THE BOSTON CONSULTING GROUP

Fondazione Altagamma

The True-Luxury Global Consumer Insight

4th Edition

Milan, February 16th, 2017

EXTRACT CONFIDENTIAL

The True-Luxury Global Consumer Insight panel

12 000+
Consumers

~36 k€
Avg. luxury spend

10
Nationalities

Vs. 2016 Ed.

- +1 000 in China
- +1 000 in US

- +15 k€

Source: BCG-Altagamma True-Luxury Consumer Insight

We push to be relevant on the highest segments of the luxury consumers

True-Luxury Consumers sample distribution (% respondents)

Luxury yearly spend[1] (k€ per consumer)	3rd edition	4th edition	
> 100 k€	1 %	7 %	▲
50 - 100 k€	6 %	18 %	▲
20 - 50 k€	28 %	30 %	=
10 - 20 k€	35 %	25 %	▼
5 - 10 k€	30 %	20 %	▼
Average Spend for overall sample	~21 k€	~ 36 k€	

7% | 25%

▲▼= Clusters size evolution 4th vs 3rd Edition

1. Expenditure includes personal luxury (e.g. handbags, shoes, sunglasses and other accessories, clothing) and experiential luxury (e.g. hotels, wine and spirits, exclusive vacations). Excluded cars, yachts, smartphones & tablets
Source: BCG-Altagamma True-Luxury Global Consumer Insight

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We set higher thresholds by category vs previous edition to identify a "True Luxury Consumer"

Personal Luxury Goods

Category	Threshold Price	vs. '16
Handbags	>1 000 € / each	▲
Shoes	>300 € / each	=
Sunglasses	>180 € / each	=
Other accessories[1]	>180 € / each[2]	▲
Outerwear / Coats	>1 400 € / each	▲
Dresses for women	>1 200 € / each	▲
Suits for men	>1 600 € / each	▲
Sweaters / Knitwear	>400 € / each	=
Shirts / Topwear	>200 € / each	▲
Jeans / Pants / Skirts	>250 € / each	=
Fragrances & Cosmetics	>100 € / each	▲
Watches	>2 000 € / each	=
Smart watches	>400 € / each	=
Jewelry	>1 200 € / each	▲

Experiential Luxury Goods

Category	Threshold Price	vs. '16
Restaurants	>200 € / person	▲
Wine & Spirits	>100 € / bottle	▲
Hotels (leisure)	>450 € / night	▲
Cruise / resort	>4 000 € / pers./ week	=
Design furniture	>3 000 € / each	▲
Lighting	>1 000 € / each	=

Other Luxury Goods

Category	Threshold Price	vs. '16
Cars	>100 000 € / each	=
Luxury Boats / Yachts	>750 000 € / each	=
Smartphones / Tablets	>1 000 € / each	=

Minimum spent 5 k€ in the past year on personal luxury goods

1. "Other accessories " includes scarves, wallets, belts and ties 2. > 180€/each for Small Leather Goods, >150 €/each for Silk Goods

Source: BCG-Altagamma True-Luxury Global Consumer Insight; BCG

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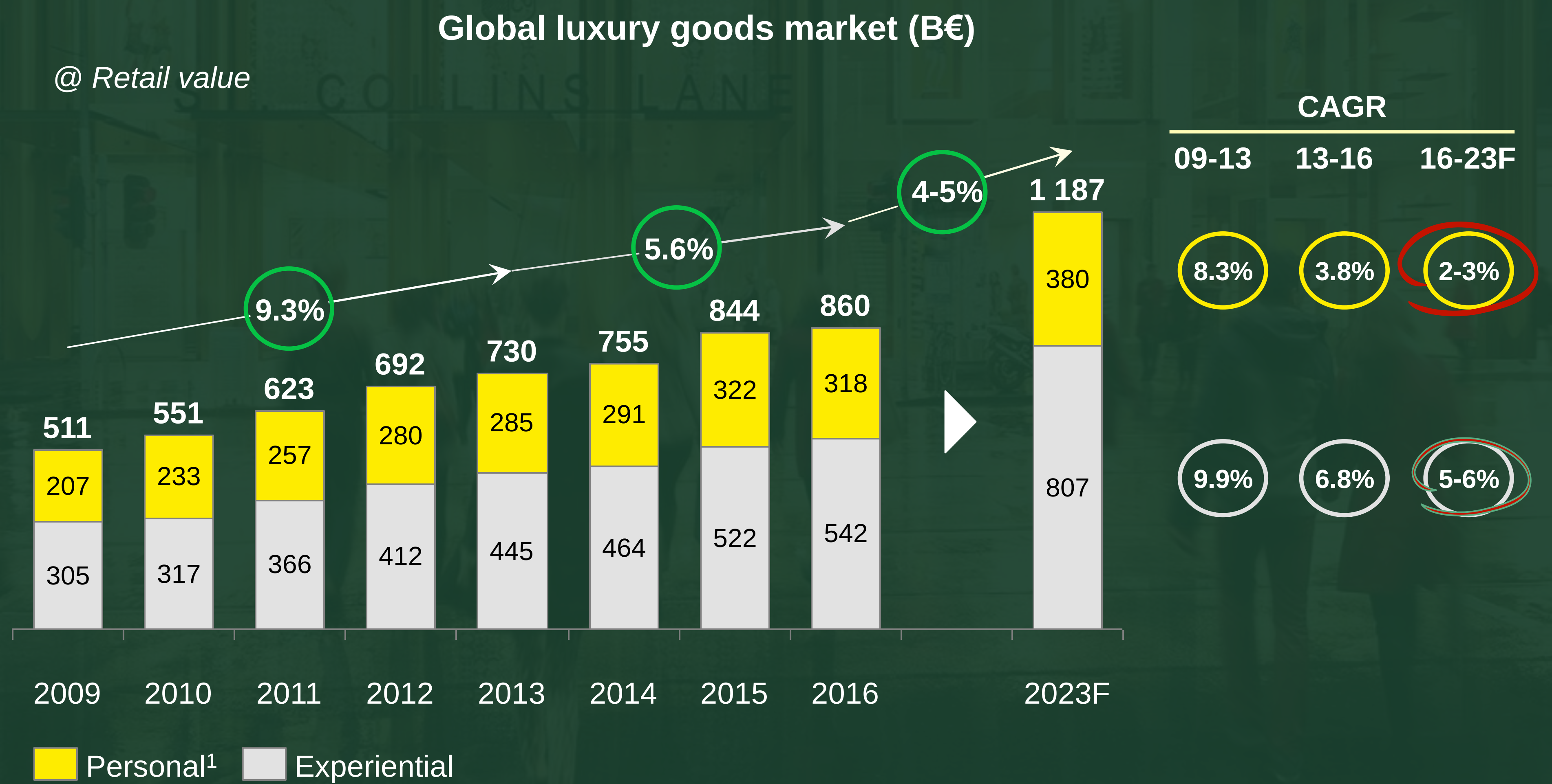
The True-Luxury Global Consumer Insight 4th Edition

Main Outcomes

- The steady growth of True luxury consumers spending
- A rising perception of price-value misalignment
- More casual, more customized!
- True luxury consumers buying more in their home country
- Luxury goes more and more omnichannel
- Monobrand at the heart of an omnichannel experience
- #LuxuryGoesSocial
- Behavioral consumer segments : understand them to win!

The global luxury market worth ~860Bn€ in 2016, experiential growing faster than personal luxury



1. Personal goods include accessories, apparel, watches & jewelry, fragrances & cosmetics
Source: BCG Luxury Market model

A further polarizing pyramid ahead: True-Luxury Consumers up from ~29% to ~32% of global market

CLUSTER	2016 # (M)	2016 Bn(€)[1]	2023 # (M)	2023 Bn(€)[1]
Beyond money	0.4	20	0.5	40
Top Absolute	1.3	30	2.0	53
Absolute	4.5	93	6	141
Entry Absolute	11	107	14	147
Total True-Luxury	17	250	22	381
			+131	
Top Aspirational	21	61	28	92
Other Aspirational	375	549	440	715
			+196	
Total Luxury Consumers	~415	~860	~490	~1185
			+325	

1. Including Experiential and Personal luxury, excluding cars and Yachts
Note: rounded numbers
Source: BCG Luxury Market model

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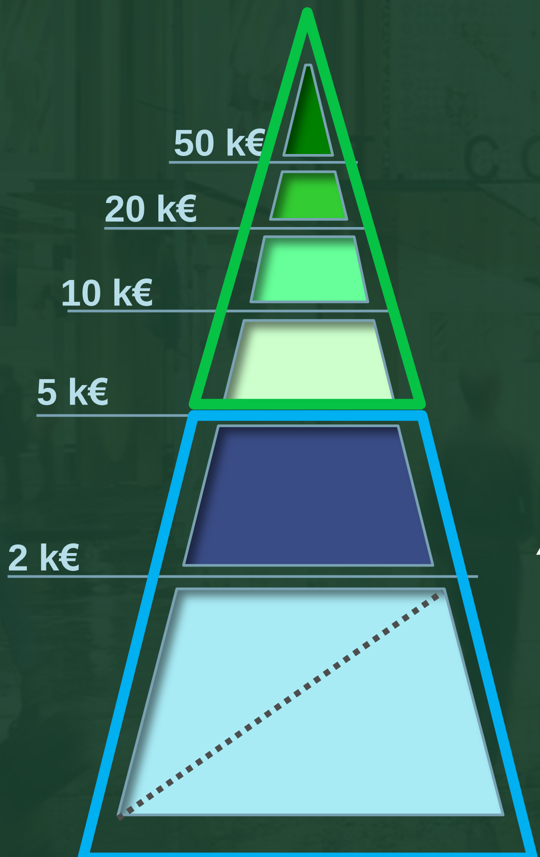
True-Luxury Consumers maintaining a healthier and steadier growth for the future



