



## LUXURY GOODS

AVERY DENNISON SEPTEMBER 2016

FFLUR ROBERTS – HEAD OF LUXURY GOODS RESEARCH

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Industry  
Overview

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Market Drivers

3

Category  
Dynamics

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Consumer  
Portfolios

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Digital  
Landscape

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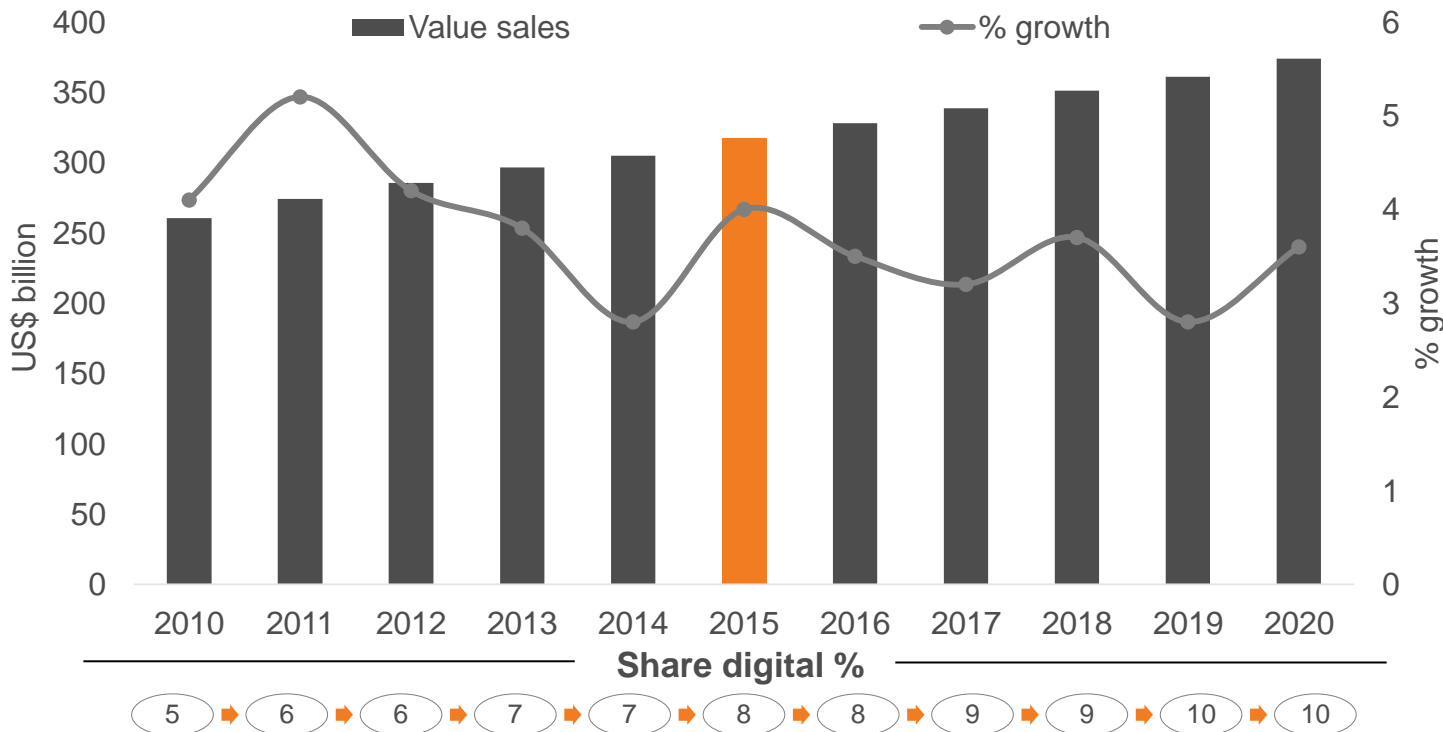
Outlook



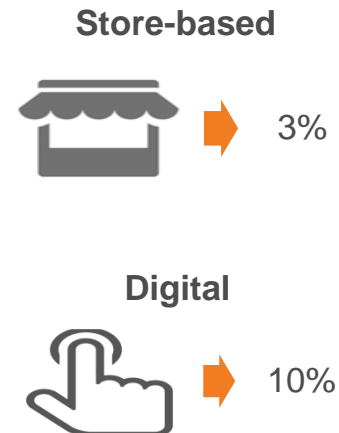
# Sales in excess of US\$317 billion and growing

## INDUSTRY OVERVIEW

### Global Luxury Good Retail Sales and Growth (in US\$ bn)



### Global CAGR 2015-20



# More geographic shifts across key regions

## INDUSTRY OVERVIEW



### Europe

- Western Europe growth dwarfed by Middle East and Africa
- Eurozone holding back performance
- Political instability in Eastern Europe



### Asia Pacific

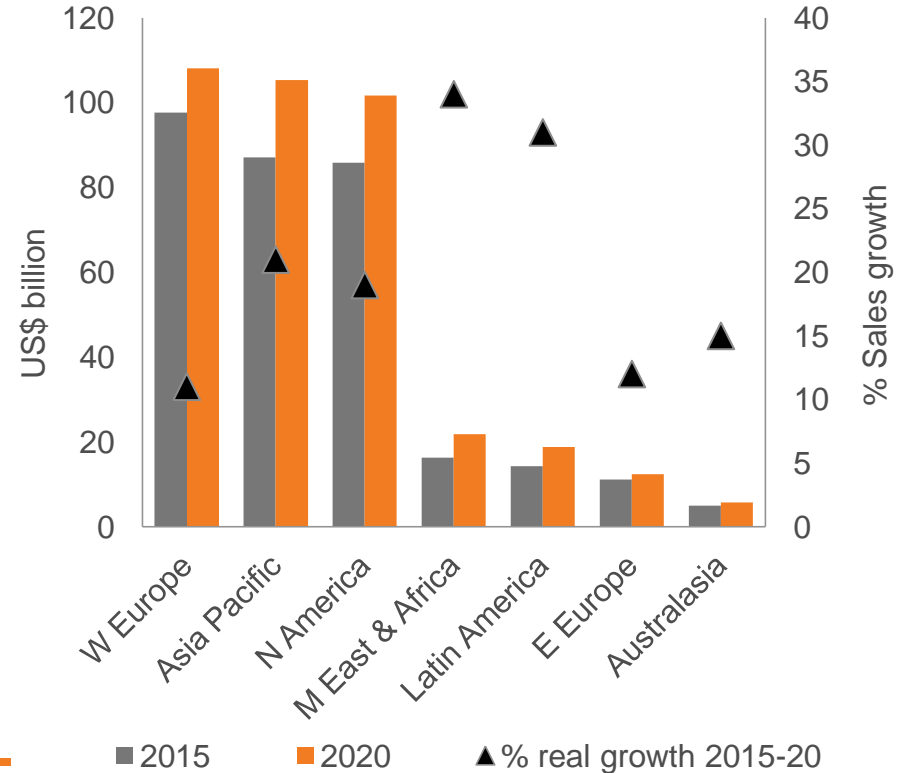
- Held back by China and Hong Kong
- Fluctuating currencies, political instability and slowing economies



