Fondazione Altagamma

True-Luxury *Global Consumer Insight*

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Milan, February 10th, 2016

BCG
The Boston Consulting Group

True-Luxury *Global Consumer Insight*

10.000+
Consumers

21K€+
Average spend
- **Top 30% spending 40K€**

11
Markets

Note: Markets included: Italy, France, Germany, UK, US, China, Brazil, South Korea, Japan, Russia and Middle East

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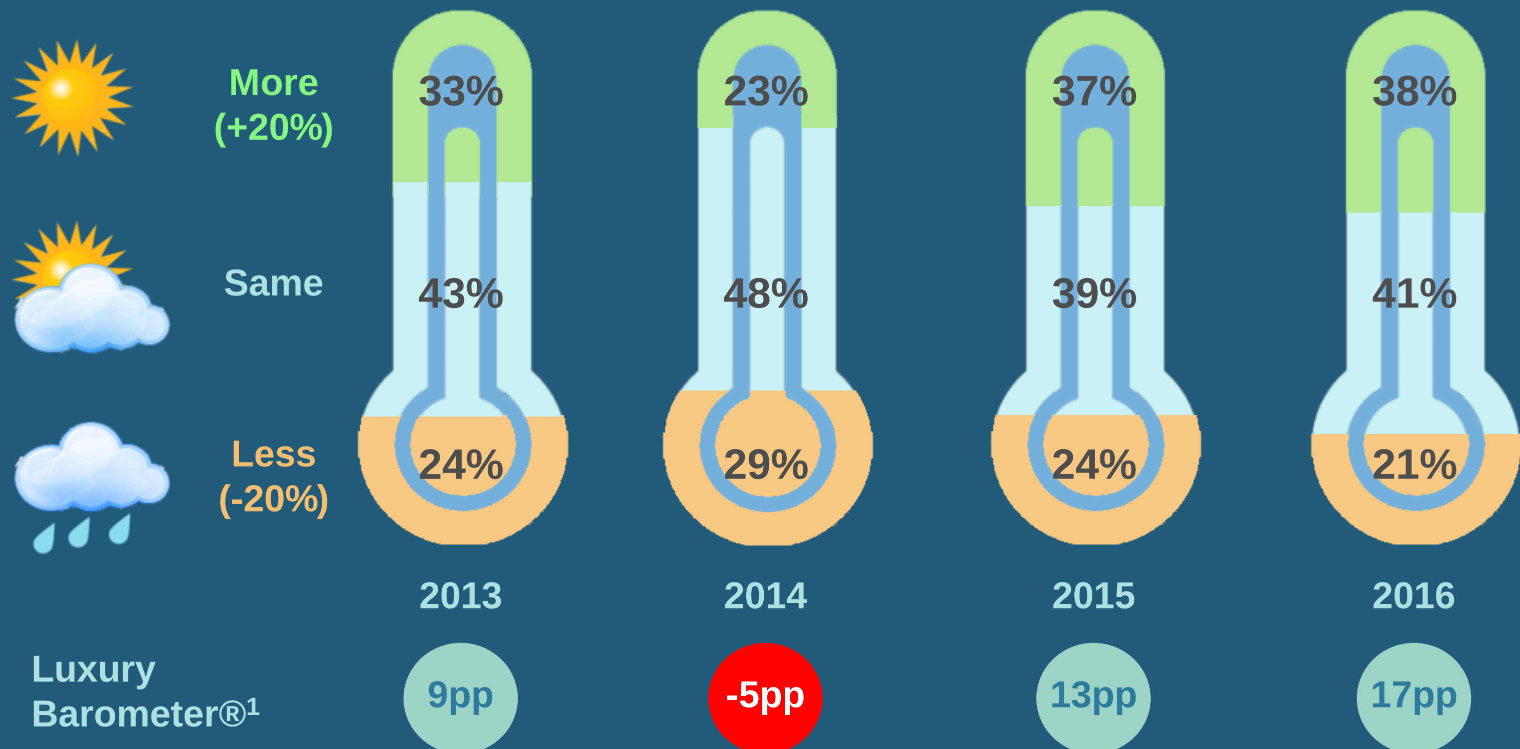
Luxury Barometer®: consumer confidence positive trend

SHORT TERM

"Do you expect to spend more or less on luxury products in the next 12 months?"

% of respondents



1. Index calculated as percentage of customers who see growth in spend less the percentage who foresee a decrease in spend (Positive - Negative). The index represents a proxy of the expected growth of spend in Luxury by Top Luxury consumes
Source: BCG 2015 ad hoc study (10'000 respondents in 10 countries)

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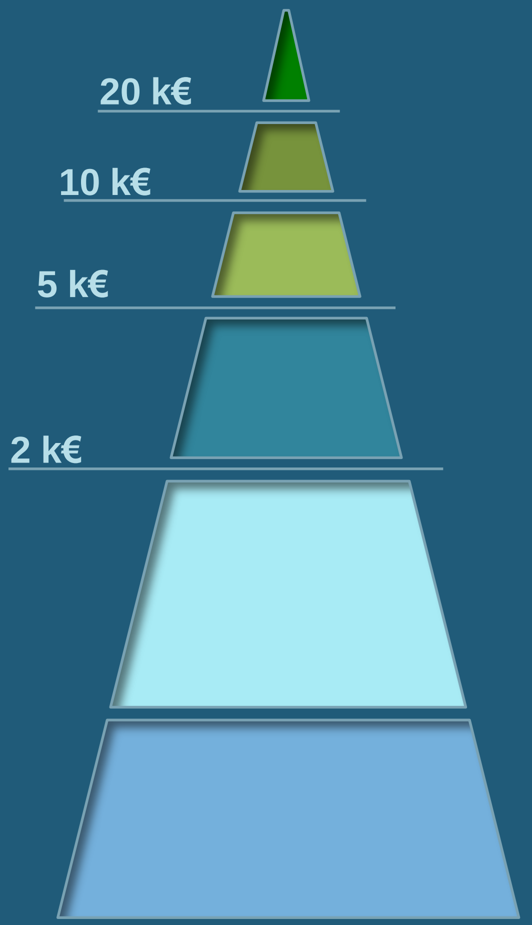
400M Luxury Consumers in 2015 to become 480M in 2022

MID TERM



CLUSTER	2015 # (M)	2015 Bn(€)[1]	2022 # (M)	2022 Bn(€)[1]
Beyond money	2		2	
Ultra	4		6	
Very high	10		12	
Total Top Luxury	16		20	
	+4			
Top Aspirational	20		26	
Aspirational	365		435	
	+76			
Total Luxury Consumers[1]	~400		~480	
	+80			

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

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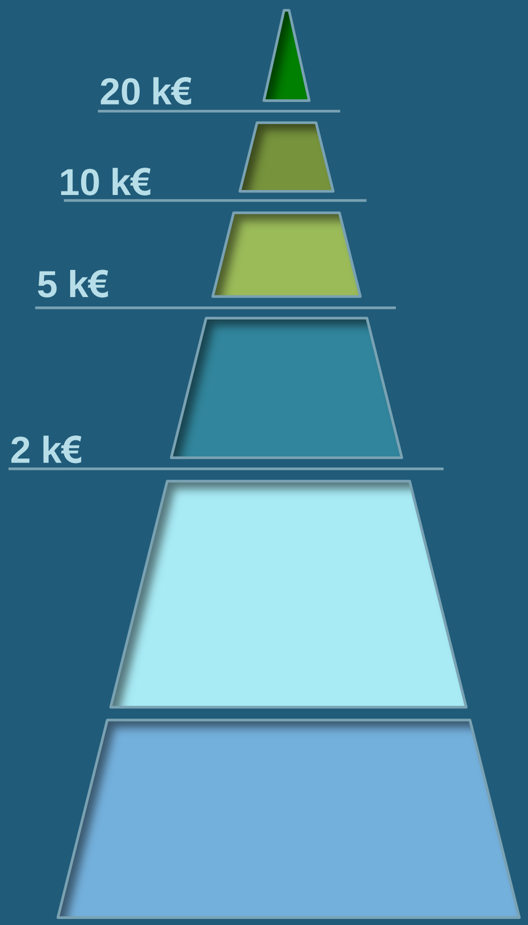
MID TERM

Personal and Experiential luxury market to grow from today 845Bn€ to 1135Bn€ in 2022



CLUSTER	2015 # (M)	2015 Bn(€)[1]	2022 # (M)	2022 Bn(€)[1]
Beyond money	2	50	2	90
Ultra	4	92	6	135
Very high	10	103	12	140
Total Top Luxury	16	245	20	365
Top Aspirational	20	61	26	86
Aspirational	365	538	435	684
Total Luxury Consumers[1]	~400	~845	~480	~1135

+120

+170

+290

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

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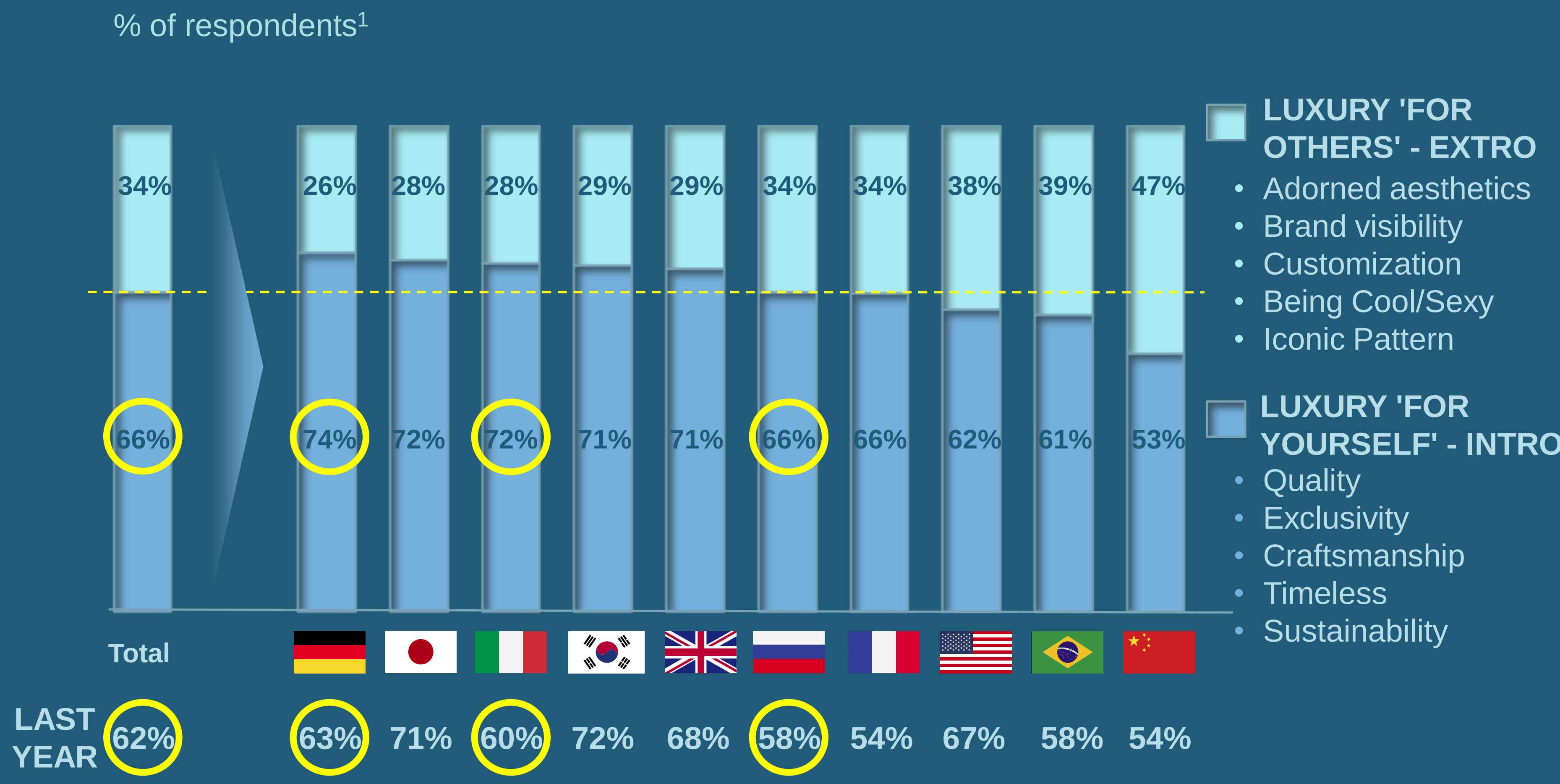
Evolving consumer values

Relevance of *Intro values* confirmed

"What is luxury to you?"



1. Respondents were asked to rank the top 3 values: the graph represent the value ranked as the most important
Source: BCG 2014 and 2015 ad hoc study (10'000 respondents in 10 countries)

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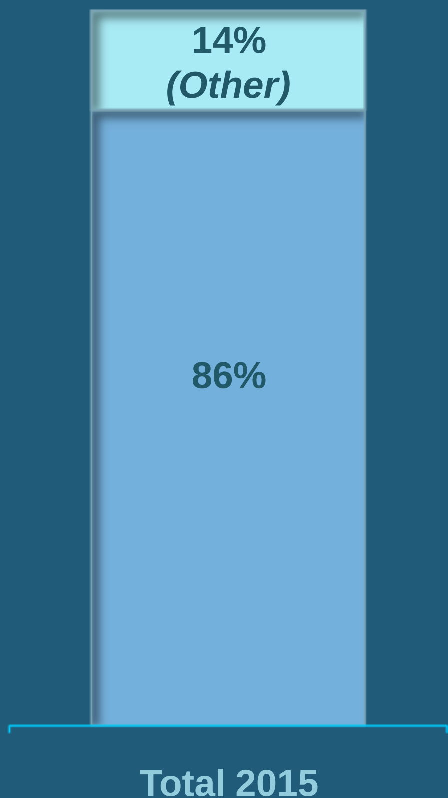
How to stay relevant on *Intro values*?