CAGR 2016 - 2023

	Personal	Experiential	Total
True Luxury	4-5%	7-8%	6-7%
Aspirational	1-2%	5-6%	~4%
	2-3%	5-6%	4-5%

Note: rounded numbers
Source: BCG Luxury Market model

In a slower personal luxury market, winners and losers expected also among categories

True Luxury Consumers net appetite by category[1]

(net appetite = people increasing spend in the future > +20% – people decreasing spend in the future > - 20%)

1. Index calculated as percentage of customers who see growth in spend less the percentage who foresee a decrease in spend on the category (Positive – Negative). Multiple options answer (up to 5 categories) 2. Including jeans / pants; shirts / topwear; dresses / suits; coats / outerwear; knitwear

Source: BCG 2016 ad hoc study (12,000 luxury consumers in 10 countries)

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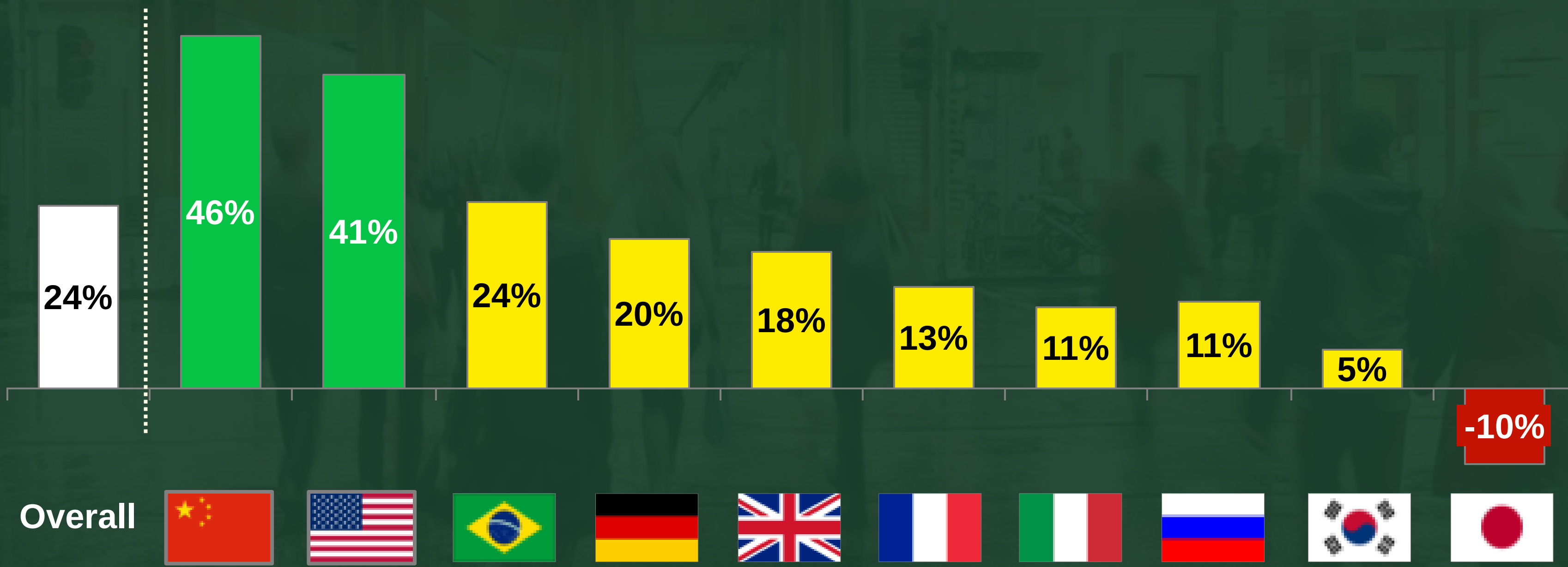
Chinese and Americans will continue to drive the appetite for luxury consumption

True Luxury Consumers net appetite by nationality[1]

(net appetite = people increasing spend in the future > +20% – people decreasing spend in the future > - 20%)



1. Index calculated as percentage of customers who see growth in spend less the percentage who foresee a decrease in spend (Positive – Negative)
2. Share of nationalities in terms of luxury market value
Source: BCG Luxury Market model; BCG 2016 ad hoc study (12,000 luxury consumers respondents in 10 countries)

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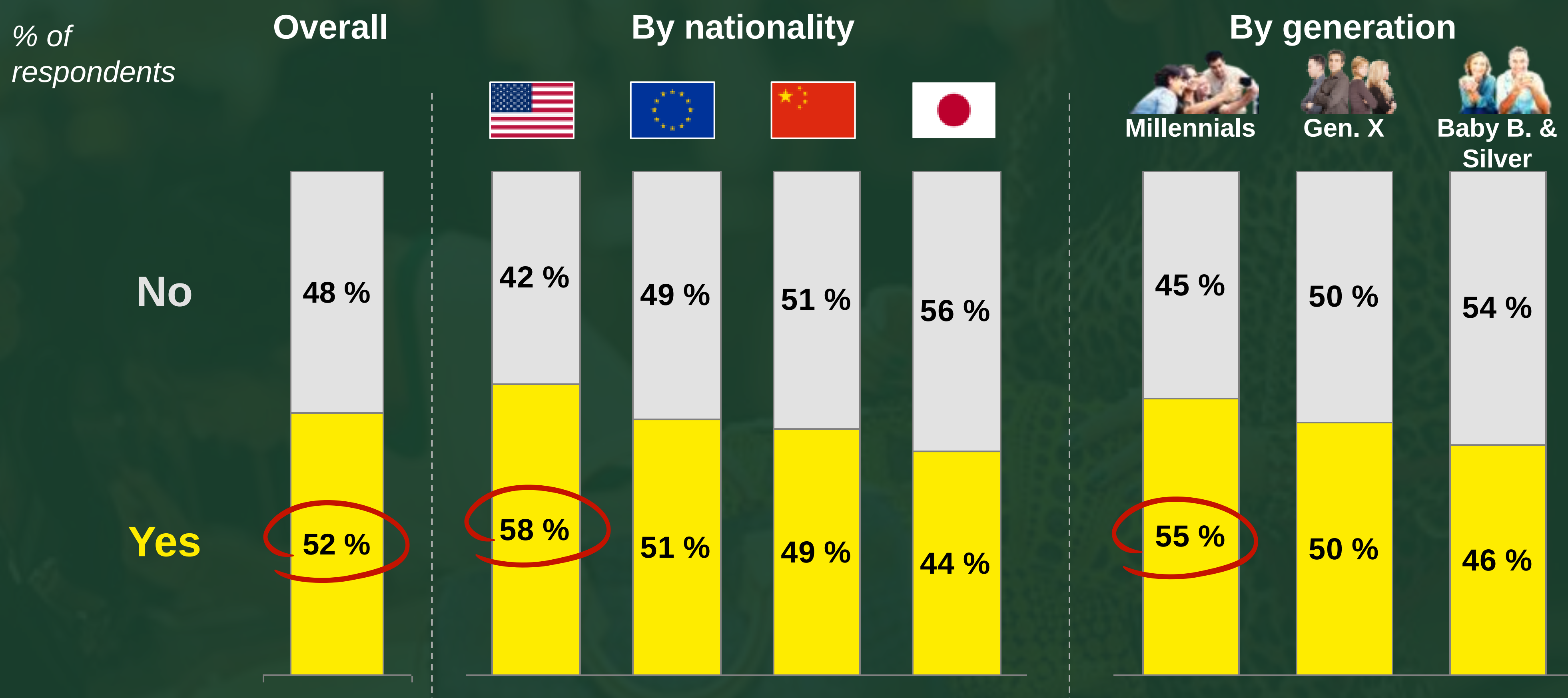
>50% of Luxury consumers perceive a price/value misalignment. Americans & Millennials most disappointed

"Do you feel a progressive separation between overall value of Luxury products and their price?"



