%)	51%	75%	62%	14%
Fashion	Ferragamo	11% (5%)	-9%	-11%	-15%	10%
Fashion	Moncler	27% (25%)	60%	28%	58%	30%
Fashion	Zegna	15% (11%)	13%	--	--	--
Fashion	Prada	25% (21%)	30%	59%	154%	18%
Fashion	Tapestry / Coach**	6% (n.n.)	8%	--	--	--
Shoes	Tod's	14% (11%)	10%	142%	-43%	6%
Audio	Bang & Olufsen	12% (10%)	4%	-342%	-22%	2%

\*annual reports, \*\*revenues adj. to calendar year

## ... yet, the industry did relatively well in 2022\*:

Category	Company	Growth Revenues		Growth Profits		Profit margin
		Δ % 2021 (const.)	Δ % 2019	Δ % 2021	Δ % 2019	% 2022
Cars	BMW**	28% (n.n.)	37%	4%	89%	10%
Cars	Ferrari	19% (15%)	35%	14%	34%	24%
Cars	Aston Martin	26% (n.n.)	41%	-59%	-127%	-9%
Cars	Tesla	51% (n.n.)	231%	109%	+1.000%	17%
Cars	Porsche***	24% (n.n.)	16%	79%	28%	18%
Cars	Mercedes-Benz****	15% (n.n.)	4%	31%	+1.000%	15%
Beverage	LVMH category	19% (11%)	27%	16%	25%	30%
Beverage	Kweichow Moutai	16%	43%	16%	47%	68%
Travel	Marriott group	50% (n.n.)	-1%	98%	92%	17%
Travel	Norwegian Cruise	649% (n.n.)	-25%	-50%	-344%	-47%

\*annual reports, \*\*incl. BBA, \*\*\*2019 Porsche Holding, \*\*\*\*2019 incl. vans

## ... yet, the industry did relatively well in 2022\*:

Category	Company	Growth Revenues		Growth Profits		Profit margin
		Δ % 2021 (const.)	Δ % 2019	Δ % 2021	Δ % 2019	% 2022
Perfumes	LVMH category	17% (10%)	13%	-4%	-3%	9%
Perfumes	Shiseido	6% (-4%)	-6%	21%	-55%	5%
Perf./Flav.	Givaudan	6% (7%)	15%	2%	21%	16%
Perf./Flav.	Symrise	21% (11%)	36%	-10%	11%	11%

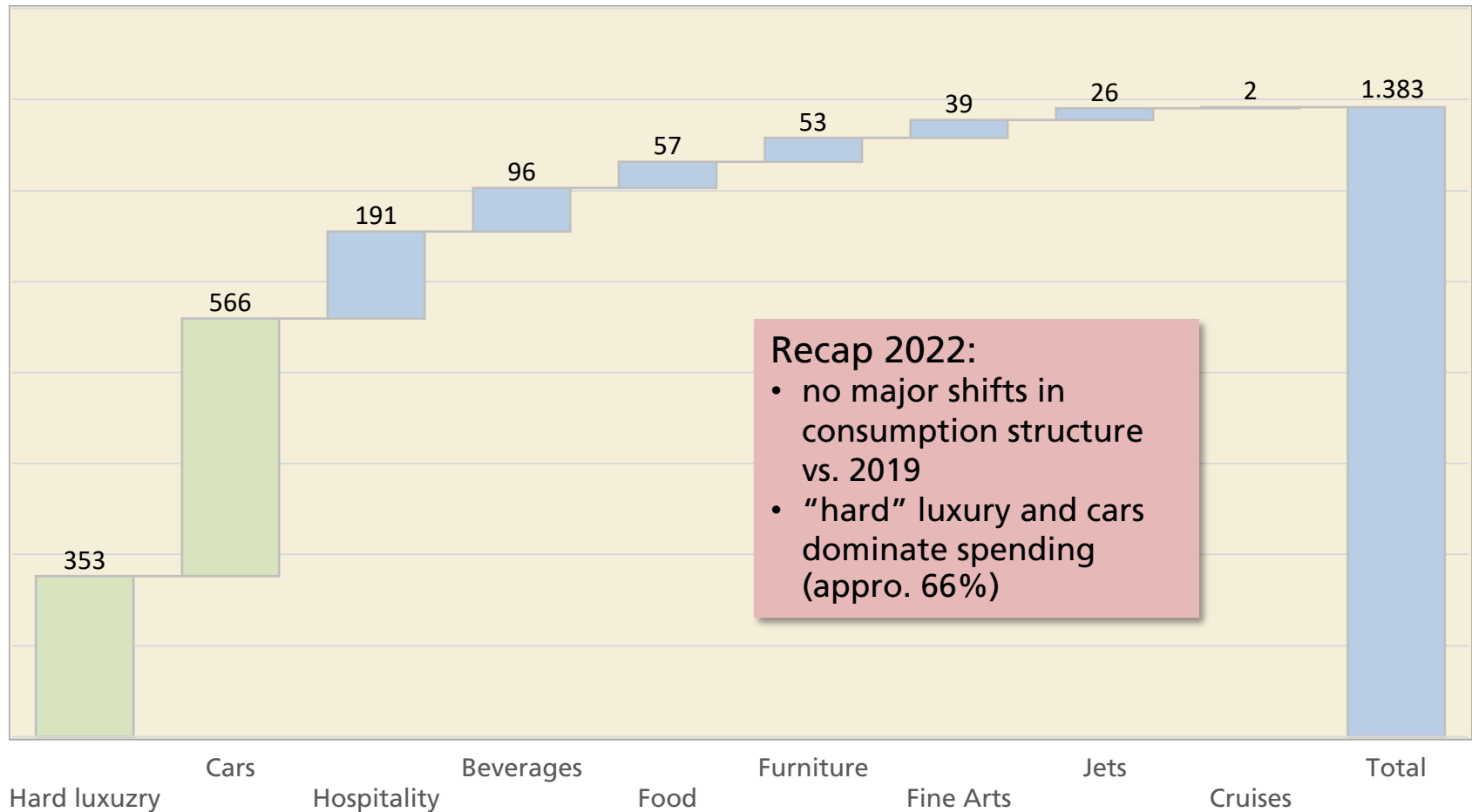
\*annual reports

## Six reasons:

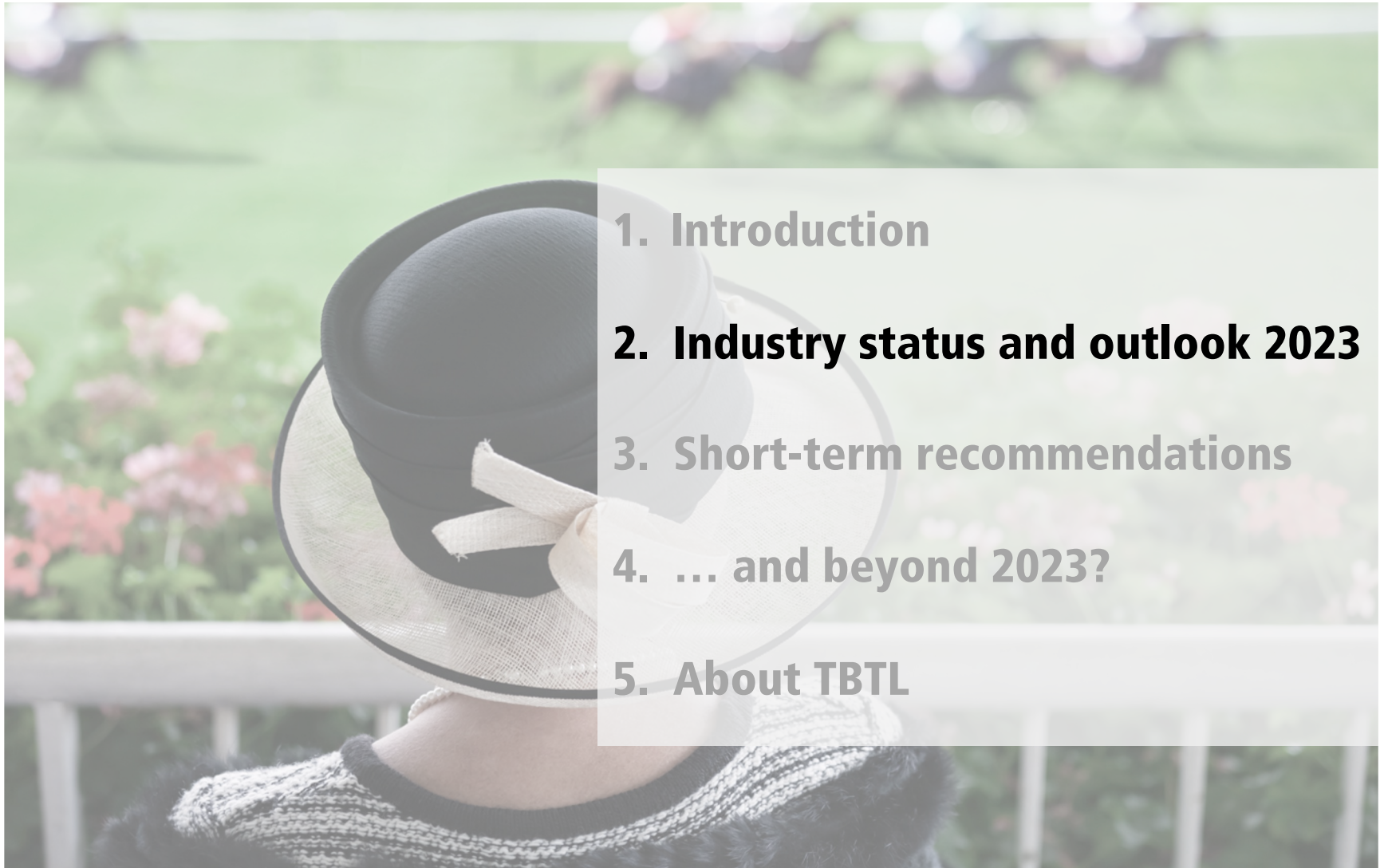
1. The Russian war had no direct major impact (ex global inflation):
  - Supply of diamonds and gold was substituted by other countries
  - Pre 2022, Russian luxury consumers amounted for only 3-6% of global spending – and some still does continue anyway (e.g. Dubai).
2. A weak Euro lifted exports of the mostly Europe based industry.
3. Despite China's economic (look) slow-down, the world's economy was further catching up with pre-covid momentum. Strongest driver: US consumers (2019 €279bn vs 2022 €456bn; 33% of total global spending\*).
4. Shifts in product allocations away from China to the US and Europe yielded first results – a process that started in 2021.
5. 2020 and 2021 covid excess savings and strong stock markets
6. Groups like LVMH were able to leverage their businesses.