% on respondents who have selected intro values



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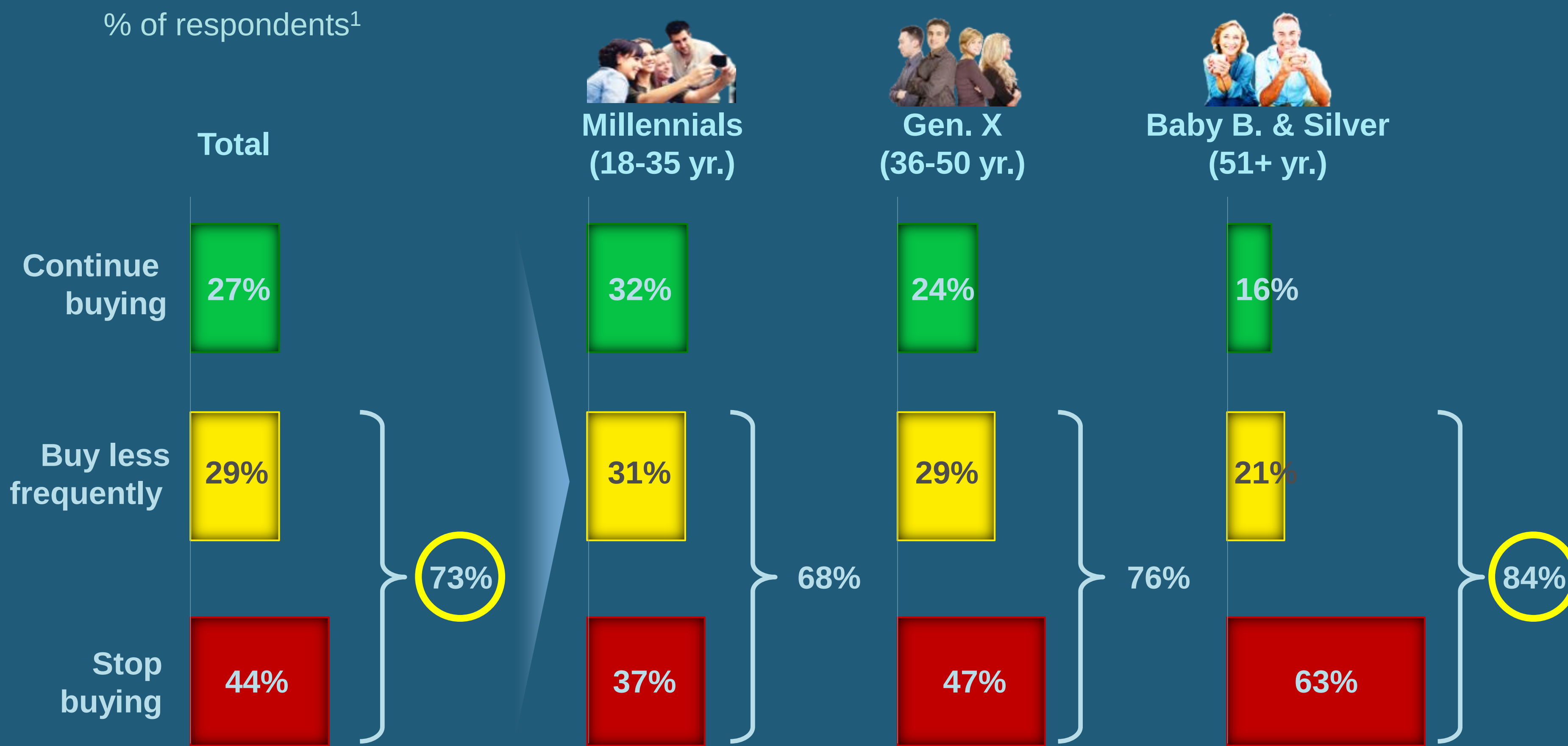
Relevance

QUALITY	★★★★★
+	
EXCLUSIVITY	★★★★
+	
CRAFTSMANSHIP	★★★
+	
SUSTAINABILITY	★★

Source: BCG 2015 ad hoc study (10'000 respondents in 10 countries)

Losing exclusivity = material risk especially for mature generations

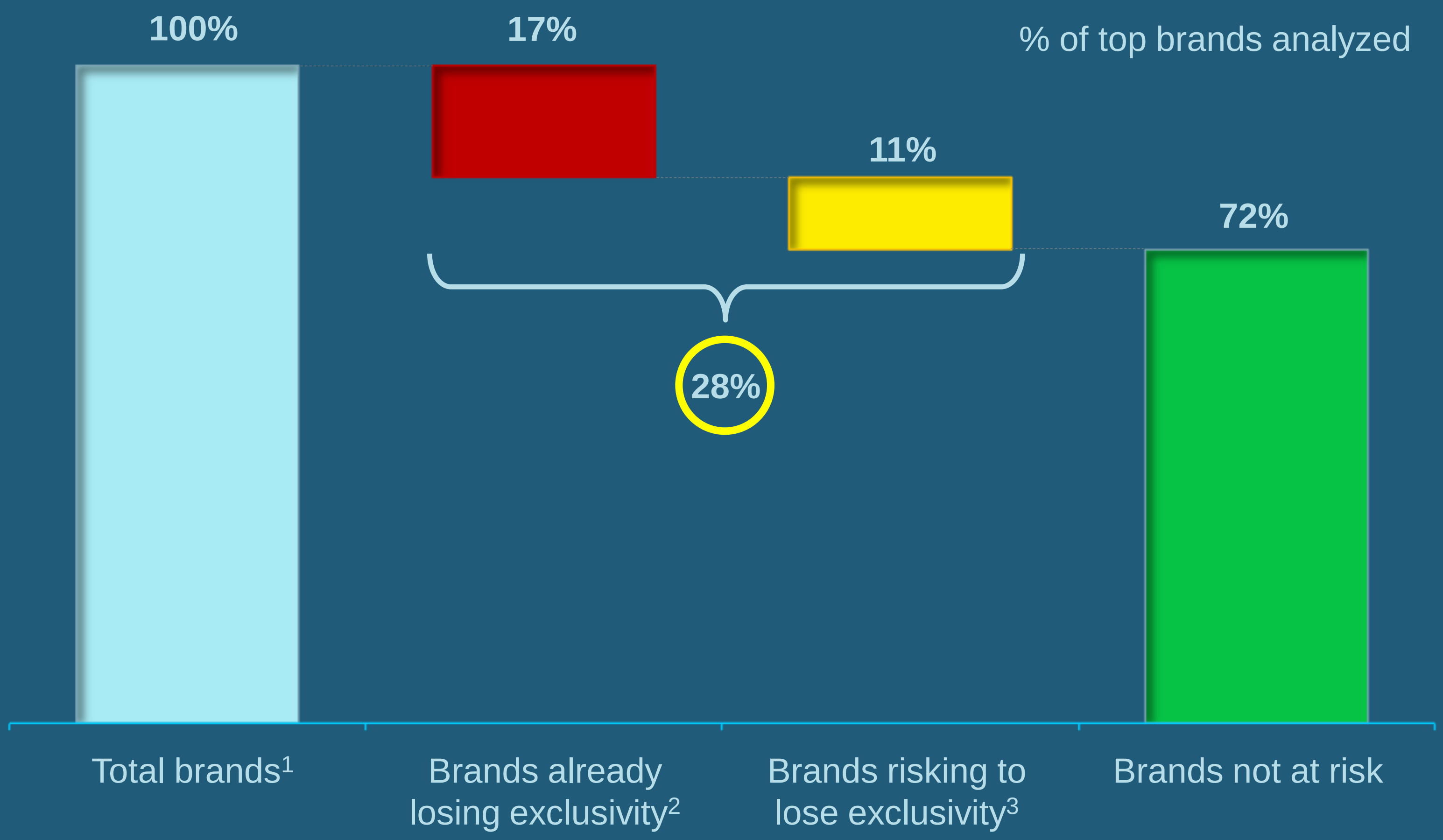
"How do you react when you perceive that a Brand is losing or has lost part of its exclusivity?"



1. % of the respondents indicating at least one brand losing / risking to lose its exclusivity
Source: BCG 2015 ad hoc study (10'000 respondents in 10 countries)

30% of brands at risk of losing Exclusivity

"Is there any brand you think is losing or has lost part of its exclusivity?"



1. Analysis on top brands included in the survey with at least 200 respondents purchasing their products : ~100 brands
2. Brands losing exclusivity: brands with at least 100 respondents declaring that the brand is losing exclusivity
3. Brands with 50 to 100 respondents declaring that the brand is losing exclusivity

Source: BCG 2015 ad hoc study (10'000 respondents in 10 countries))

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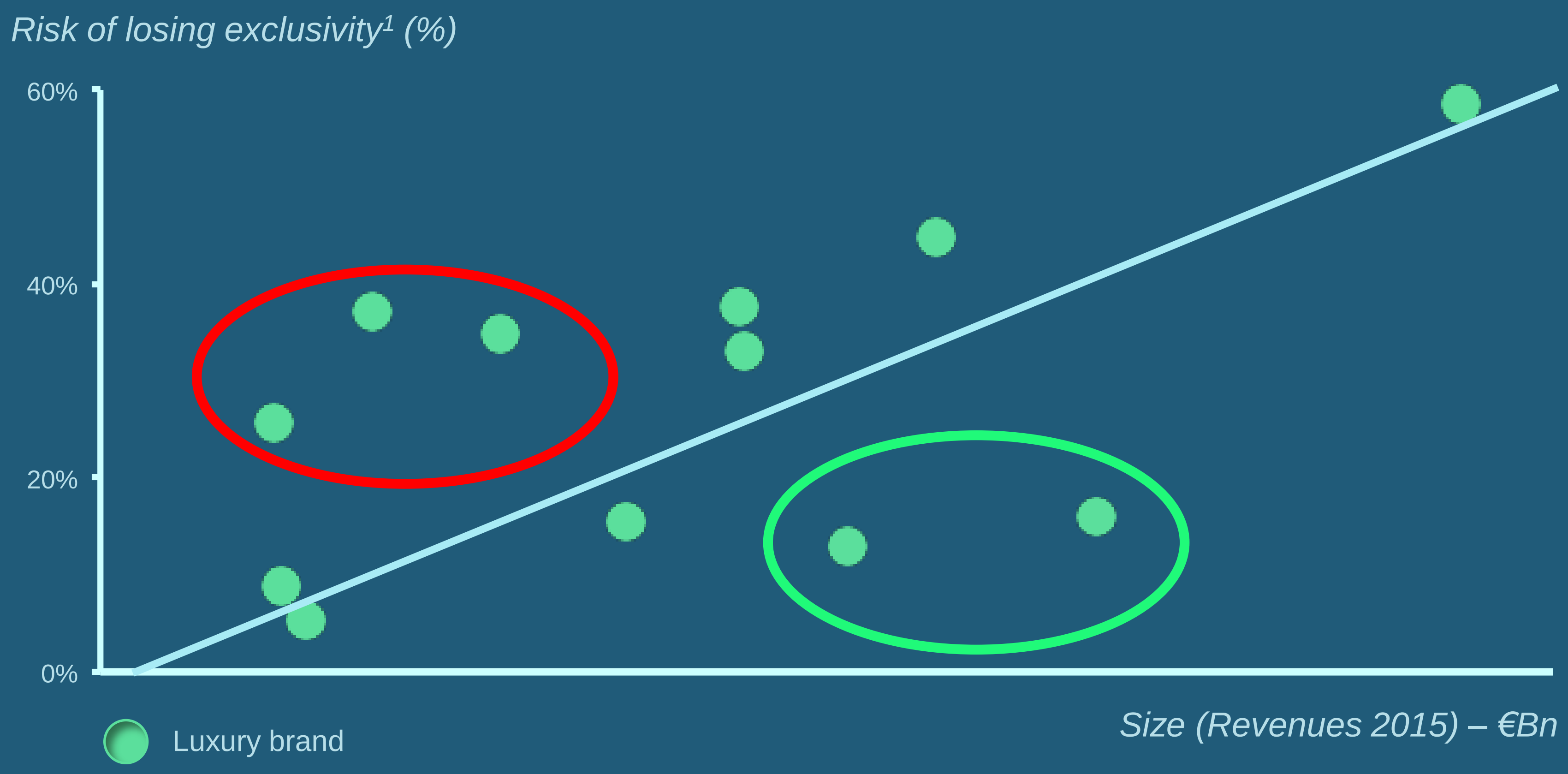
Possible to grow without losing exclusivity?

"Is there any brand you think is losing or has lost part of its exclusivity?"



1. Brands that have already lost or are expected to lose exclusivity from a consumer point of view
Source: BCG 2015 ad hoc study (10'000 respondents in 10 countries), company's annual reports

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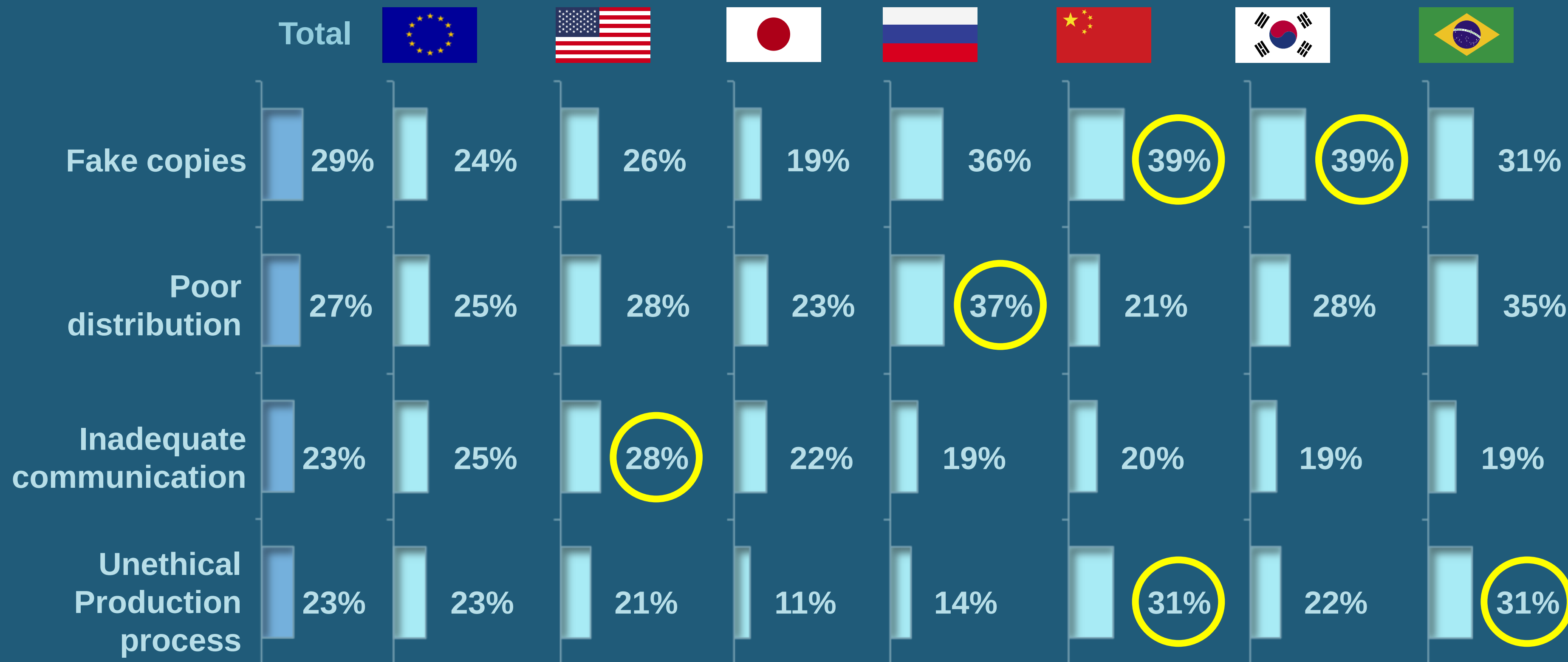
Work on disaffection triggers to prevent exclusivity loss

"Which of the following situations would stop you from buying a brand?"