Source: BCG 2016 ad hoc study (12,000 respondents in 10 countries)

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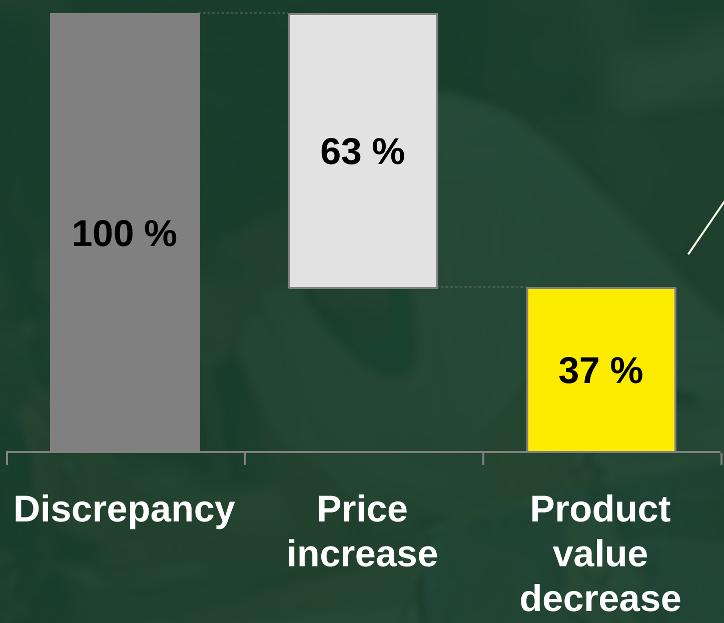
2 / 3 of misalignment perception driven by price, 1 / 3 by exclusivity loss and product quality issues

"Thinking about your favorite luxury brand, you told that you noticed a discrepancy between the overall value and the price. What are the main reasons for this?"

% of respondents perceiving a price discrepancy



Emerging Markets

Key reasons[1]

- **#1** Iconic products' **exclusivity loss**
- **#2** **Lack of innovation**
- **#3** Overall Brand's **exclusivity loss**

Mature Markets

Key reasons[1]

- **#1** Lower material **quality**
- **#2** Lower manufacture **quality**
- **#3** Iconic products' **exclusivity loss**

1. Multiple options answer (ranking of three reasons)
Source: BCG 2016 ad hoc study (12,000 respondents in 10 countries)

8 out of 10 disappointed consumers plan to react : In ~50% of cases likely to translate in lost sales

"In case of a progressive separation between the price and the perceived product value, what would you do?

% of respondents perceiving a price discrepancy

Source: BCG 2016 ad hoc study (12,000 respondents in 10 countries)

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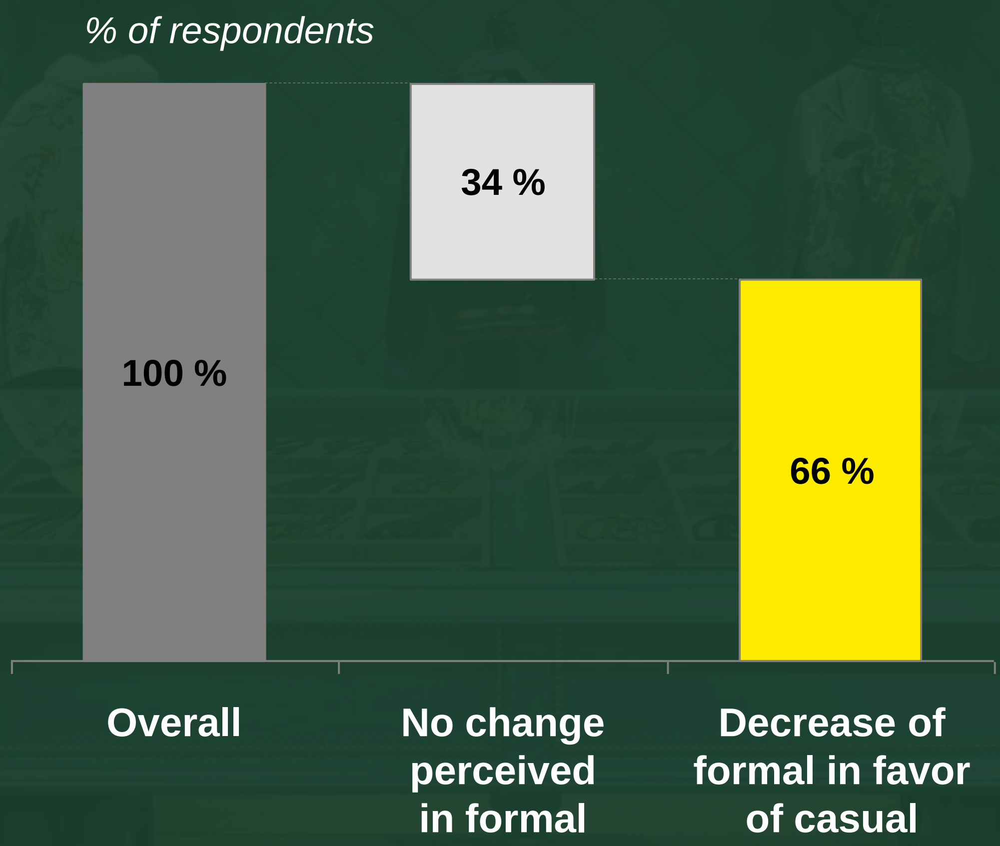
Casualwear with increasing appeal vs. formal for 2 / 3rd of True-Luxury Consumers

"Has your attitude towards formal wear changed?"



Source: BCG 2016 ad hoc study (12,000 respondents in 10 countries)

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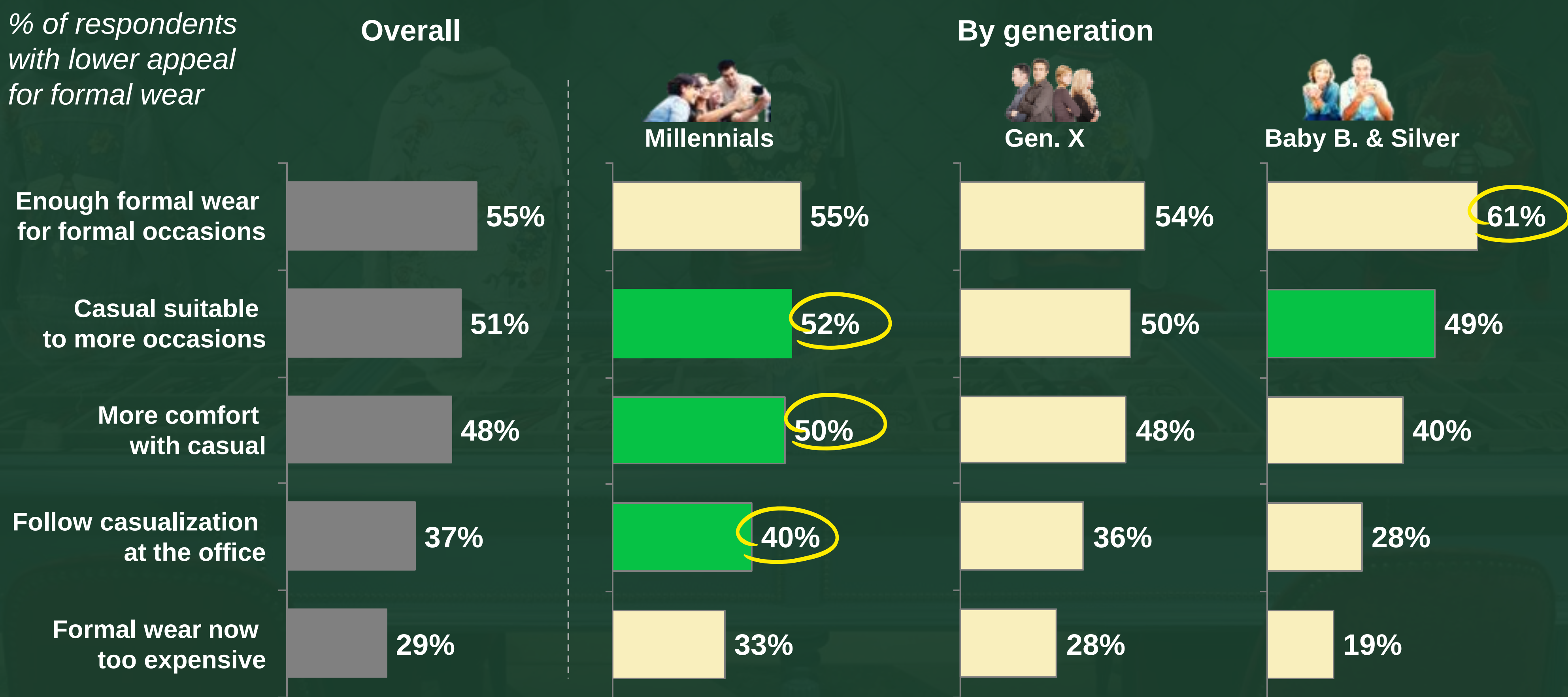
Casualwear fuelled by wardrobe saturation for the eldest, higher appeal and acceptance for the youngest

"What are the key reasons driving the lower appeal for formal wear in your mind?"