\* Bain/Altagamma 2022

## Overview 2022: product and service categories (bn€)



Source Bain, Altagamma 2022



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## **Assessing 2023 - some selective indications:**

- a. The state of the global economy
- b. The consumers' universe
- c. The industry's sphere
- d. The investors' evaluations

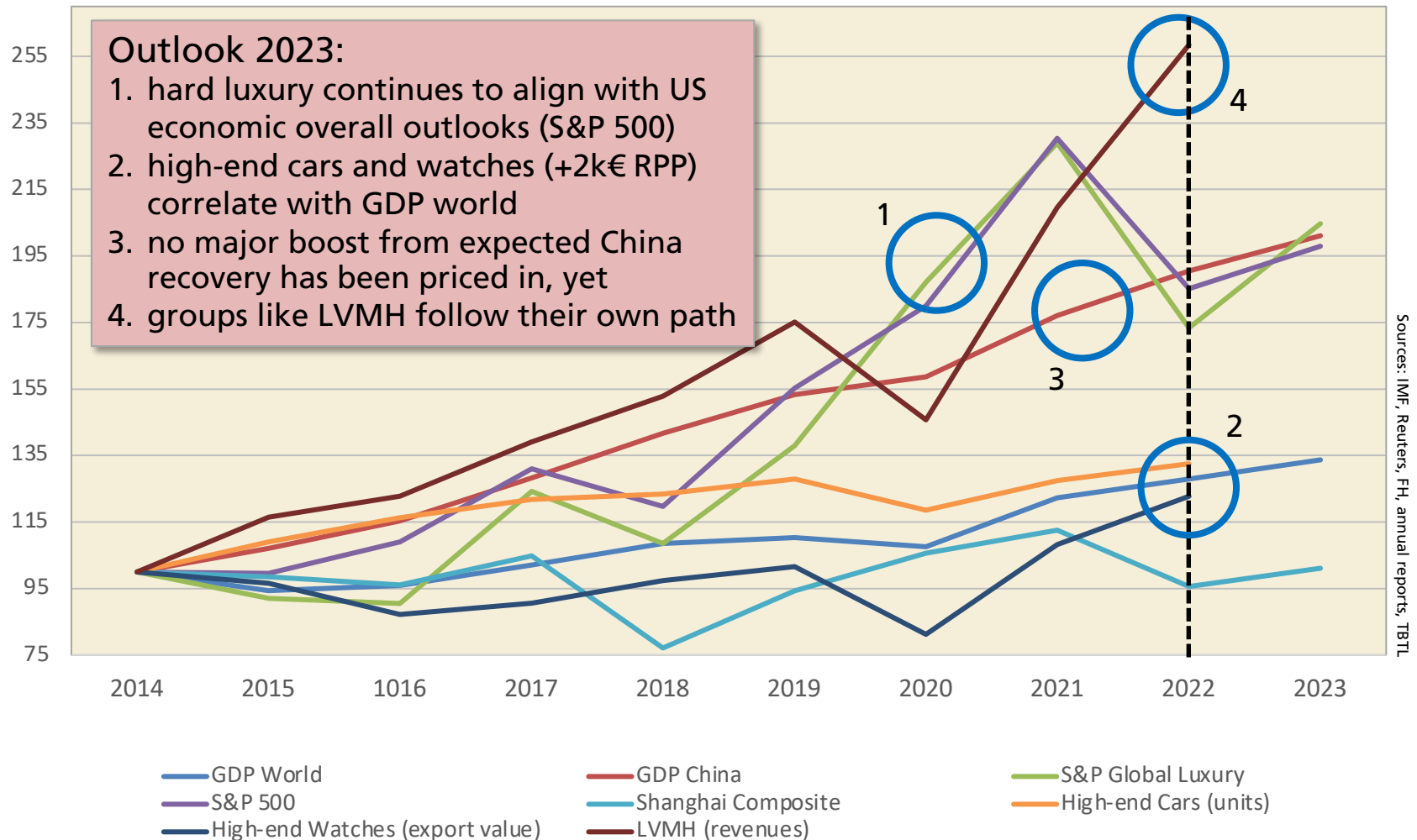


## Expected GDP growth for 2023 and 2024: the two major countries will likely “underperform”

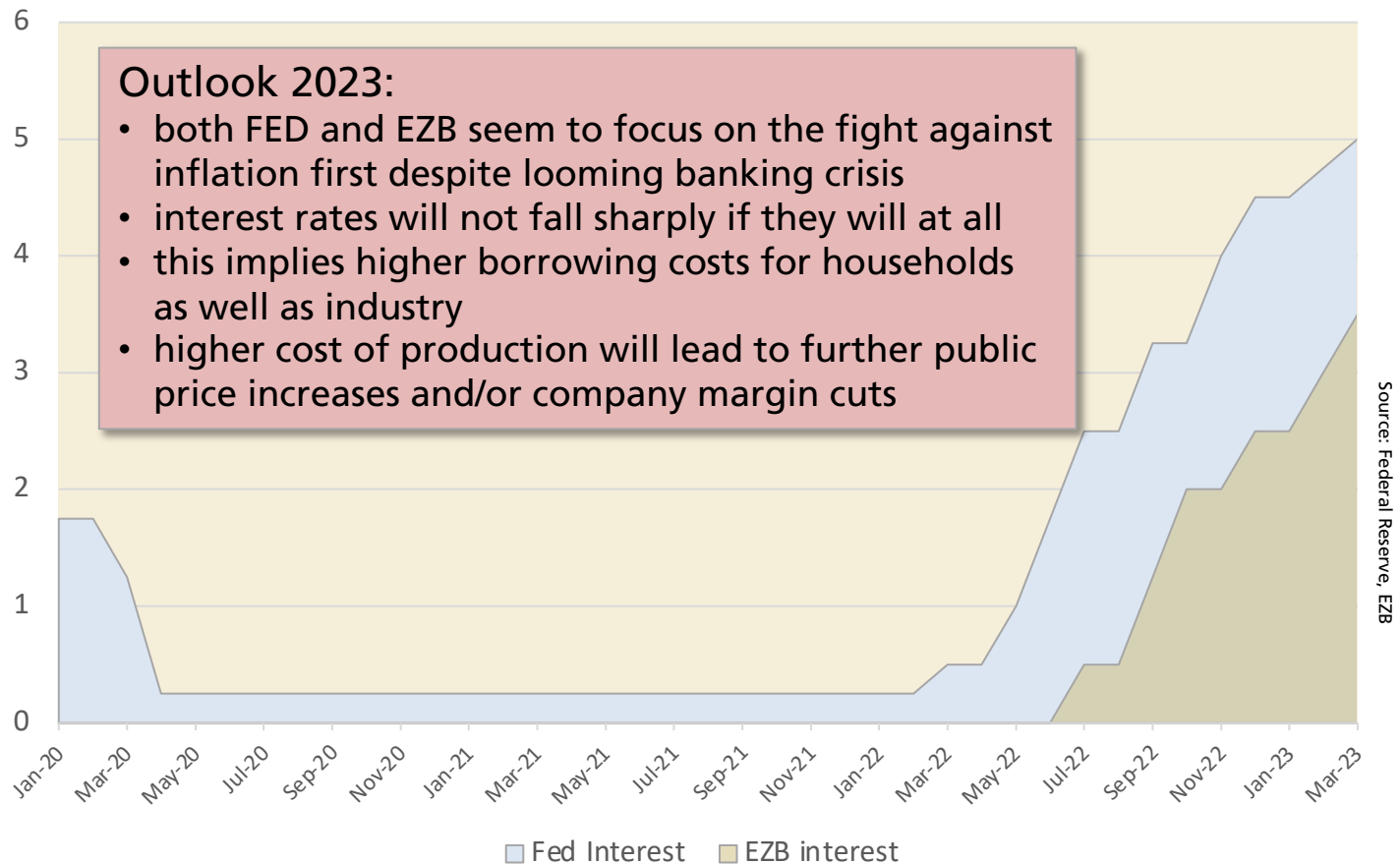
	2019	2020	2021	2022E	2023P	2024P
Brazil	1,4	-3,9	5,0	3,1	1,2	1,5
China	6,0	2,2	8,4	3,0	5,2	4,5
France	1,8	-7,9	6,8	2,6	0,7	1,6
Germany	1,1	-3,7	2,6	1,9	0,1	1,4
India	4,0	-6,6	8,7	6,8	6,1	6,8
Japan	0,0	-4,6	2,1	1,4	1,8	0,9
Russia	2,0	-2,7	4,7	-2,2	0,3	2,1
Spain	2,1	-10,8	5,5	5,2	1,1	2,4
Switzerland*	1,2	-2,5	4,2	2,2	0,8	1,8
Great Britain	1,4	-9,3	7,6	4,1	-0,6	0,9
USA	2,3	-3,4	5,9	2,0	1,4	1,0
World	2,8	-3,1	6,2	3,4	2,9	3,1

Source IMF 01/2023, \* 10/2022

## Aggregated growth expectations for 2023 (2014=100):



## The Federal Reserve and EZB interest rates: 2020 to present



## Outlook unemployment and inflation selected countries:

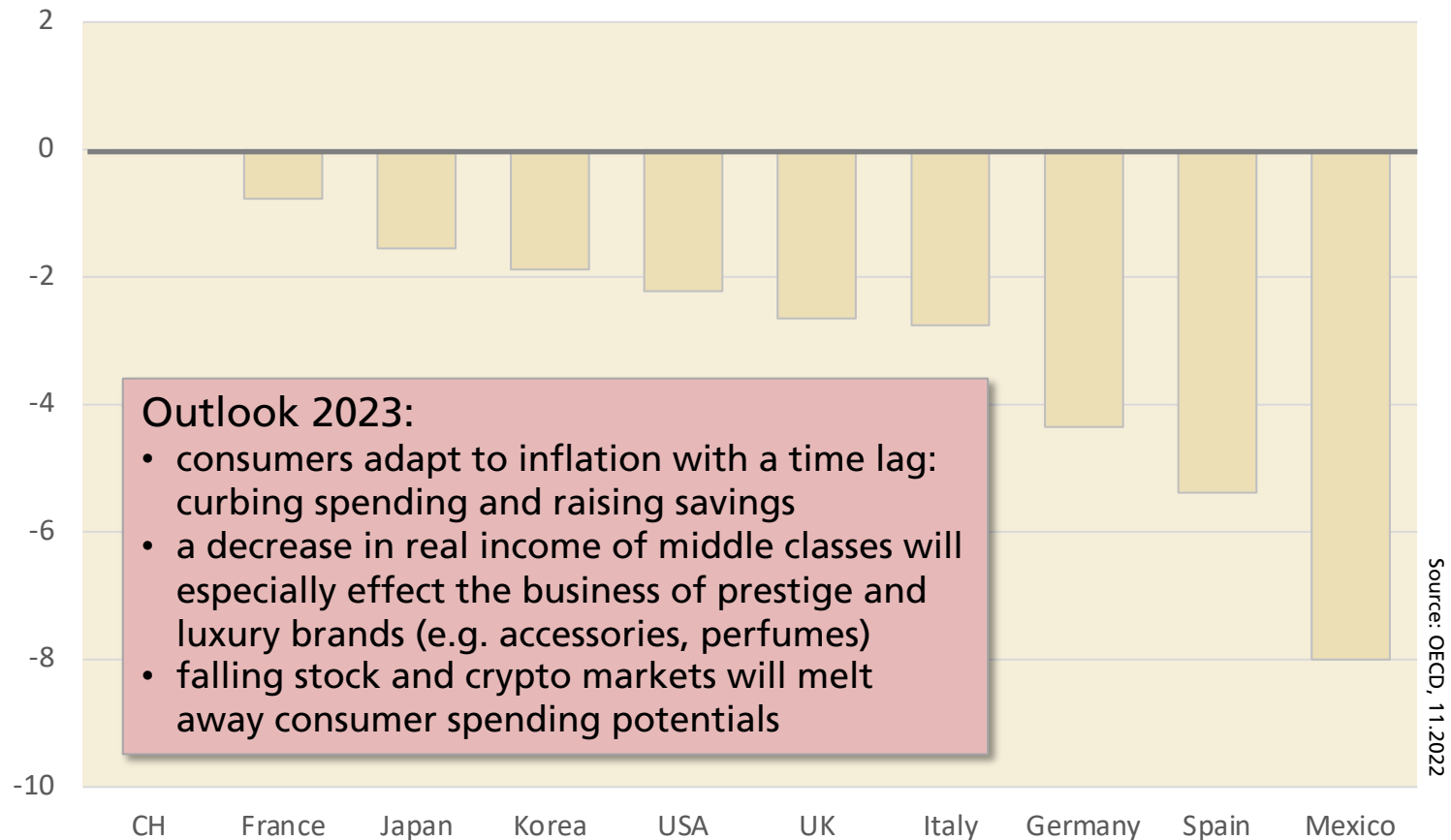
in %	Average 2013-2019	2021	2022	2023P	2024P
OECD unemployment	6,5	6,2	5,0	5,3	5,5
Inflation G20	3,0	3,9	8,1	6,0	5,4
Inflation OECD	1,6	3,8	9,4	6,5	5,1
Inflation USA	1,4	4,0	6,2	3,5	2,6
Inflation Euro area	0,9	2,6	8,3	6,8	3,4
Inflation Japan	0,9	-0,2	2,3	2,0	1,7