### The Americas

- North America's remains positive
- Notable rise in Latin America thanks to Mexico and new emerging markets

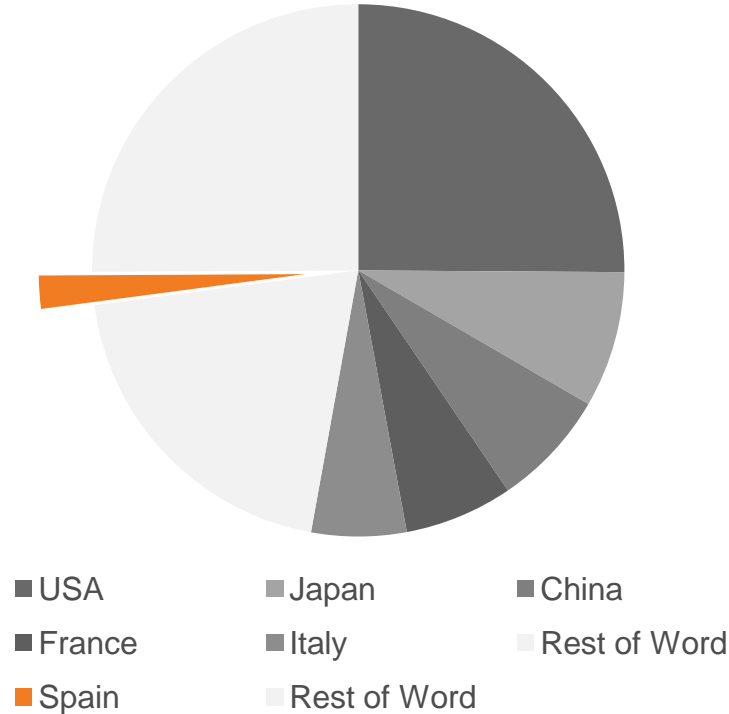
Luxury Goods Sales and % Growth by Region 2015/2020



# Currency wars and instability push down sales

## INDUSTRY OVERVIEW

### Sales by Leading Markets 2015



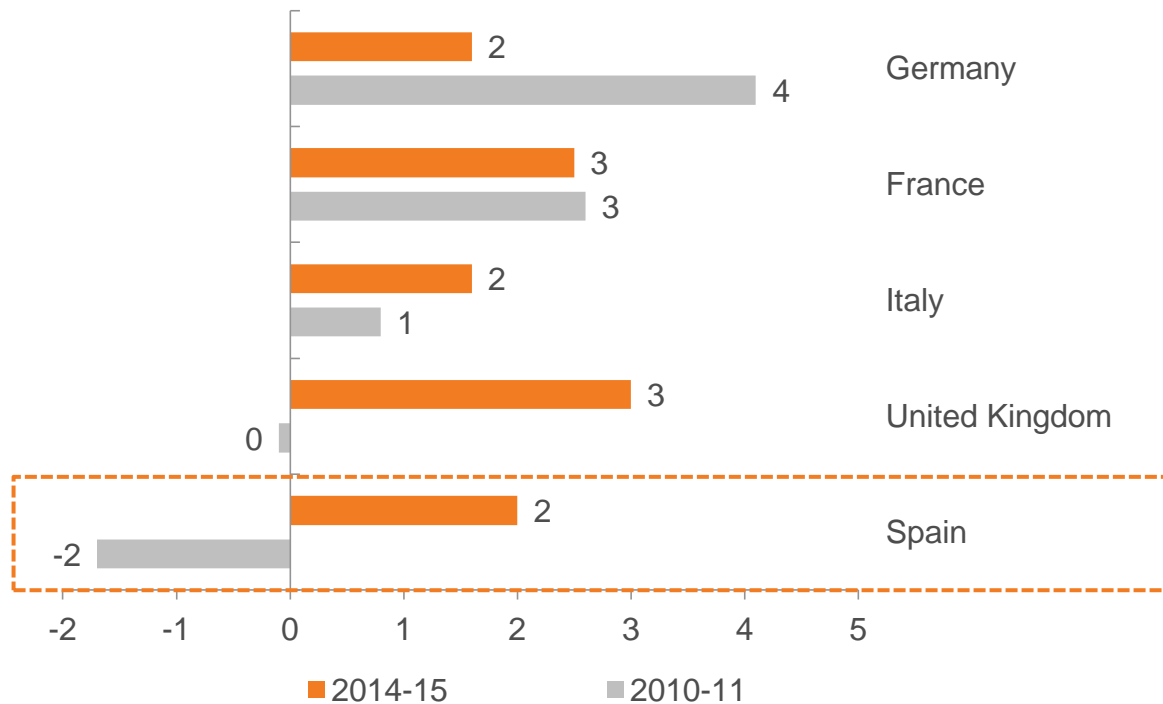
### Best and Worst in Class: Real Growth % 2014-15