Note: multiple options answer (up to three reasons)
Source: BCG 2016 ad hoc study (12,000 respondents in 10 countries)

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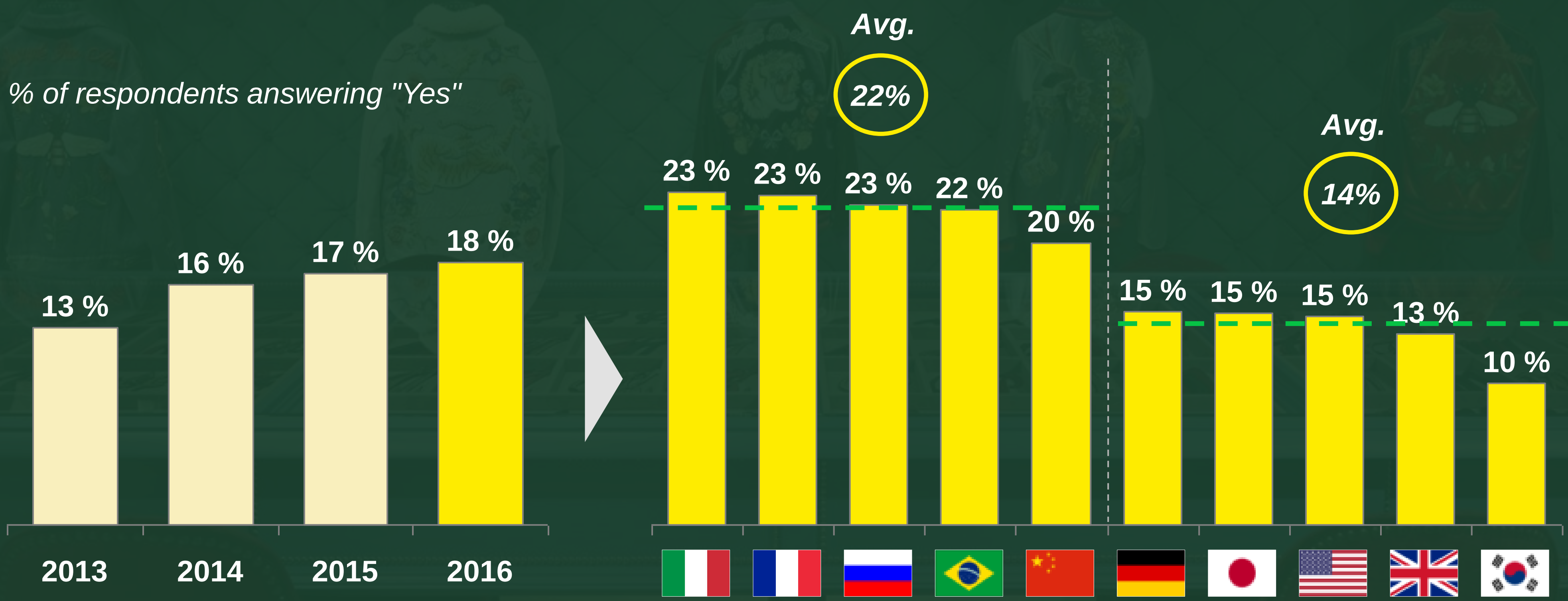
Growing demand for customization

"Is customization relevant for you when purchase luxury?"



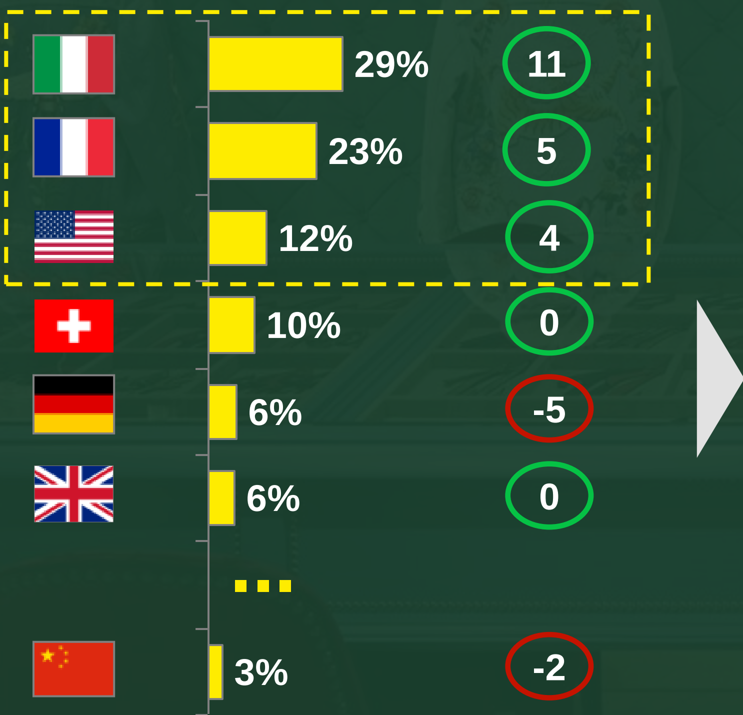
Source: BCG 2016 ad hoc study (12,000 respondents in 10 countries)

Made-in Italy still leading, fuelled by Apparel, Bags and Shoes

"Which country of manufacturing do you consider the best for luxury products?"

% of respondents that check Made-in[1]

Δ 2014-2016 (pp)



Drivers of the increase (2014-2016)

1. Excluding cars, luxury boats, design and lightening
Source: BCG 2016 ad hoc study (12,000 respondents in 10 countries)

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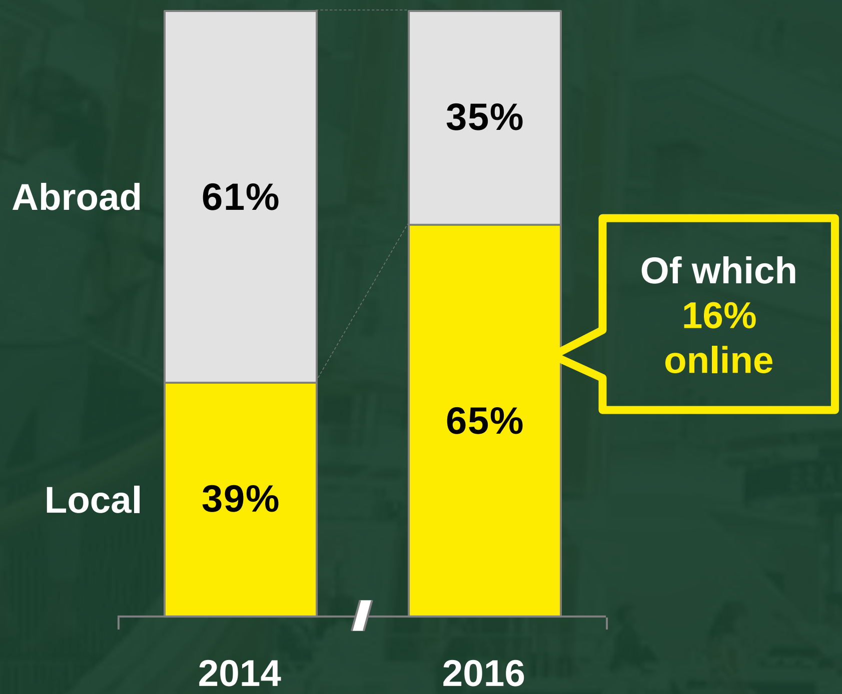
True-Luxury Consumers are buying more in their home country

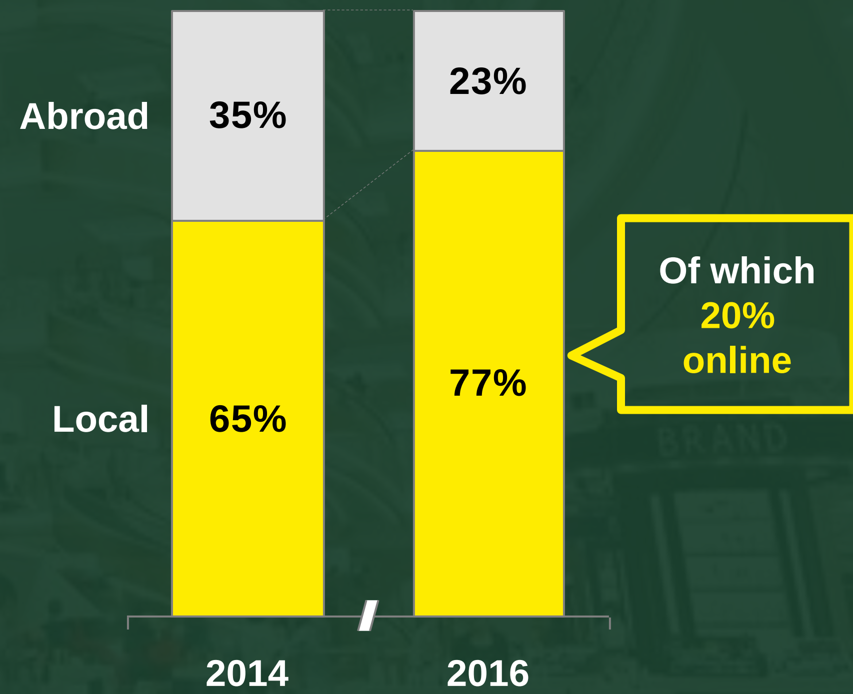
"Where did you buy your last luxury item?"[1]

% of Chinese respondents



"Where did you buy your last luxury item?"[1]