Source: OECD, 11.2022

### Outlook 2023:

- unemployment will rise only slightly
- inflation will decline but remain on relative high levels in the next 12 months

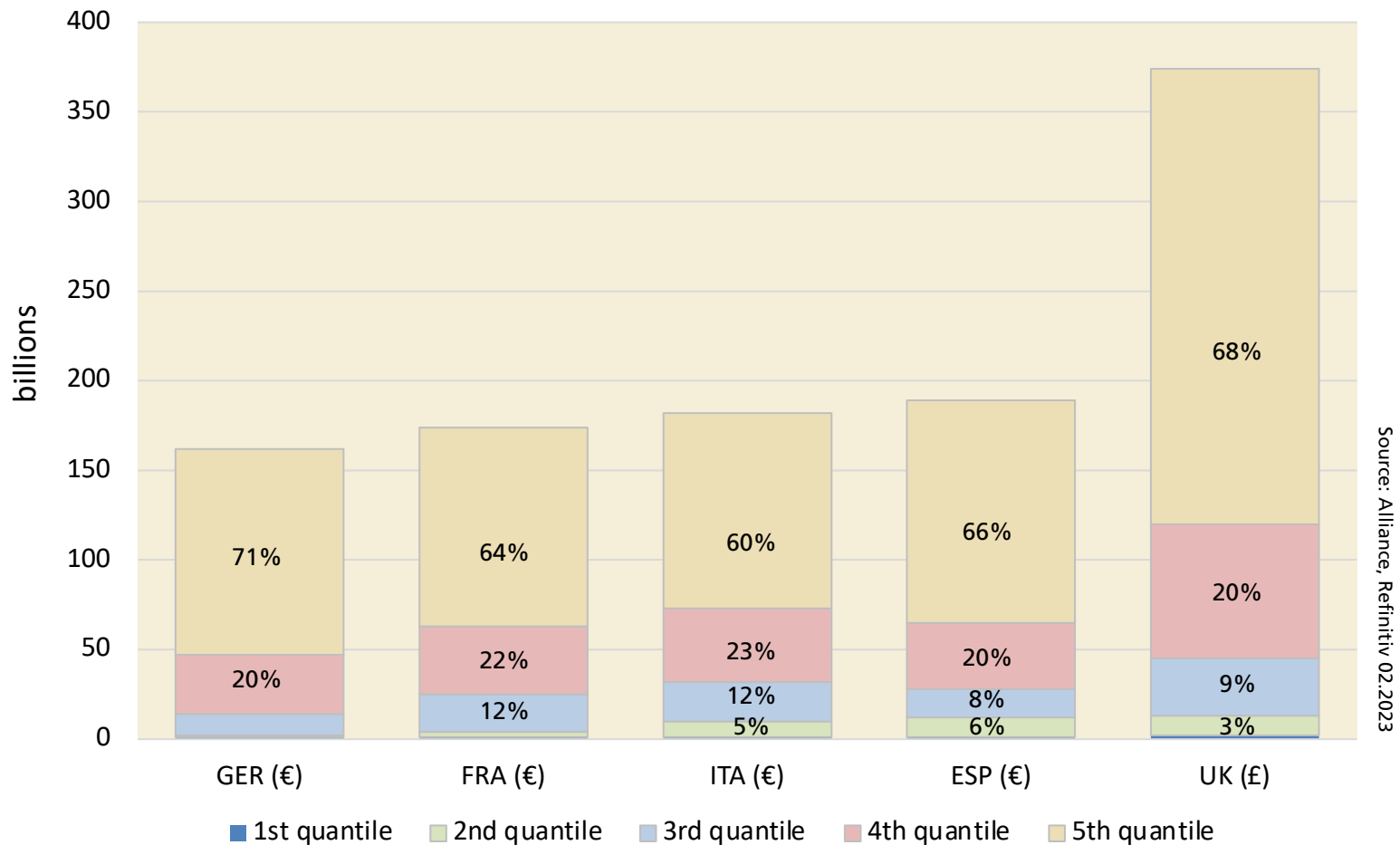
## The issue: development real wages Q3/22 vs. Q3/21 (in %)



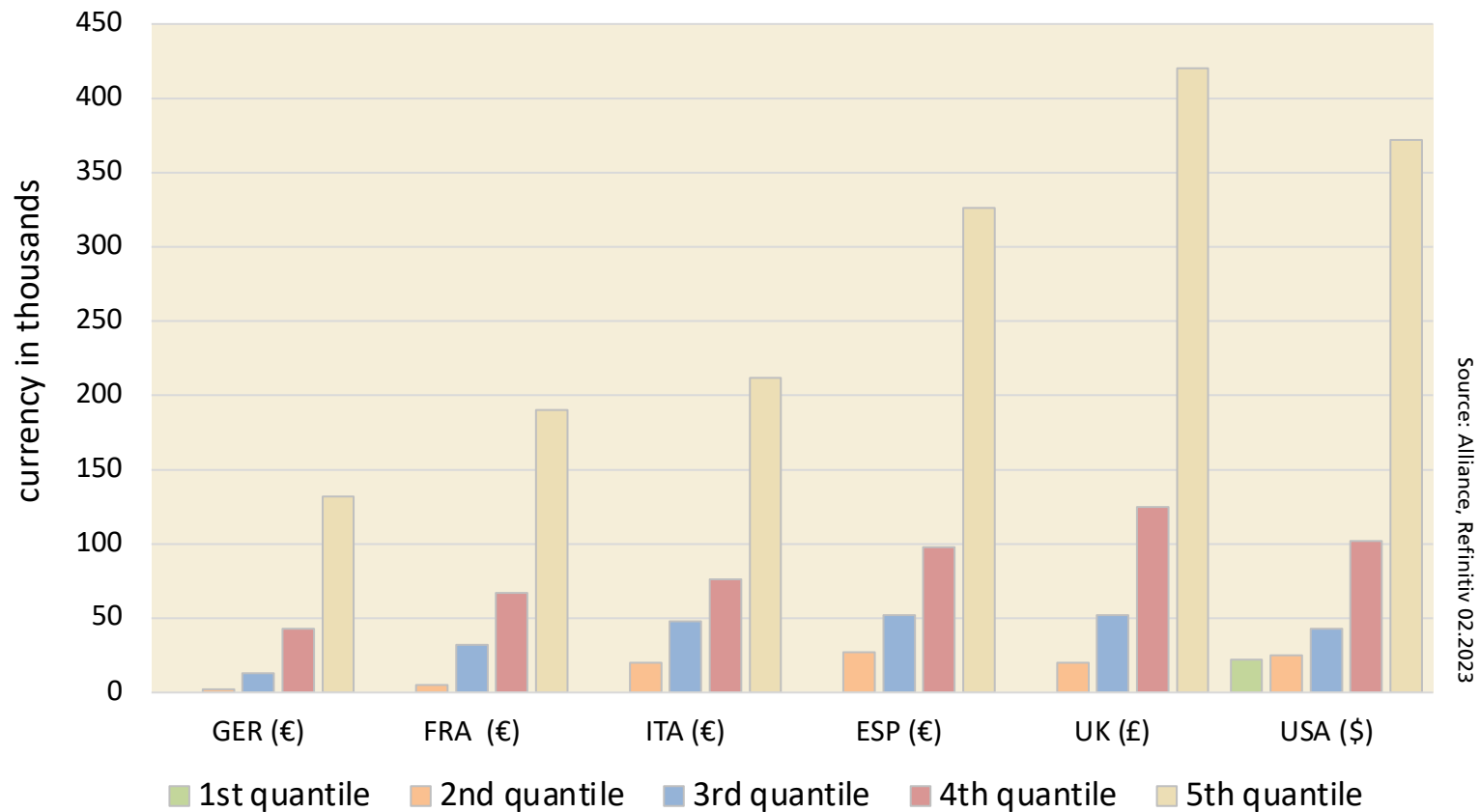
### Outlook 2023:

- consumers adapt to inflation with a time lag: curbing spending and raising savings
- a decrease in real income of middle classes will especially effect the business of prestige and luxury brands (e.g. accessories, perfumes)
- falling stock and crypto markets will melt away consumer spending potentials

