

True-Luxury Global Consumer Insights

10th Edition
July 2024



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This year's edition of True Luxury Consumer study focuses on *Beyond Money Customers*



12k respondents quantitative survey across 12 top luxury markets, with 7% spending >100K€/year



1K respondents ad-hoc deep-dive on *Beyond Money spenders* (min 50K€ / avg. 350K€ yearly spend¹) across 7 main luxury markets²

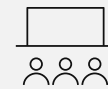
PHRONESISPARTNERS simplifygrowth Research partner



20 in depth 1:1 interviews with True-Luxury *Very Important Customers*



Research partner



15 *VICs* interviewed in focus groups (5 / each) in three regions (Europe, USA, China)



20 interviews & content discussion sessions with *industry CEOs & executives*, and *Client Advisors*



Engagement of *local Luxury experts* and *industry partners* from different regions

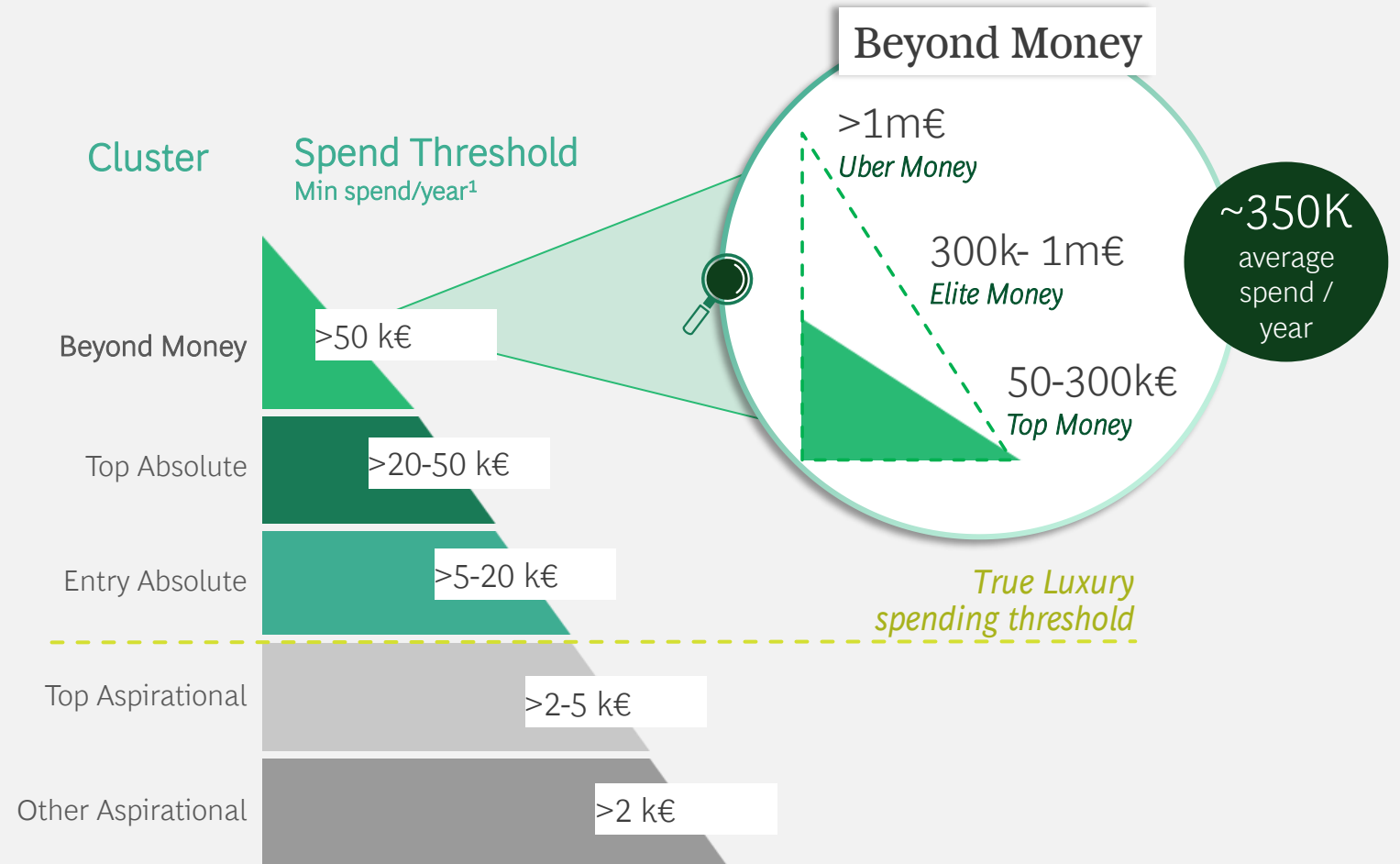


1. Maximum spending range 500k -1M€, 3% of sample 2. USA, UAE, France, UK, Italy, China and Japan
Note: Numbers rounded

Traditionally, we speak to a representative sample of True Luxury Consumers...