% of American respondents

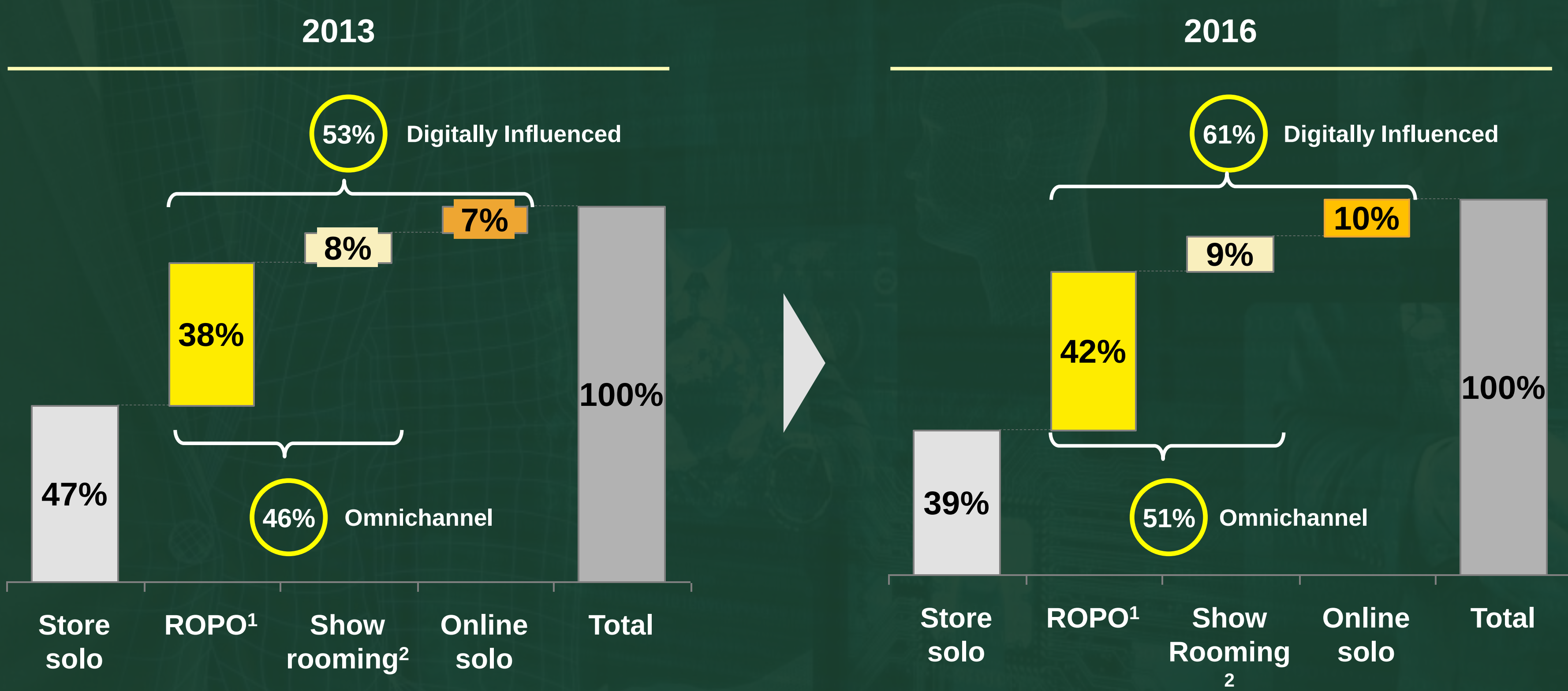


1. For Top 4 EU nationalities (French, German, Italian, British) local purchases from 48% in 2014 to 79% in 2016. For Japanese local purchases from 71% in 2014 to 82% in 2016 2. Includes both cities where respondents bought in the last 12 months and plan to buy in the next 12 months. Multiple options answer (all cities that apply) Note: Hong Kong, Taiwan and Macau included in "Abroad" Source: BCG 2016 ad hoc study (12,000 respondents in 10 countries)

Store solo sales decreasing but omnichannel the real trend vs. online solo sales

"Where have you bought your last luxury item? Where have you researched it?"

% of respondents on last purchase



1. Researched Online, Purchased Offline 2. Researched Offline, Purchased Online
Source: BCG 2016 ad hoc study (12,000 respondents in 10 countries)

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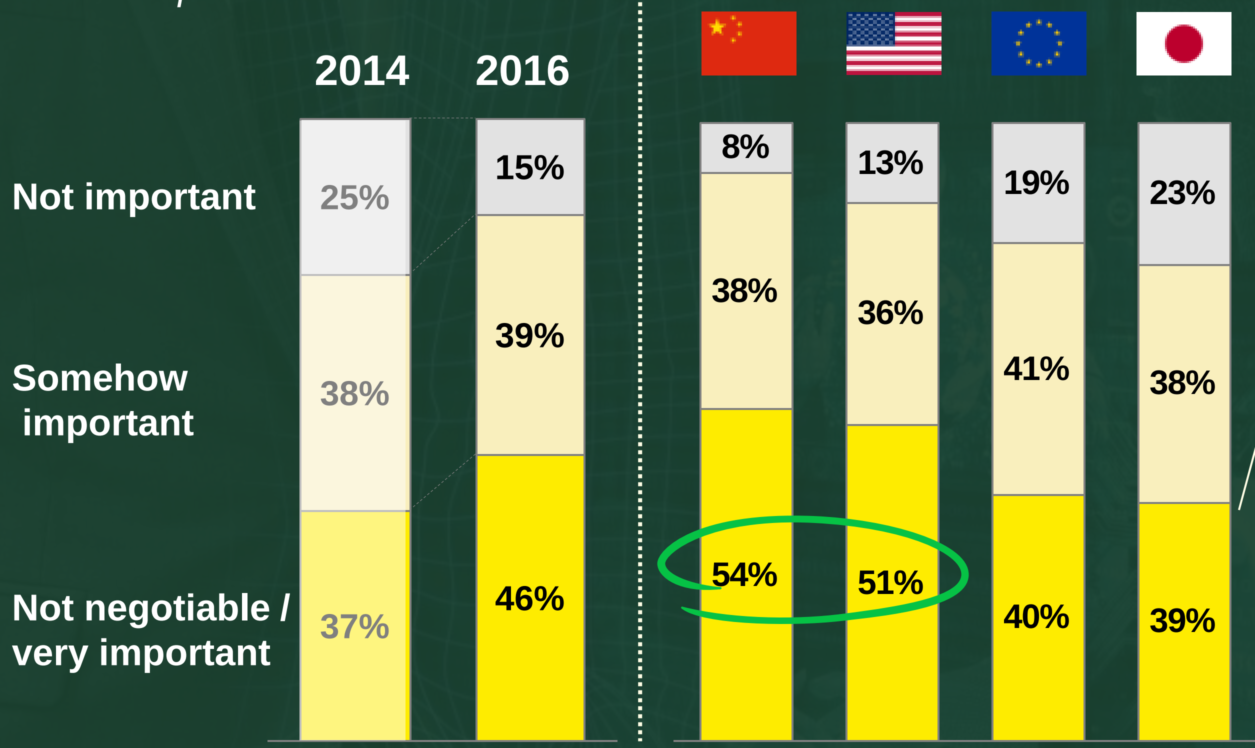
Demand for an omnichannel experience is growing fast , driven by Chinese and Americans

"How important is it for you that a brand can be reached through different channels?"

Overall | **By nationality (2016)**

% of respondents



"What you would expect when interacting with your preferred luxury brand through multiple channels?"[1]

% of respondents considering omni-channel not negotiable/very important

- **54%** **Consistent Brand Image**
- **49%** **Integrated Delivery and Service Level**
- **39%** **Same Rewards**
- **38%** **Customer relationship Management**