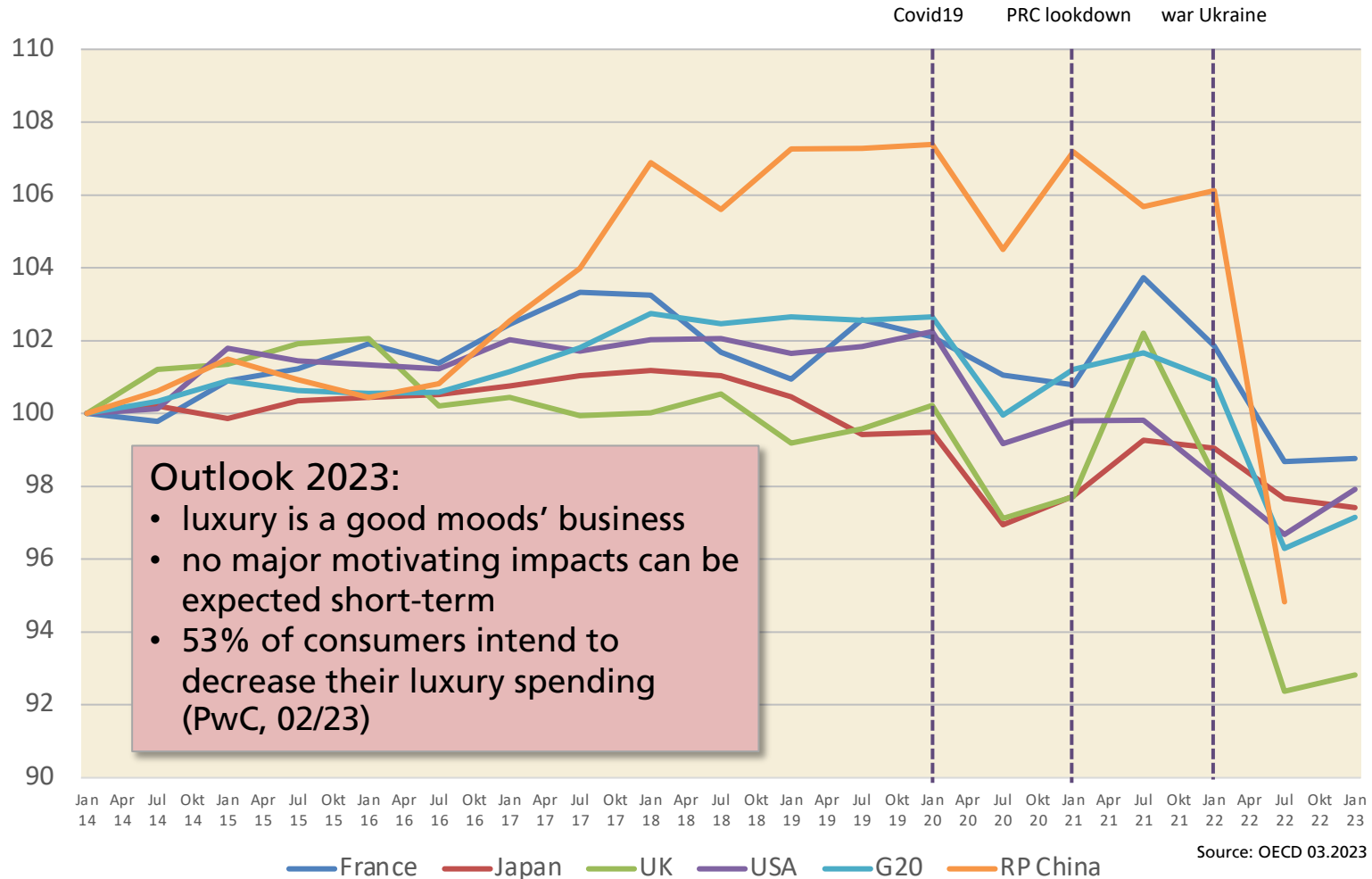
## The big hope: substantial Covid excess savings (end of 2022):



## But only the top 40% of households have been able to save income by end of 2022:

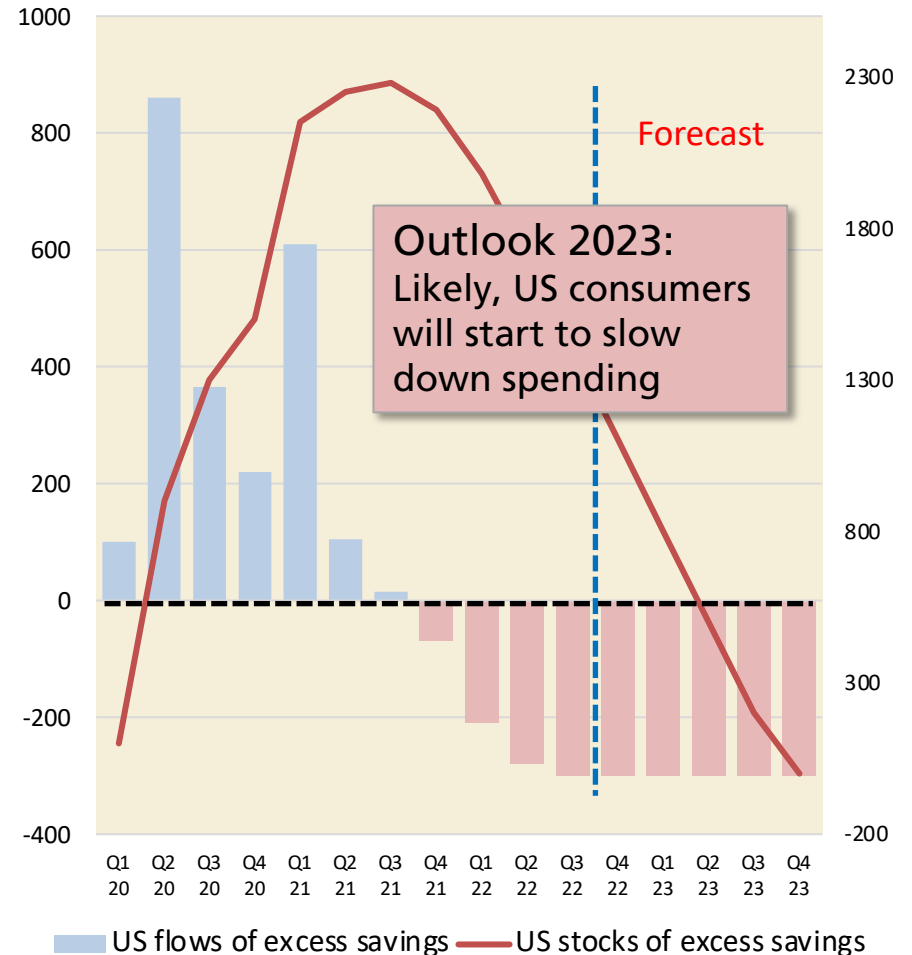
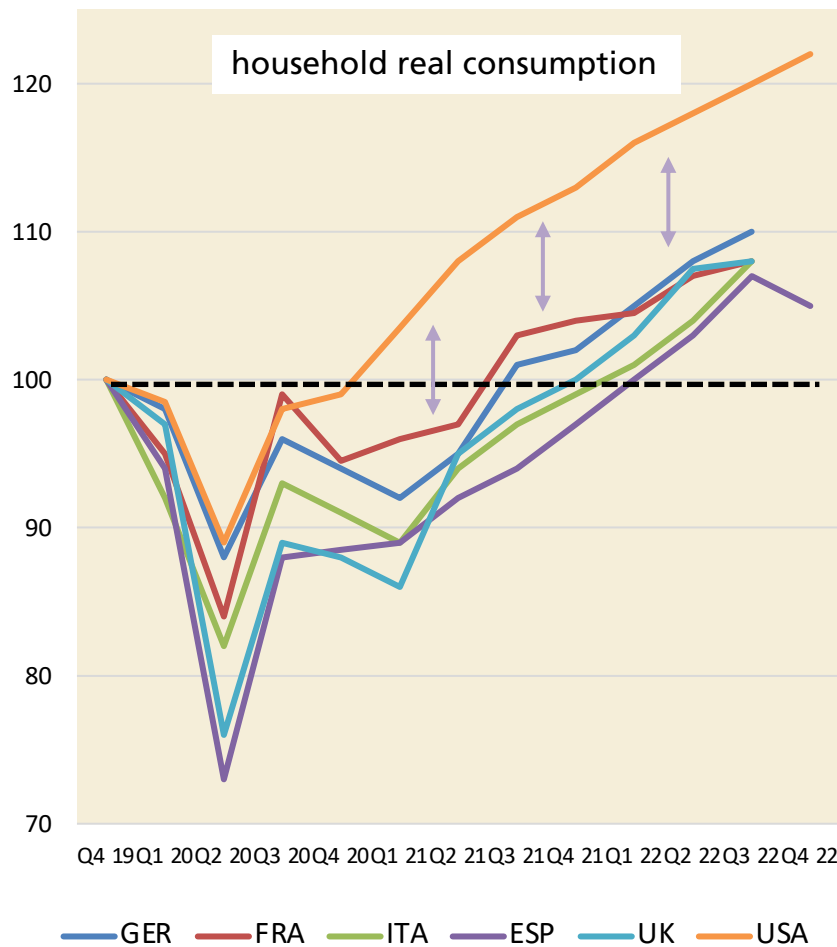