39K€
average
spend / year

...this year, we double down on the top of the pyramid, introducing 3 new thresholds



Note: Numbers rounded. 1. Includes: personal includes apparel, footwear, accessories, leather goods, beauty, jewelry (branded and unbranded) and watches; Experiential includes furniture, food and wine, fine dining & hotel and exclusive vacations
Source: BCG Fashion & Luxury Market Model as of July 2024; BCG Analysis

Luxury Consumer Pyramid

Personal and Experiential Luxury

	Cluster	Population Mn		Spend B€	
		2013	2023	2013	2023
50 k€	Beyond Money	0,3 0,1%	0,6 0,1%	88 12%	213 21%
20 k€	Top Absolute	1,3 0,3%	1,7 0,4%	24 3%	44 4%
5 k€	Entry Absolute	14 4%	16,4 4%	77 11%	109 11%
2 k€	Top Aspirational	19 5%	24 6%	69 9%	66 7%
<2 k€	Other Aspirational	354 91%	392 90%	479 65%	569 57%
	Total True Luxury	389	434	737	1.000

~350K
average
spend /
year

Beyond Money are

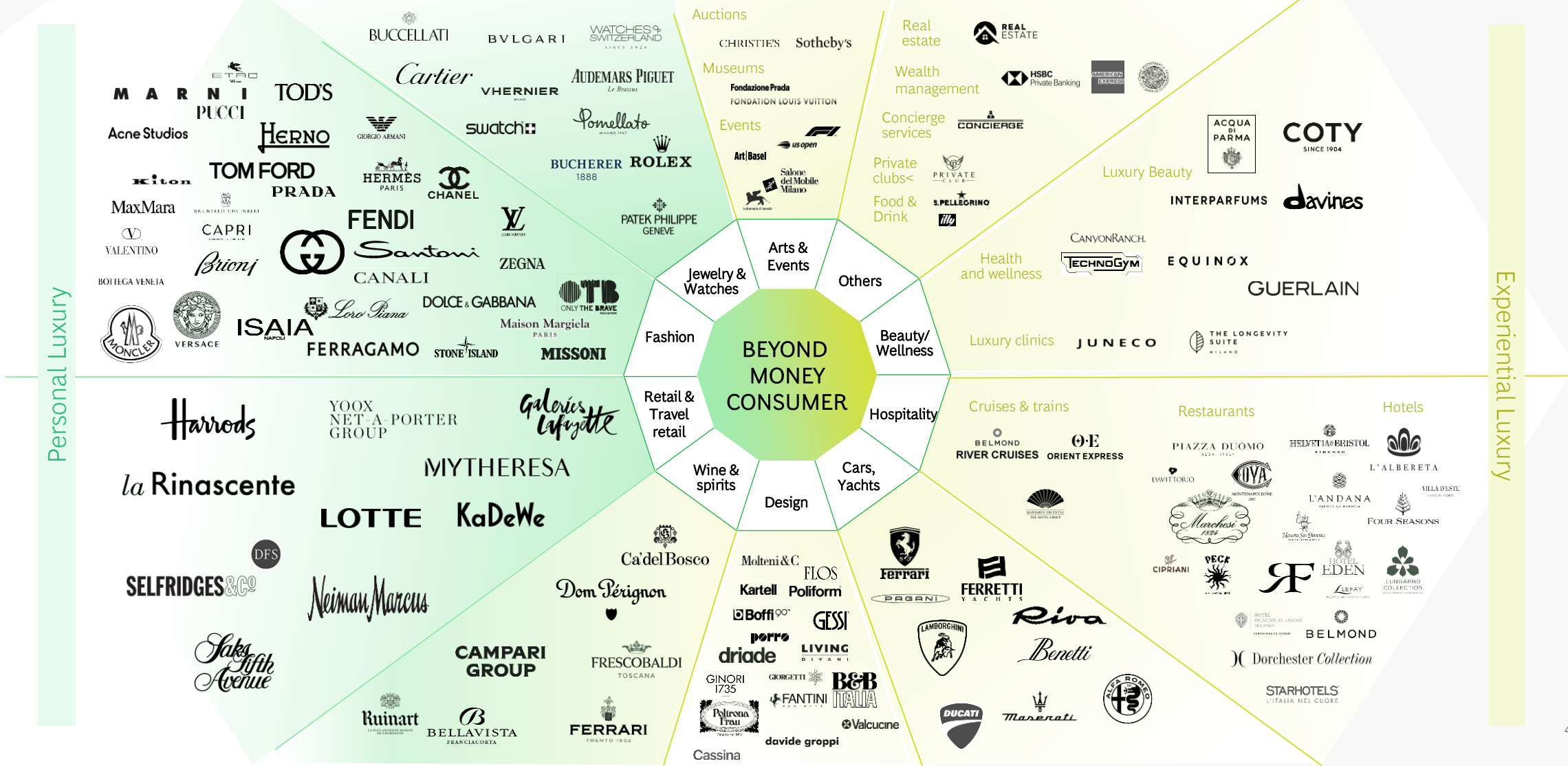
- Less than 1% of clients
- Each is worth ~230x vs one aspirational consumer
- Twice as relevant in spending vs 10 years ago

~1.5K
average
spend / year

Note: Numbers rounded. 1. Includes: personal includes apparel, footwear, accessories, leather goods, beauty, jewelry (branded and unbranded) and watches; Experiential includes furniture, food and wine, fine dining & hotel and exclusive vacations
Source: BCG Fashion & Luxury Market Model as of July 2024; BCG Analysis

Leaders in each sector compete to win the attention (and the love) of Beyond Money consumers

Not Exhaustive



Why are Beyond Money more relevant than ever?