1. Multiple options answer (ranking of three reasons)
Source: BCG 2016 ad hoc study (12,000 respondents in 10 countries)

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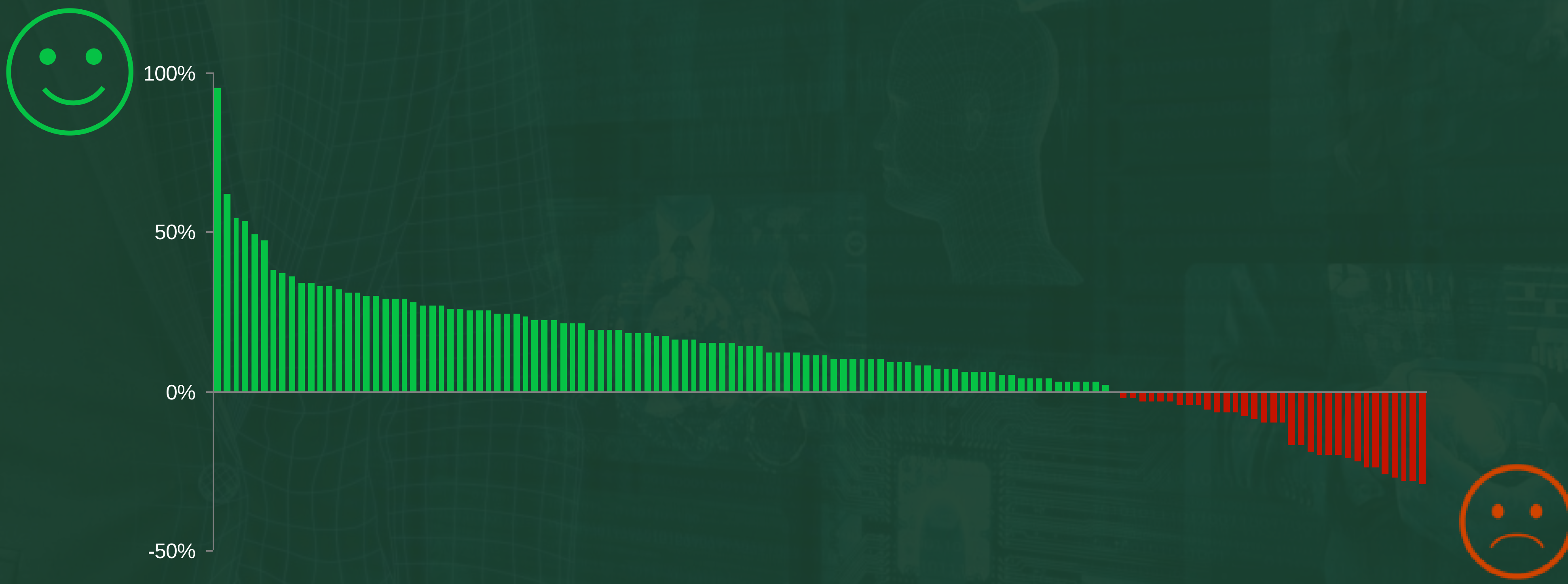
How effectively are Luxury Brands responding to the omnichannel expectations? (I)

~100 brands included in the analysis[1]

Brands' satisfaction distribution (2016)

Omnichannel Satisfaction Index = (People mentioning as the best brand – people mentioning as the worse brand)



1. Only personal luxury goods, Included only brands with statistical significant observations in total satisfaction
Source: BCG 2016 ad hoc study (12,000 respondents in 10 countries)

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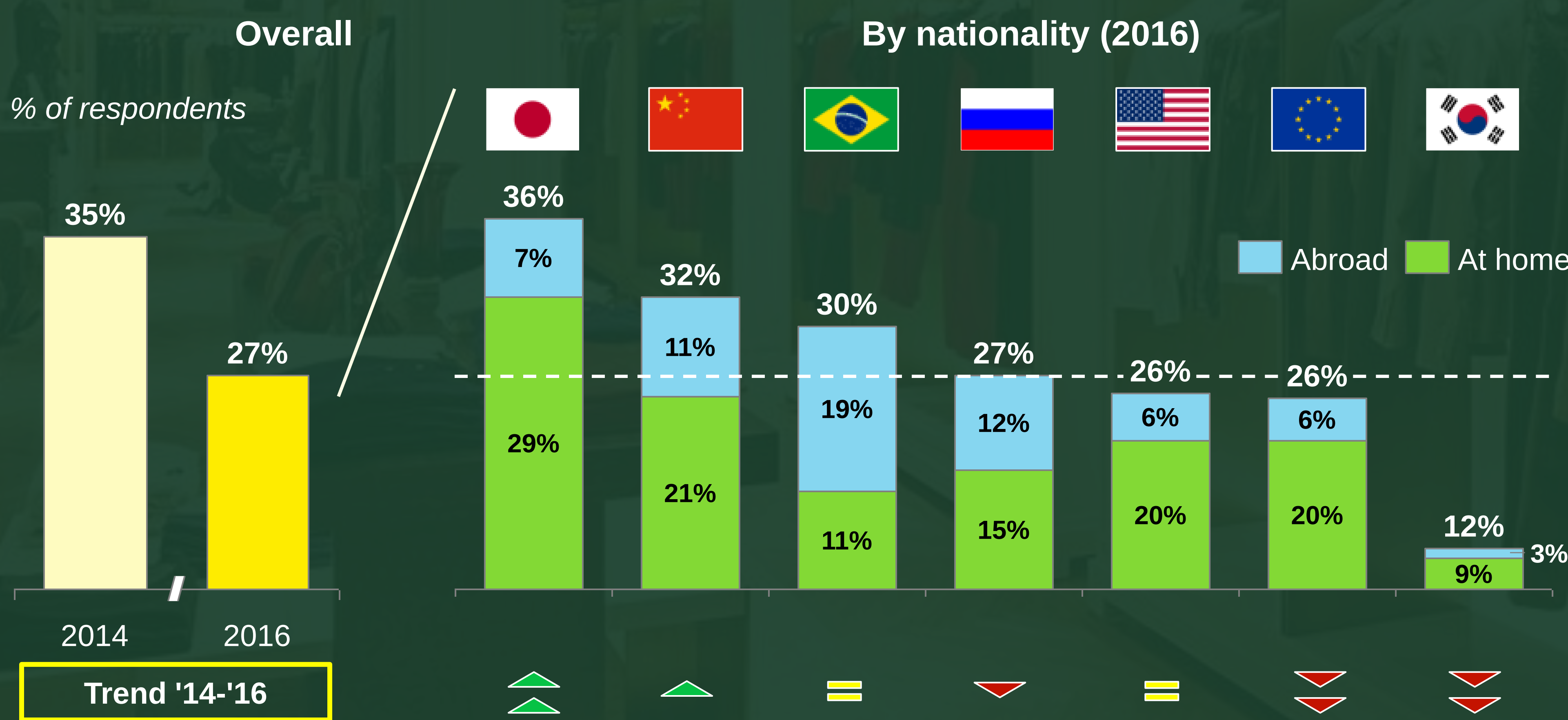
Monobrand stores losing traffic and sales; Japan and China more resilient

"Have you bought your last luxury item from a monobrand store?"



Source: BCG 2016 ad hoc study (12,000 respondents in 10 countries)

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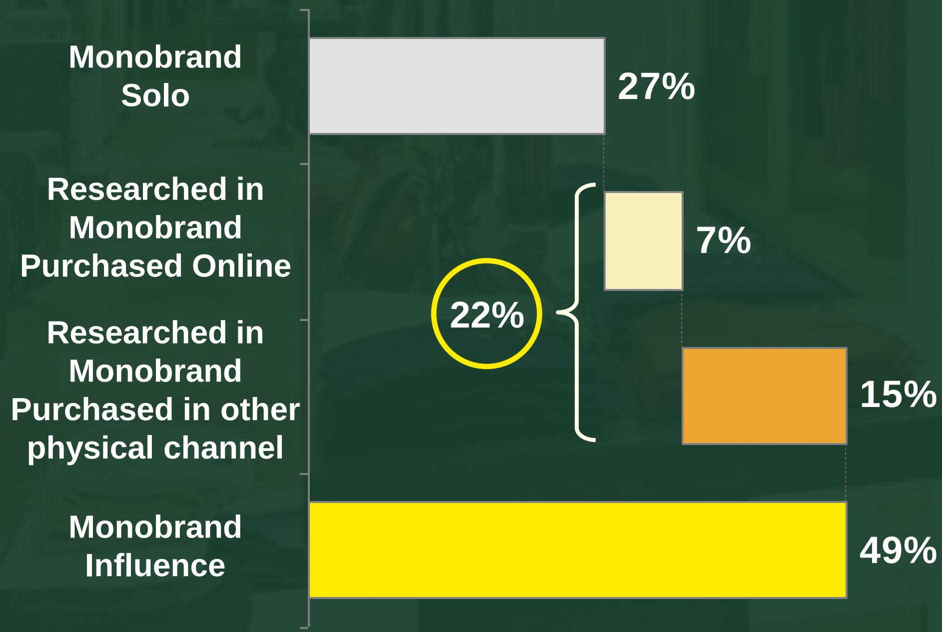
But monobrand still at the heart of an omnichannel True-Luxury consumer experience around the Brand

Monobrand influence

% of respondents on last purchase



Reasons to buy in Monobrand

#1 Try & touch the product

#2 Offer range of the brand

#3 Product customization

#4 Experienced / trustable sales staff

#5 Presence of signature / exclusive items

Monobrand influencing 22% of purchases done in other channels

Source: BCG 2016 ad hoc study (12,000 respondents in 10 countries)