# Spain plays catch up with European neighbours

## INDUSTRY OVERVIEW

### Luxury Goods Growth Western Europe 2010-11 vs. 2014-15



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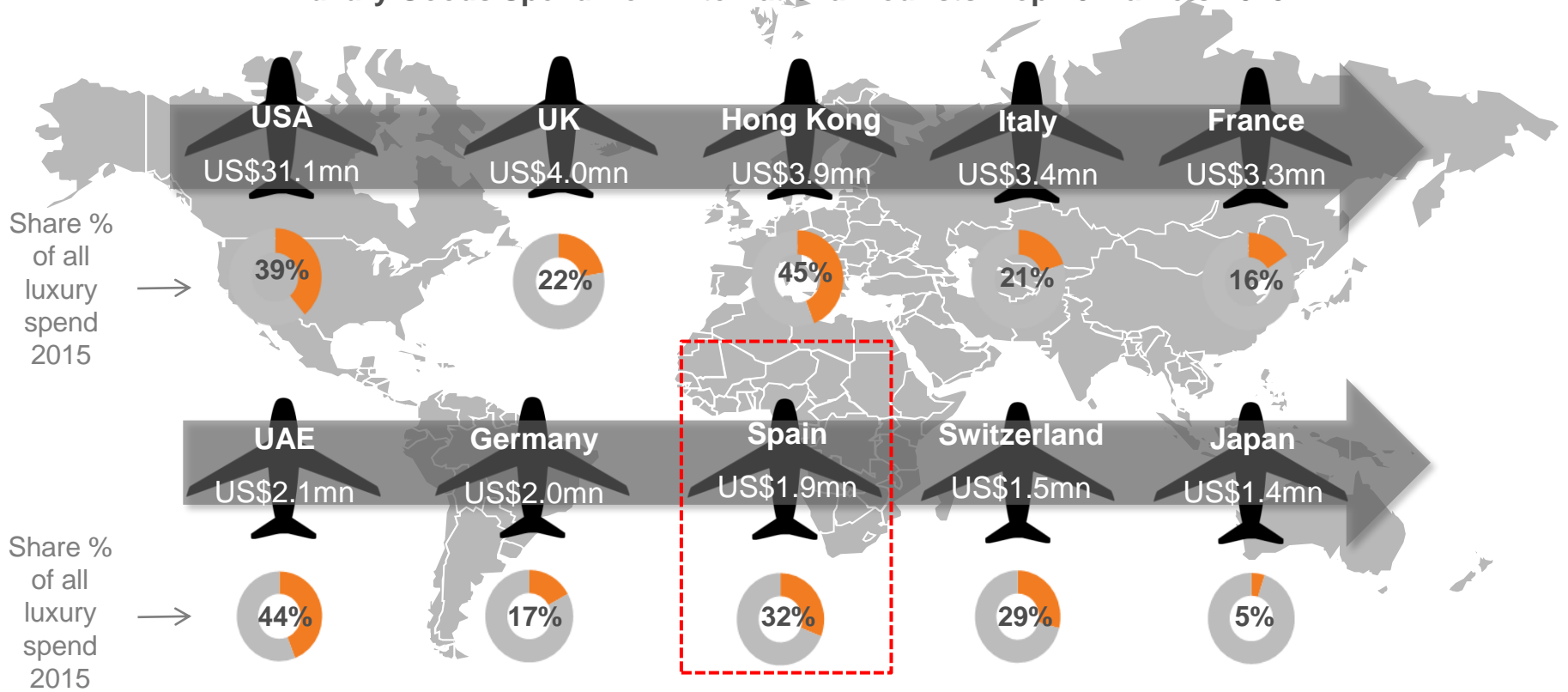
Outlook



# Love luxury shopping, will travel

## MARKET DRIVERS

Luxury Goods Spend from International Tourists: Top 10 Markets 2015





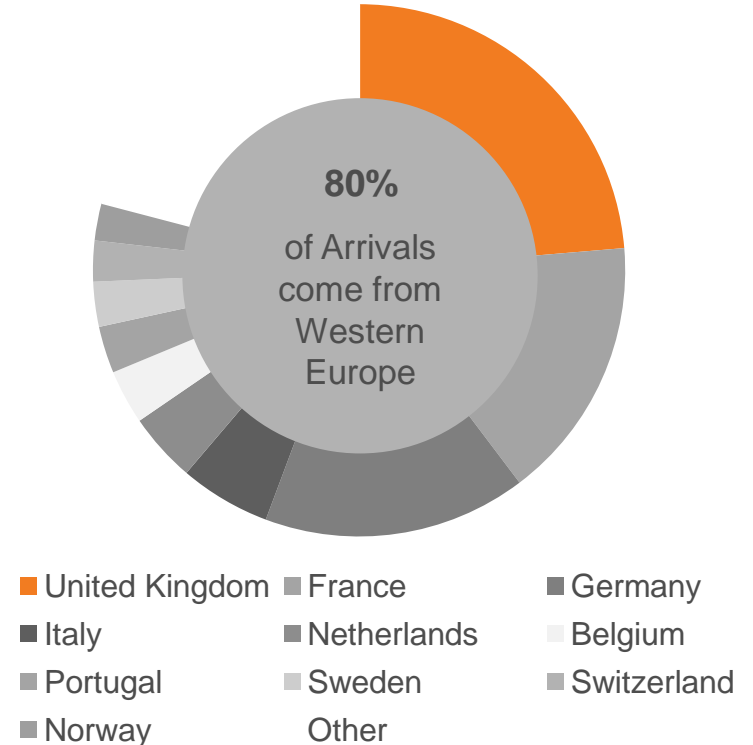
# Spain competes for share of wallet from wealthy tourist

## MARKET DRIVERS

International Luxury Spend: Sales Growth % 2014-15



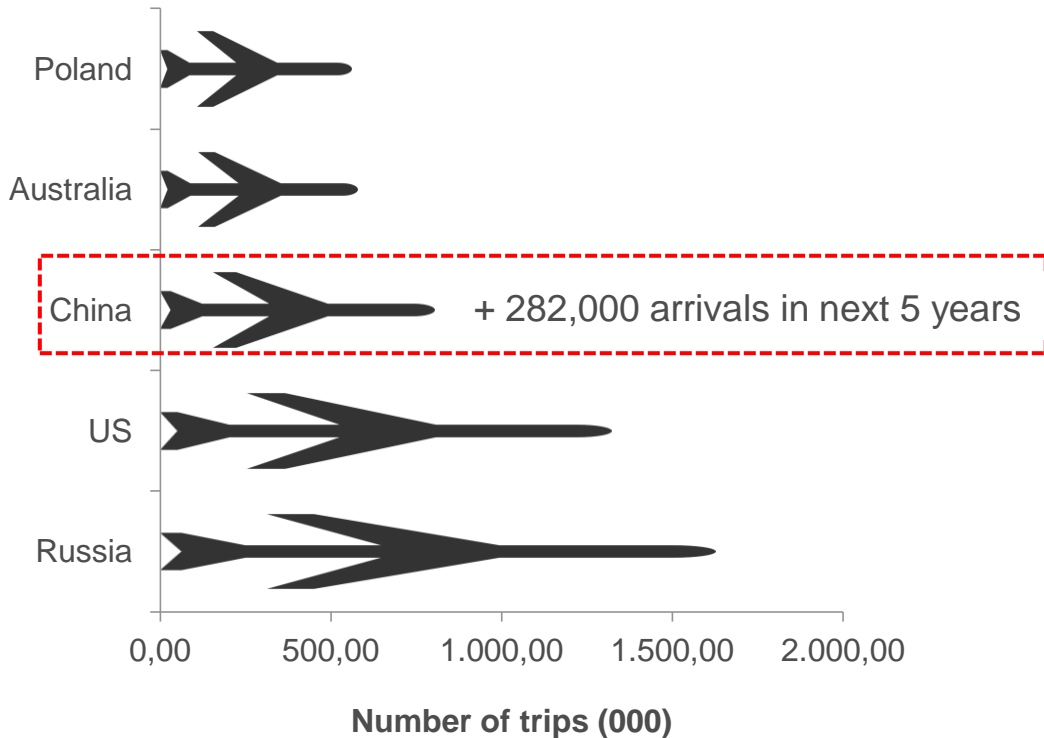
Spain International Arrivals by Leading Country 2015