1

Strong growth of
underlying base of
UHNWI, at 10% CAGR

2

In a twin-engined luxury
market, they are driver
for stable growth

3

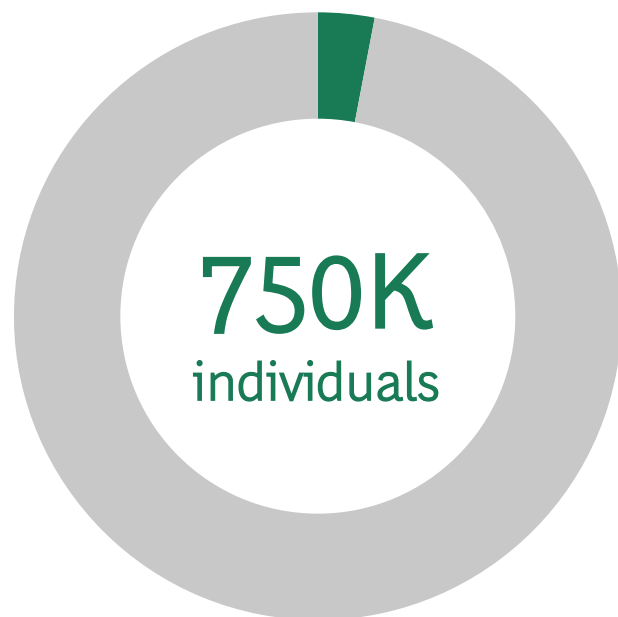
In 10 years, they doubled
their relevance on Luxury
Market

4

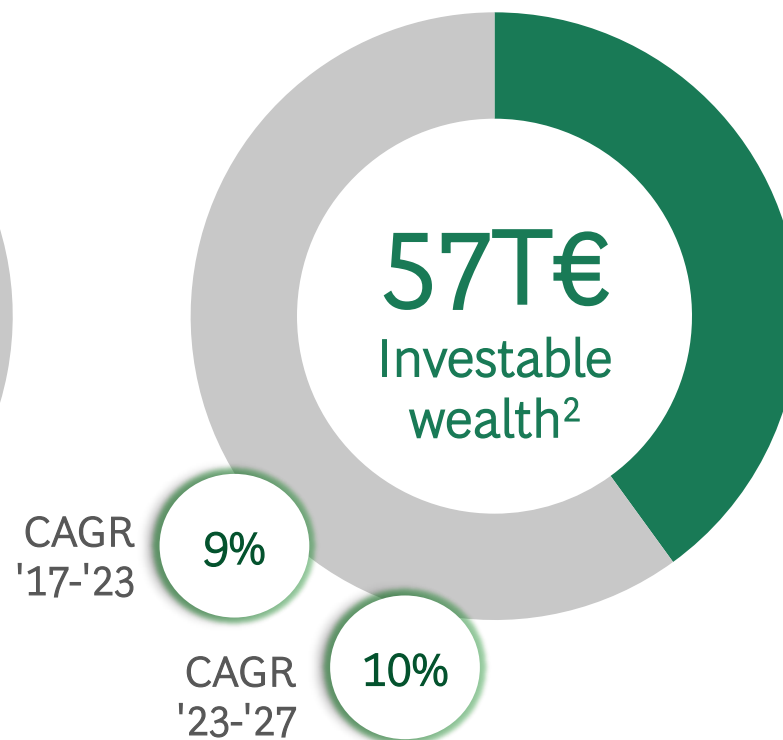
They are immune to the
economic cycle

1 Global wealth has never been as concentrated as it is today, with UHNWIs weight growing at 10% CAGR

UHNWI represent ~3% of the *population*¹...