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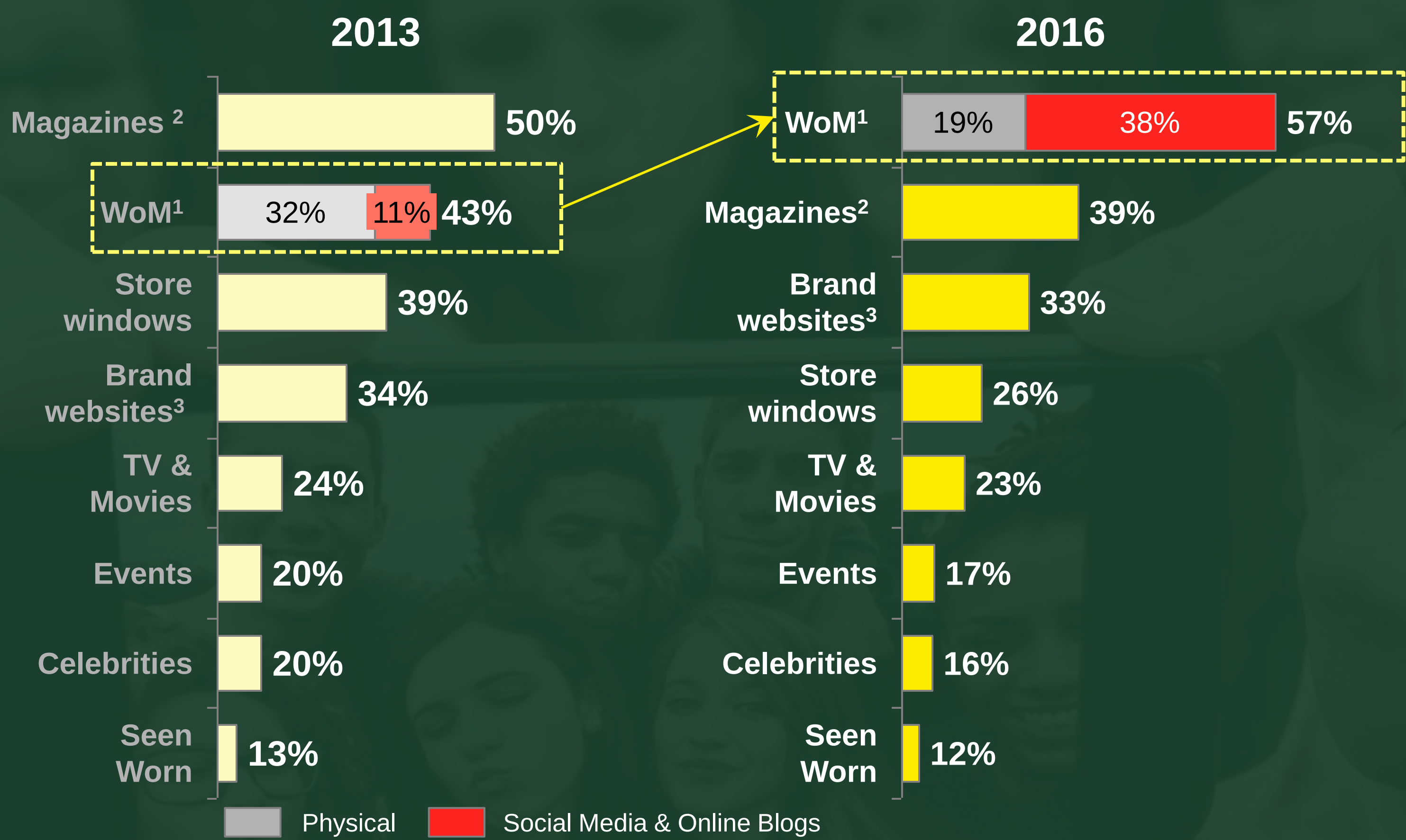
Word of Mouth the 1st influence lever on True Luxury Consumers, thanks to digital /social media

"Which of these levers has an impact on how you develop opinions or purchase decisions?"

% of respondents



Note: Multiple options answer (ranking of five levers) 1 Includes physical Word Of Mouth, Social Media and Other online blogs 2. Editorials and Commercial in Magazines. Includes both traditional & digital magazines 3. Includes also Brand's App
Source: BCG 2014 ad hoc study (10'000 respondents in 10 countries)

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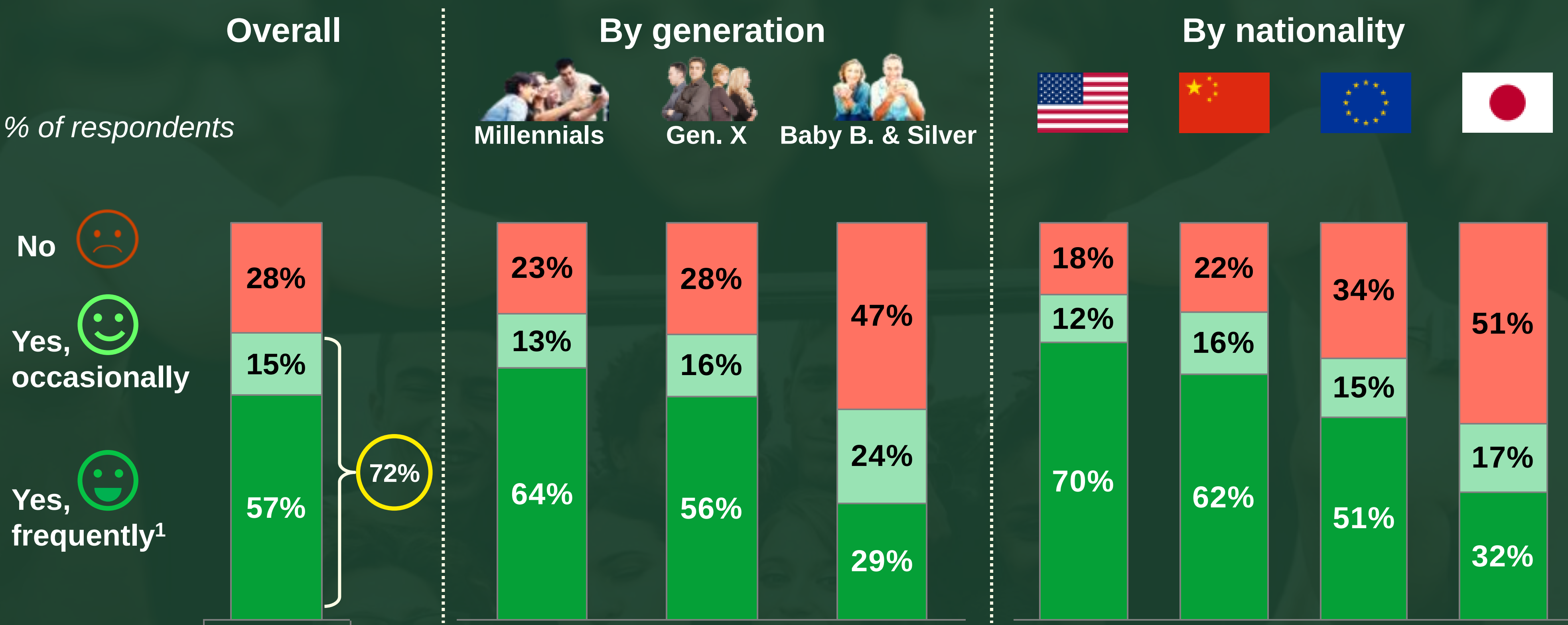
72% of true luxury consumers use Social Media to interact with their favourite luxury brands

"Do you use Social Media to interact with luxury brands?"



1. At least one Social Media used more than once per day
Source: BCG 2016 ad hoc study (12,000 respondents in 10 countries)

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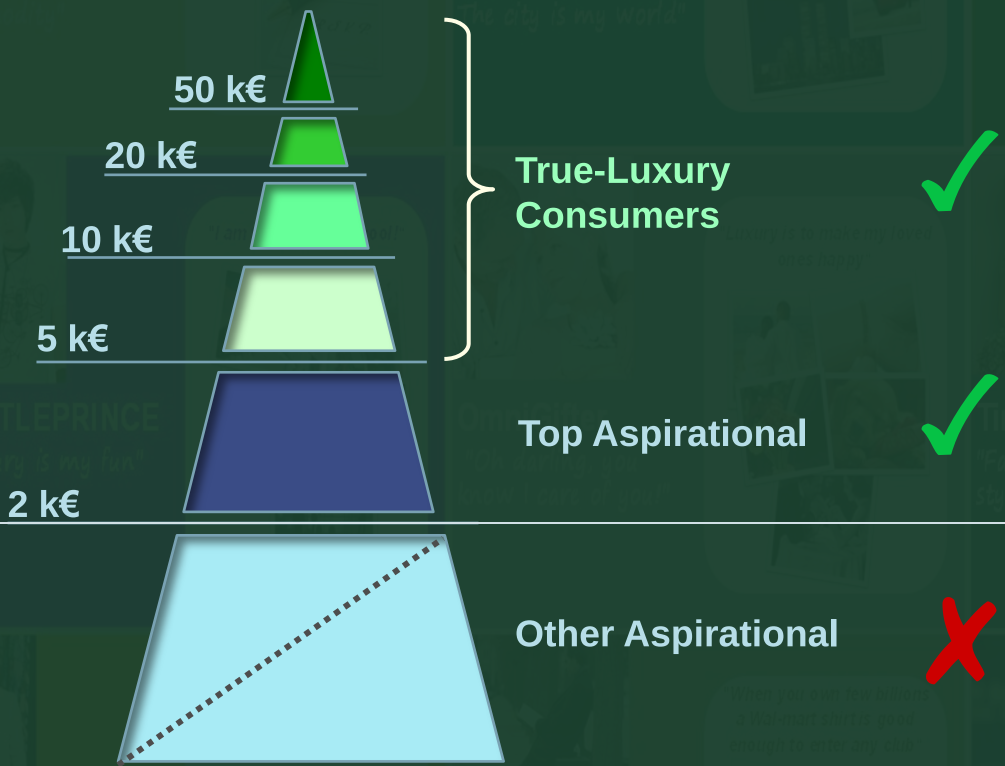
Where does behavioral segmentation apply?