# ... and the bad news: declining consumer confidence



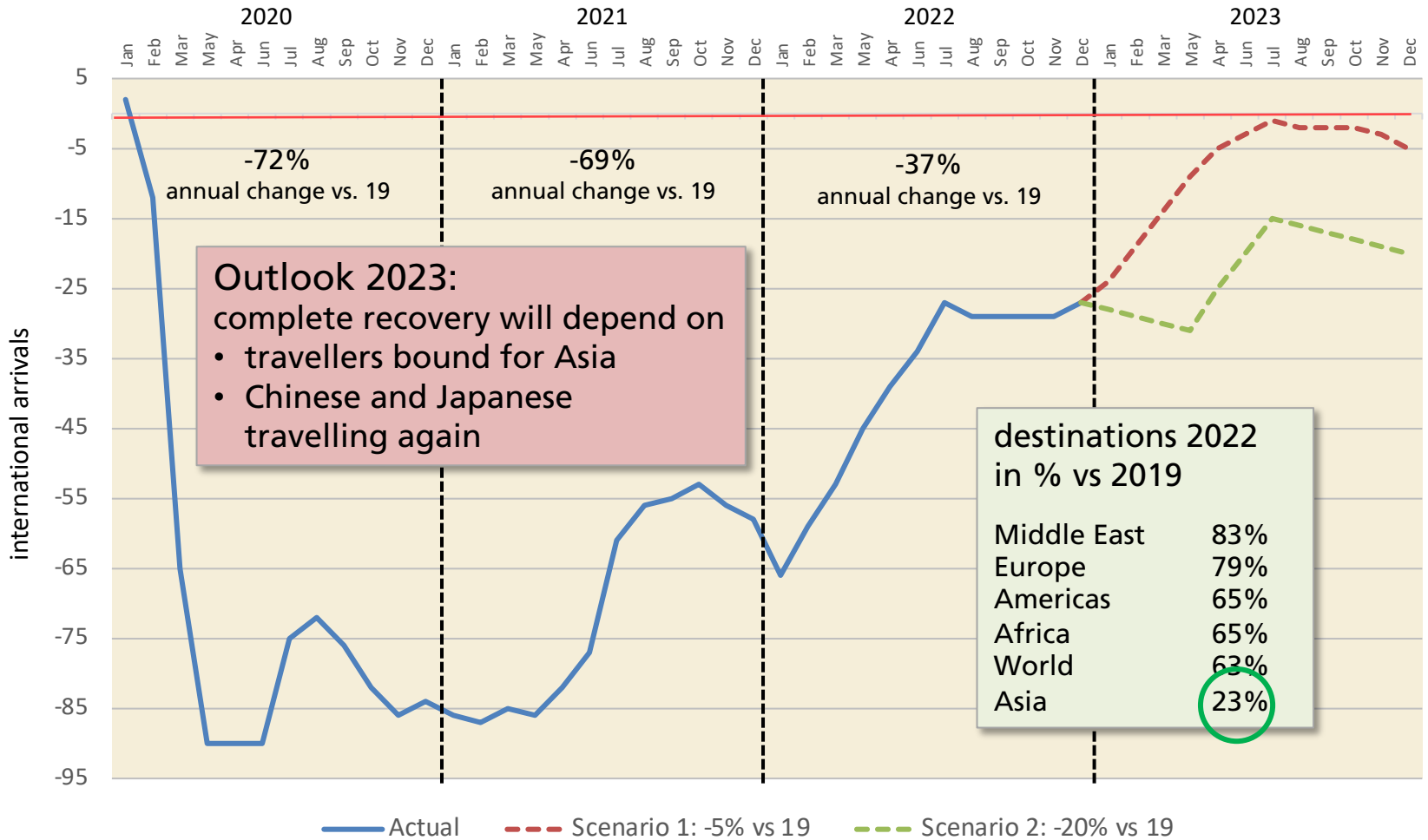


# Only American consumers "melt" their excess savings:



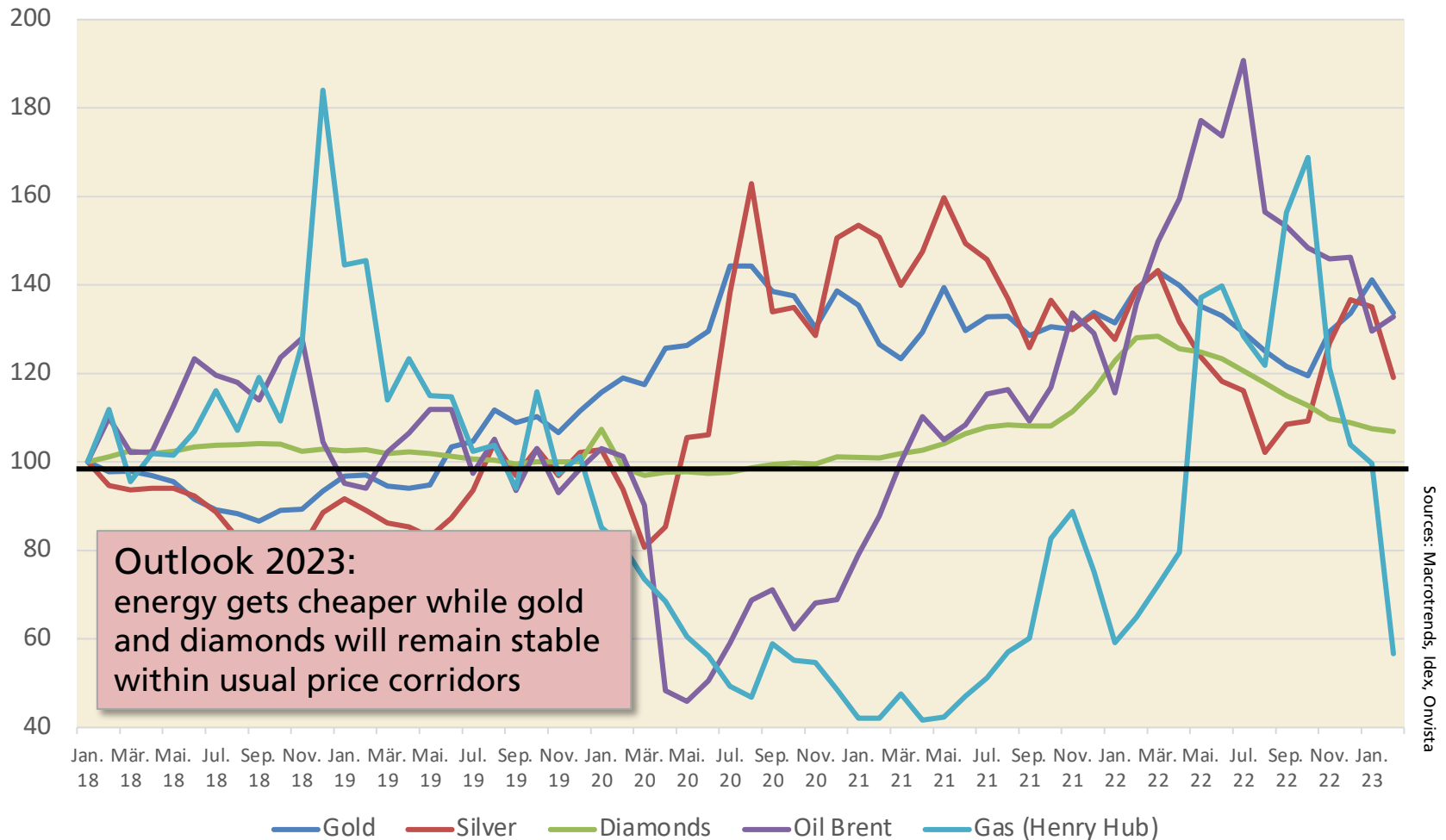
Sources: Alliance, Refinitiv, 02.2023

# Another hope: returning international tourism

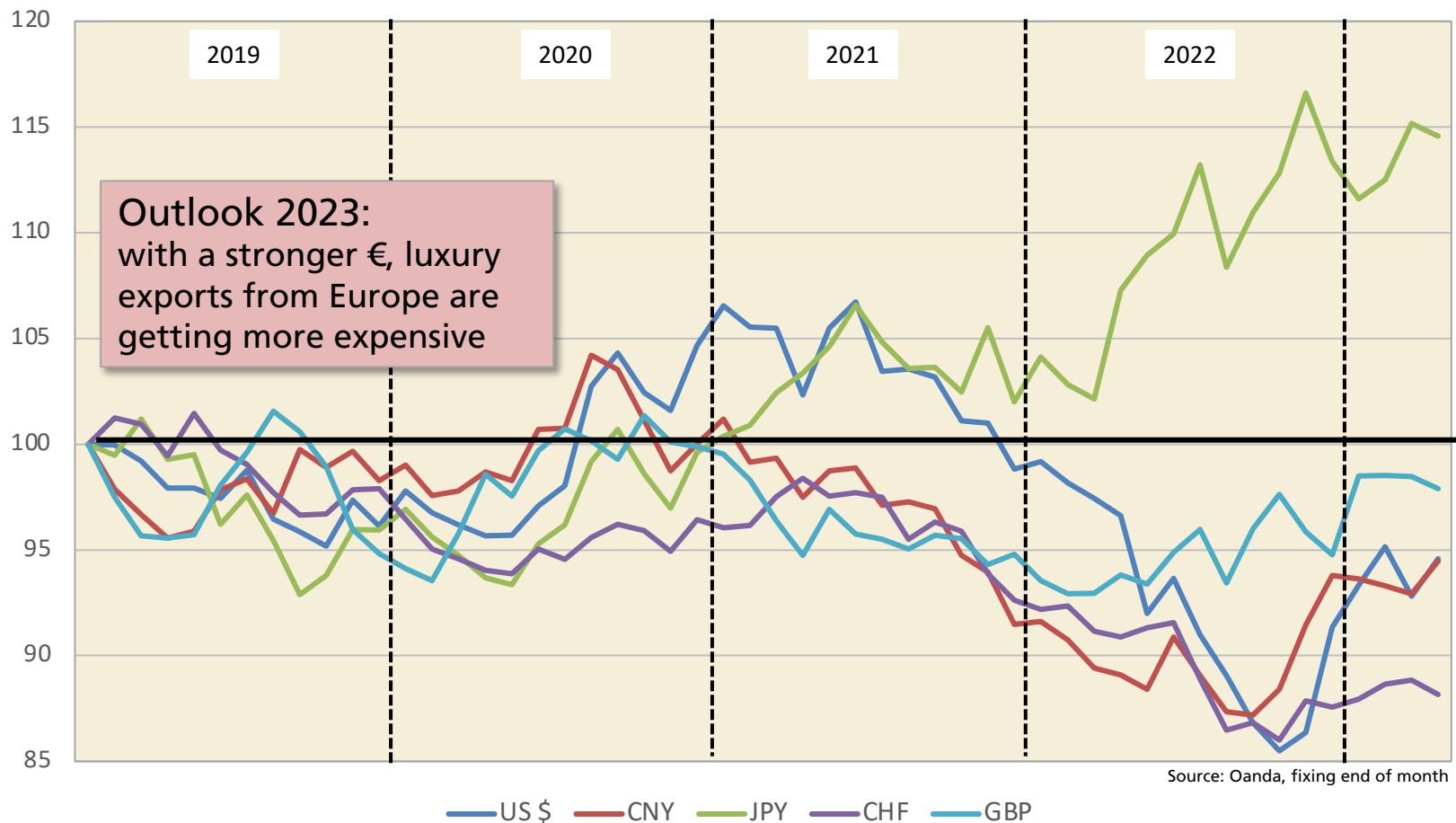


Source: UNWTO, 01.2023

## Key commodities 2018-2023: they get cheaper again



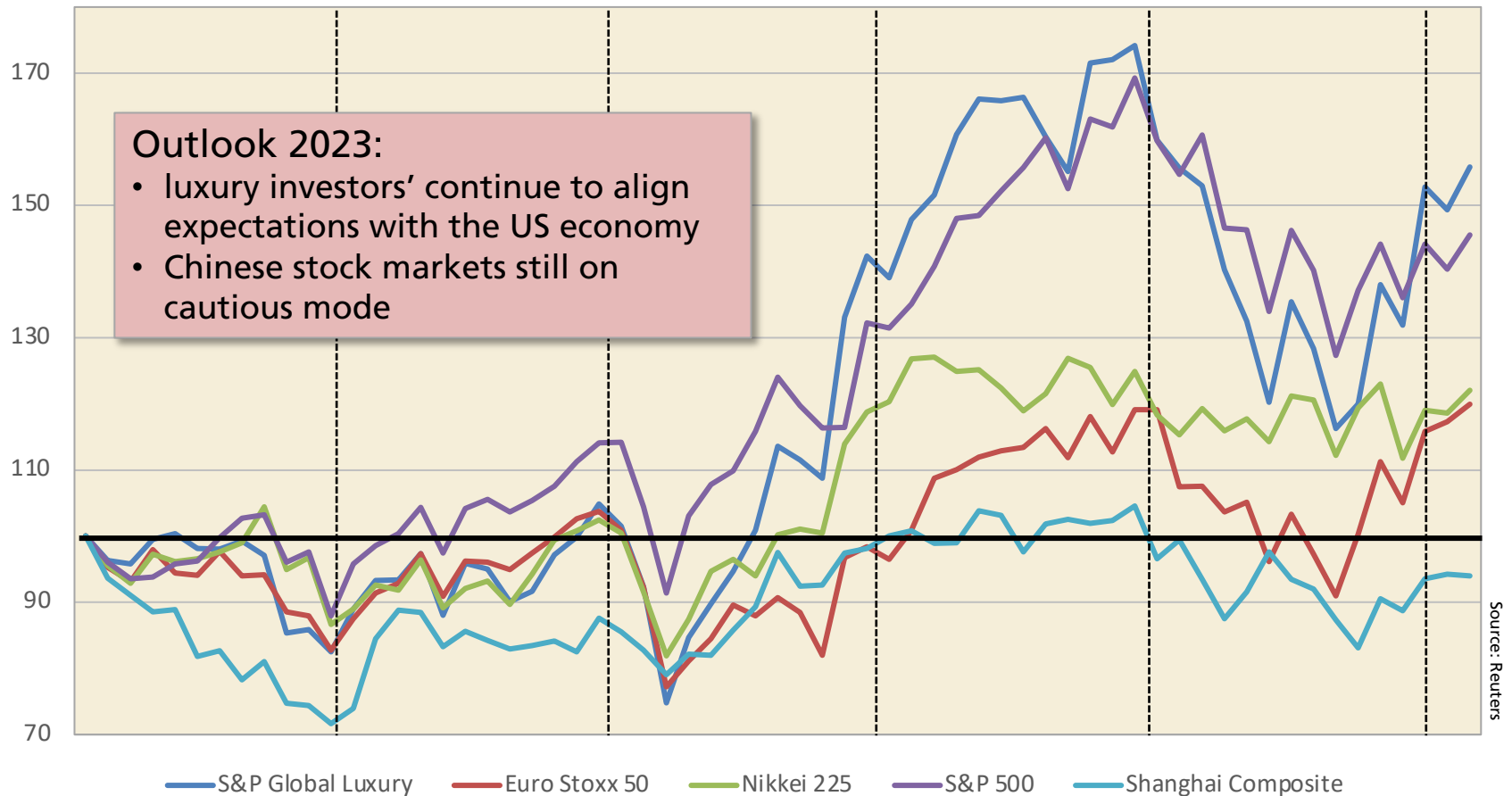
## Currency Exchange Rates 01.2019-03.2023: a rising €