% of respondents



Note: Multiple answer possible
Source: BCG 2015 ad hoc study (10'000 respondents in 10 countries)

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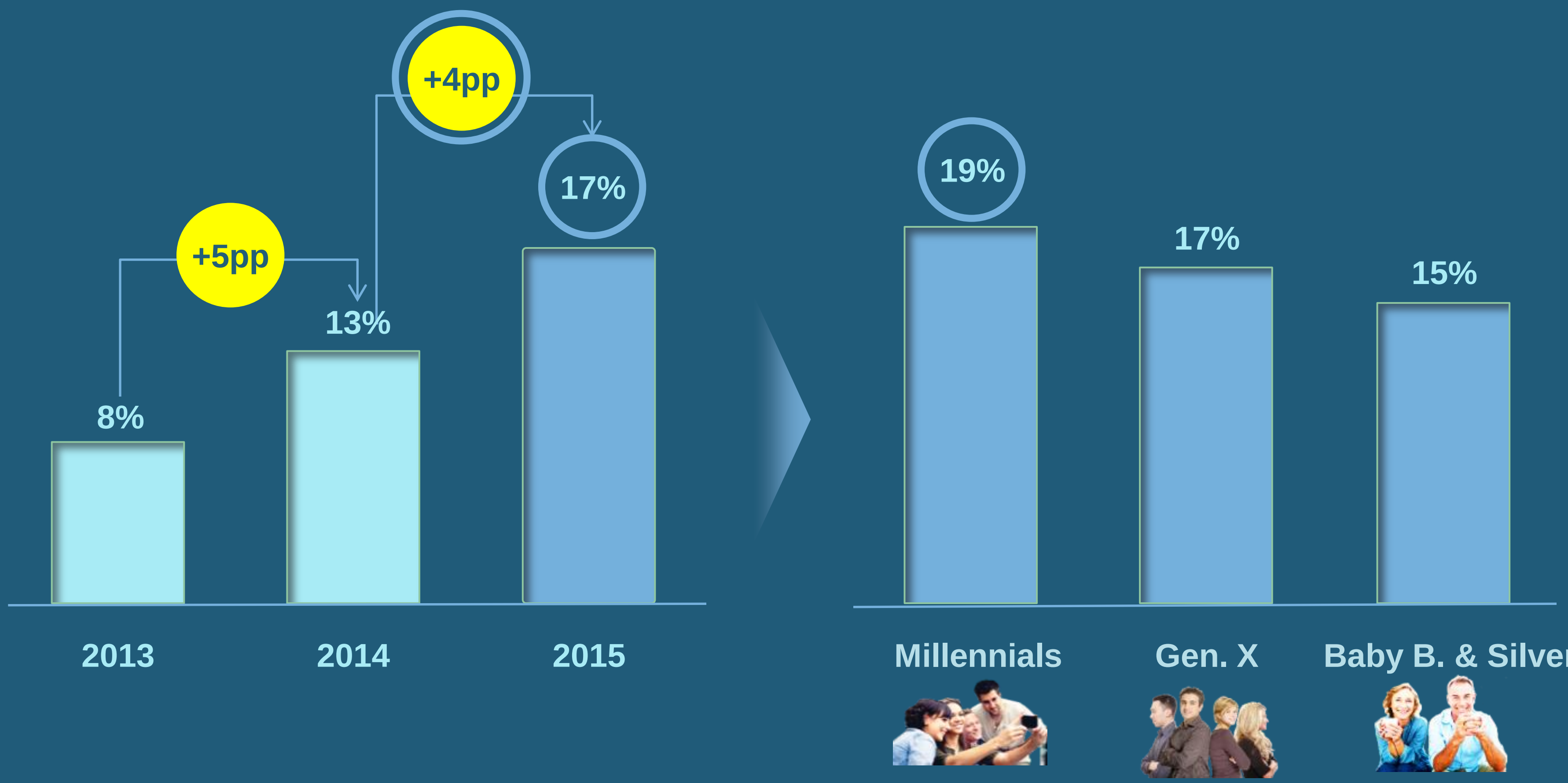
Sustainability a growing value, especially for Millennials

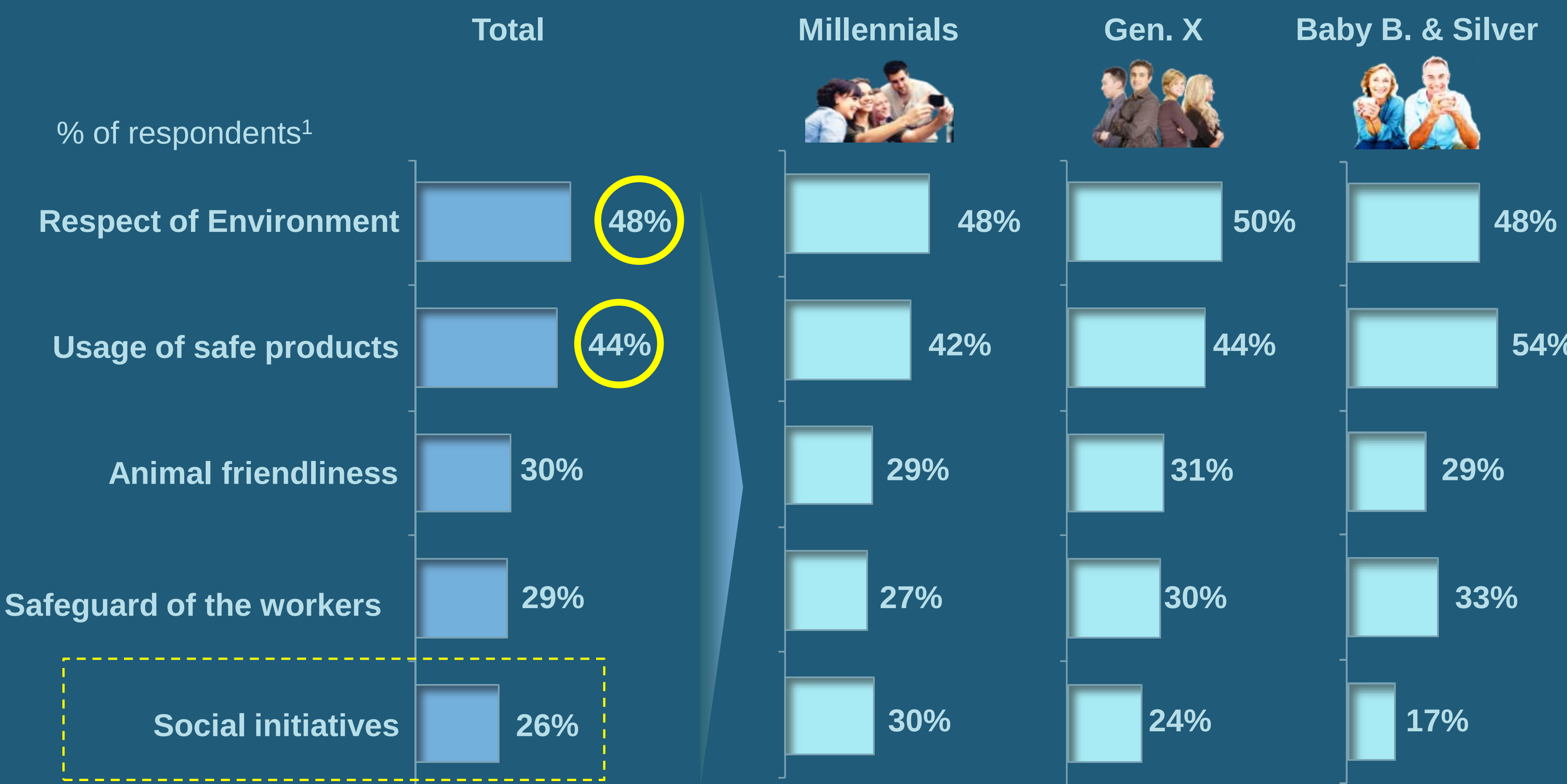
"What is luxury to you?"
% of respondents who have selected Sustainability as a value



Note:1. Sustainability ranked among top 3 values (multiple answer possible)
Source: BCG 2015 ad hoc study (10'000 respondents in 10 countries)

Sustainability an articulated meaning for Consumers; facade initiatives not accepted

"What is more important to you about sustainability?"



Note:1. Sustainability ranked among top 3 values (multiple answer possible)
Source: BCG 2015 ad hoc study (10'000 respondents in 10 countries)

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Sustainability becoming a Purchase Booster; Might become also a Purchase Breaker?

% of respondents[1]

Purchase Booster

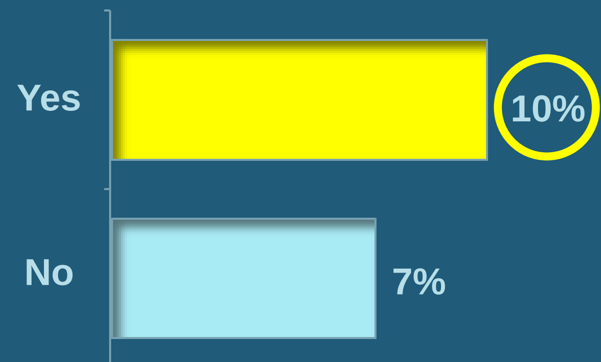
"Would you be willing to pay more for a sustainable product?"

IF...

1. Safer for my health
2. Higher quality
3. Positive consideration of my acquaintances

Purchase Breaker

"Would you be ready to leave a Brand if not sustainable?"



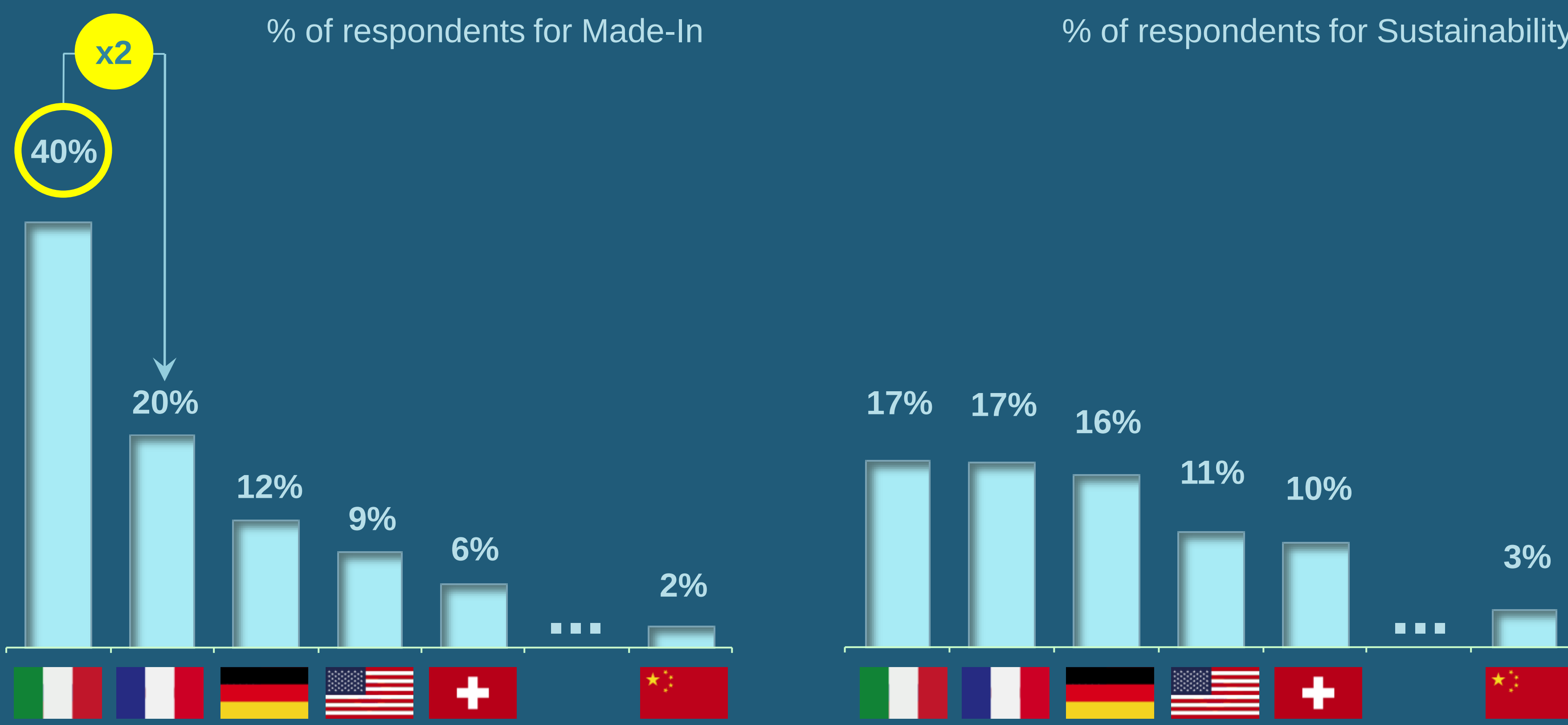
1. Non sustainable products
2. Unethical production process

1. Only respondents for which sustainability is a value considered
Source: BCG 2015 ad hoc study (10'000 respondents in 10 countries)

Italy clear leader on Made-in; not yet a clear leader on sustainable manufacturing

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

"Which country do you think could become the leader in manufacturing sustainable products?"



Source: BCG 2015 ad hoc study (10'000 respondents in 10 countries)

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Millennials: the 6th continent

Millennials the 6th continent: 2.3bn people

	Millennials	Gen. X	Baby Boomers	Silver
				
Age	18 - 34	35 - 50	51 - 65	65+
Total # 2015 (M)[1]	2.300 M (~32%)	1.500 M	1.000 M	600 M

1. Total world population 7,2 Bn; 1,8 Bn people under 18 years old not included
Source: Economist intelligence unit 2015, BCG 2014-2015 ad hoc study (10'000 respondents in 10 countries), BCG analysis

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How Millennials are **changing luxury**?

1. Different values and myths
2. New language
3. Optimistic
4. True and personal
5. Active advocates
6. Always connected
7. Diverse

1. Total world population 7,2 Bn; 1,8 Bn people under 18 years old not included
Source: Economist intelligence unit 2015, BCG 2014-2015 ad hoc study (10'000 respondents in 10 countries), BCG analysis

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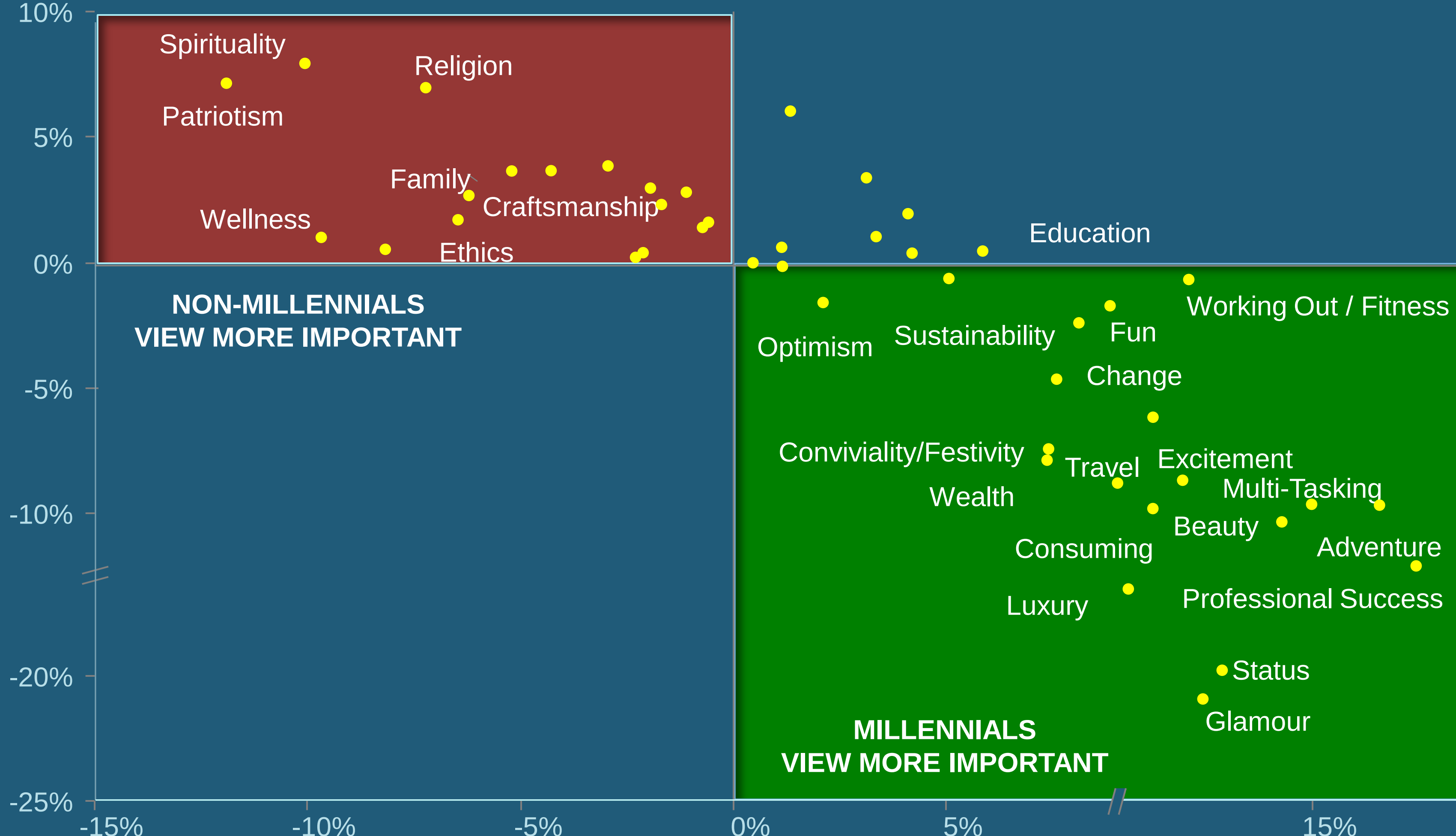
Millennials different values

"Are these values / activities more or less important to you than they were 2 years ago?"