...yet hold ~40% of the *financial wealth*²



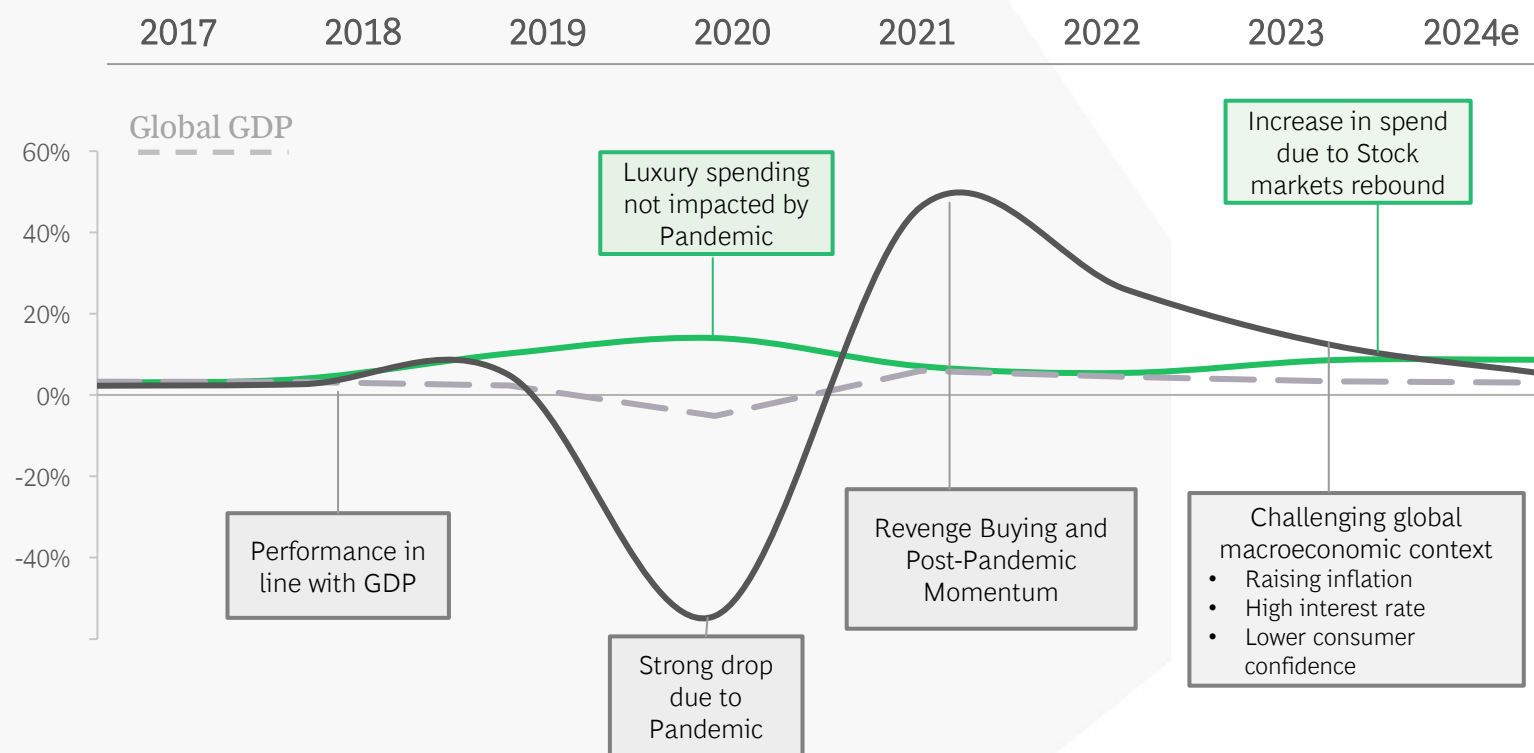
...roughly two thirds of these individuals are the *core of our Beyond Money segment*

1. Of adult population 2. Among individuals with net worth >1m€ (Affluent, and UHNWIs): Affluent, adult individuals with financial wealth 1M-20M€; UHNWI, adult individuals with financial wealth >20M€; Segment growth includes the shift of individuals between segments; Growth rates excl. currency effects 2. Including cash and deposits: bond, equities & investment fund shares; life insurance and pensions and other assets Source: BCG Global Wealth Report 2024; BCG analysis

2 In a twin-engined luxury market, *Beyond Money* are an engine for stable growth, while *Aspirationals* an engine for volatility

Consumer Segments spend in Luxury vs Global GDP evolutions

YoY growth %



Beyond Money segment

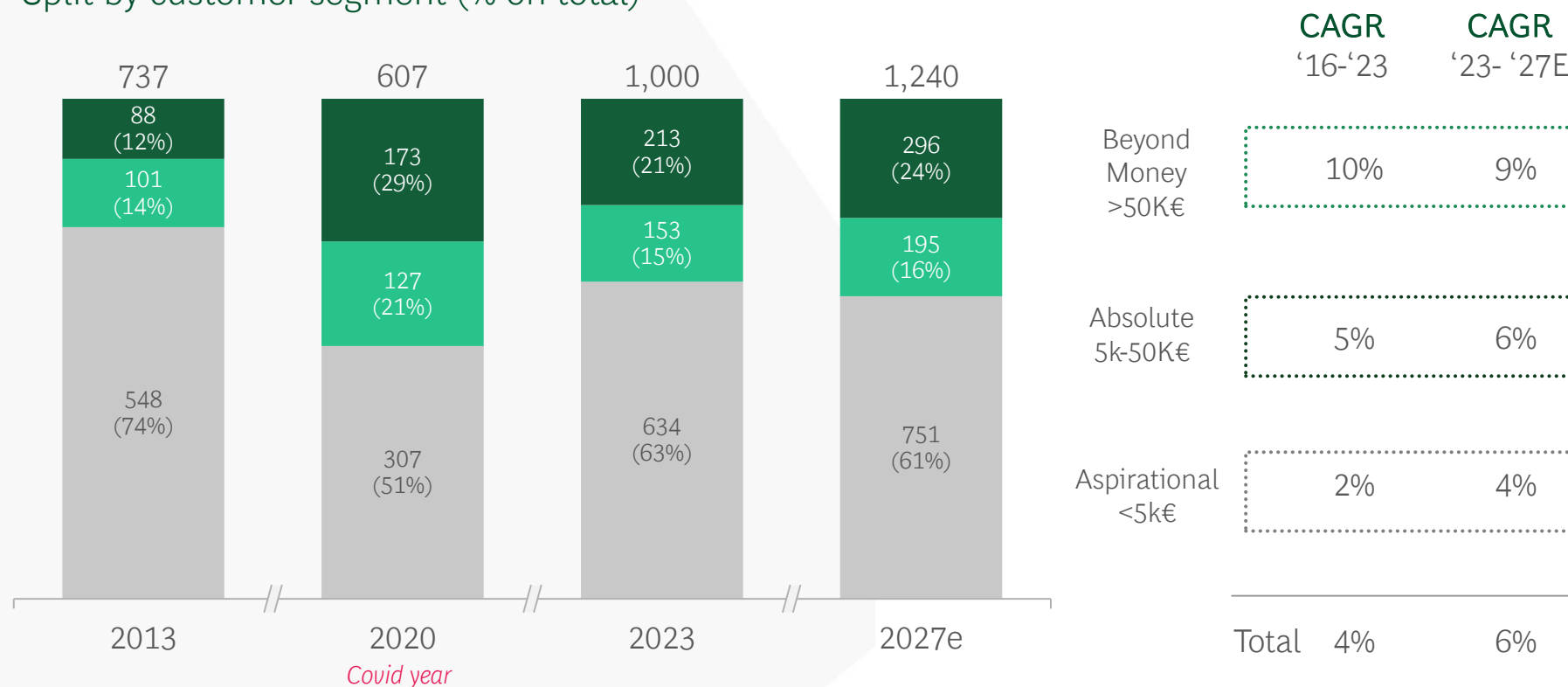
Spending in Luxury is **not correlated to GDP trend and macroeconomic cycles**, and is 5 times less volatile than that of aspirationals'