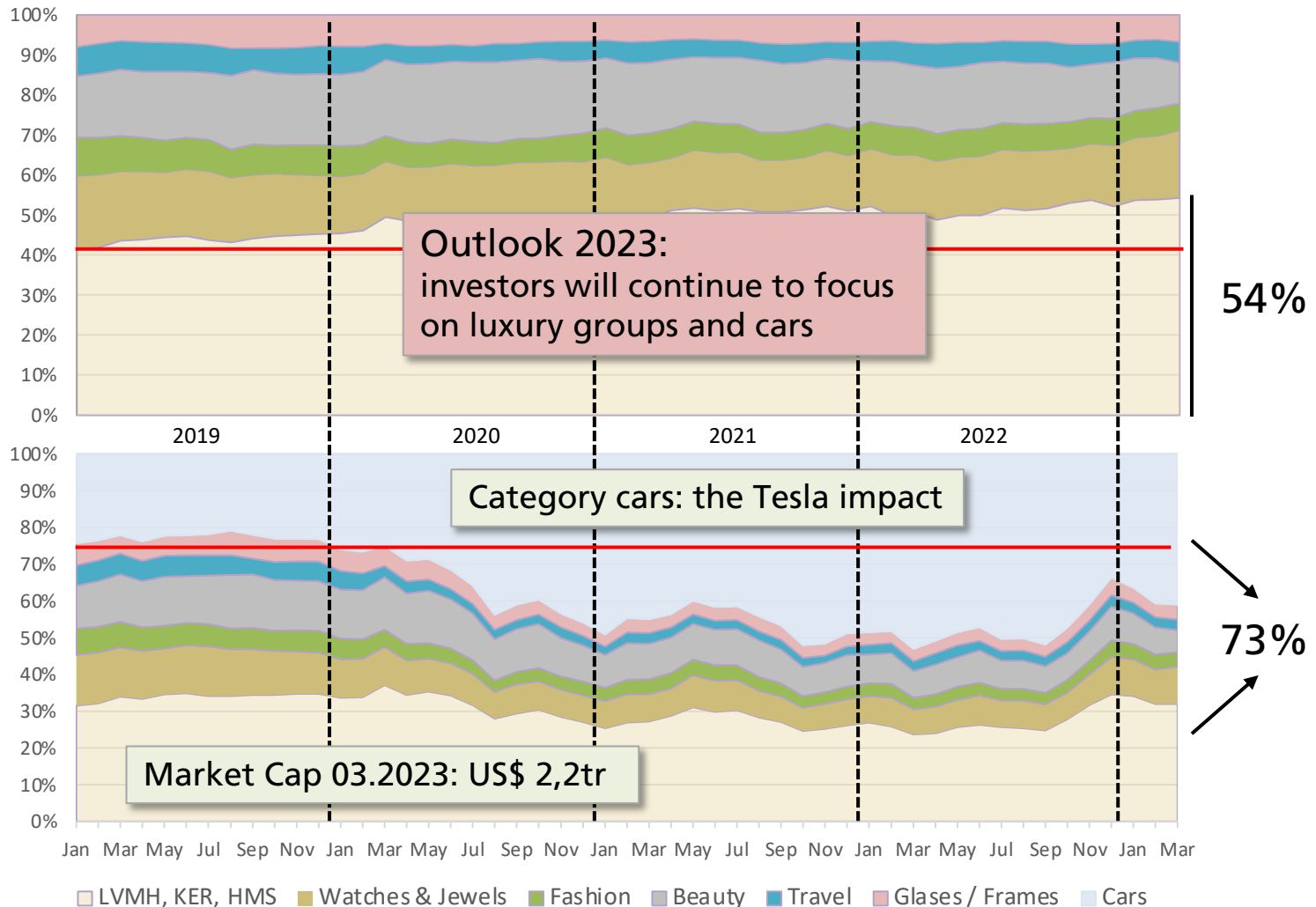
## Global supply chain pressure index 2014-2022: it's easing



## The investors' take: Stock Exchange Indexes 2018-03.2023



# The investors' take: market capitalisations



## Luxury share prices - not all brands seem to be attractive:

	Company	Category	Y-o-Y	5Y-o-5y	CAGR
1	Tesla	cars	-42%	+1.000%	64%
2	Hermès	group	44%	290%	31%
3	Brunello Cucinelli	fashion	72%	258%	29%
4	LVMH	group	30%	237%	27%
5	Kweichow Moutai	beverage	4%	163%	21%
6	Ferrari	cars	25%	155%	20%
7	Moncler	fashion	25%	105%	15%
8	Signet	jewellery	7%	101%	15%
9	Chow Tai Fook	watches & jewelry	9%	80%	12%
10	Richemont	watches & jewelry	23%	70%	11%
...	...	...	...	...	...
31	Capri (Korrs)	fashion	-8%	-24%	-5%
32	Ferragamo	fashion	-1%	-24%	-5%
33	Movado	watches	-26%	-25%	-5%
34	Swatch Group	watches	18%	-25%	-5%
35	Coty	skin care	34%	-34%	-8%
36	Tod's	fashion	-6%	-35%	-8%
37	Safilo	eyewear	-6%	-44%	-11%
38	Mulberry	fashion	-30%	-72%	-22%
39	Norwegian Cruises	travel	-38%	-74%	-24%
40	Bang & Olufsen	audio	-49%	-85%	-32%
	S&P Global Luxury	index	2%	62%	10%

Source: Reuters, monthly



## 2023: after a year of challenges now one of question marks

Hopes	Question marks	Risks
China economy rebound	US and Europe economies	Global consumer confidence
Less volatile exchange rates	Looming banking crisis	Declining purchasing power consumers
Stable (and cheaper) oil and gas prices	Status stock markets, real estate, crypto	Still high inflation and rising interest rates
Further improved global supply chains	The Russian war in Ukraine	US-Sino relationships
Stable employment	Substitutional effects: on-/offline, local/abroad	Sino-Taiwanese relations
Improving international tourism	Less national financial support programmes	National strikes
Freeing of excess savings	Brexit	Stronger €

## 2023 challenges: risk assessment

risk severity	high	<ul style="list-style-type: none"> <li>• China not rebounding</li> <li>• Rising energy prices</li> <li>• High Unemployment</li> </ul>	<ul style="list-style-type: none"> <li>• US &amp; Europe economies</li> <li>• Looming banking crisis</li> <li>• Status stock markets, real estate, crypto</li> <li>• Sino-Taiwanese relations</li> <li>• Rising saving rates</li> </ul>	<ul style="list-style-type: none"> <li>• Bad consumers' mood</li> <li>• Declining purchasing power consumers</li> <li>• High inflation</li> <li>• Rising interest rates</li> <li>• US-Sino relationships</li> </ul>
	medium	<ul style="list-style-type: none"> <li>• Disrupted supply chains</li> <li>• Decreasing tourism</li> <li>• Volatile exchange rates</li> </ul>	<ul style="list-style-type: none"> <li>• Russian war in Ukraine</li> <li>• Stronger €</li> <li>• Less state financial support programmes</li> </ul>	
	low		<ul style="list-style-type: none"> <li>• Brexit</li> <li>• Substitutional effects: on-/offline, local/abroad</li> </ul>	<ul style="list-style-type: none"> <li>• National strikes</li> </ul>
		low	medium	high
		incident probability		

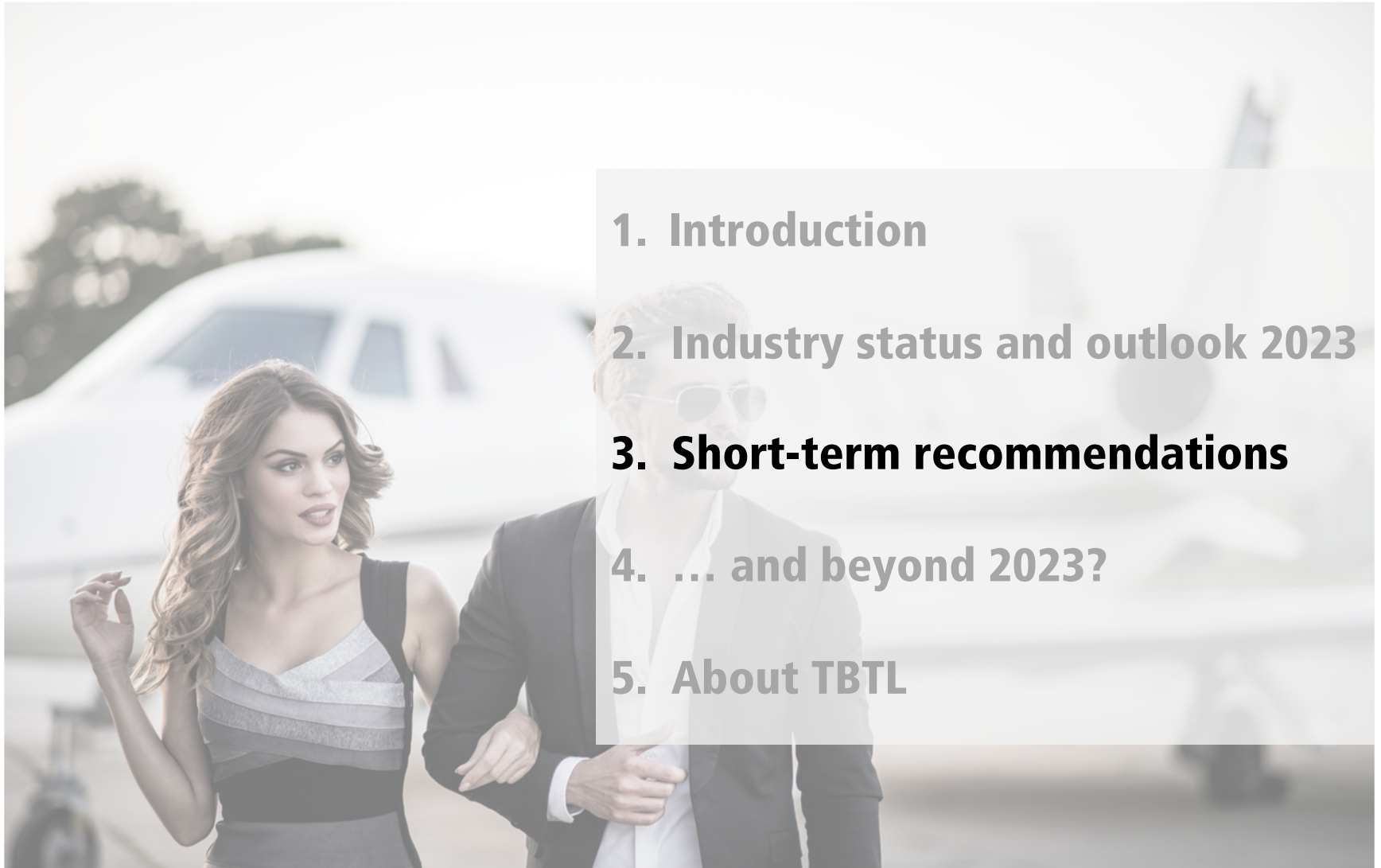
## Growth prognosis 2023 vs. 2022 (in % at constant prices):

