Outlook Luxury Industry 2025 and beyond

The numbers:

The stock market year 2024 is also history for the luxury industry. The overall disappointing business developments were reflected in falling share prices. The S&P Global Luxury lost -2.3% in the last 12 months. In the same period of the previous year, it had risen by +13.5%. Compared to the S&P500 (+24.0%), the Nikkei (+19.8%), the Shanghai Composite (12.7%) or the EuroStoxx50 (+7.4%), for example, the index did underperform.

Although the market capitalization of high-end stocks rose by 20.3% y-o-y, it fell by -9.4% to USD 1.32 trillion when the dominant share of Tesla is eliminated. Investors had their eyes on other sectors. Within the industry, the focus was once again on the three large groups LVMH, Hermès and Kering with a 56.5% share of the market cap. The other sectors: frames and glasses 10.3%, watches & jewelry 10.2%, beauty 8.8%, travel 8.2% and fashion 6.0%.

Although there were luxury stocks with a positive evolution on the stock exchanges in 2024, they were in the minority. The top five performers were Signet (+71.1%), Tesla (+62.5%), Ralph Lauren (+58.1%), Prada (+52.5%) and Norwegian Cruise (+40.4%). At the bottom were Capri (-58.1%), Aston Martin (-50.1%), Estée Lauder (-48.4%), Ferragamo (-44.3%) and Coty (-43.0%).

Luxury industry: share price evolution in 2024

	Winners	2023-2024	2020-2024
1	Tapestry (Coach)	71,1%	137,3%
2	Tesla	62,5%	1191,4%
3	Ralph Lauren	58,1%	91,9%
4	Prada	52,5%	125,8%
5	Norwegian Cruises	40,4%	-54,8%
6	Ferrari	34,1%	175,8%
7	EssilorLuxottica	29,7%	72,9%
8	Marriott	25,7%	92,4%
9	Richemont	23,1%	80,0%
10	Hermès	22,3%	243,8%
11	Signet	22,3%	336,9%
12	Brunello Cucinelli	20,3%	228,1%
13	Givaudan	16,2%	29,7%
14	Symrise	4,5%	9,6%
15	Safilo	1,4%	-5,3%
	S&P 500	24,0%	81,6%
	Nikkei 225	19,8%	83,4%
	Shanghai Composite	12,7%	9,9%
	Euro Stoxx 50	7,4%	30,0%
	S&P Global Luxury	-2,3%	40,5%

(C) TBTL; sources: Yahoo Finance, S&P

	Losers	2023-2024	2020-2024
16	Bang & Olufsen	-3,3%	-39,8%
17	Moncler	-8,3%	27,6%
18	Kweichow Moutai	-11,5%	36,1%
19	LVMH	-12,1%	51,6%
20	Mercedes-Benz	-15,0%	31,8%
21	BMW	-22,4%	7,7%
22	Swatch Group	-25,0%	-39,0%
23	Zegna	-26,9%	-31,1%
24	Porsche	-27,0%	- -
25	Burberry	-30,0%	-55,9%
26	Hugo Boss	-32,0%	4,1%
27	Mulberry	-34,2%	-61,9%
28	Movado	-35,0%	-5,4%
29	Shiseido	-35,2%	-64,1%
30	Kering	-39,3%	-60,3%
31	Chow Tai Fook	-42,5%	-15,2%
32	Coty	-43,0%	-35,0%
33	Ferragamo	-44,3%	-63,6%
34	Estée Lauder	-48,4%	-63,6%
35	Aston Martin	-50,1%	-91,4%
36	Capri	-58,1%	-43,9%

THE BRIDGE TO LUXURY
International Strategy Consulting

The outlook 2025 and beyond:

What can be expected for the luxury industry in 2025? The outlook remains initially bleak. The factors known from 2024 will persist: China's weakening economy; inflation risks in the USA; new trade barriers between the USA, Europe and China; the war in Ukraine; the tense situation in the Middle East. Better figures will not materialize until fall 2025 at the earliest. The US luxury market in particular will be decisive for this.

Potential drivers there would be a continuous solid growth, further interest rate cuts by the Fed, political stability, rising real estate prices and stock markets. For Europe and China, the reduction of currently high and still growing saving deposits could lead to more high-end consumption again. In China, further government measures to stimulate the economy would help to initiate more luxury spending. Japan is also likely to remain a shopping destination if the ¥en remains weak.

But we have to be cautious about too much wishful thinking. In TBTL's webinar in April 2023, we had already pointed out the risks for 2024 - which were then unfortunately confirmed. Even if luxury consumption picks up next fall, attentiveness is advised.

Potentially positive growth rates late 2025 will then be based on a statistical base effect, as the 2024 figures were below average in the long term. More important, however, are the industry's long-term prospects:

- In a recent study in cooperation with the University of St. Gallen, we were able to prove that tax cuts in the US have at best only a small effect on luxury consumption. Despite likely reductions from the new administration over the next four years, we do not expect any significant impetus for the high-end industry.

- In China, in recent years built but vacant properties are already outnumbering future demand for housing. Measures to stimulate the real estate sector with additional buildings will therefore exacerbate the existing problem rather than solve it. China's youth unemployment rate of +20% is also a structural challenge that has persisted for years. This also applies to China's demographic development - in which the country is not alone globally. Although there will be new middle classes, HNWIs and UHNWIs in China, their growth will slow down.

- Global conflicts will not diminish. And they are accumulated by the challenges posed by ESG: the increasingly difficult social justification of luxury, adjustments to production and offerings, rising costs, etc. In addition, the sales growth of luxury brands in the last two decades was also based on an accounting shift in sales from wholesale to retail revenues. In economic analysis generally the brands are focused. Yet their progress was also generated from taking over sales from high-street merchants in setting up own boutiques and e-commerce.

- Finally, the historical booster of internationalization will offer less opportunities in the future notwithstanding the industry’s hopes on India and Africa.

TBTL believes that the luxury industry will have to adjust to average annual growth of only 3-6% in the long-term. The days of easy growth are over. There will be individual positive exceptional years, of course. And as long as some groups such as LVMH or disciplined brands like Ferrari, Hermès or Rolex do not make any fundamental mistakes, there will be lasting success stories - including newcomers such as Brunello Cuccinelli. However, the industry will have to fundamentally rethink and adapt its business models. The international FMCGs are a reference for this in a new battle for market share.

Measures:

In preparation for the new future of the luxury industry and together with its clients TBTL discusses many possible measures for timely adaptation. These include:

- Clarification of the brand character: luxury, prestige, premium, prosuming
- Determination of economically interesting target groups
- Definition of attractive and relevant brands and brand experiences (positioning, communication)
- Strategic growth strategies: Niche or volume, up- or down-grading, omni-channel management
- Definition of the offering: products, pyramids and services
- Pricing strategies
- Development of substantive market research and macro-environmental monitoring
- The financials: long-term budget planning, investments and cost reductions
- M&A and portfolio management

On behalf of TBTL's clients, we do monitor the luxury industry's evolution in the context of macro developments. However, our core competency is strategic brand and business development. Contact us to find out more how TBTL can support your company and brand.

We wish you a successful business year 2025!

#luxury #lvmh #hermes #kering #ferrari #rolex #esg #usa #china #hsg