Aspirational segment

spending is **correlated to macroeconomic fluctuations** and highly depended on inflation, interest rates and other economical and geopolitical trends

3 In 10 years, *Beyond Money* doubled their relevance on total Luxury Market

Personal and Experiential Luxury Market (B€)
Split by customer segment (% on total)



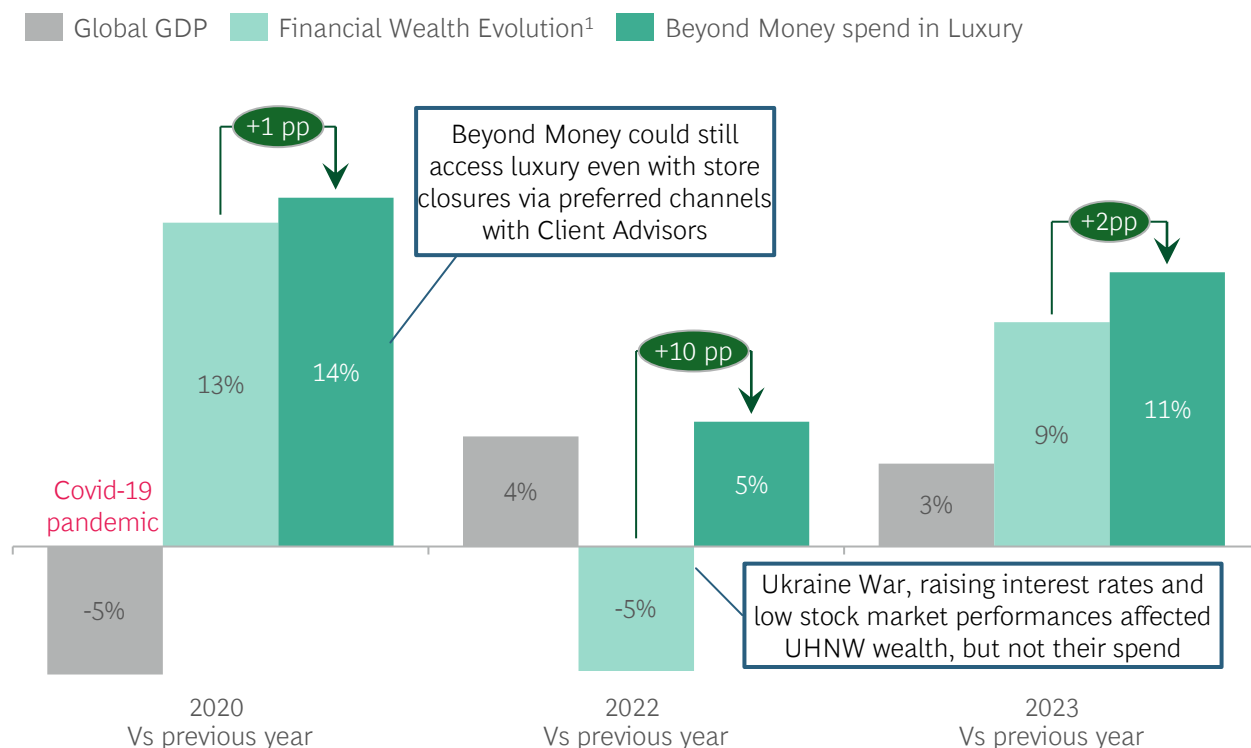
Note: Personal includes apparel, footwear, accessories, leather goods, beauty, jewelry (branded and unbranded) and watches / Experiential includes furniture, food and wine, fine dining & hotel and exclusive vacations

Source: BCG Fashion & Luxury Market Model as of July 2024; BCG Analysis

4 *Beyond Money* is a Balance Sheet game, kind of immune to the economic cycle

For *Beyond Money*, Luxury spend is a primary need, uncorrelated to macroeconomic trends or fluctuations in financial wealth...