Consumers	%
Europe	2%
North America	4%
China	20%
Japan	2%
Middle East	5%
World	5-7%

Markets	%
Europe	3%
North America	4%
China	16%
Japan	3%
Middle East	5%
World	5-7%

Channels	%
Retail store	4%
Retail online	6%
Wholesale store	4%
Wholesale online	9%
World	5-7%

- ⇒ 2023 growth will strongly depend on US consumers continuing to spend while Chinese shoppers return to former habits. TBTL believes that both scenarios are unlikely to fully materialise.
- ⇒ Only by mid-2024 there will be a return to some global pre-covid normal (unless political circumstances prevent a more reassured consumers' confidence). Then, option of rally due to liquidation of savings.



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## Ten recommendations for luxury short-term 2023/24 :

1. building-up customer loyalty: 1-to-1 communication, intensifying customer retention programmes etc.
2. product and service up-grading
3. rebalancing the channel-mix to some degree back to wholesale
4. realistic (cautious) revenue planning, purchasing and stock management
5. spreading risks: levelling of market presences
6. avoidance of discounts
7. avoidance of grey markets
8. securing supply chains: vertical integration, nearshoring, small batch production
9. actions on ESG while avoiding “clean-washing”
10. start to prepare for long-term: vision and strategy planning



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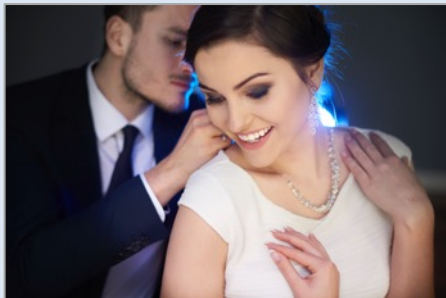
## **2023 ... and beyond: some long-term challenges**

- a. The nature of luxury and ESG: a fundamental modern conflict?
- b. The democratisation of luxury and aggressive business practice
- c. The ticking timebomb demography
- d. China's long-term development
- e. Ideological global conflicts
- f. Increasingly regulating governments and authorities

...

<p>Luxury conflict zones</p> 	<p><b>Luxury</b></p> <ul style="list-style-type: none"> <li>• providing strong identities</li> <li>• offering product / service world records</li> </ul>	 <p>Luxury friendship zones</p>
<i>E - environment</i>		
<ul style="list-style-type: none"> <li>⊖ philosophy of abundance</li> <li>⊖ unnecessary consumption</li> <li>⊖ high amount of resources wasted per unit produced</li> </ul>	<p><i>environmental friendly, saving resources, natural, local, slow ...</i></p>	<ul style="list-style-type: none"> <li>⊕ long-lasting products</li> <li>⊕ usage of natural materials</li> <li>⊕ nature preserving (e.g. wine)</li> <li>⊕ potentially circular</li> </ul>
<i>S - social</i>		
<ul style="list-style-type: none"> <li>⊖ socially selective and elite</li> <li>⊖ expensive: for the rich only</li> <li>⊖ dishonest (greenwashing), pretending (beautiful, young)</li> <li>⊖ image of perfection</li> </ul>	<p><i>inclusion, social fairness, truth, political participation, wealth equality, modesty, casual ...</i></p>	<ul style="list-style-type: none"> <li>⊕ human / hand-made</li> <li>⊕ preserving traditions</li> <li>⊕ resell value</li> <li>⊕ industry securing employment</li> <li>⊕ international, cosmopolitan</li> </ul>
<i>G - governance</i>		
<ul style="list-style-type: none"> <li>⊖ criminal: money laundering, corruption's currency (e.g. watches)</li> </ul>	<p><i>ethically correct, in line with the laws, honesty, transparency, subject of checks ...</i></p>	<ul style="list-style-type: none"> <li>⊕ industry important tax payer</li> <li>⊕ audited companies</li> <li>⊕ product and production certifications (Cites etc.)</li> </ul>

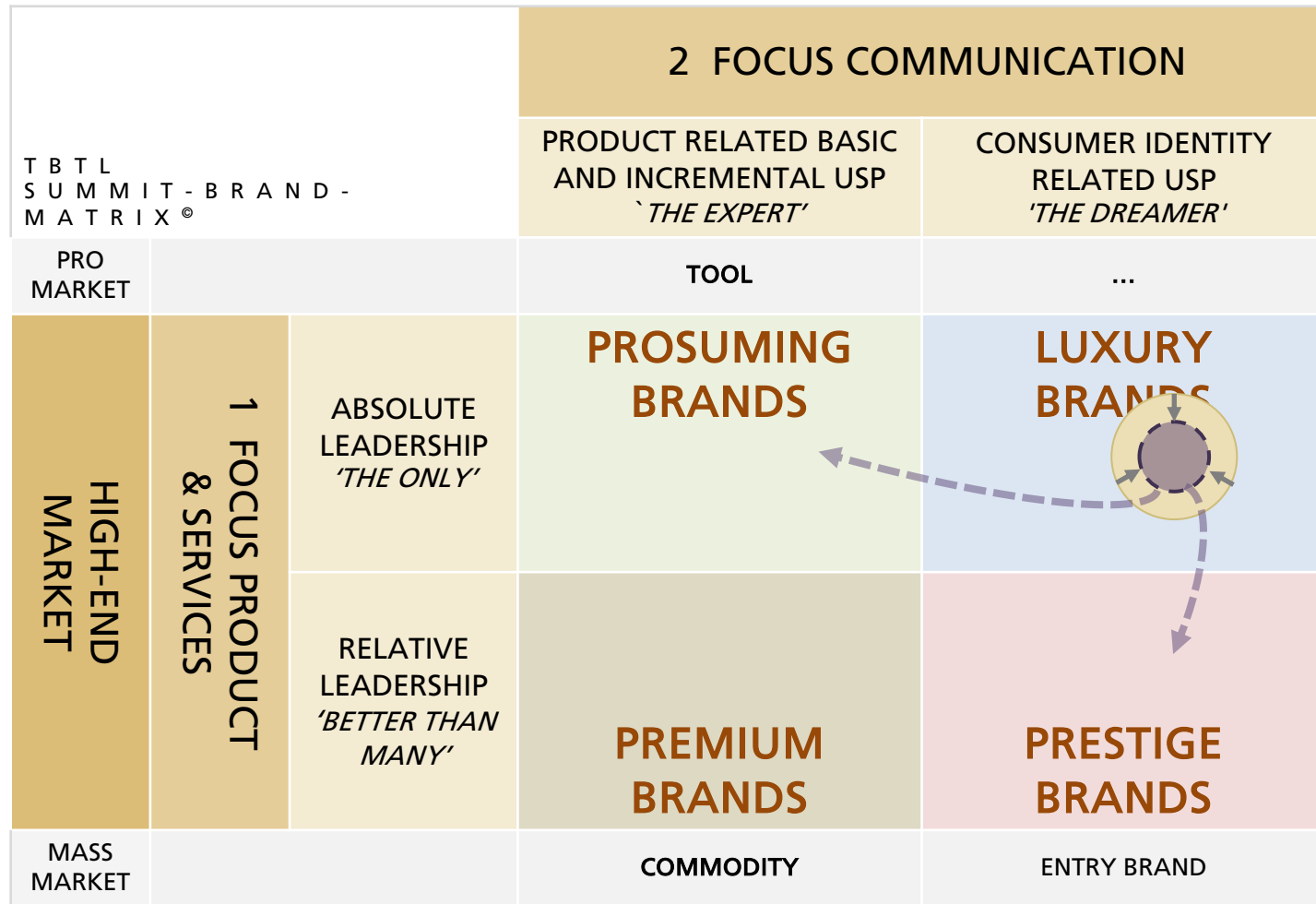




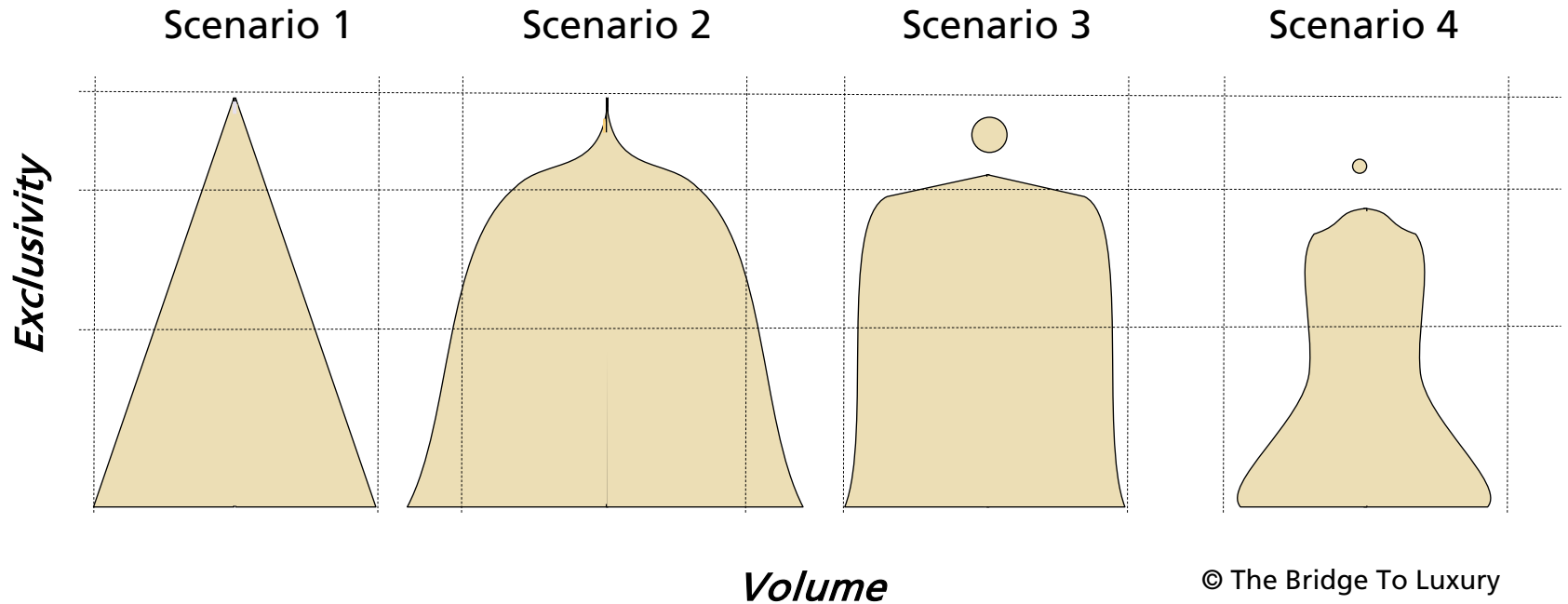
## **The democratization of luxury and aggressive business practices:**