Source: BCG Millennials research overview, BCG analysis

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Words/slang frequently used by Millennials

Male Millennials Favorite Slang

Female Millennials Favorite Slang

Note: Respondents answered the question: "What are the most characteristic, defining or frequently used words, exclamations, jargon, slang or sayings of your generation?"
Source: BCG Millennials research overview, BCG analysis

Top 10 abbreviations/text-speak frequently used by Millennials

Male Millennials Favorite Text-Speak

Female Millennials Favorite Text-Speak

Note: Respondents answered the question: "What are your favorite or frequently used abbreviations or so-called "text speak" (e.g. LOL, OMG)?"
Source: BCG Millennials research overview, BCG analysis

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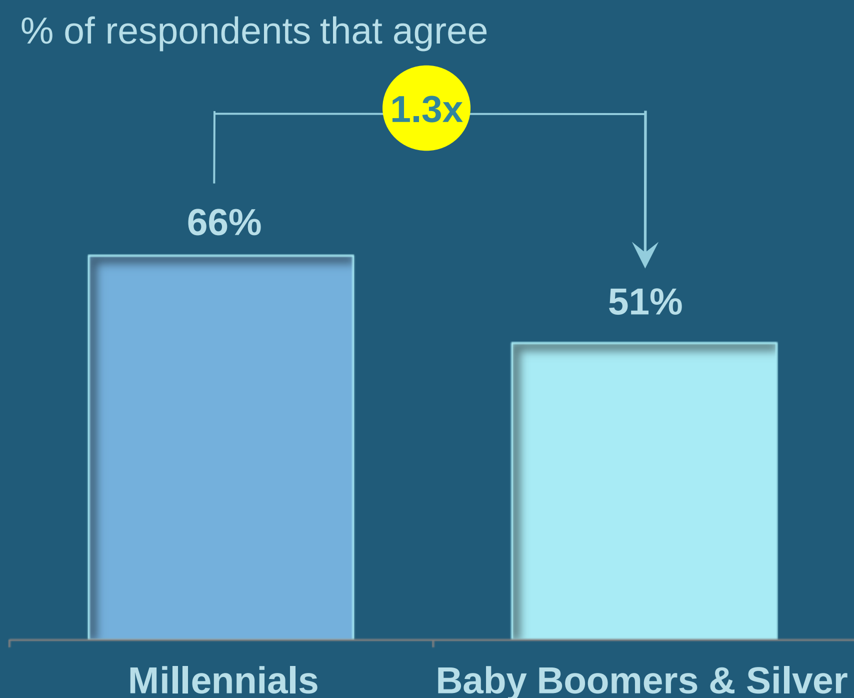
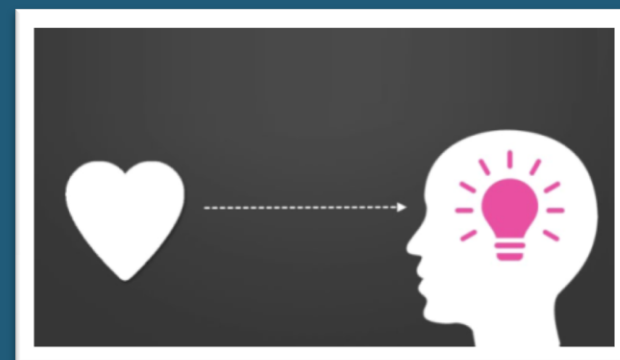
Millennials identify themselves with the brand

"I feel an emotional connection with the brands I buy"





Source: BCG Millennials research overview, BCG analysis

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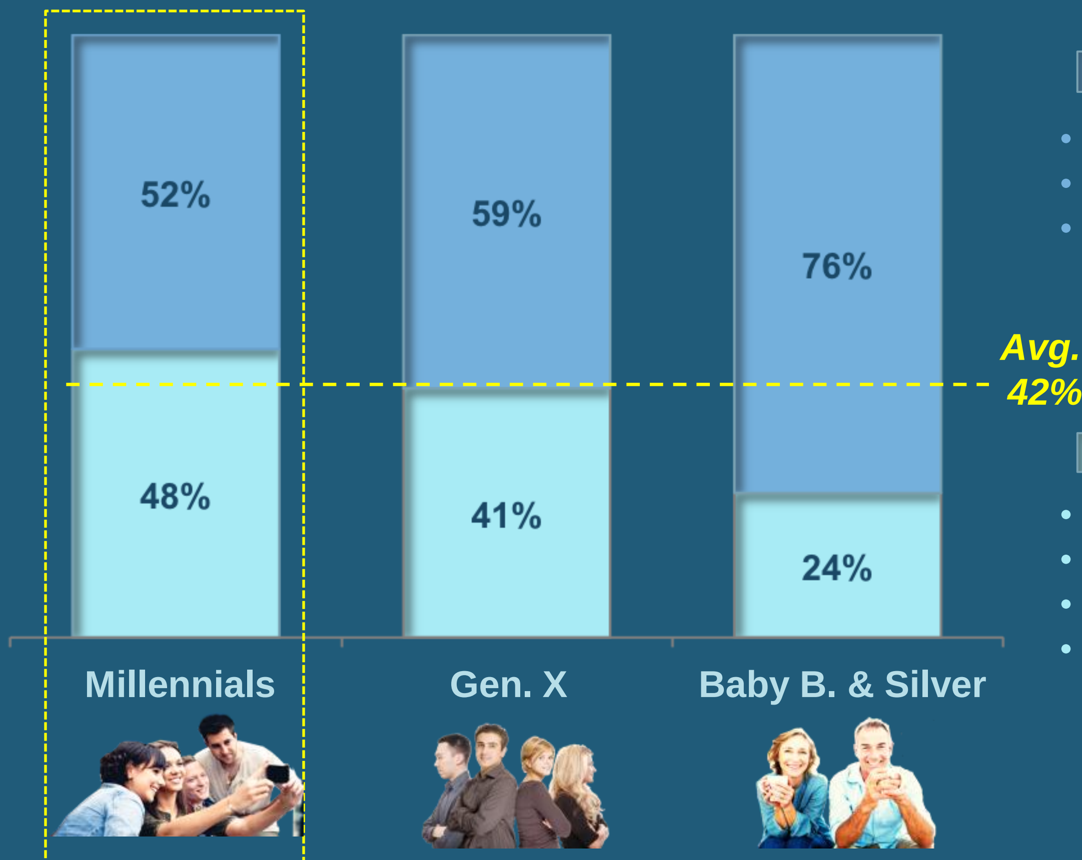
Millennials expect a two-ways dialogue with brands

"Thinking to the communication opportunities offered by digital, which ones do you value the most?"

% of respondents



One way

- Gather product info
- Access brand content
- Price & Product comparison

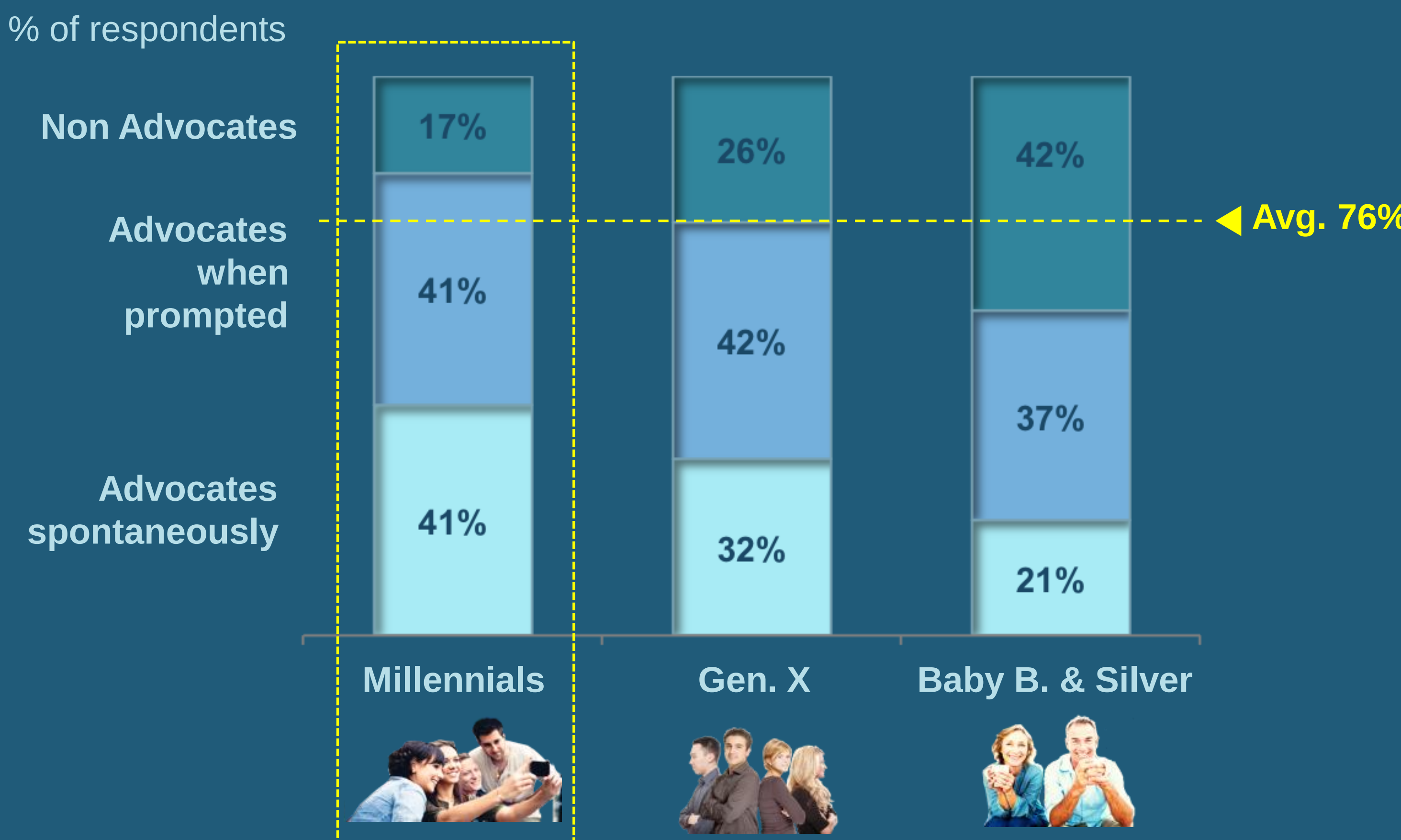
Two-ways

- Opinion sharing
- Feedback sharing
- Dialogue with brands
- Influence trends

Source: BCG 2015 ad hoc study (10.000 core luxury Consumers in 10 countries)

8 out of 10 Millennials are active advocates

"Have you recommended a Brand in the last 12 months?"



Source: BCG 2015 ad hoc study (10.000 core luxury Consumers in 10 countries)

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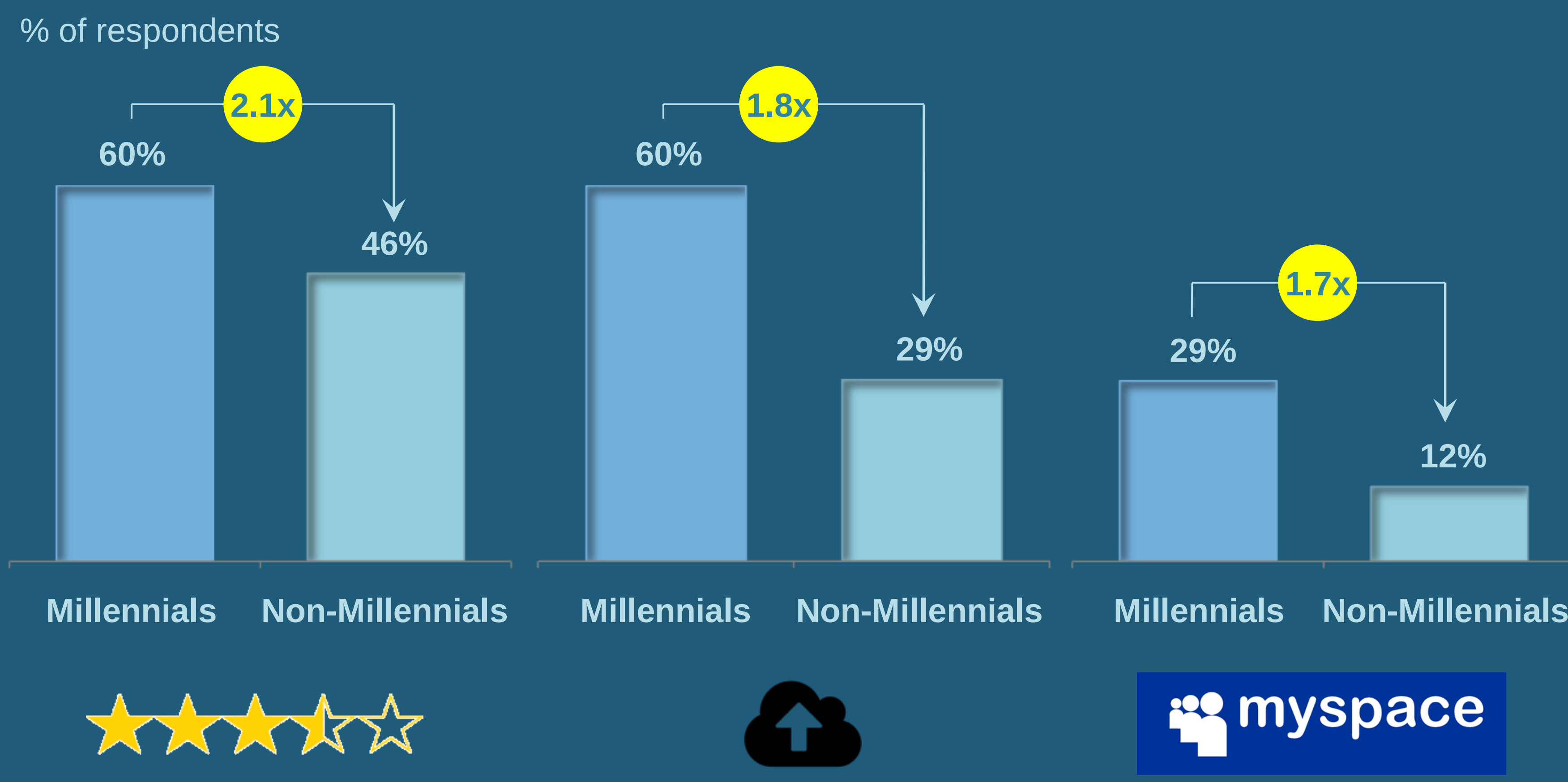
Millennials actively broadcast their thoughts