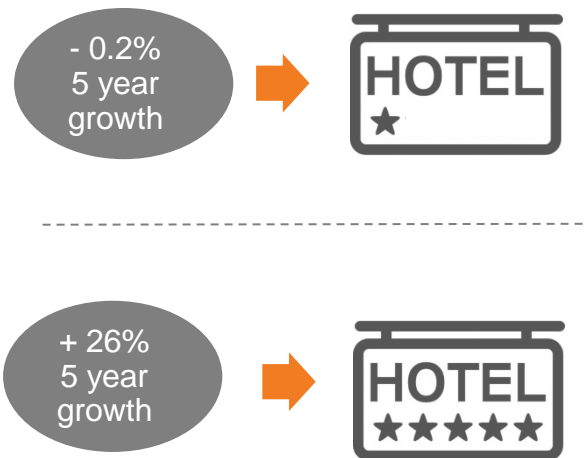
# China slowdown but huge potential for luxury travel market

## MARKET DRIVERS

### Number of Trips to Spain: Leading Countries of Origin Outside Western Europe 2020



### Spain Hotels % Sales Growth: Budget vs. Luxury 2015-2020 (Real)



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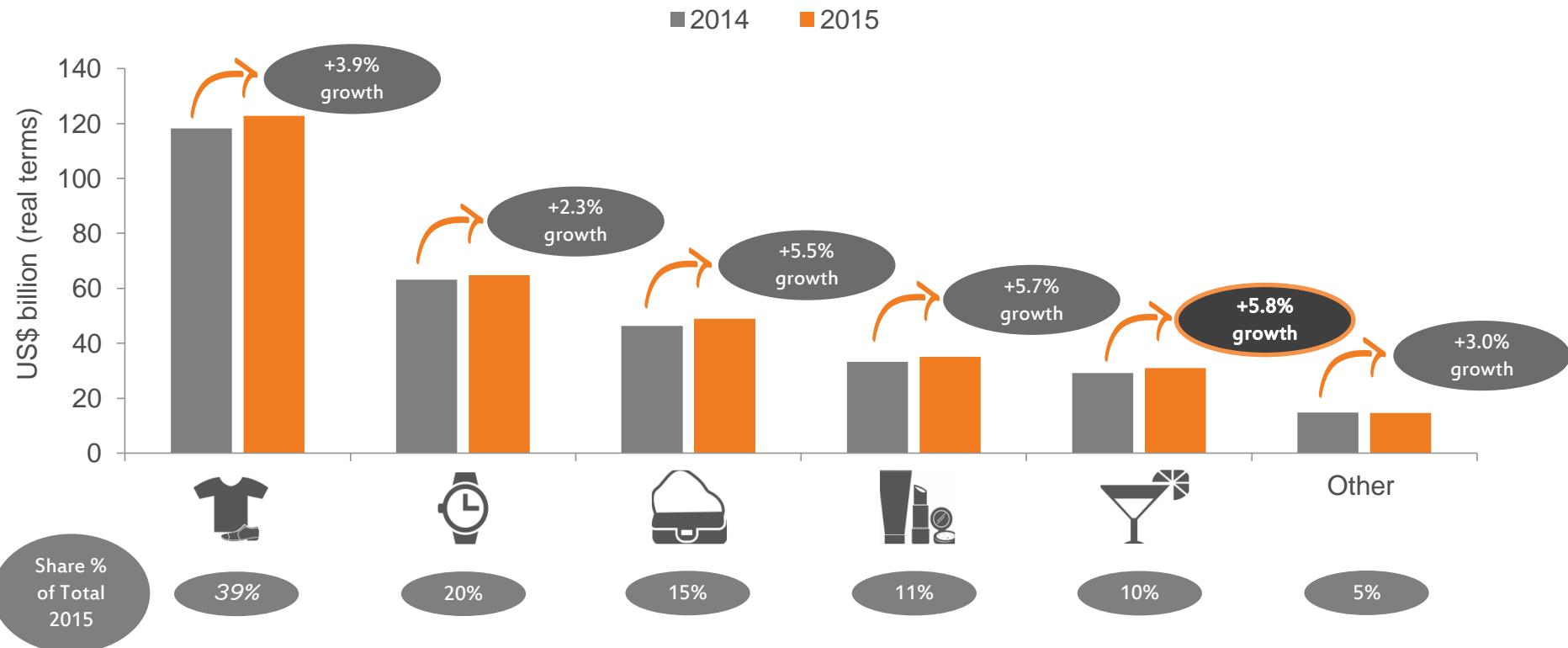
Outlook



# Luxury wine fastest growing alternative asset class for investors

## CATEGORY DYNAMICS

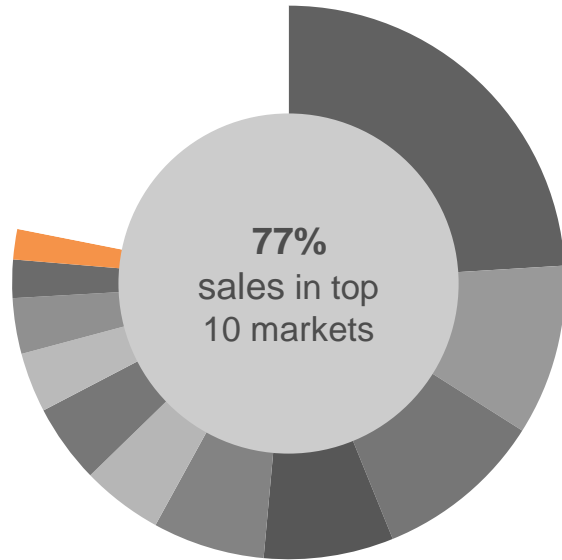
### Global Luxury Goods: Top Five Categories Value Sales and Real Growth 2014/2015



# Glass is still king for luxury alcoholic drinks

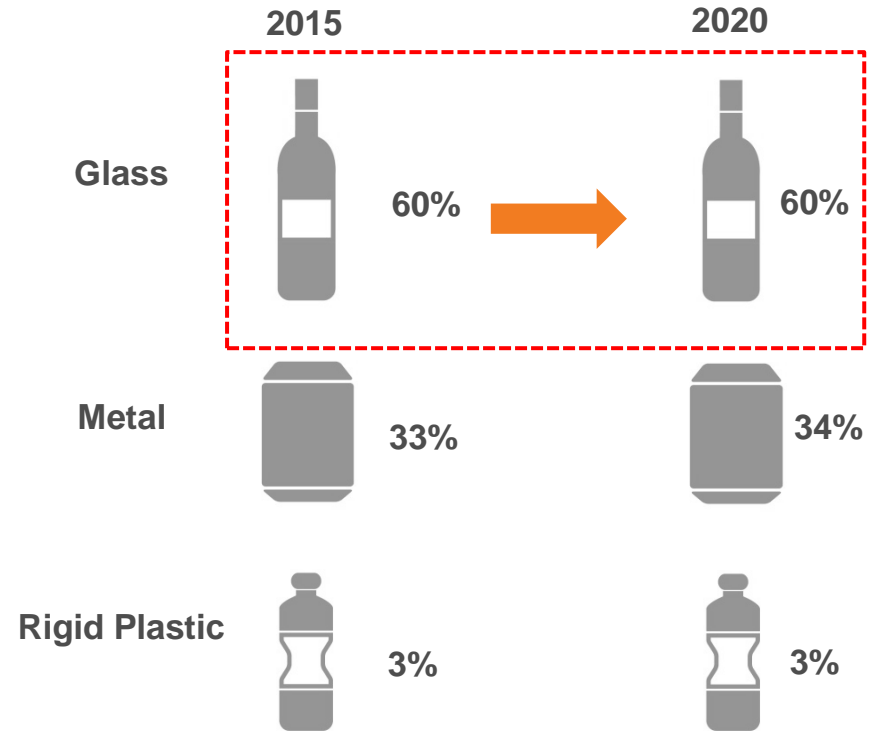
## CATEGORY DYNAMICS

Luxury alcoholic drinks: Sales by Leading markets  
2015



- USA
- China
- Italy
- Japan
- Canada
- Switzerland
- UK
- Russia
- France
- Germany
- Other
- Spain