- the modern socialism:
  - expanding the playing field towards (young) mass segments: NFTs, gamification, metaverse ...
  - the new testimonials: Vloggers, Bloggers ... our neighbours!
- aggressive business practice:
  - too ambitious growth expectations
  - no strategic but opportunistic line extensions
  - artificial product limitations
  - management bonus systems heavily based on sales targets
  - too short budgeting cycles
  - discounting and parallel markets
  - e-commerce a mere sales channel but not a branding tool

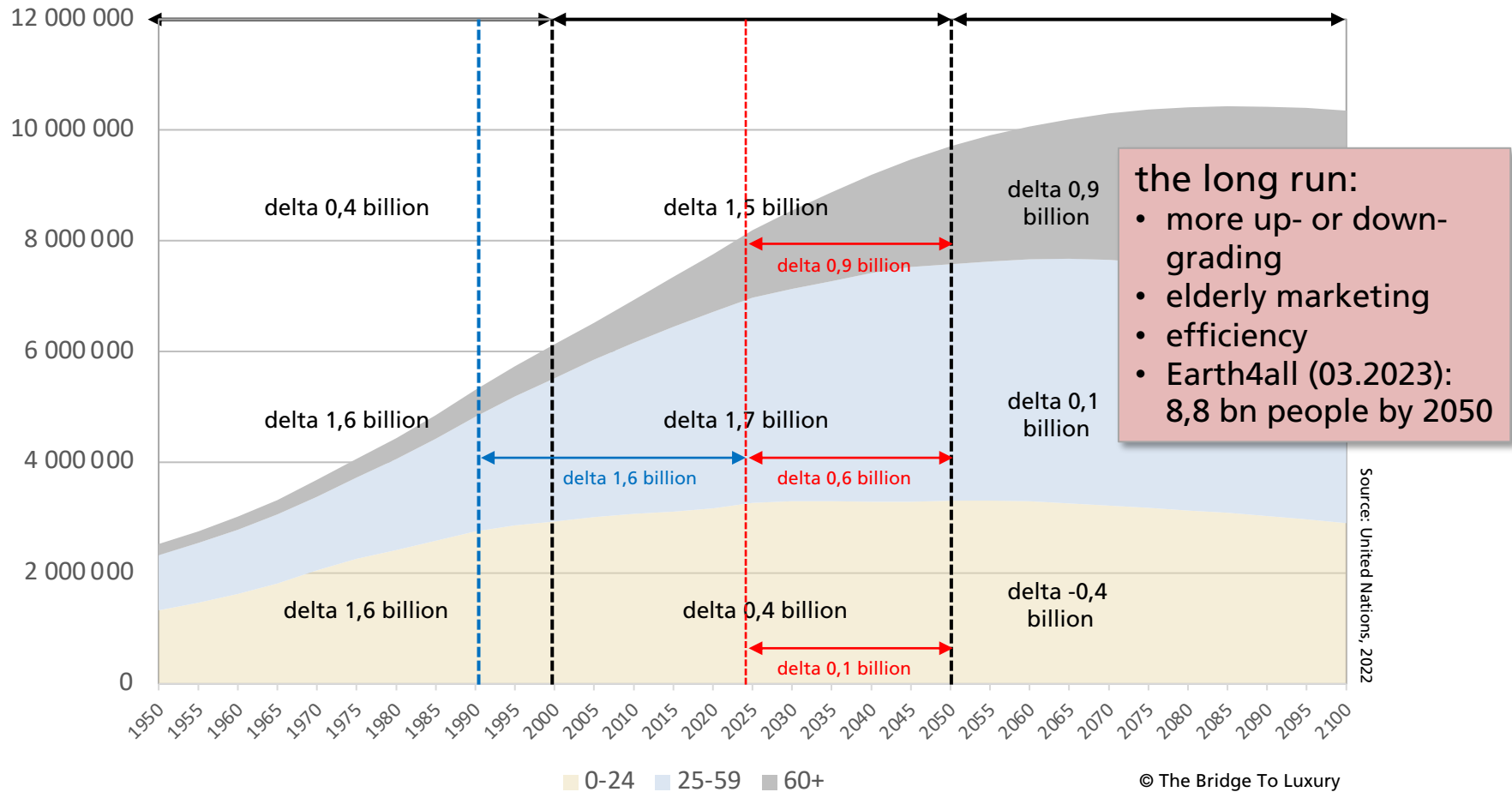
## Long-term, luxury risks to decrease in its importance:



## High-end consumption in 30 years: potential industry scenarios

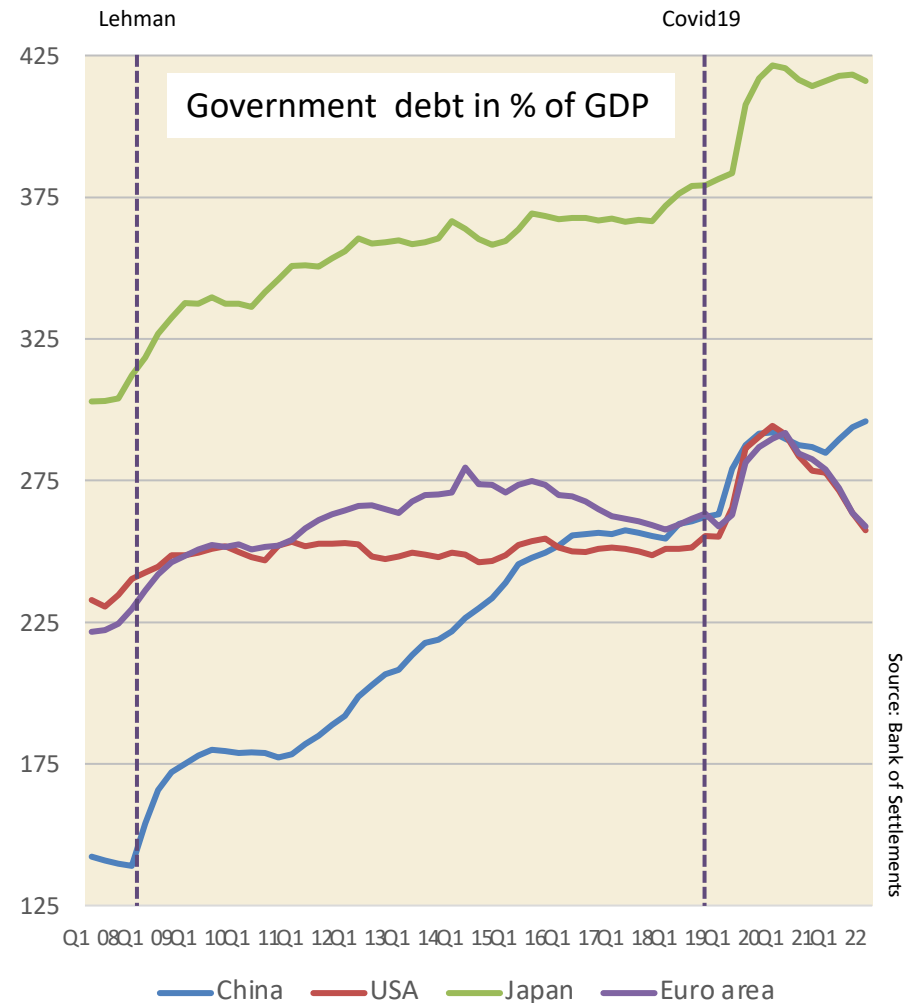


# Population growth: the luxury industry's ticking time bomb



## China:

- demography
- environmental problems
- the rising debt crisis
- unemployment rates among young people
- long-term economic forecasts (real estate, foreign de-investing)
- ideological pressures and economic interference



### **2023 ... and beyond: some long-term opportunities I**

1. back-to-the-roots: classical branding (“we for you”)
  - true exclusivity: measurable product and service world records
  - target grouping, providing slice-of-life identities and 1-to-1 communications
  - creating relevant and attractive positionings
  - epic and emotional story-telling
2. offerings of sophisticated individualisation on market / customer level (bespoke)
3. strong brand portfolios and line extension: systems of offering instead of single product categories
4. professionalism: organizational flexibility and speed; pricing and distribution discipline

### **2023 ... and beyond: some long-term opportunities II**

5. global wealth evolution: the relative stable UHNWIs
6. demography: growing the customer base
  - priority no. 1: preserving the current mature customers
  - a must if done at the right moment in the right way while avoiding ingratiating: new generations (GenAlpha & Co.)
  - an interesting and logical option: senior marketing
7. China: the giant will remain an industry's focus point given its size – wealth evolution for the time being will outweigh demographics
8. further internationalisation: India, Afrika, South-Est-Asia ...
9. the rediscovery of the old world (Europe)
10. the true luxury digital experience





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The Bridge To Luxury (TBTL) is one of the few worldwide operating consultancy firms specialised in supporting companies that offer high-end consumer goods and services. TBTL's vision is to successfully connect luxury, prestige, premium or prosumer brands with customers, distribution partners, media, personnel or investors.

TBTL supports as a full service provider its clients on strategic and operational levels such as company and market analyses, definitions of brand strategy, internationalization, optimisation of marketing-mixes, restructuring and organisation, funding and maximising profitability.

- Since 2023: Lecturer at the University of St. Gallen (subject: luxury brand management)
- Since 2019: Advisor at the European Bank of Development and Restructuring (EBRD)
- Since 2018: Editor of the Luxury Industry Performance Index (LIPI)
- Since 2009: CEO The Bridge To Luxury TBTL (founder)
- 2002-2009: CEO Glashütte Original (Germany) and member of the extended management board of The Swatch Group
- 2005-2008: Co-creator of the German Watch Museum, Glashütte
- 1998-2001: Project manager at IWC (Switzerland) and managing director sales & finance at A. Lange & Söhne (Germany)
- 1992-1997: PhD-research fellow at University of St. Gallen and independent marketing consultant (Switzerland)
- 1986-1991: Business studies at the University of Mannheim (Germany) and ESCP Europe (France, England, Germany)





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