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Win Big in Digital

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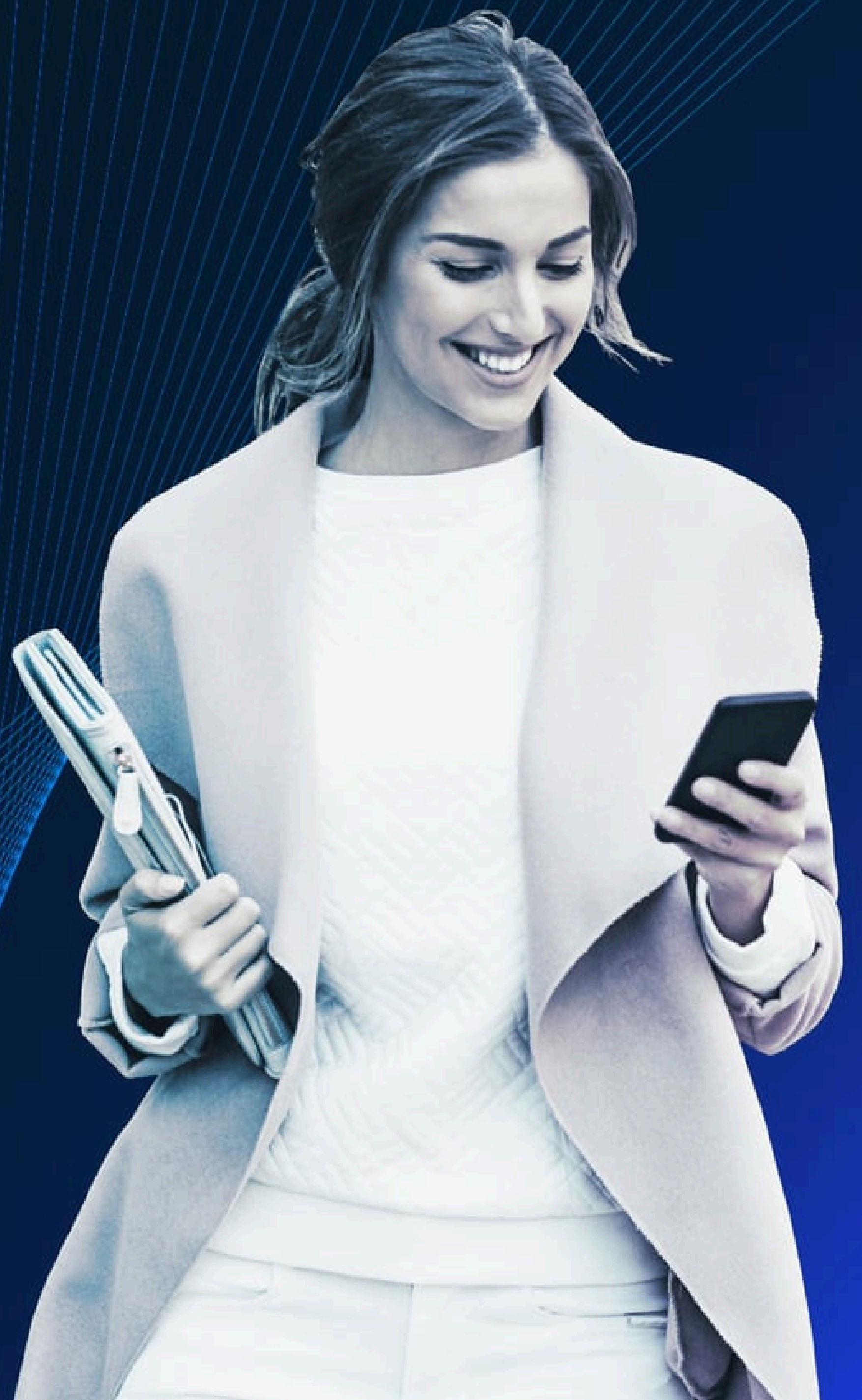