Global Alcoholic Drinks: Leading Packaging by Type Volume Sales %



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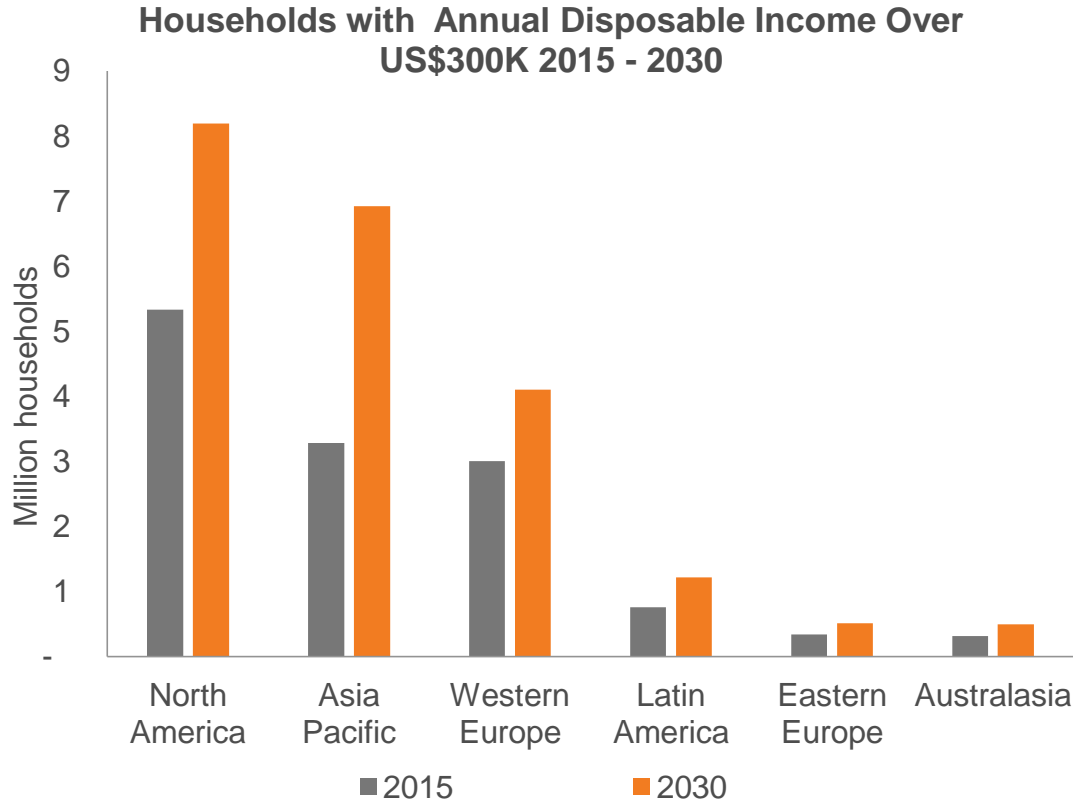
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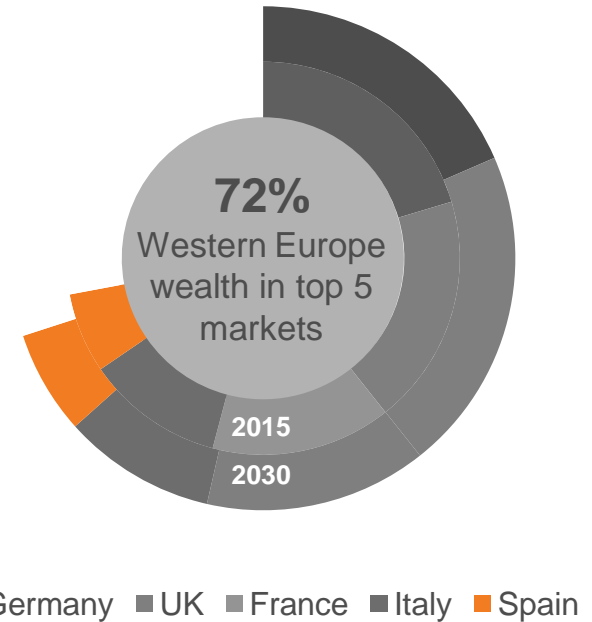