Rate products and services on the web

Upload content to the web

Have their own website / blog



Source: BCG Millennials research overview, BCG analysis

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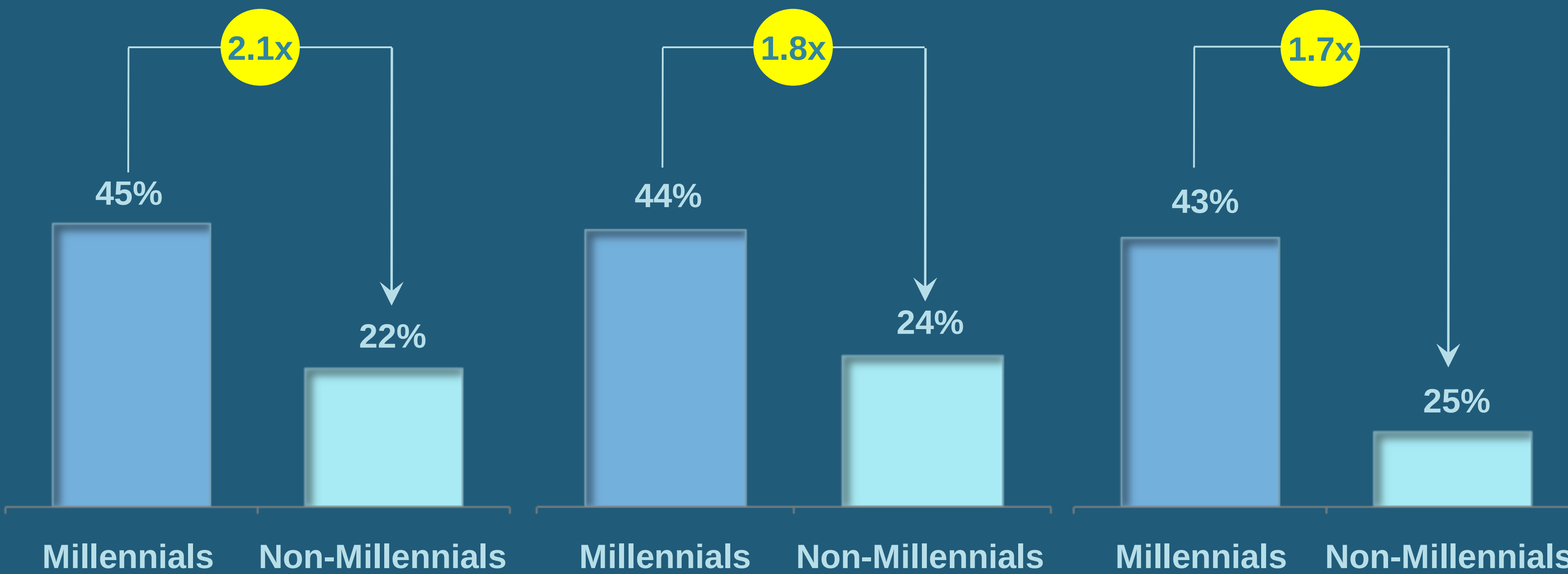
Millennials always connected also when in store

Check prices via mobile when in store

Look at the product information in store

Look for coupons or promotions online when in store

% of respondents

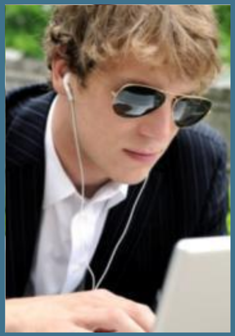


Source: BCG Millennials research overview, BCG analysis

Millennials: an heterogeneous continent

Hip-ennial

"I can make the world a better place"



Gadget Guru

"It's a great day to be me"

Millennial Nurturer

"I love to work out, travel, and pamper my baby"

Clean & Green Millennial

"I take care of myself, and the world around me"

Anti-Millennial

"I'm too busy taking care of my business and my family to worry about much else"

Old School Millennial

"Connecting on Facebook is too impersonal, let's meet up for coffee instead!"

Source: BCG Millennials research overview, BCG analysis

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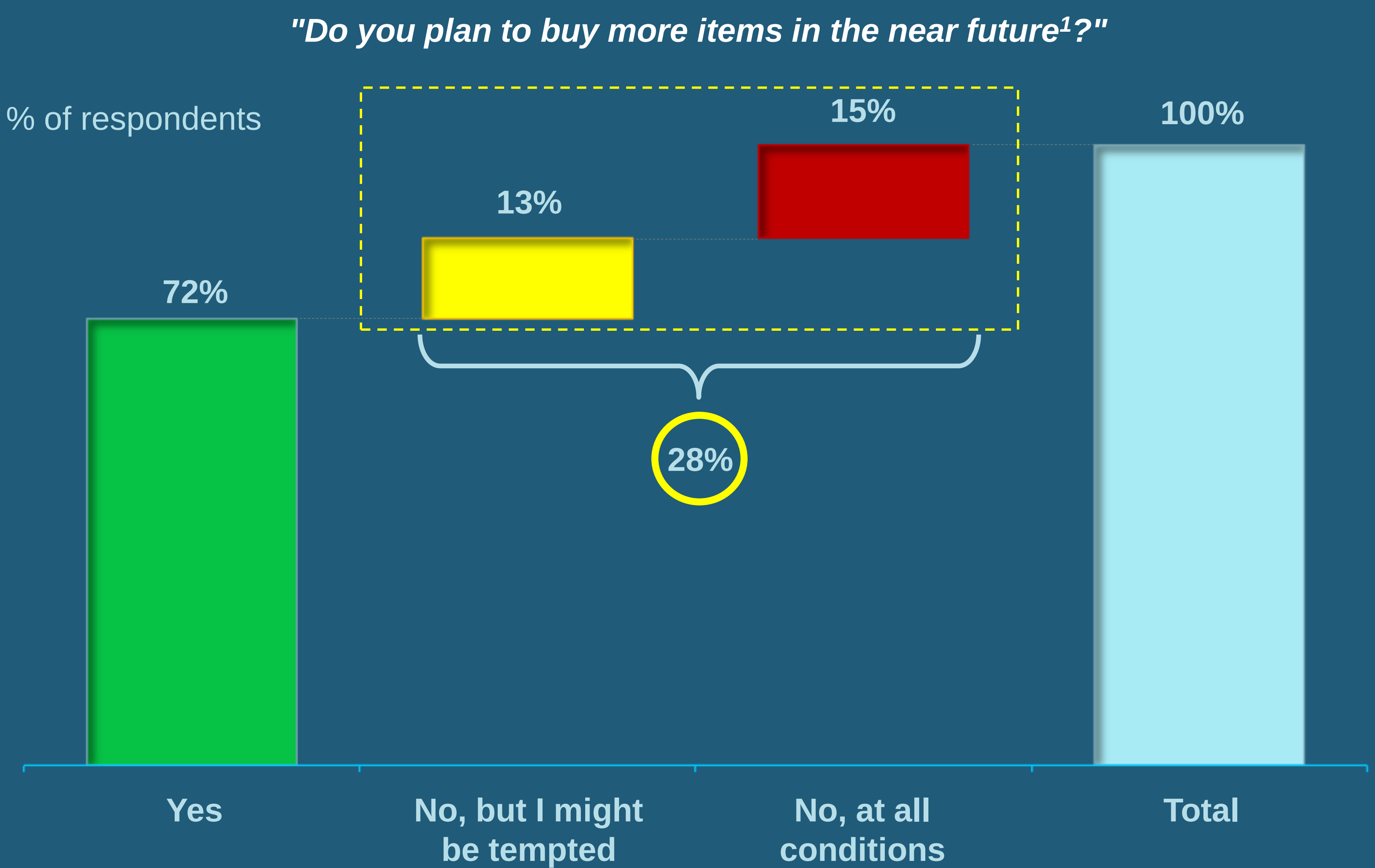
Personal luxury saturation

30% of consumers at saturation point on personal luxury



1. Question focused on handbags, shoes, dresses & suits and watches only
Source: BCG 2015 ad hoc study (10'000 respondents in 10 countries)

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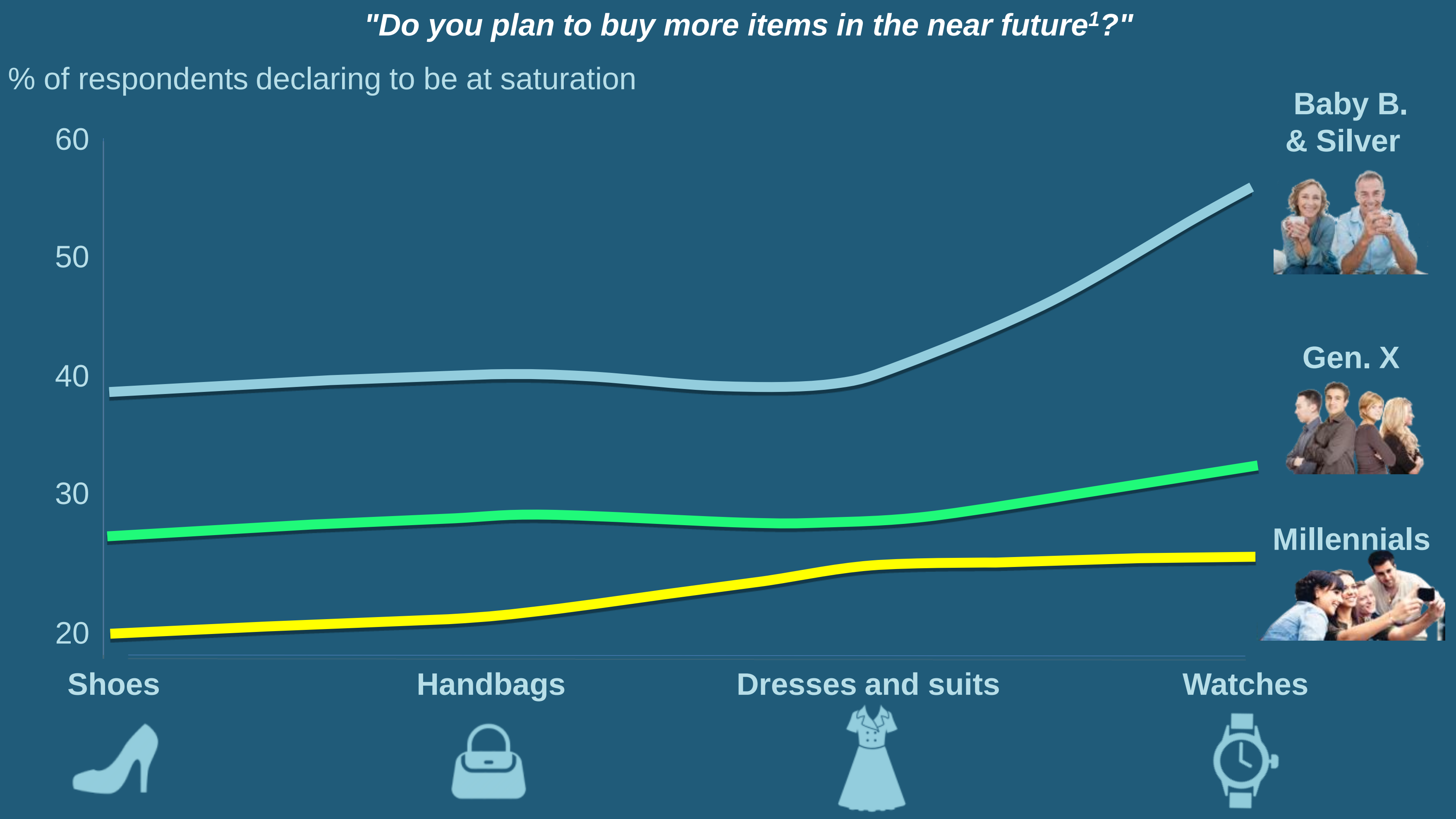
Saturation growing from shoes to watches and with seniority



1. Question focused on handbags, shoes, dresses & suits and watches only
Source: BCG 2015 ad hoc study (10'000 respondents in 10 countries)

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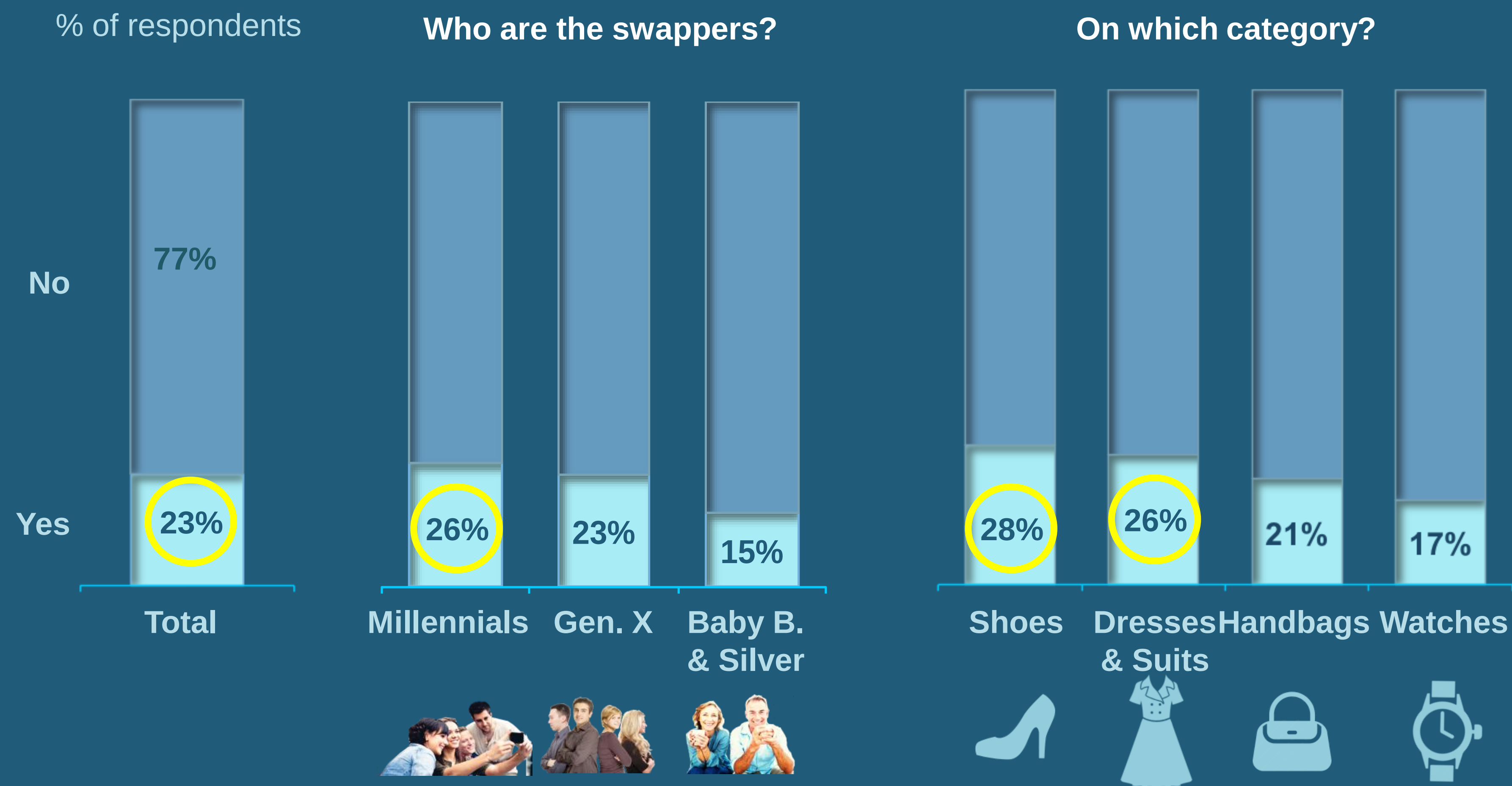
1/4 of saturated consumers willing to swap, mainly Millennials and on Shoes and Dresses

"You told us you are NOT planning to buy more items. Would you be willing to swap your luxury items[1]?"