ALTAGAMMA
CREATIVITÀ E CULTURA ITALIANA

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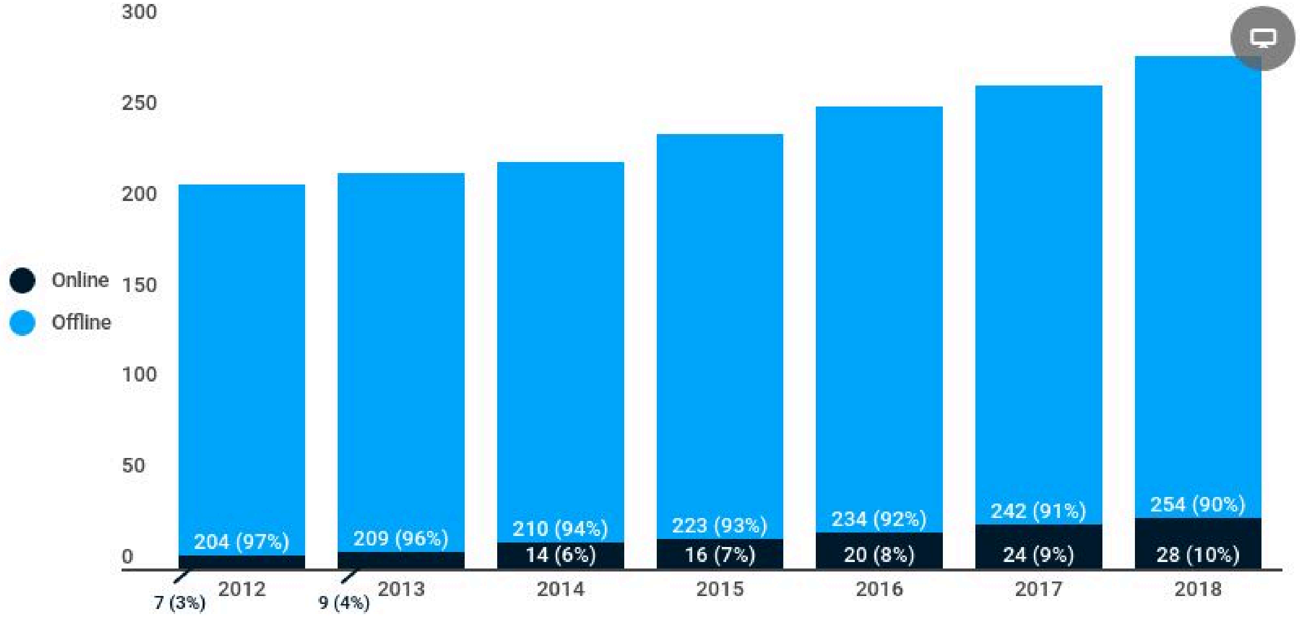
Introduction & Market Overview

~10% of the total personal luxury market is online…

Global personal luxury market[1]