% evolution vs previous year



...resulting in extremely low price elasticity...

"If I like a lot a product or a brand, and quality is justified, I keep buying even if prices increase"

- USA VIC, 38 y.o.

...as opposed to the aspirational, occasional buyer

"Prices of luxury bags have increased so much recently, I don't think it's worthy anymore... I prefer to spend in experiences rather than personal goods"

- EU aspirational consumer, 31 y.o.

*How good are
brands at
cocooning Beyond
Money VICs?*



Some brands excel at treating their identified VICs with the right mix of commercial and experiential services...

Moncler Exclusive Fashion Show, Sankt Moritz



Brunello Cucinelli 70 Birthday Party, Solomeo



Miu Miu VIC taking part at Fashion Show, Milan



...but a substantial amount of **Potential VICs fall through the net**, and are treated sub-par by the majority of brands they love

High potential consumers are everywhere...

- They shop across the **entire assortment**, not just ultra-luxury categories
- They are considered VICs on average **by 2 brands** in the same category ...
- ...but typically **shop at 9 brands** on average

Brands might miss out 70% of potential VICs

...but most brands fail to identify them as Very Important Customers

- 1 VICs are identified using spend-based thresholds
- 2 VIC status focused on a limited spend timeframe (*12-18 months*)
- 3 VIC segmentation based on single variable approach



*Brands think
they know
their VICs...*

*...but VIC's dreams
are evolving faster
than brands' ability
to fulfill them*

Brands think they know their Very Important Customers...

a

They are **few**, but are **revenue powerhouses** for brands

~2% of customers represent up to ~30% of **sales**, with variability depending on the core segment

b

They have high expectations for **how products are made**, including quality and compliance

89% of VICs say they value luxury products for their **craftsmanship** and **quality**

c

They have a strong desire for **authenticity** and **exclusivity**

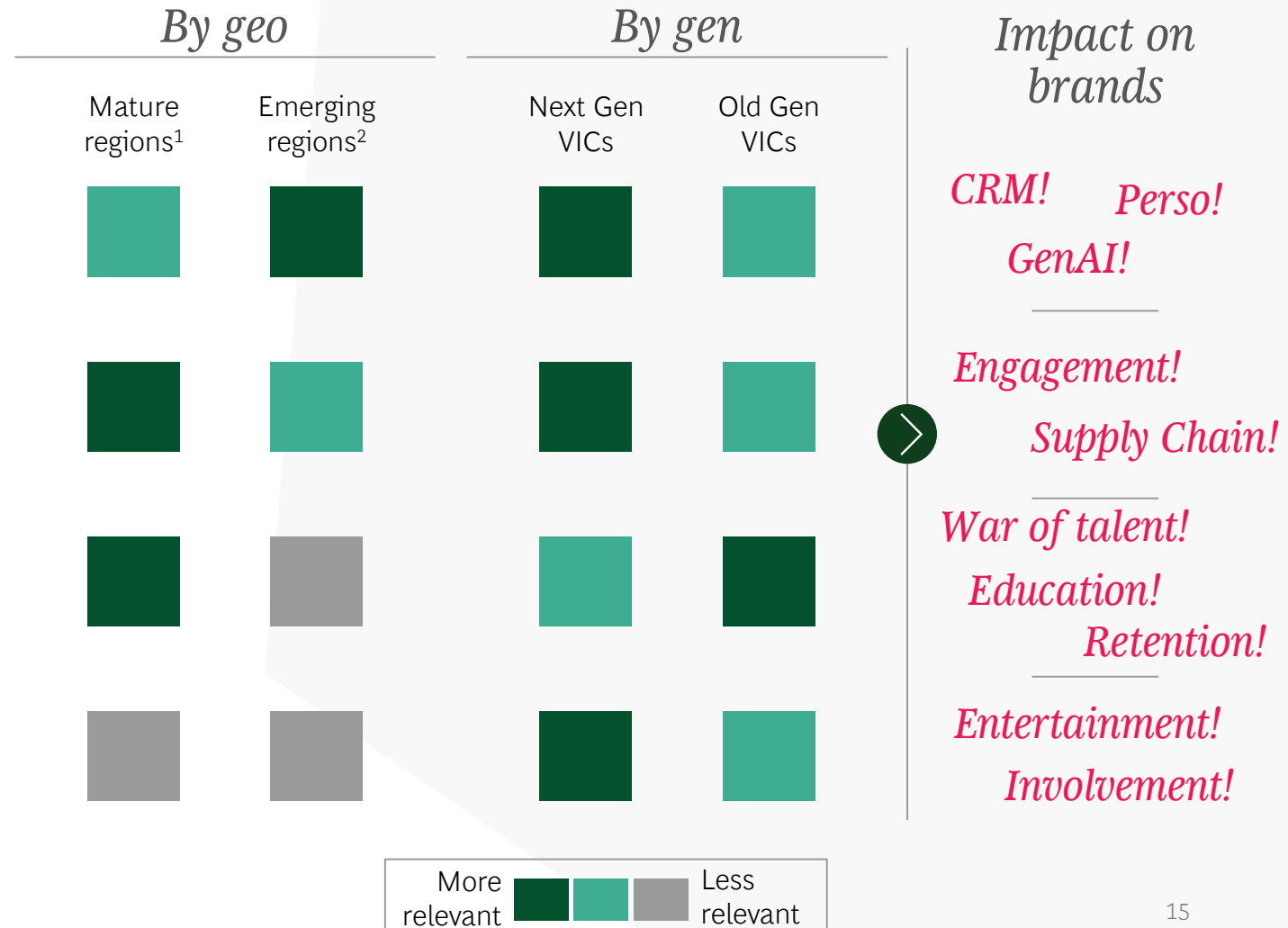
85% of VICs say their preference for luxury is shaped by its **exclusivity** and recognition **among peers** (*if you know, you know*)