CONSUMERS AT SATURATION ONLY[2]



1. Question focused on handbags, shoes, dresses & suits and watches only 2. 2. Includes respondents who answered both "No" and "No but I might be tempted"
Source: BCG 2015 ad hoc study (10'000 respondents in 10 countries)

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COUTURE COLLECTIVE

Lending Luxury

DREXCODE
Last collections•Luxury rent

SNOBSWAP
SWAP. SELL. SHOP. SAVE

RENTTHERUNWAY

WALK IN MY CLOSET

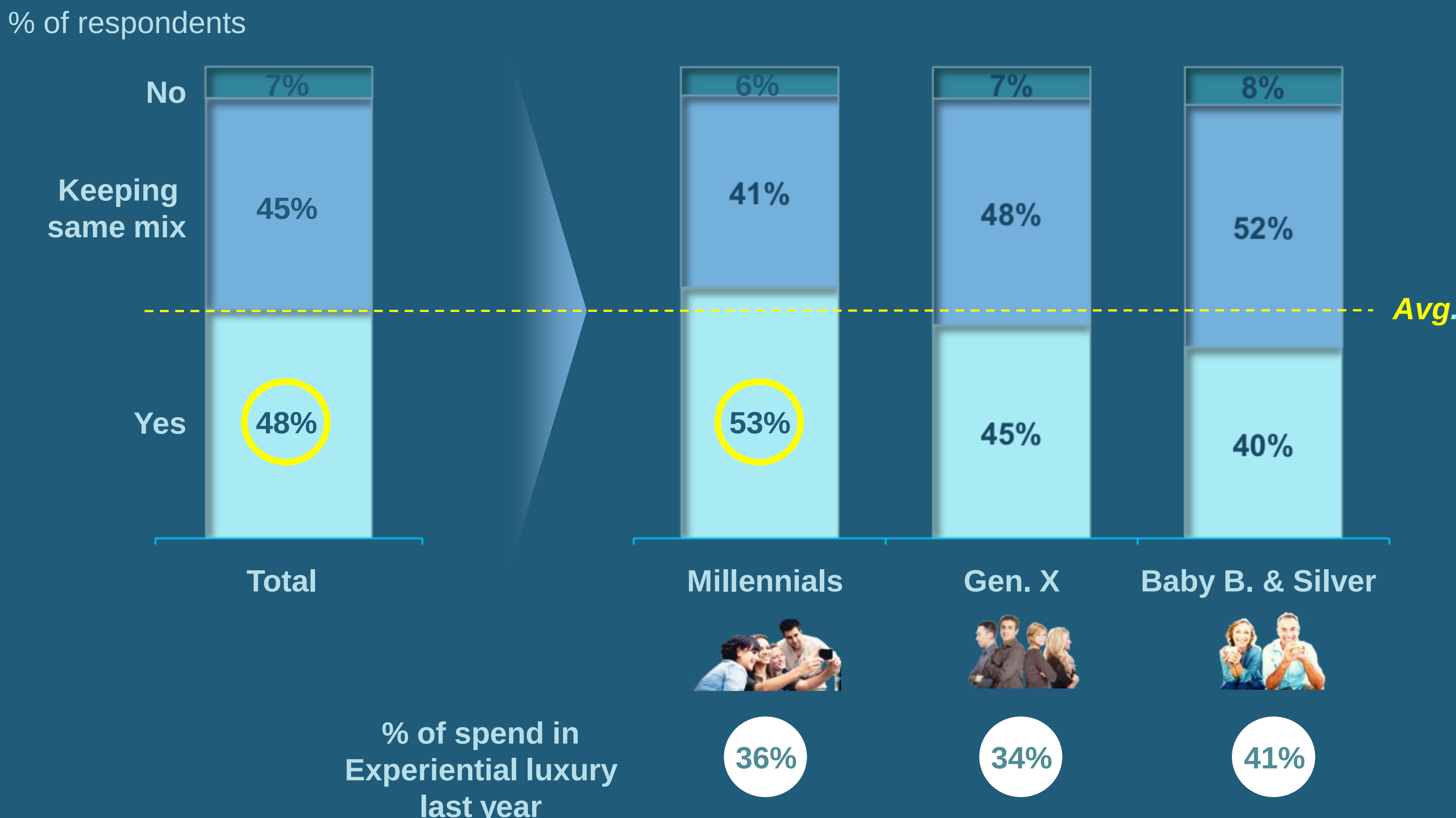
LUXURY EXCHANGE™
Authentic Luxury Brokerage Co.

VESTIAIRE {COLLECTIVE}

TheRealReal
AUTHENTICATED LUXURY CONSIGNMENT

From **owning** to **being**: ~50% of Consumers shifting toward Experiences

"Do you have the feeling you are buying less products and more experiences in last years?"



Source: BCG 2015 ad hoc study (10'000 respondents in 10 countries)

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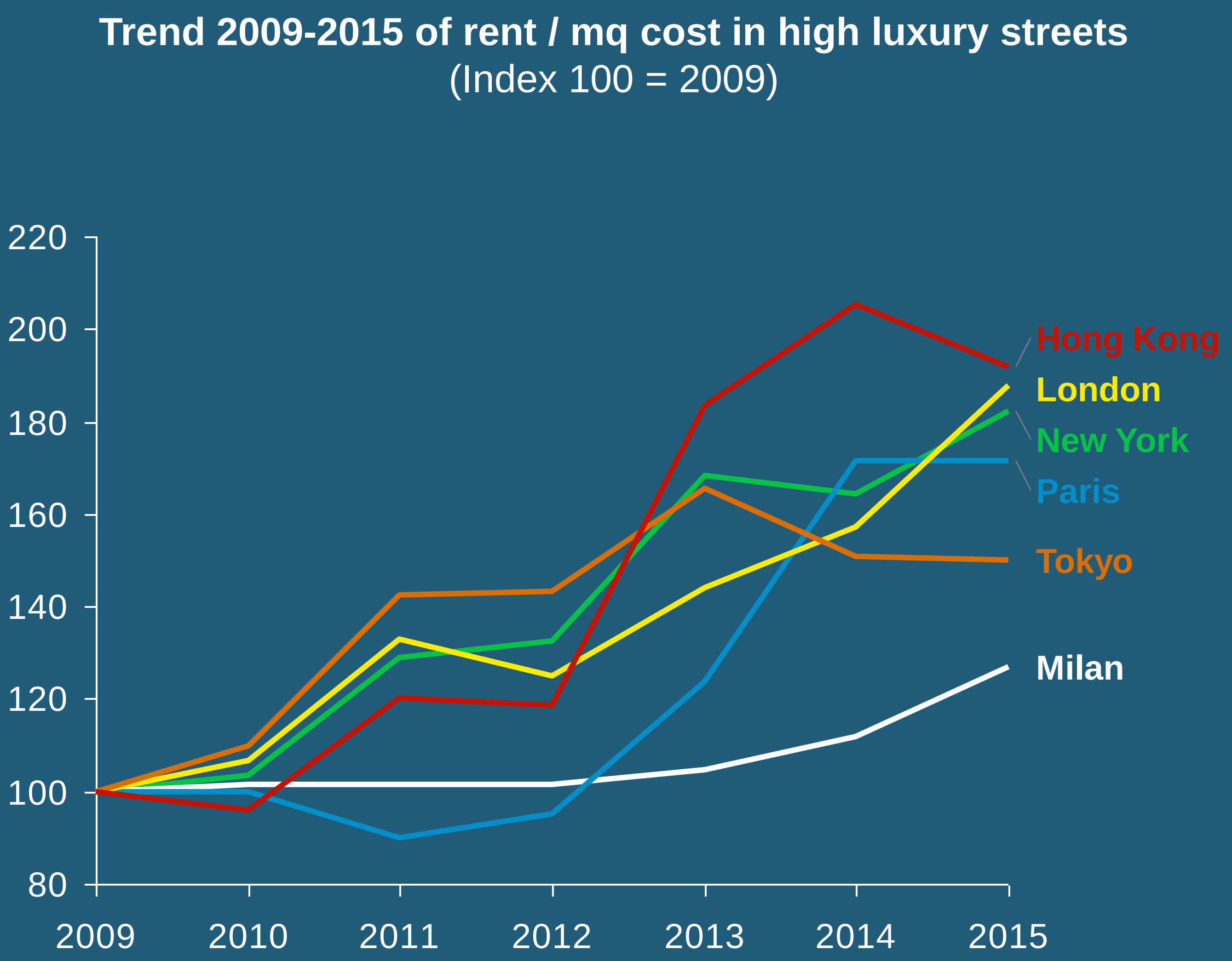
Store wars

Rent exploding



Rent/ mq (K€)

	2009	2015
Hong Kong	12.2	23.3
London	5.5	10.4
New York	12.6	23.0
Paris	7.7	13.3
Tokyo	5.4	8.1
Milan	6.7	8.5

Note: Hong Kong: Causeway Bay; London: New Bond Street; New York: 5th Avenue; Paris: Champs Elizée; Tokyo: Ginza; Milan: Montenapoleone
Source: Cushman and Wakefield Main Global Street; BCG analysis

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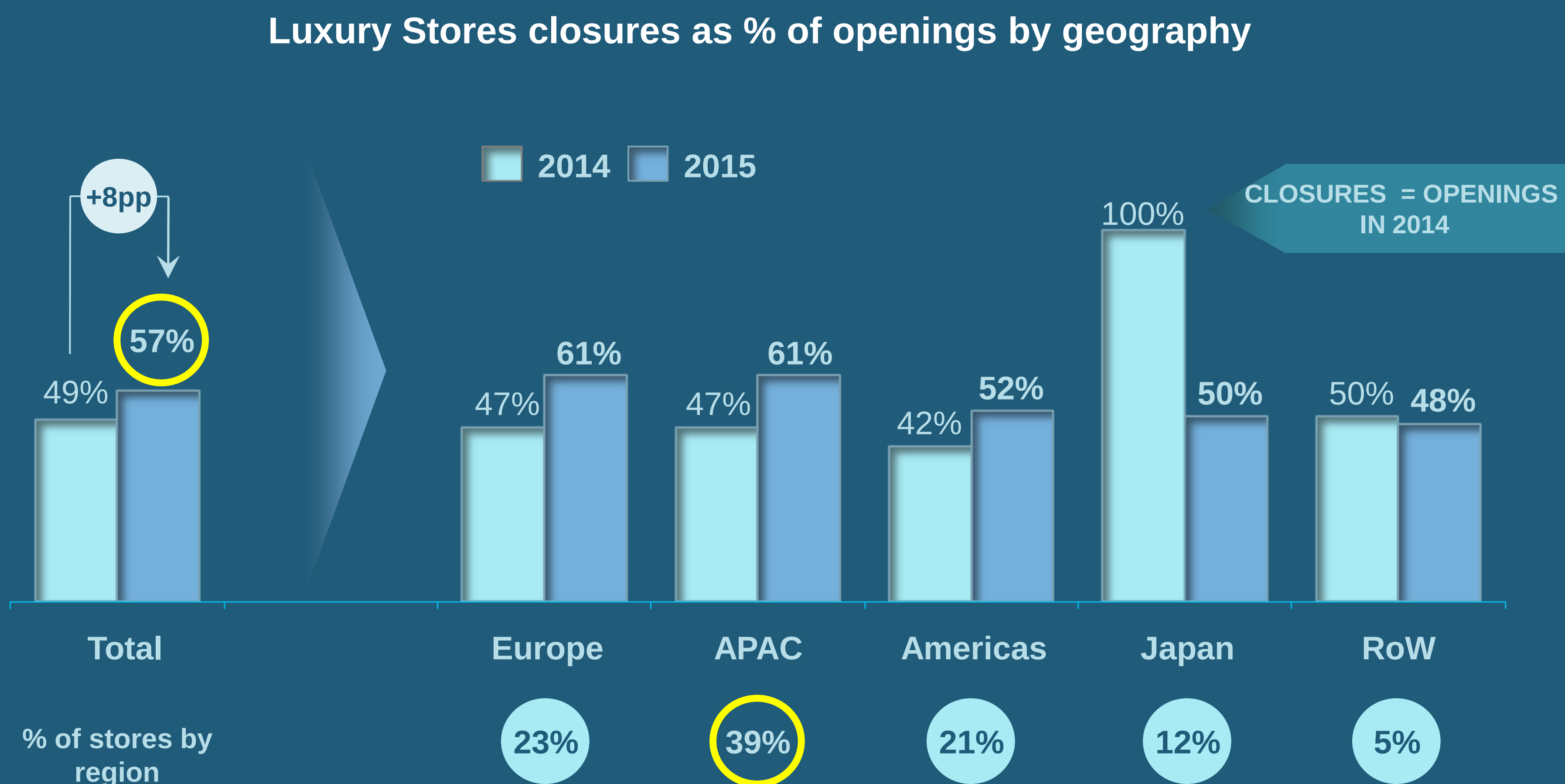
From retail rush to portfolio rationalization

BERNSTEIN



How to stay relevant to consumer?
How to maximize store returns?