EUR billions



1. Apparel, Footwear, Accessories, Jewelry & Watches, Leather Goods, Beauty & Perfumes

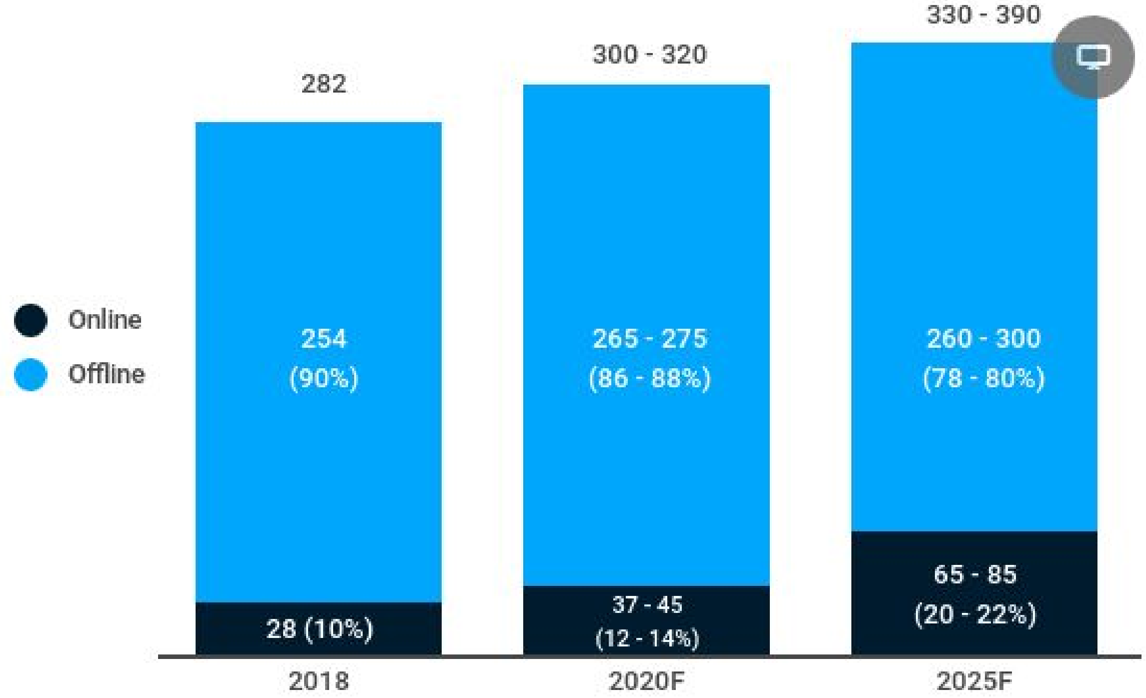
Source graph: Forrester; McKinsey

EUR ~ 28 billion

online sales in 2018

… and it is expected to increase further to 20-22% by 2025

Global personal luxury market
EUR billions

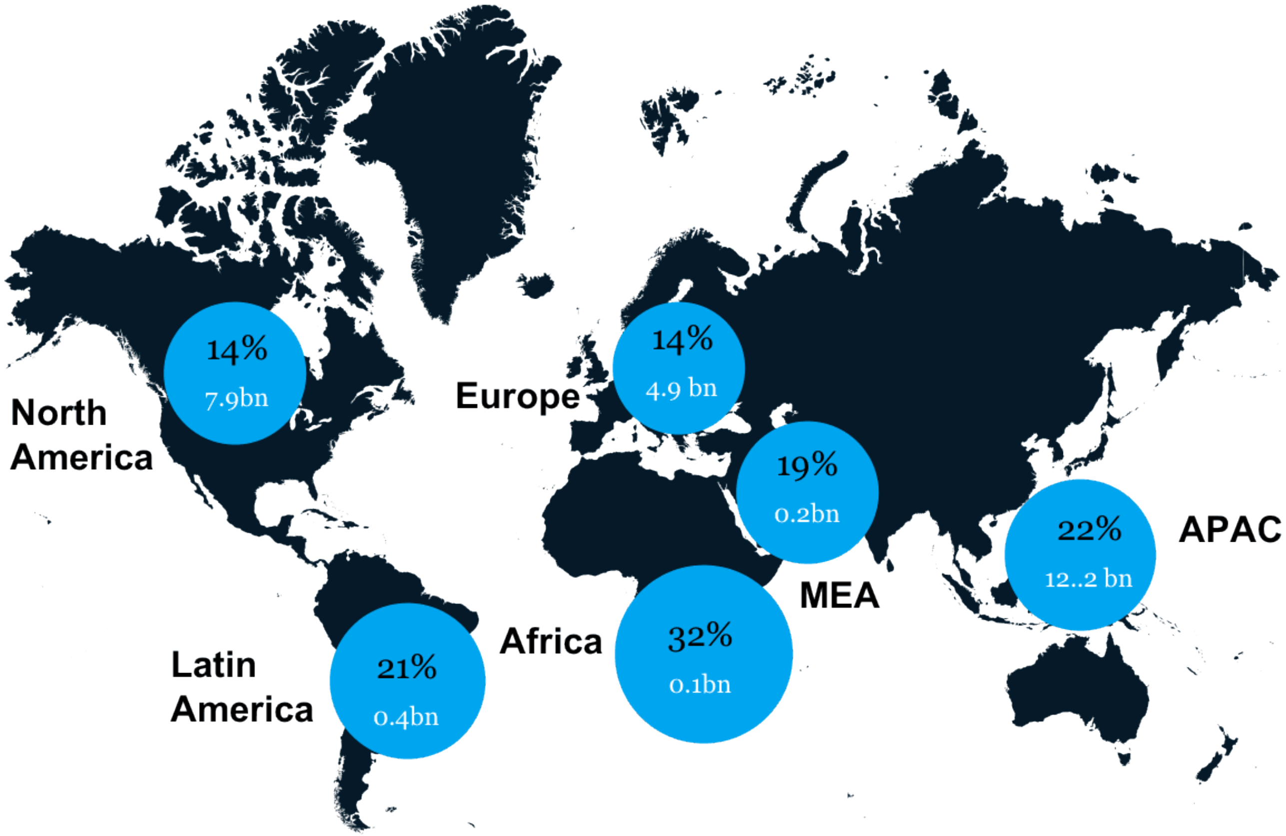


1. Apparel, Footwear, Accessories, Jewelry & Watches, Leather Goods, Beauty & Perfumes / Source graph: Forrester; McKinsey

EUR
65-85 billion
online sales in 2025

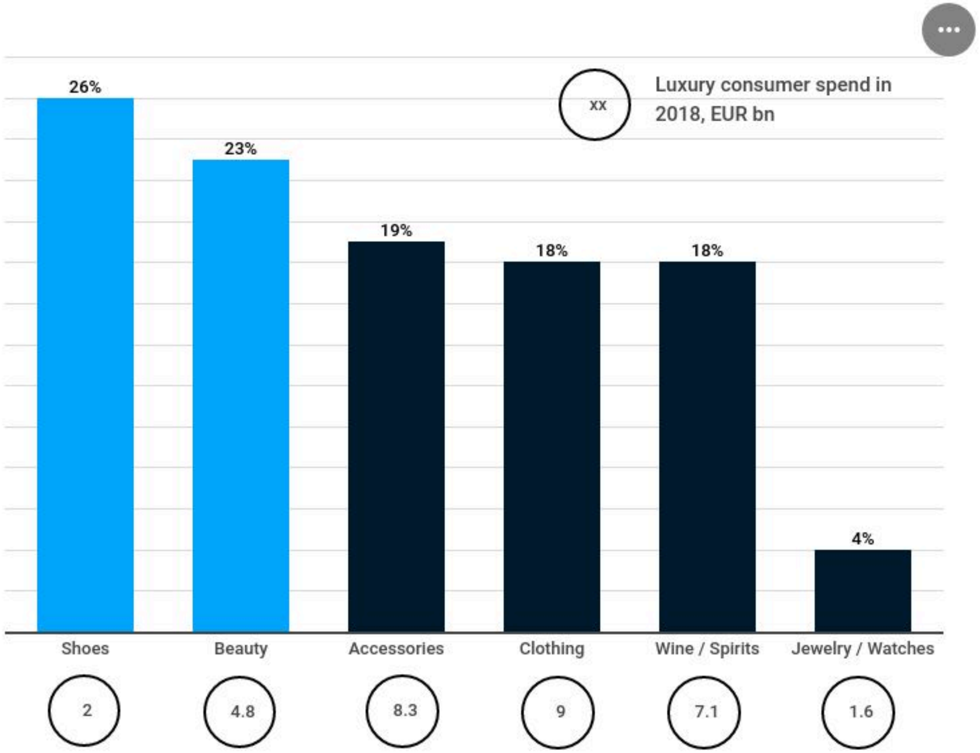
We see differences between regions in terms of growth in online luxury sale