d

They **crave** for **exceptional experiences** and **service**

VICs are **bored** of **traditional boutique experiences**, while look for **personalized experiences**

...but they might not know that VIC's dreams are evolving faster than brands' ability to fulfill them



1. North America and Europe 2. Middle East and Asia

Source: BCG-Altagamma True-Luxury Global Consumer Insight Survey July '24 (1K respondents in 7 countries) , Qualitative 1:1 interviews with VICs and Focus Groups



"I want hyper-local personalization, but worldwide recognition"

VICs EXPECT PERSONALIZED EXPERIENCES AS TABLE-STAKE...

Dedicated and **personalized experiences**, in and beyond traditional boutique, are a fundamental expectation across the board for VICs

The **most personalized activities** offered by brands are the **most gratifying** for VICs, and **drive conversion to actual purchase**

... AT A GLOBAL LEVEL, WITH DIFFERENT FRICTIONS TO SOLVE

In the West **increasing expectations and sophistication** of VICs, beyond the boutique

In the East **lack of global recognition** as VIC customer, and of **cultural understanding**

What it means for brands

CRM!

Best-in-class CRM capabilities and use of data

Perso!

Intensify efforts to (well) personalize every interaction

GenAI!

Leverage GenAI across the organization, equip Client Advisors

"I want unique products, without the waiting game"

VICs ALWAYS LOOK FOR SOMETHING UNIQUE...

83%
of VICs

Find owning bespoke items more fulfilling than standard products

Many
brands

Still do not offer bespoke, tailor-made products

...BUT THE WAITING GAME IS (ALMOST) OVER

Customized
Products

VICs perceive the value of real bespoke and are willing to wait (but want entertainment)

Standard
Products

VICs are more and more frustrated with artificial waiting lists for standard products

What it means for brands

Engagement !

INVOLVE VICs IN THE PROCESS

Transform production journey into engagement

Supply Chain!

OPTIMIZE SPEED AND CAPACITY

Consider internalization or expansion of top production capabilities

"I am more loyal to my Client Advisor than to the brand"

CLIENT ADVISORS HAVE A STRONG IMPACT ON VICs...

64%
of VICs

Say that their **relationship** with CAs is a key factor in **decision to return to the brand**

68%
of VICs

Would follow their **Client Advisor** to a new brand if they moved

...WITH DIFFERENCES IN WHAT VICs LOOK FOR, BY GEOGRAPHY

West

- Impeccable service
- Ability to anticipate needs
- Friend-like relationship

East

- Perso. recommendations
- Access to exclusive products and events

With all VICs looking for **impeccable service** and **efficient handling** of special requests

What it means for brands

War of talent!

COMPETITION TO STEAL BEST TALENTS

As creating relationships and selling is an art mastered by top-tier CAs

Retention!

IMPLEMENT STRATEGY TO RETAIN BEST TALENT

Elevate category, give flexibility, offer competitive package, enable with technology (that works!)

"I want to be more than a client, I crave for sense of community "

What it means for brands

NEXT GEN VICs ARE DIFFERENT THAN SENIOR VICs...

More
global &
diverse

More
informed

Less brand
loyal

~53%

of wealth to be
inherited by
NextGen by 2045

...AND CRAVE FOR A SENSE OF COMMUNITY

84%
of NextGen
VICs

Say they value being part of an exclusive **community of like-minded buyers** (vs. 71% Seniors)

85%
of NextGen
VICs

Say the **emotional connection** they have with a brand **is crucial to their purchasing** (vs 74% Seniors)

for Amateurs
For "Soft Categories"

BUILD EXTROVERTED COMMUNITIES

As purchasing behavior is strictly correlated to their sense of belonging to the brand

for Connoisseurs
For "Hard Categories"