# Household wealth changes attitudes and purchasing habits

## CONSUMER PORTFOLIOS



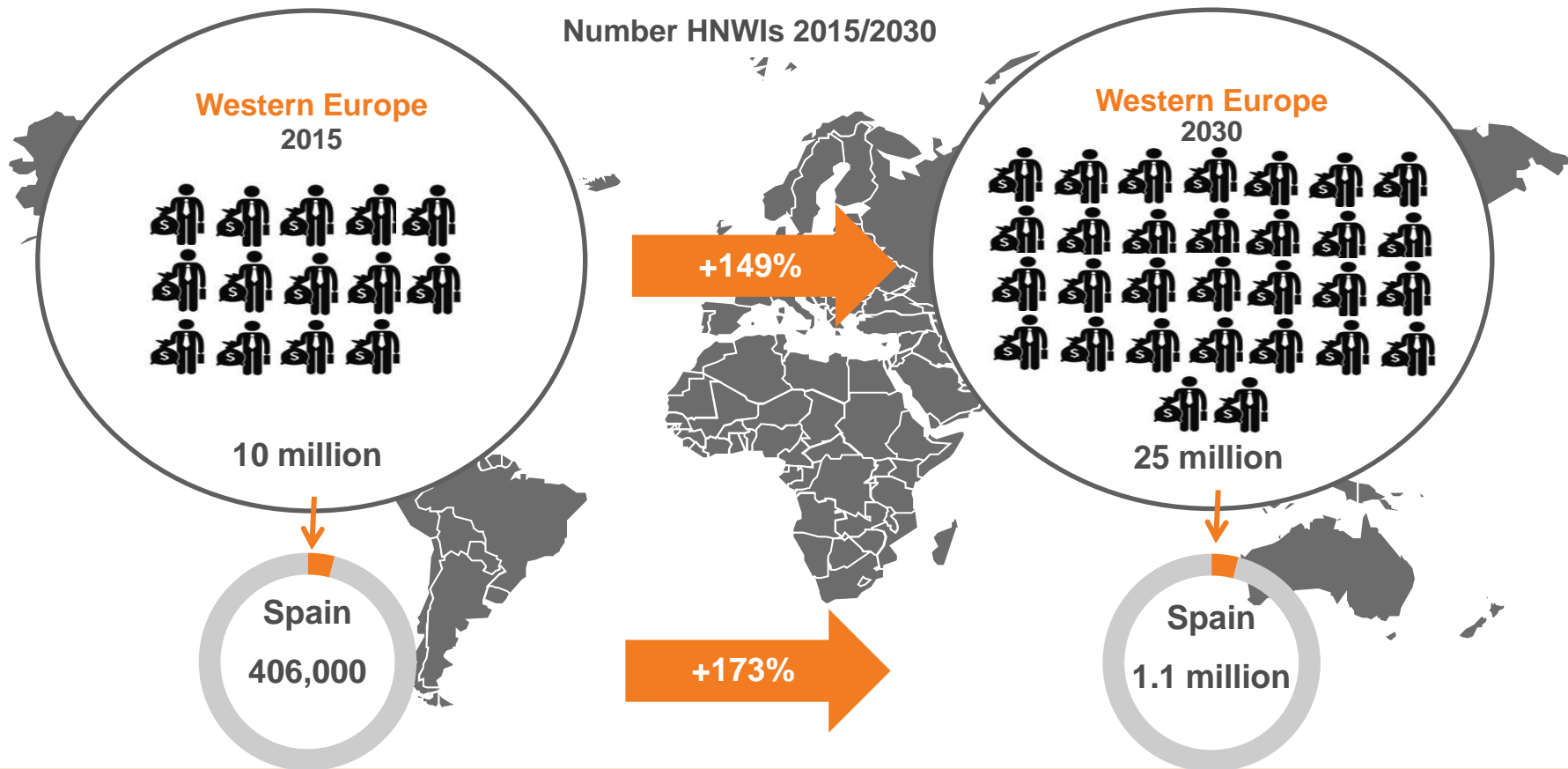
### Western Europe Household Wealth: Disposable Income Over US\$300K 2015 vs 2030



# Spanish wealth outpaces regional growth

## CONSUMER PORTFOLIOS

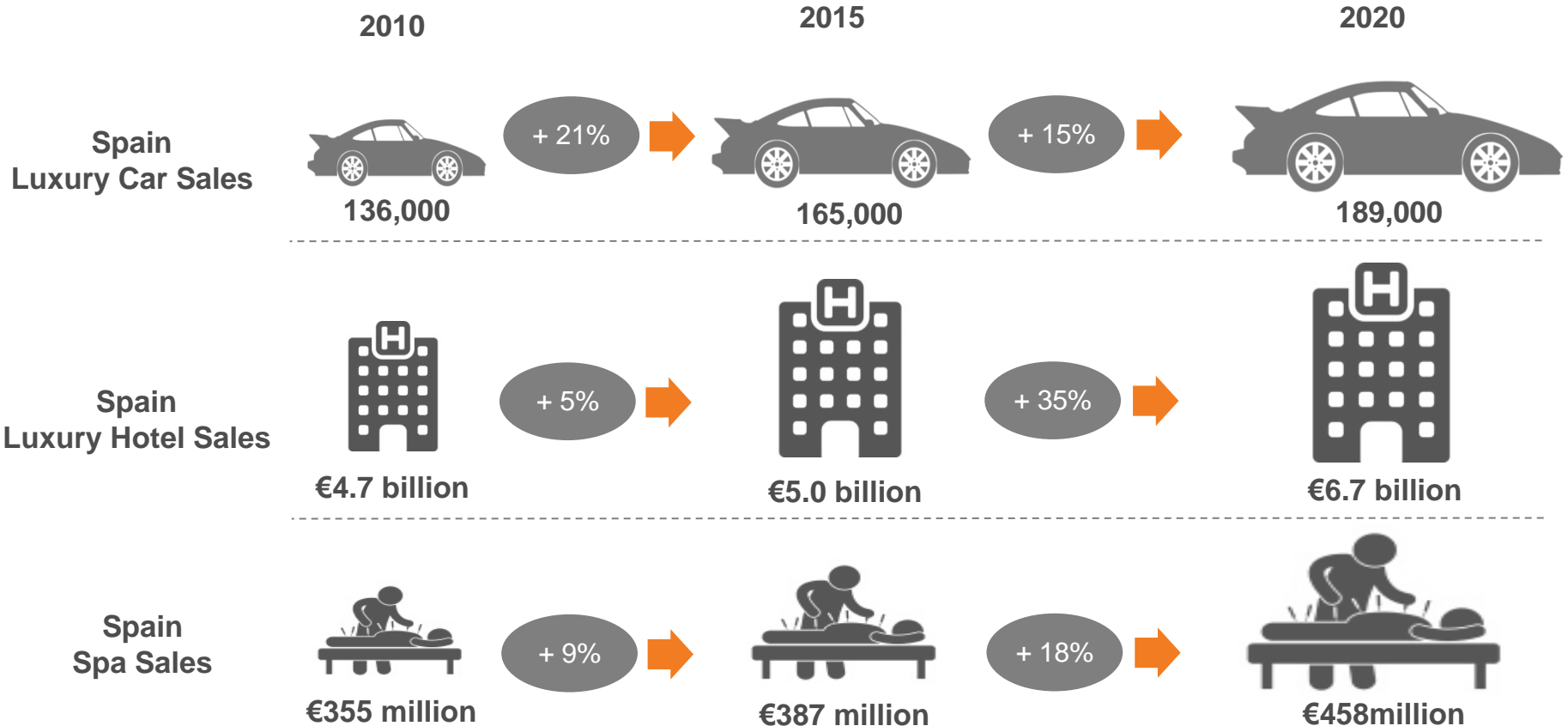
Number HNWIs 2015/2030





# Spanish wealth underwrites luxury lifestyle trends

## CONSUMER PORTFOLIOS



# Fashion meets fine food and dining

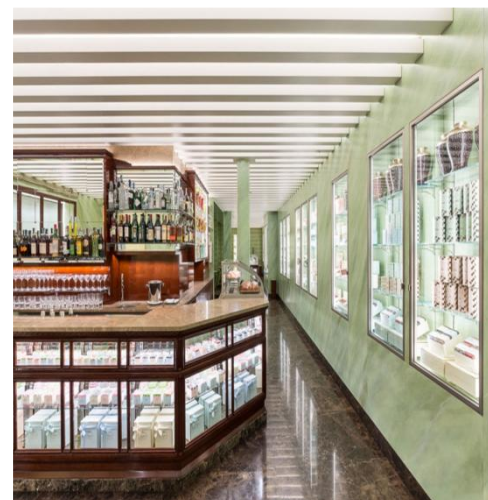
## CONSUMER PORTFOLIOS



Thomas's - Burberry's new all-day café serving seasonal produce from small farmers and artisan British suppliers