Online Luxury Sales growth across regions, CAGR 2016-2018



The fastest growing categories in online luxury sales are Shoes & Beauty

Online luxury sales growth across categories, CAGR 2015-2018



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What is going on?

1. Omni-channel is present and increasingly important
2. The new luxury channel ecosystem
3. Brand storytelling in a digital age
4. Using new technologies to guarantee authenticity and provenance

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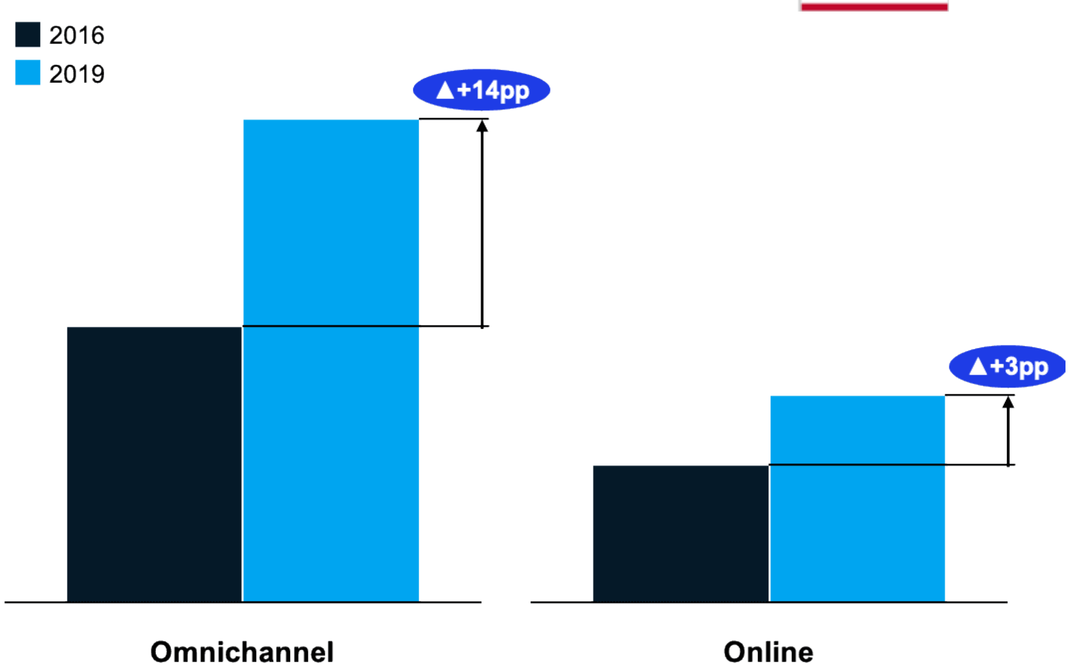
Omni-channel: The store is not dead – omni-channel sales is increasing in importance

Share of omni-channel shoppers[1]