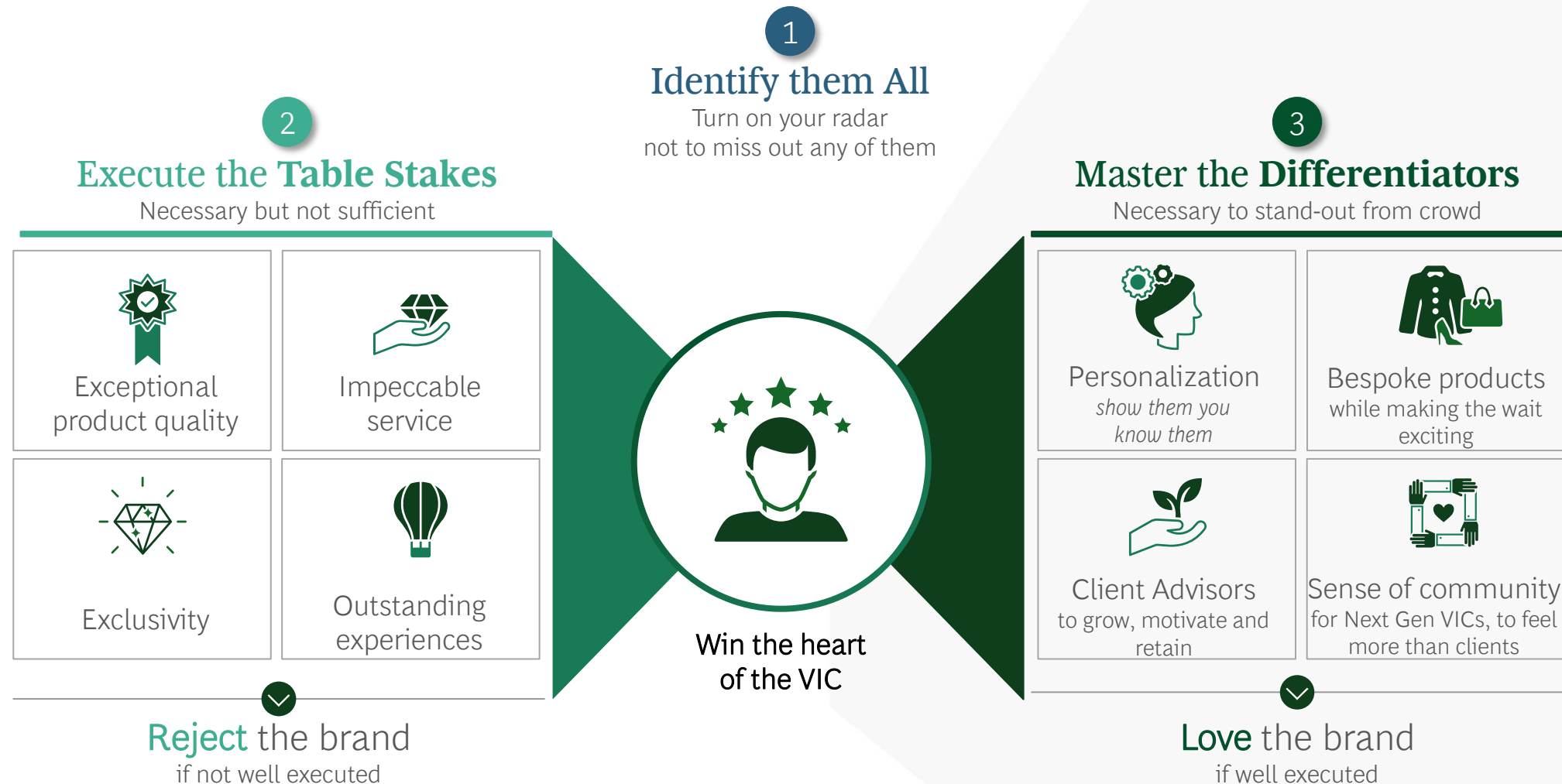
RIDE THE SUCESS OF INTRO COMMUNITIES

As purchasing behavior is strictly correlated to product technical features, knowledge and expertise

*What can brands
do to win the
heart of Beyond
Money VICs?*



Key Takeaways | First, identify them all, second execute table stake at perfection and third, master the differentiators to stand out & win



Master the differentiators | Winning in areas that make the difference for VICs is essential for brands

Differentiators



Personalization



Bespoke products



Client Advisors



Sense of community



Turn on your radar

Pain Points

Most VICs still feel that personalization of experiences and services is **not enough tailored to their uniqueness**

VICs seek **novelty and bespoke**, which many brands fail to offer
Brands that do, often struggle with **long lead time**

Client advisors play a **pivotal role** in VICs' purchasing decisions
War of talents in progress among brands and industries

NextGen VICs crave for a sense of belonging and **"extroverted" communities**, especially in soft categories – which most brands fail to offer

Most brands still use methods that hinder accurate **identification** and treatment of VICs and **overlook potential VICs**

What's needed to win

- Sophisticated CRM segmentation
- Equip company and client advisors with effective Gen-AI tools
- Identify VIC via token
- Manage privacy
- Org: set up a dept. dedicated to VIC

- Bespoke product offering
- Client animation during wait times
- Reduce wait time optimizing value chain

- Elevate role of Client Advisor
- Grow and retain talents (and their client portfolios), giving flexibility and recognition

- Develop and support vibrant, extroverted communities
- Elevate brand to become a lifestyle choice

- Enrich data collection
- Implement sophisticated CRM segmentation
- Adopt advanced AI technologies

Altagamma & BCG Team for the 10th edition of the study



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*Thank
you*