1921 Gucci - Gucci's new full service Italian restaurant Shanghai



Pasticceria Marchesi – Prada's recently acquired café and cake shop based in Milan's fashion district

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# Market drivers in global digital luxury sales

## DIGITAL LANDSCAPE



### Consumer-led

- Search for value and convenience
- Increased global connectivity
- Good deals on luxury
- Trends towards showrooming and sofa shopping



### Retailer-led

- Improved website design
- Free shipping and returns
- Development of shopping apps and location-based offers



### Government-led

- Investment in broadband and mobile infrastructure
- Tighter online selling regulations and data protection policies



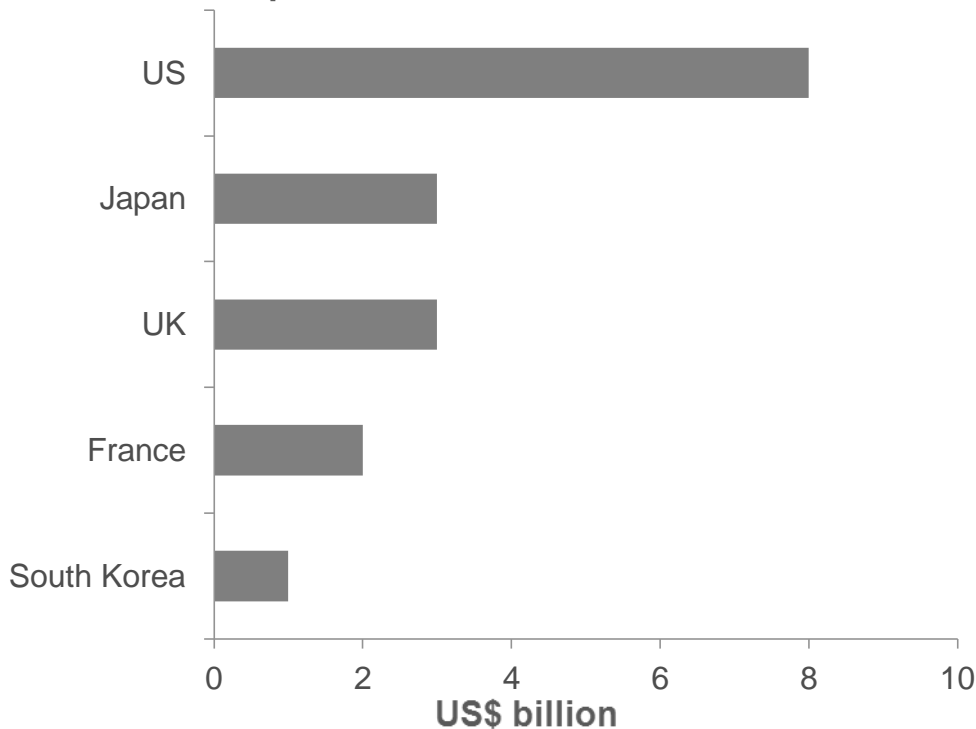
### Technology-led

- Faster broadband
- Growing use of mobile devices and expansion of 4G & Wi-Fi networks
- More secure payment methods

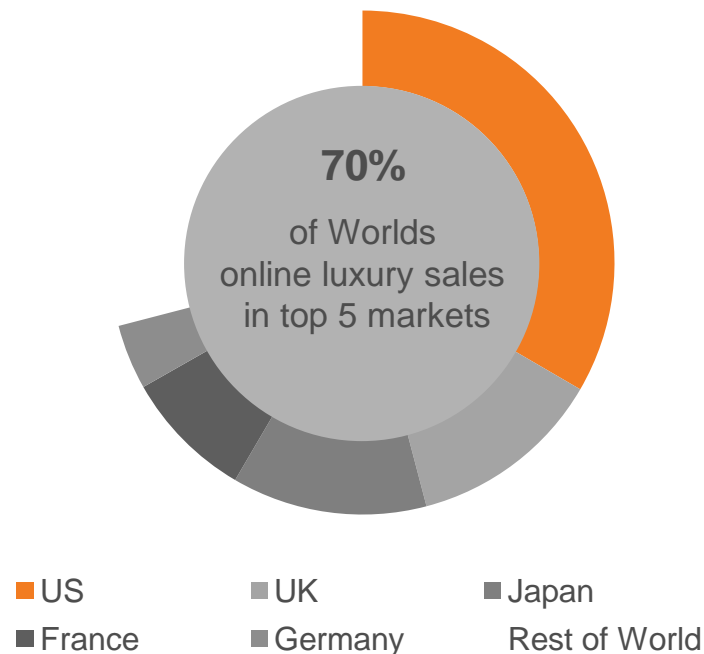
# Booming US\$24 billion digital sales: luxury goods' silver lining?

DIGITAL LANDSCAPE

### Luxury Goods Internet Retailing Top 5 markets 2015 US\$ billion



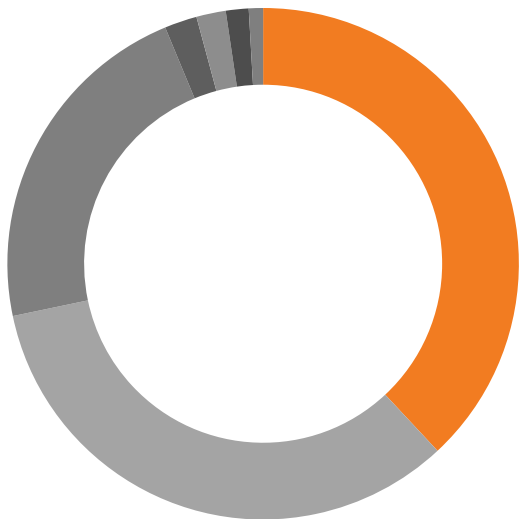
### Luxury Goods Internet Retailing Market Share % 2015