1 Apparel in the US

Source: Euromonitor; Forrester; CCP-luxury and press search; McKinsey

Omni-channel luxury shoppers in the US and Europe are

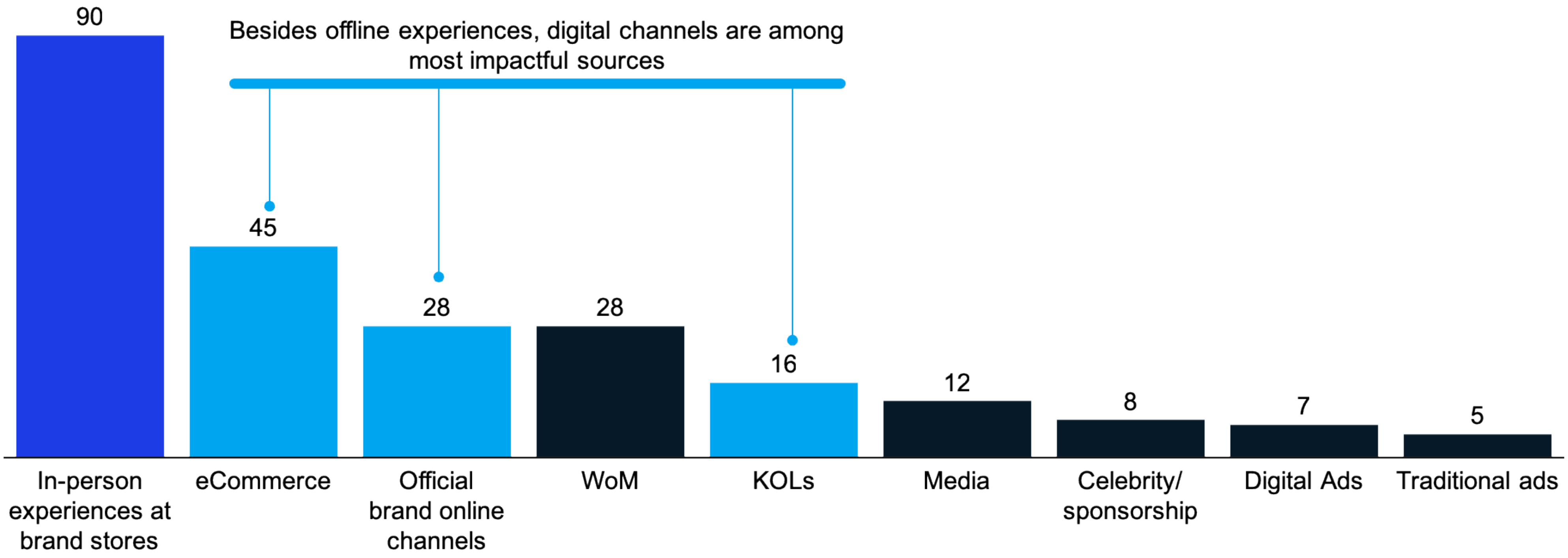
4 times as valuable

as those who shop exclusively online or offline

Omni-channel: Also in China, in-person and in-store remains an impactful channel for influencing purchase

What are the most impactful sources of information that influence your purchase (top 3 mentions)?

% of survey respondents



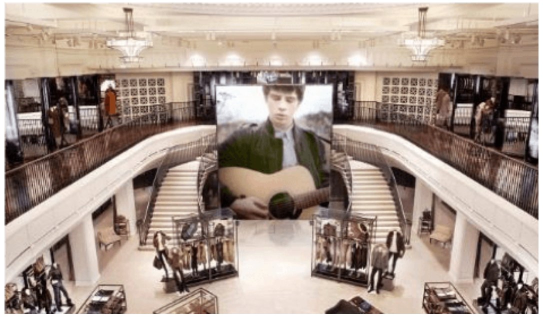
Omni-channel: Investing in omni-channel integration, e-commerce and digital marketing is the top priority for luxury players

What are the top 3 priority areas for your company in 2019? Luxury players' responses

#1	#2	#3
Invest into omnichannel integration, e-com and digital marketing	Improve in-store experiences	Invest in brand building to increase full-price sell-through
58%	58%	52%

Omni-channel: Luxury players are further integrating digital into their stores to enhance the experience

BURBERRY
ESTABLISHED 1856



Designed as a fully digitally integrated store with full-length screens wrapping the store

Radio-frequency identification (RFID) tags ensures that product information automatically appears when customers walk into the fitting room

LOUIS VUITTON

In Louis Vuitton stores, a "Digital Atelier“ ensures customers get a personalized experience with touchscreen technology that allows them to design their own bespoke bags

In-house artisans at flagship stores allow clients to discover the brand’s craftsmanship

LUXOTTICA

Innovating to offer customers immersive experiences with digital showroom concepts, augmented reality, multi-media content, and high-definition screens – for example allowing customers to scroll through the entire catalogue on digital screen and trying models in a virtual mirror

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Ecosystem: E-tailers & platforms are capturing an increasing share of online luxury