Behavioral Segmentation

Occasional Luxury Consumers

1. Including Experiential and Personal luxury, excluding cars and Yachts
Note: rounded numbers
Source: BCG Luxury Market model

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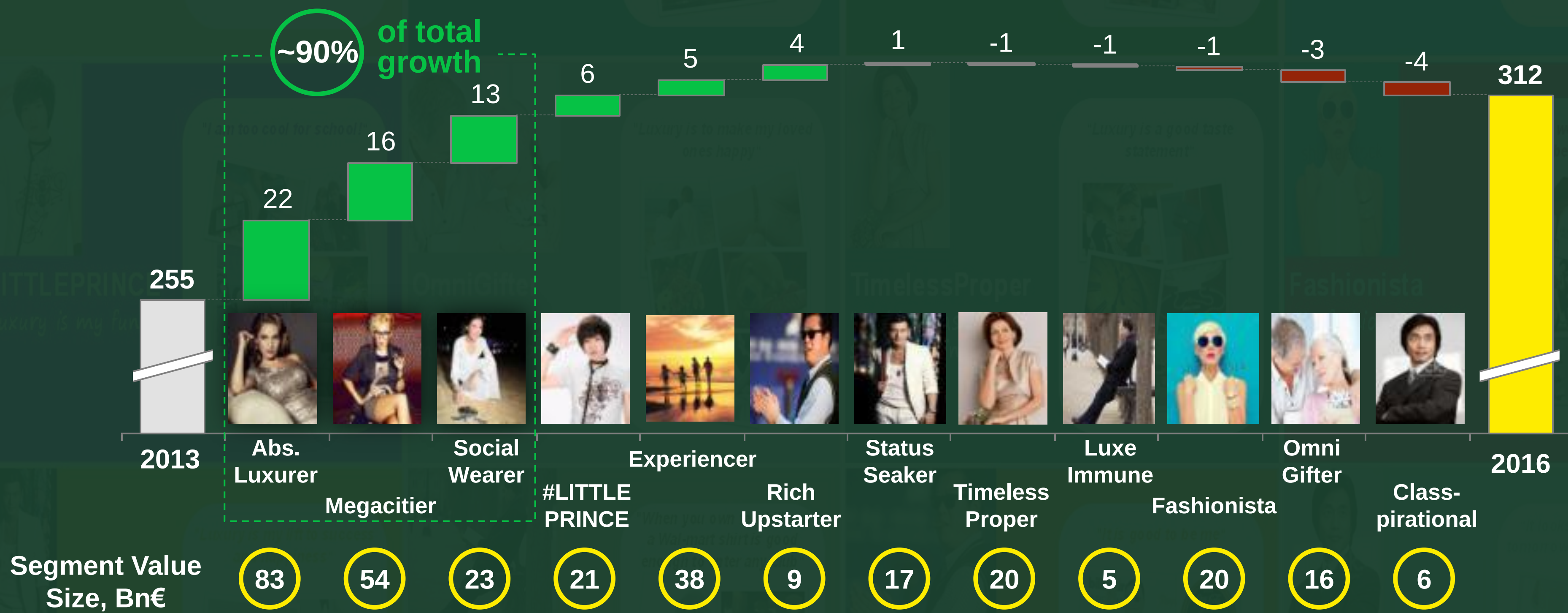
Absolute Luxurer, Megacitier and Social Wearer have driven market growth over the last years

Contribution to luxury market growth by segment (2013-2016)

Total P & E Market generated by True Luxury & Top Aspirational consumers – Bn€



Absolute Luxurer growing by spend increase, Megacitier and Social Wearer growing by luxury consumer number

Source: BCG 2016 ad hoc study (12,000 luxury consumers in 10 countries)

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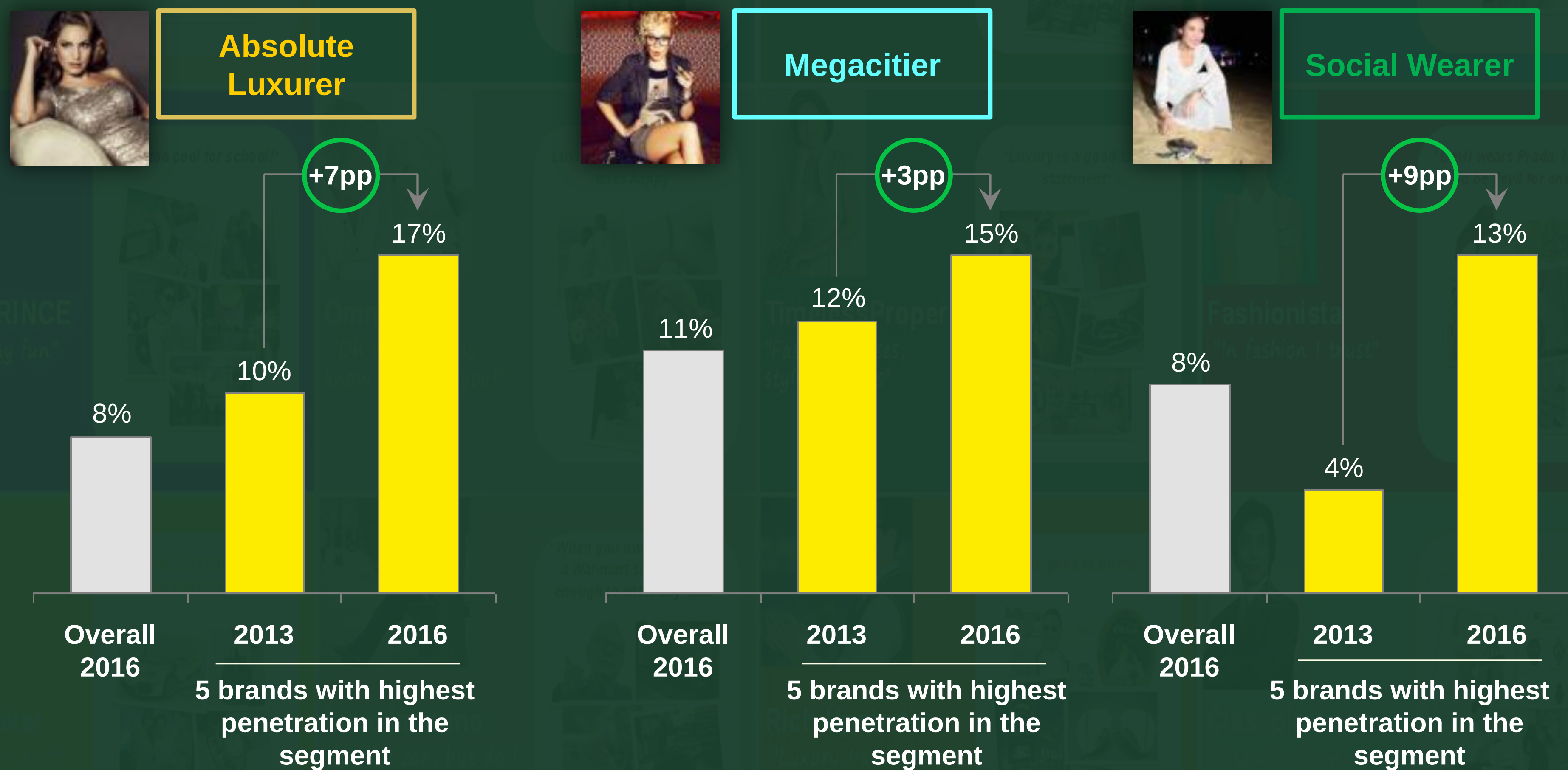
Working well on a segment pays back

Share of # of luxury consumers, %



Source: BCG 2016 ad hoc study (12,000 luxury consumers in 10 countries)

The True-Luxury Global Consumer Insight 4th Edition : our key takeaways

1. Within a moderate growth luxury market, True-Luxury Consumers maintaining a healthier and steadier pace
2. In a slower personal luxury market expected Winners and Losers both among Brands and Categories
3. Discrepancy between perceived value and price puts at risk affection of ~50% of consumers
4. Casualwear with increasing appeal vs. formal for 2 / 3 of True-Luxury Consumers
5. Customization a growing request and purchase driver
6. Consumers buying more in their home country, especially Chinese
7. Store solo sales decreasing but Omnichannel the real trend vs. online solo sales
8. Monobrand stores losing traffic and sales, but remains @ the heart of an Omnichannel experience
9. True-Luxury Consumers massively engaging on Social Media with their favorite Brands
10. Strong differences in Brands performances within Luxury Consumers BCG Behavioral segments

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Expertise areas

- Business planning, strategy definition and implementation in Fashion and Luxury
- Retailing and retail development
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- Deep expertise in Digital strategy

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- Led large transformations, focusing on distribution, retail, merch., ...
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