Note: Analysis based on a database of more than 6.500 luxury stores in the world
Source: Bernstein / BCG analysis

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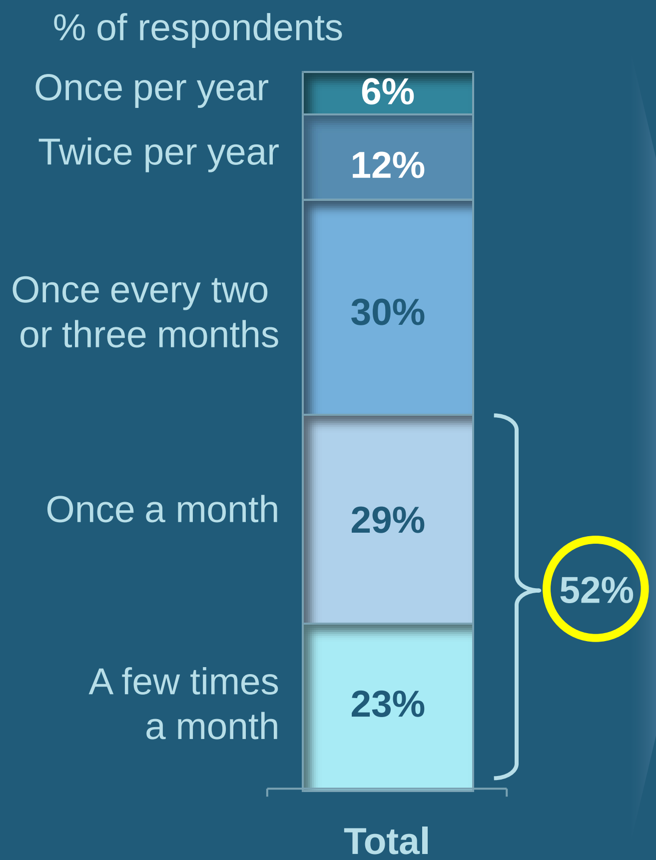
>50% of Luxury Consumers are frequent visitors; "Newness" key to keep interest alive

"How often do you visit a store of your favorite Brand?"



"What are the key reasons for you to visit your favorite Brand in a store?"

1. Multiple answer possible
Source: BCG 2015 ad hoc study (10'000 respondents in 10 countries)

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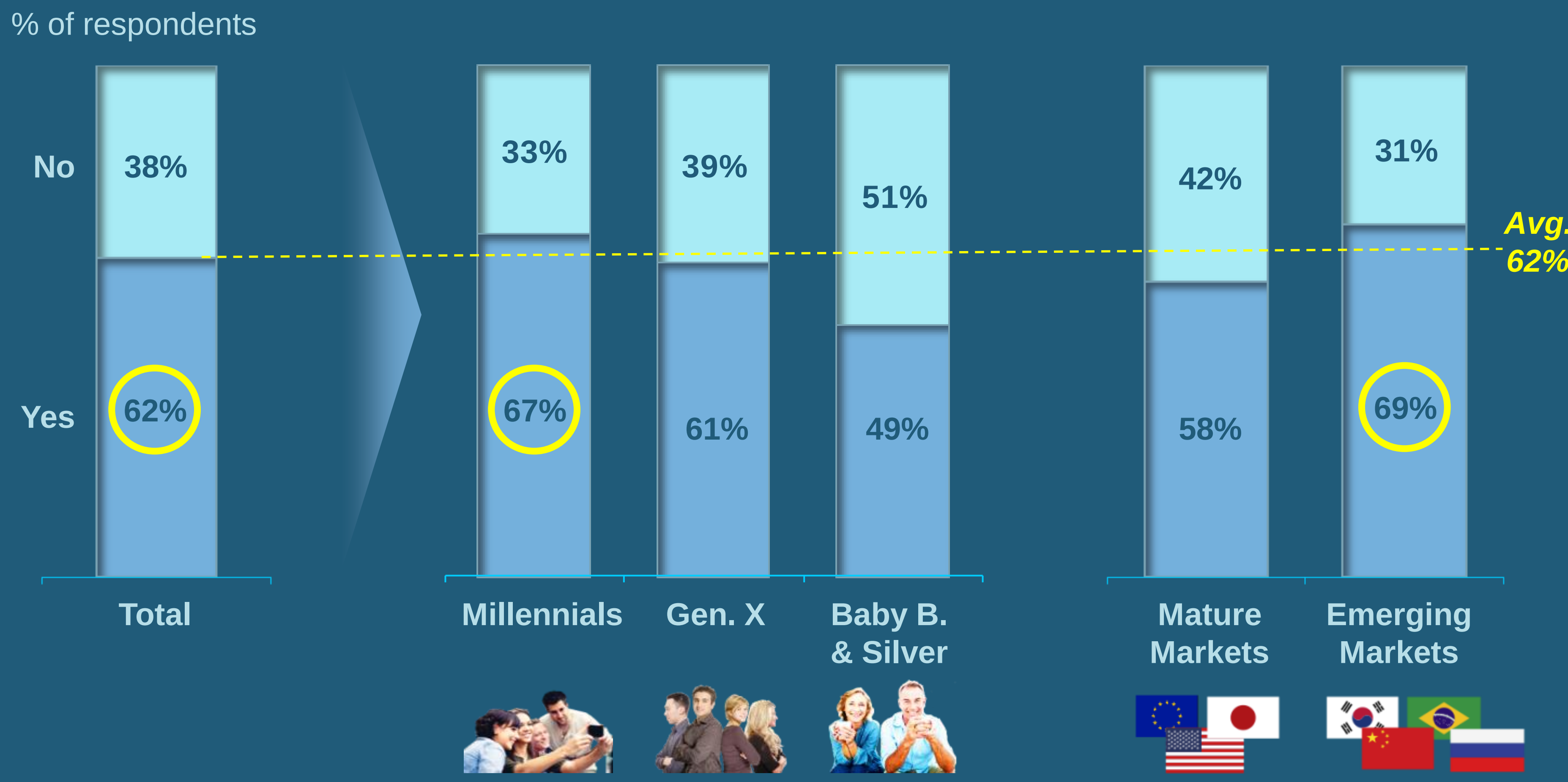
More frequent product releases expected

"Typically new collections are released twice a year (spring-summer and fall-winter). Would you like brands to release items on a more continuous base?"



Source: BCG 2015 ad hoc study (10'000 respondents in 10 countries)

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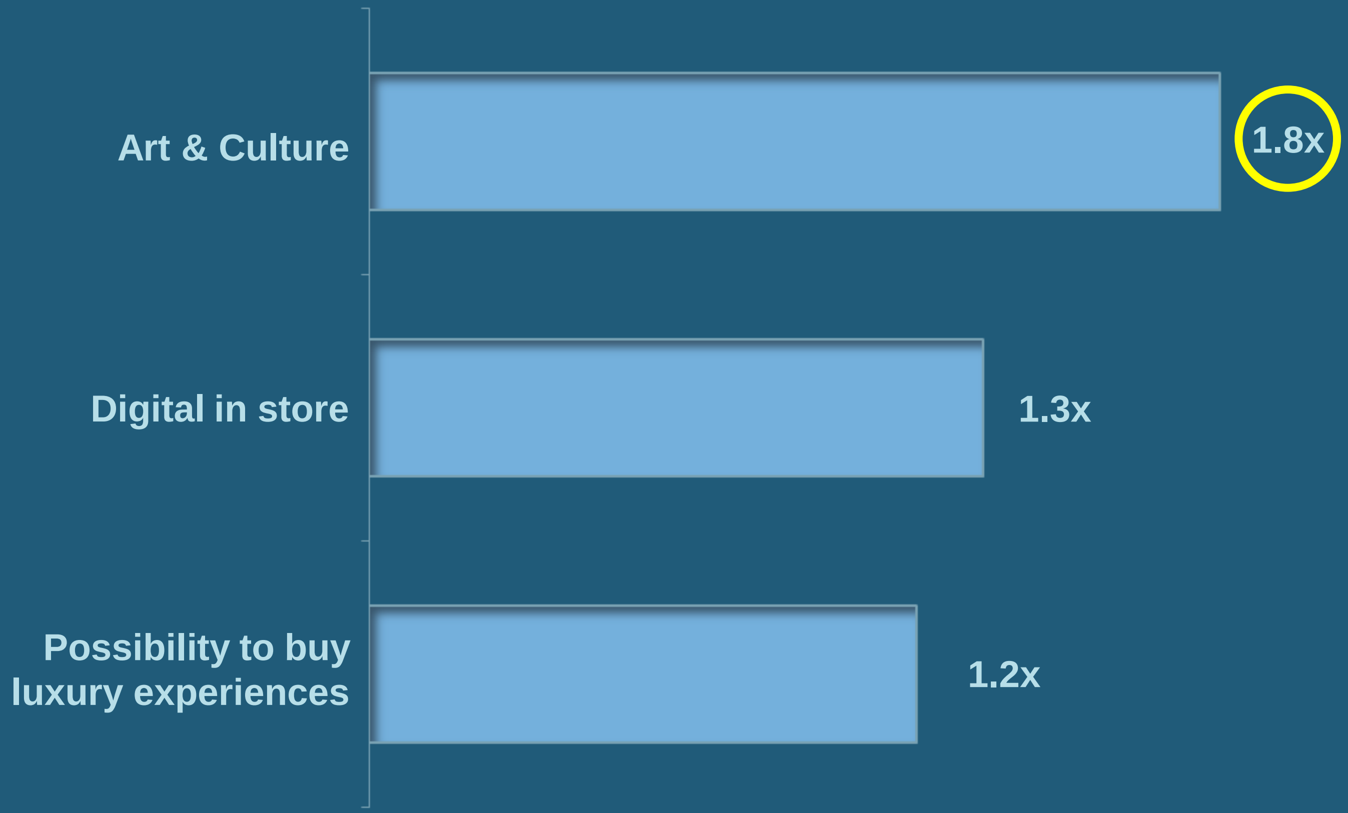
From a boring box to an intriguing experience: free tips from consumers...

"Which innovative services should your ideal store offer?"

Interest ratio (# of supporters vs. opponents)



Source: BCG 2015 ad hoc study (10'000 respondents in 10 countries)

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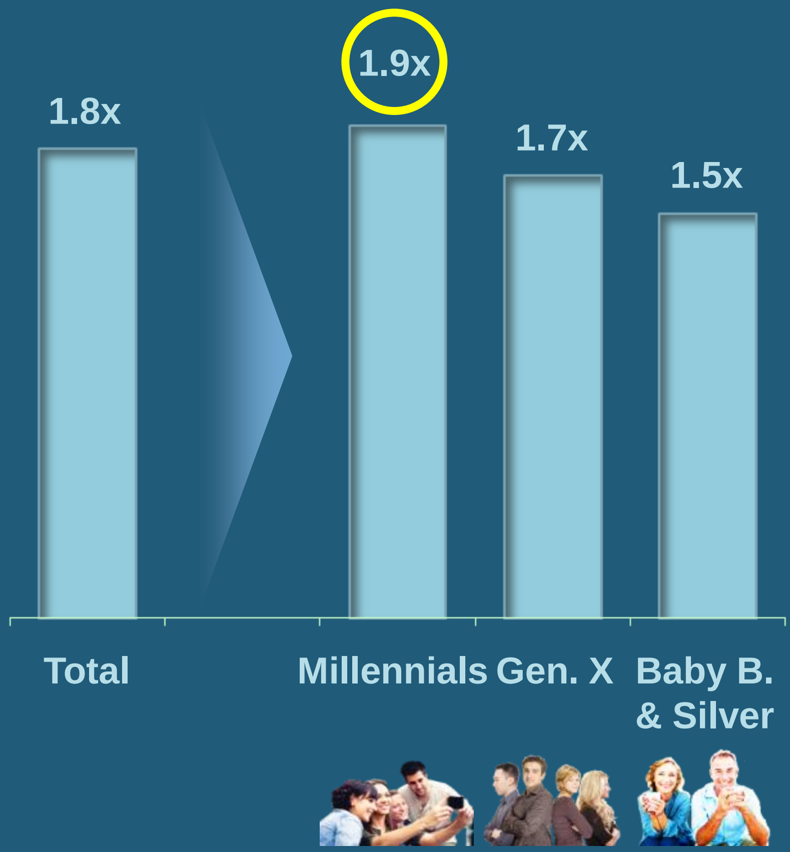
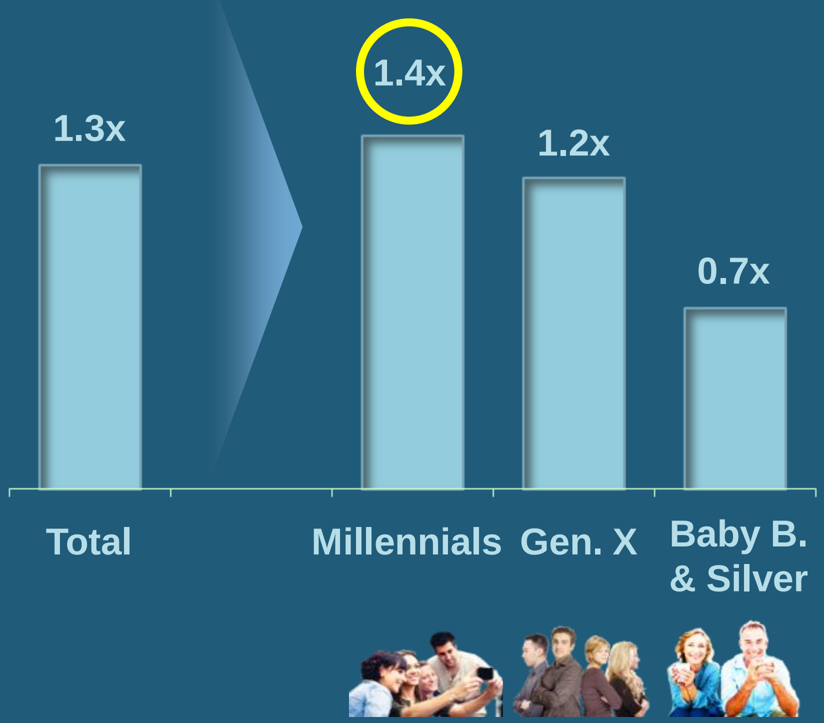
Millennials more interested in experimenting new store realities

"Which innovative services should your ideal store offer?"