Channels

Example players

Growth (CAGR%) 2015-18

Traditional brands' own webstores

SAINT LAURENT PARIS BOTTEGA VENETA CHANEL

Multi-brand

E-tailers

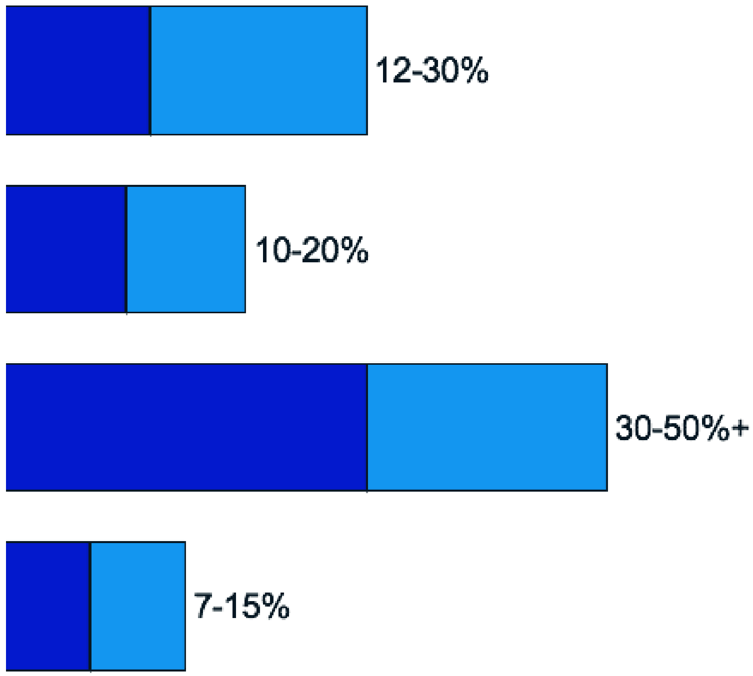
LUISAVIAROMA.COM YOOX NET-A-PORTER GROUP MATCHES FASHION.COM

Platforms

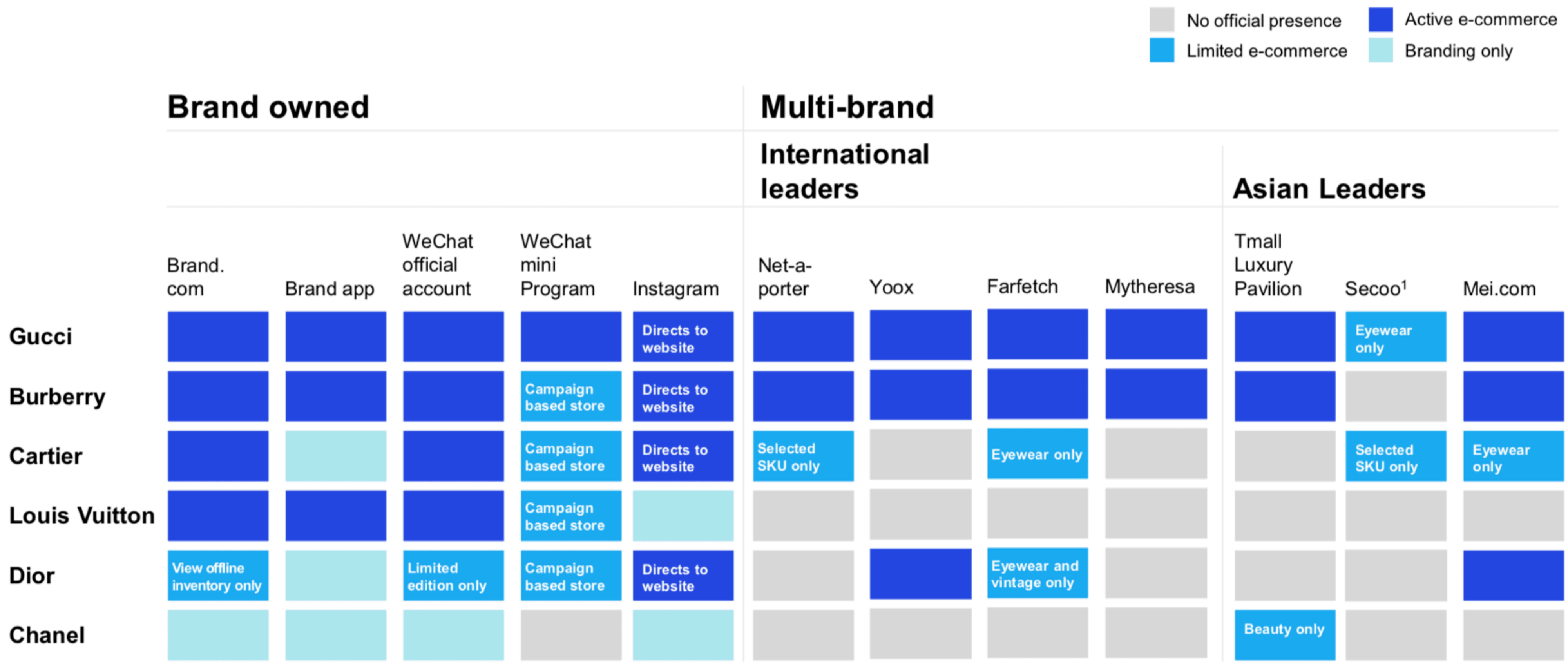
FARFETCH lyst

Traditional players (e.g. department stores) moving online

Saks Fifth Avenue Harrods Neiman Marcus



Ecosystem: Major luxury players are mainly active in brand-owned channels, participation in mainstream and luxury platforms is still low



1. In 2018, Gucci partnered with Secoo.com to sell more than 100 SKUs in 8 categories

Source: McKinsey China Luxury Report 2019; Press search

Ecosystem: New joint ventures and strategic partnerships pop up across the ecosystem