# Lagging digital sales provide opportunities for Spain

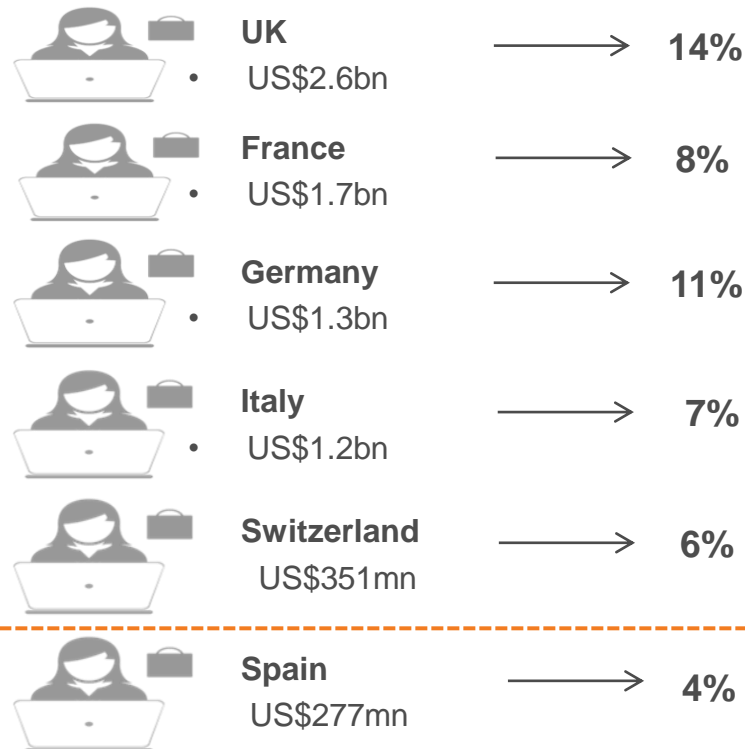
## DIGITAL LANDSCAPE

### Luxury Goods Spend Online 2015



- Western Europe
- North America
- Asia Pacific
- Middle East and Africa
- Eastern Europe
- Australasia
- Latin America

### Western Europe Leading Markets: Online Spend and % Share of Luxury Sales 2015



# Mobile technology a must for luxury retailers

DIGITAL LANDSCAPE



# Intoxicating technologies and digital retailing concepts

## DIGITAL LANDSCAPE

### Jonny Walker “Smart” Packaging



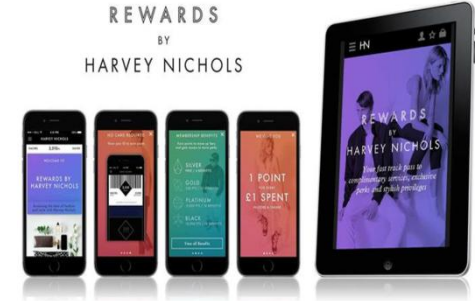
- The “smart bottle” uses finger sensor tags using OpenSense technology
- This detects whether a bottle is sealed or opened with the tap of a smartphone.
- Allows Diageo to send personalised “targeted and timely” communications to consumers

### Pernod Ricard: Gutenberg Project



- Project Gutenberg is revolutionising the “bar at home” - turning the cocktail culture into a more accessible experience
- Made up of “container books” holding a sealed bottle of spirits, all connected to a service platform: from basic home delivery to tutorials

### Harvey Nichols – Loyalty App



- Harvey Nichols new loyalty app
- 80% of its customers preferred an app rather than another card
- Bespoke marketing facilitated using in-store Bluetooth beacons
- As well as “treats” throughout the year, rewards include more experiential gifts such as wine cases and mixology classes



# More Spanish mobile subscriptions than people

DIGITAL LANDSCAPE

Internet Users



35 million in 2015

Population



46 million in 2015  
(aged 15 +)

Mobile  
Subscriptions

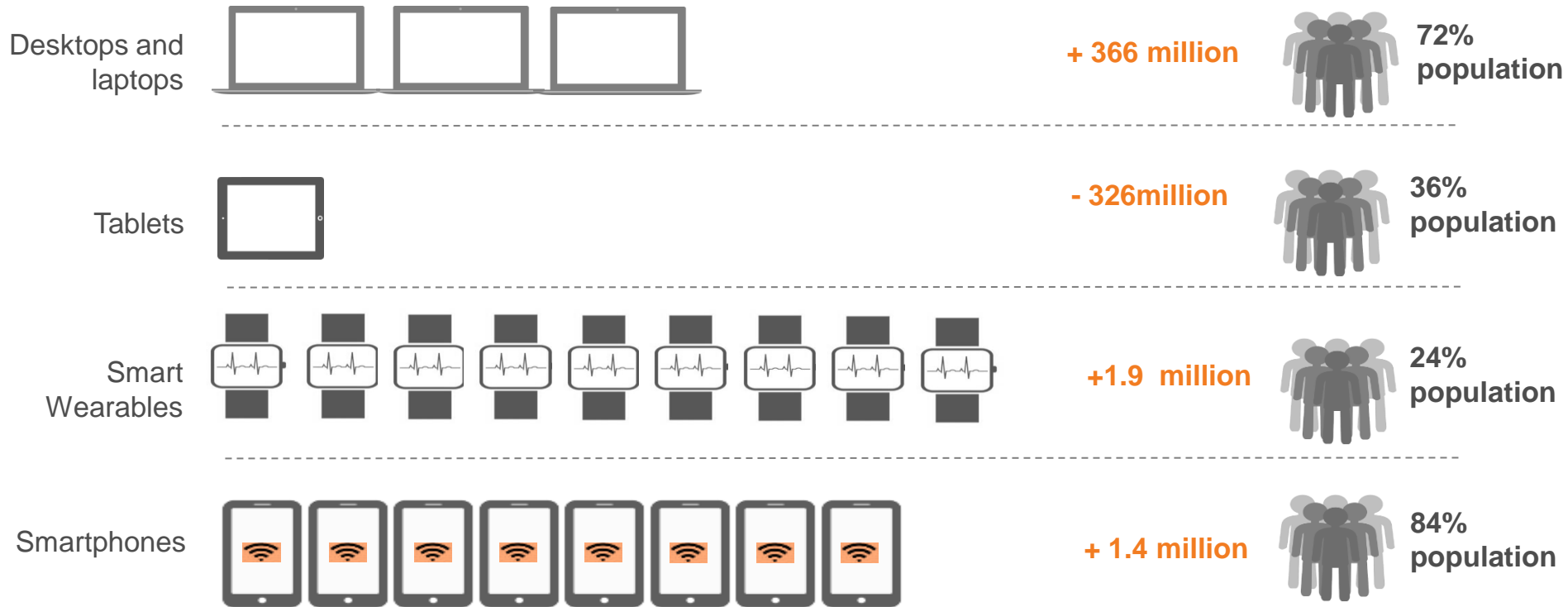


**51 million in 2015**  
(74% Internet-enabled)

# Spain's smart ecosystem driven by increasingly connected devices

## DIGITAL LANDSCAPE

### Spain Key Connected Devices and Penetration by 2020



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# Summary

## OUTLOOK

### Consumer Battleground



Consumer values  
Desire for authenticity and wellbeing  
Millennials are key

### Regional Battleground



Competition intensifies in all markets  
Spain is in a stronger position but difficult course to navigate

### Race to Mobile



Spanish luxury well positioned for m-commerce  
Retailers that are quick to adopt mobile tech will have advantage

### Digital Revolution



Surge in tech innovation needed especially for the in-store experience  
Outlook more promising for omnichannel



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