FARFETCH

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Harrods

lyst

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LVMH

Alibaba.com

&

RICHEMONT

YOOX NET-A-PORTER GROUP

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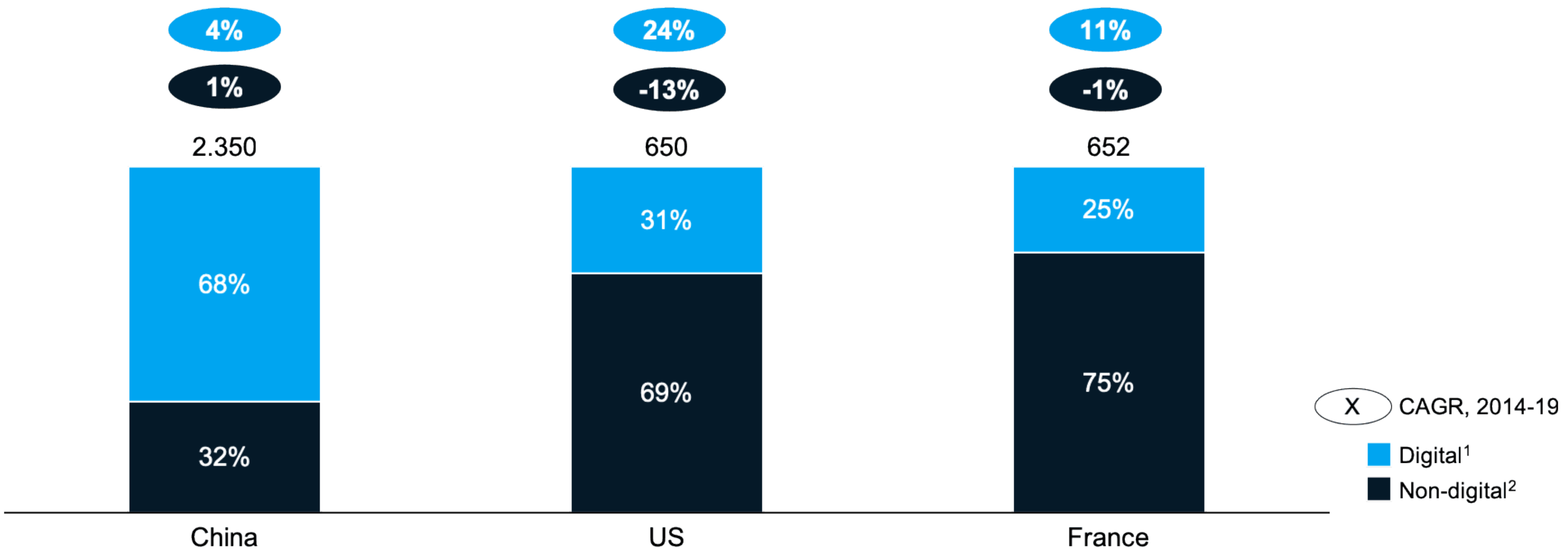
Digital brand storytelling: China on the forefront of shifting marketing spend to digital (while Western markets are picking up speed)

Luxury players' marketing spend per channel, US$M, 2019F

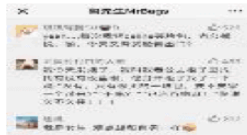


1. Digital: Display, search, video, social, and all other digital

2. Non-digital: TV, Magazines, Out-of-home, Newspapers, Radio and Cinema

Digital brand storytelling: Some brands use social media to help consumers contextualize luxury products in daily life beyond brand controlled campaigns (take Chanel for example)

CHANEL

	Brand campaigns	Fashion influencers		Local KOLs		User feedback
Media journey	**Official product campaign launch**	**Foreign fashion website and influencer**	**Chinese celebrities and local fashion insiders**	**KOLs**	**Amateur KOLs**	**User generated reviews**
Activity Example of Chanel's Gabrielle bag	 CHANEL Gabrielle's Hobo bag campaign	 Liuwen's Instagram and famous blogger PurseBop's website bridging campaign to consumers	 Yang Mi featured with Gabrielle on Mr. Bags, localizing global fashion elements	 KOLs adopted various forms of media to deconstruct high fashion styles to tangible pieces	 Amateur KOLs demonstrate styling product in daily life	 C2C reviews as follow-up on the mediated content

Source: Press search; McKinsey China Luxury Report 2019

Digital brand storytelling: Omni-channel campaigns on new media channels can drive high frequency consumer engagement (take Gucci for example)

Omni channel campaign

Omni channel campaign (e.g., Pig Year series launch)

- Brand viral videoKOL promotion on social apps (Weibo, WeChat, Xiaohongshu, Douyin)
- Celebrity promotion on popular programs
- Easily convert to online channels

GUCCI

High Frequency engagement

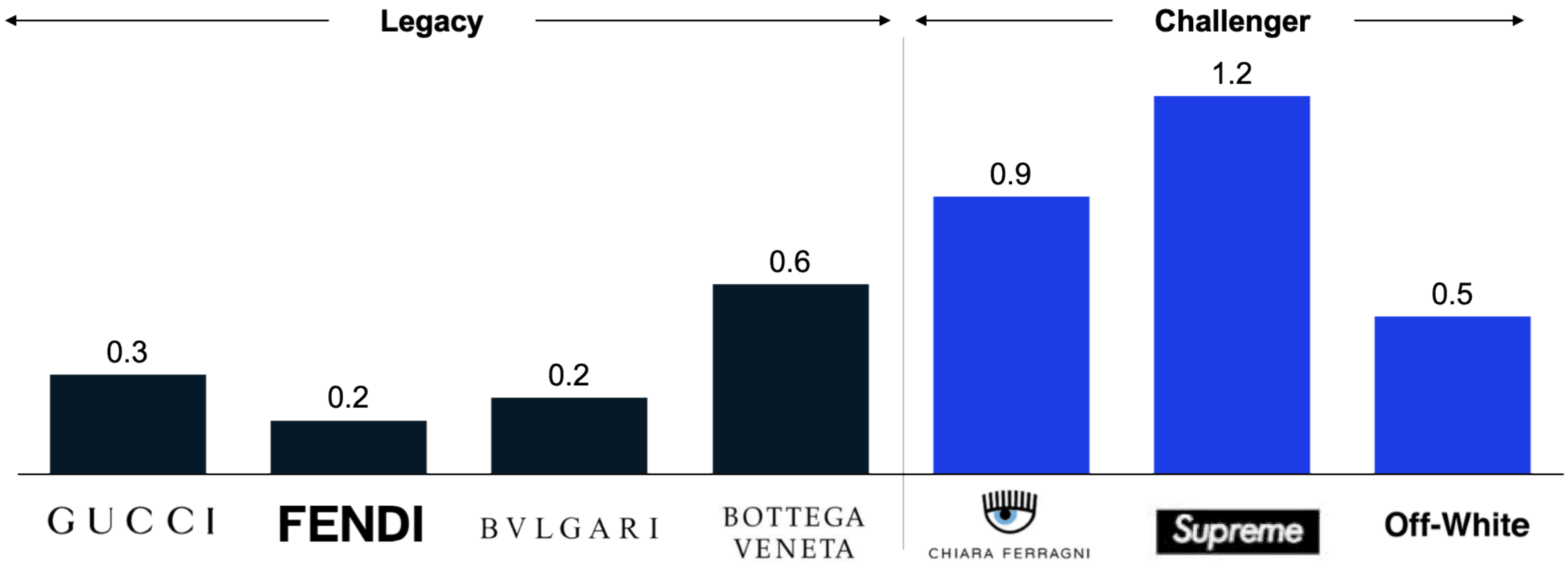
New digital campaign with high quality creative almost every month

Actively engage with consumers on Weibo everyday and Wechat every week

Digital brand storytelling: Meanwhile, legacy brands are not yet driving same level of engagement on Instagram as challengers

Followers of challenger brands are more active and engaged than those of legacy brands

Instagram like – follower ratio (LFR)1



1 Average of number of likes on each post in proportion to number of followers over last 4 weeks (August 2018)

Source: Instagram, influencerdb.net; McKinsey

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Digital authenticity: With digital growth, luxury players see consumer need for trust in product authenticity as a top theme

What do you think will be the top trends for 2019? Luxury players' responses

#1	#2	#3
Consumer need for trust in product authenticity and creative originality	Brands "self disrupting" in the face of changing consumer tastes	A 'digital landgrab' by e-commerce players expanding service portfolios to both consumers and businesses

Digital authenticity: Brands are already experimenting with blockchain to ensure authenticity and traceability

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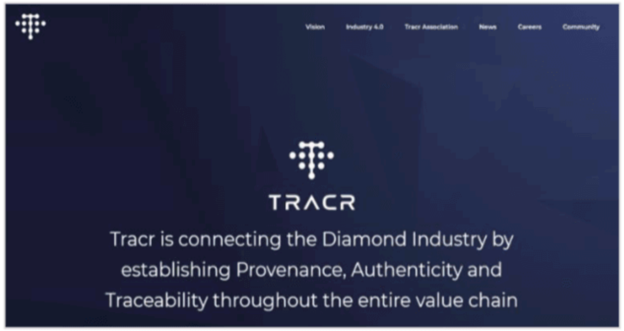
TRACR



VACHERON CONSTANTIN
GENÈVE

LVMH

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Takeaways

Five key points to remember

Takeaways

Digital continues to roar	• €28 billion of pure online sales in 2018 to reach €65-85 billion by 2025, with penetration rising from 10% to 20-22%
Stores' second life	• Omnichannel customers worth 4x more than pure offline/online • New "old store" trap (e.g. the light bulb was not invented by continuing to improve candles)
Ecosystem play	• Let your brand grow while controlling fundamentals
"Omnichannel Digital engagement"	• Engagement is extending beyond pure digital: key to orchestrate narrative and touch points
Digital authenticity	• Authenticity becomes a hygiene factor as growth spreads across platforms (inc. secondlife.com)

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Thank you for listening to

Win big in digital