Interest ratio[1]: Art display & Cultural events



Interest ratio[1]: Digital In-store



1. Number of supporters divided the number of opponents
Source: BCG 2015 ad hoc study (10'000 respondents in 10 countries)

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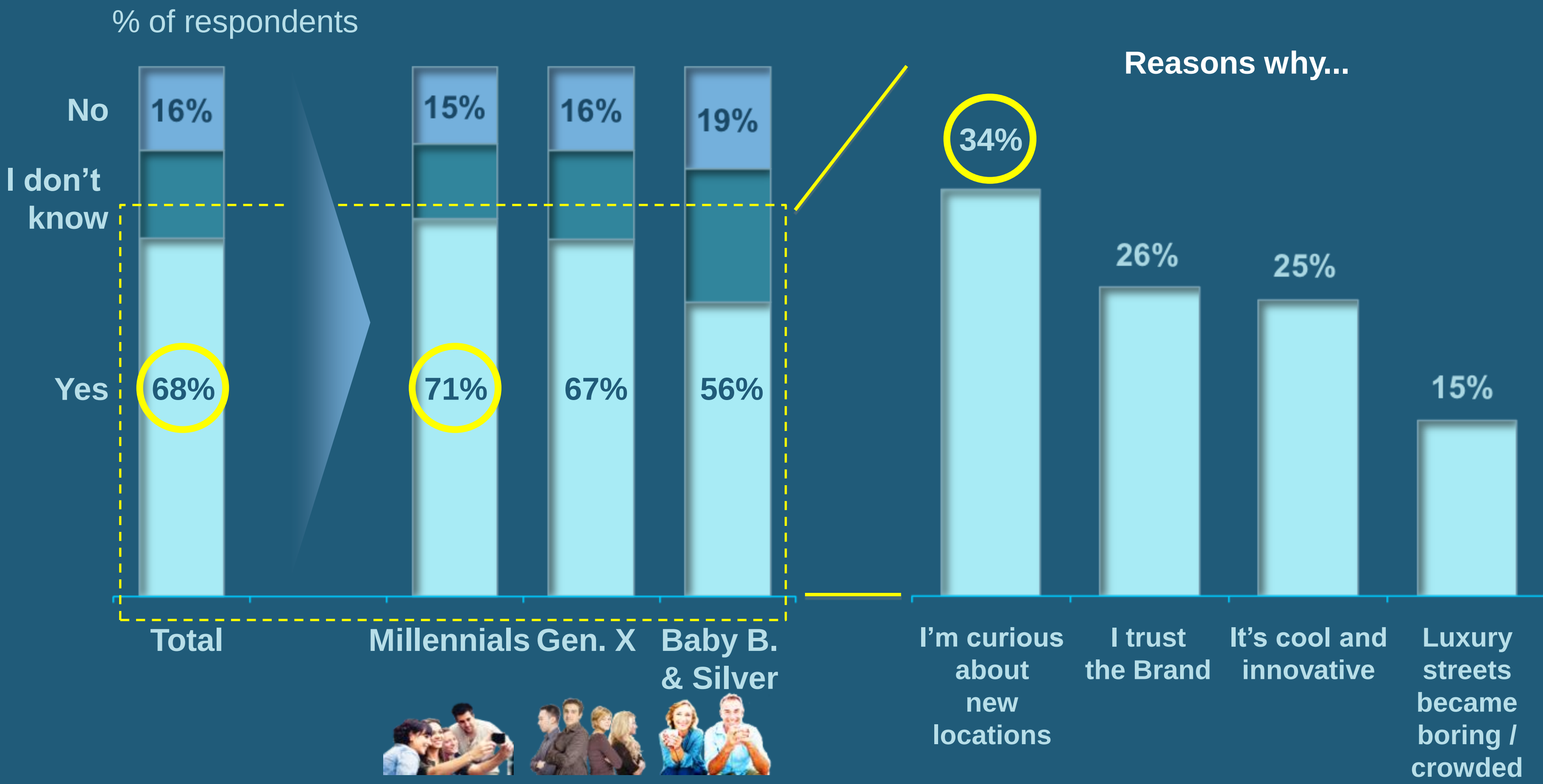
~70% of Consumers would follow their Brands in new up & coming trendy locations

"Would you follow your favorite luxury Brands if they open a store in a new up and coming trendy location?



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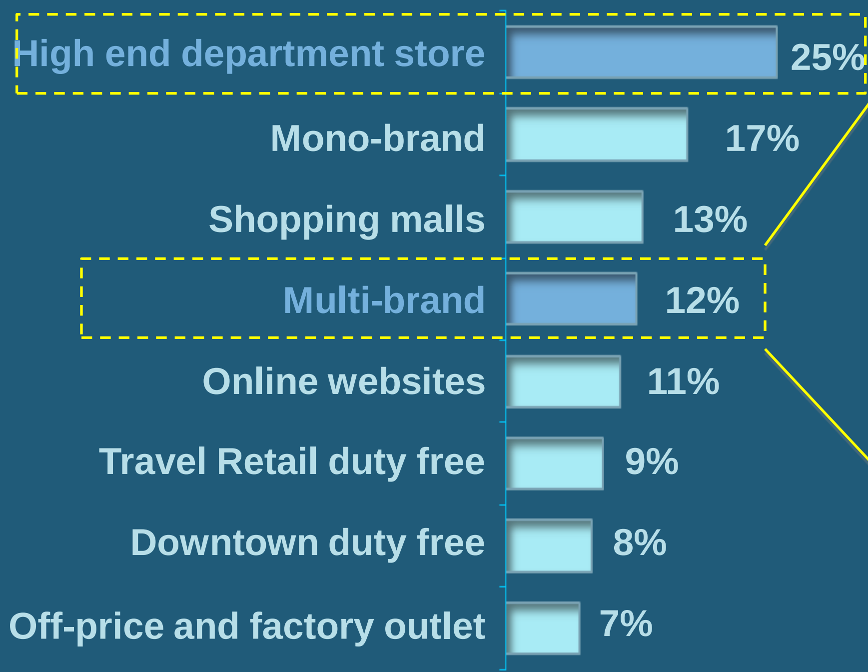
Source: BCG 2015 ad hoc study (10'000 respondents in 10 countries)

Department Stores & Wholesale rebirth?

"What was the first channel for you luxury purchases in the past 12 months?"

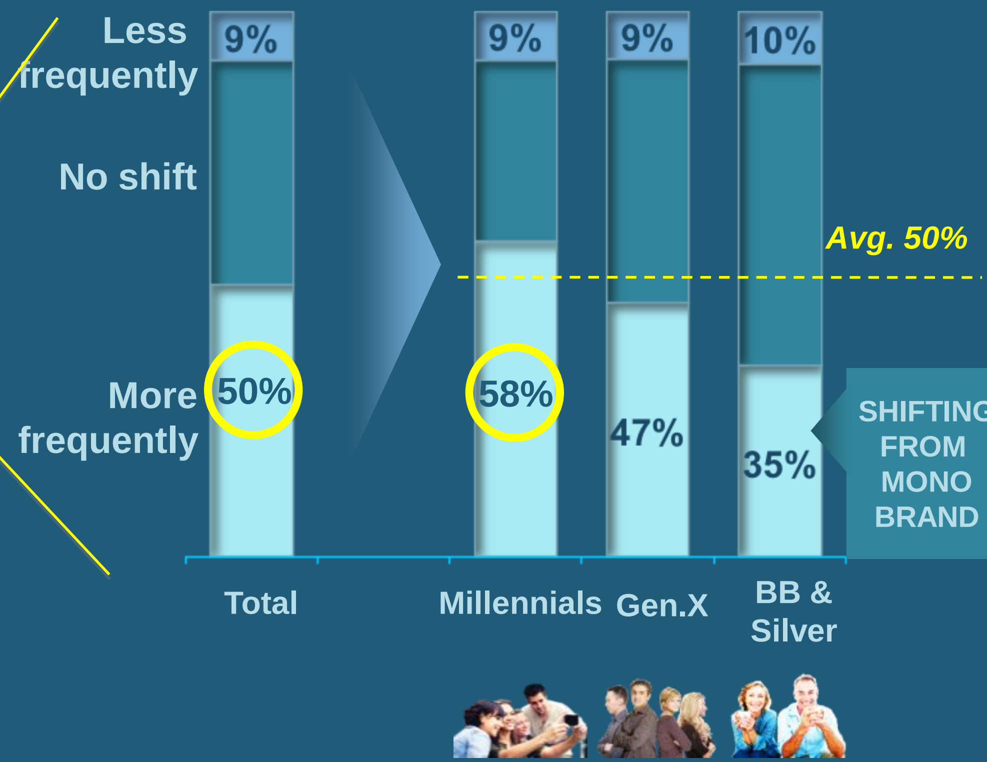
% of respondents



"Do you have the feeling that you are purchasing more or less frequently in Multibrand?"

CONSUMERS BUYING FROM MULTI-BRAND

% of respondents

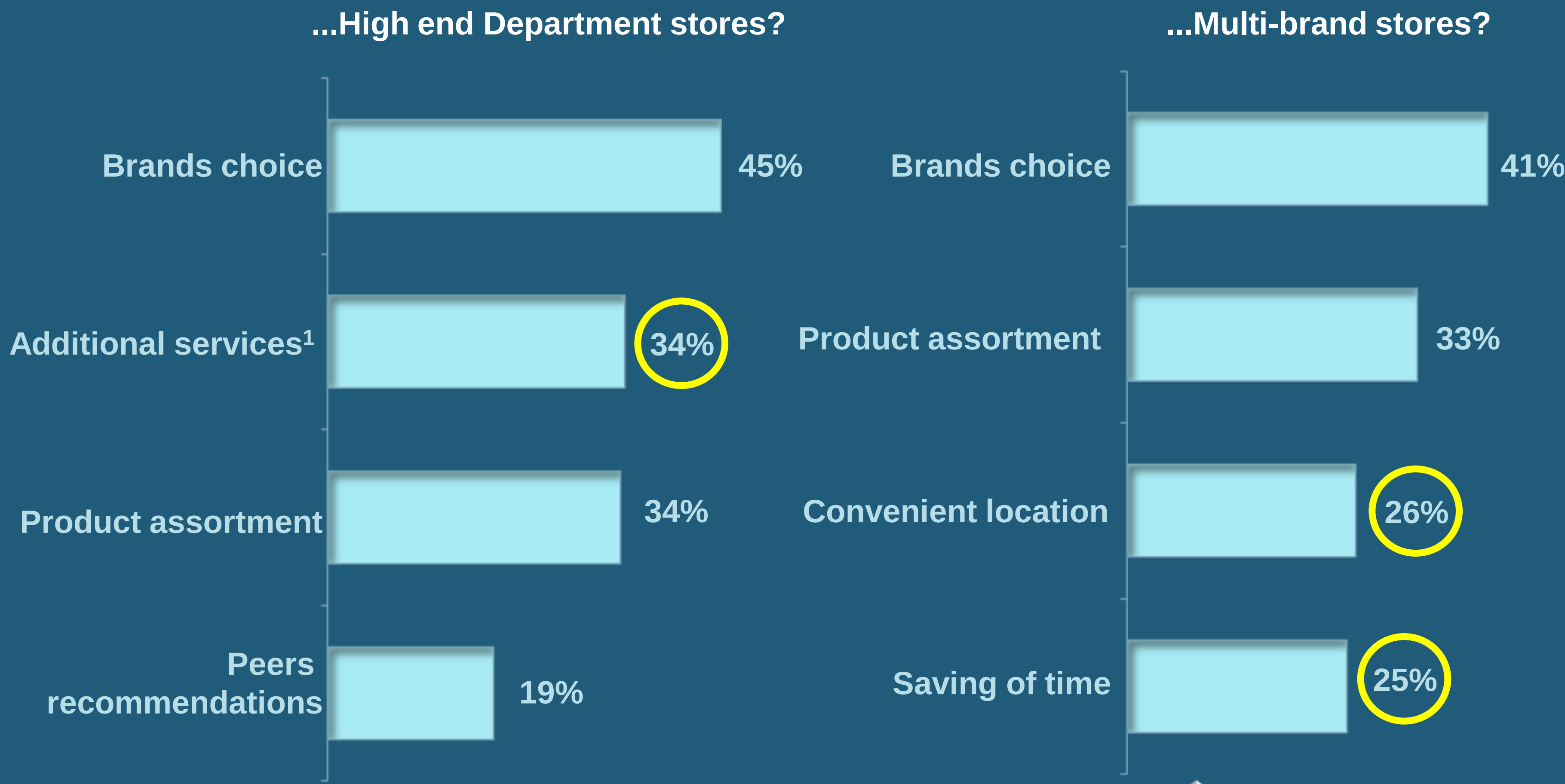


Source: BCG 2015 ad hoc study (10'000 respondents in 10 countries)

Why Department Stores & Wholesale are winning?

"What are the main reasons for you for shifting from mono-brand stores to..."

% of respondents



1. E.g. food court, hair stylist, beauty spa,..
Source: BCG 2015 ad hoc study (10'000 respondents in 10 countries)

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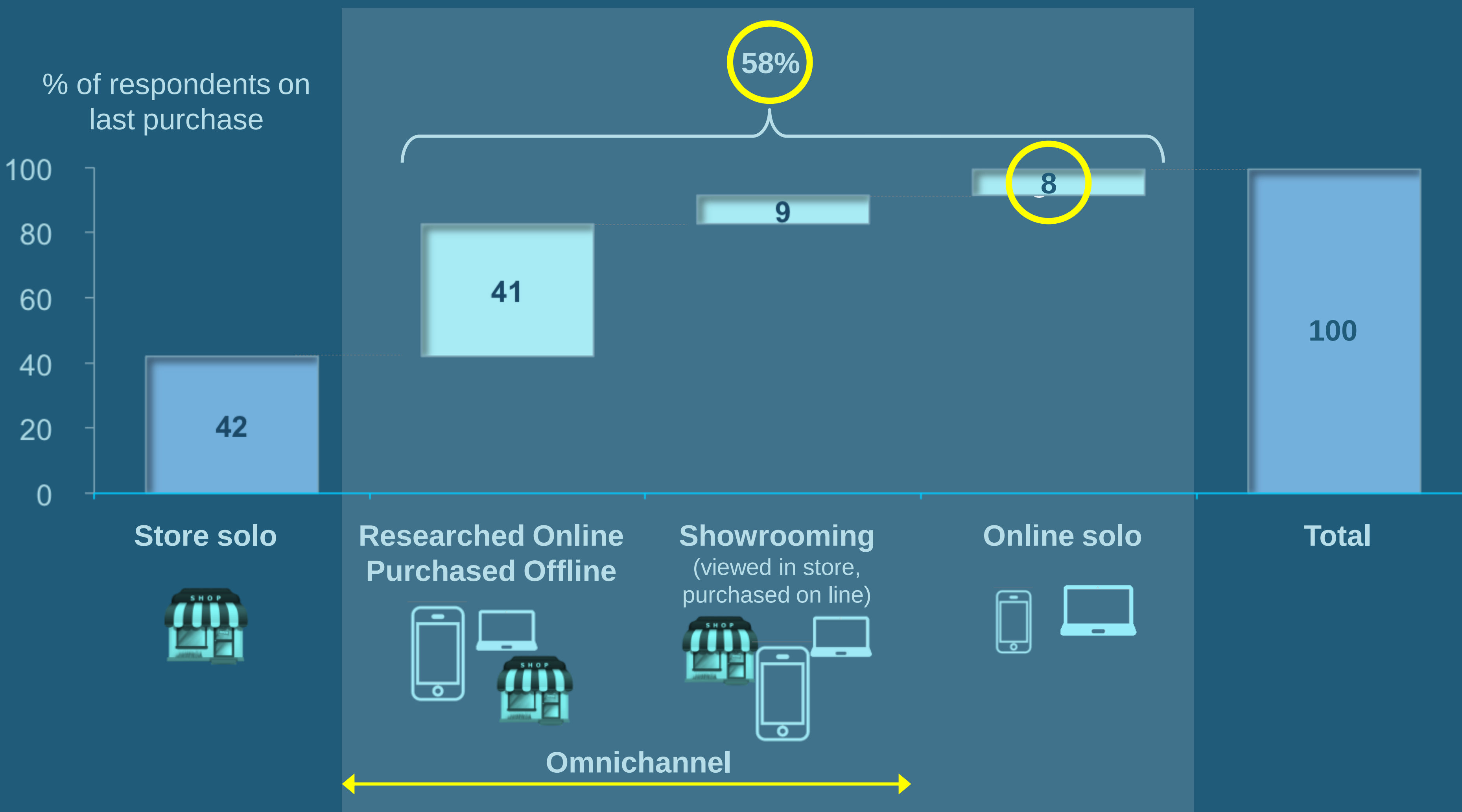
Digital: always connected

6 out of 10 luxury sales digitally influenced

"Where have you bought the last item purchased? Where have you researched it?"



Source: BCG 2015 ad hoc study (10'000 respondents in 10 countries)

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Brand websites 1st choice; navigability key driver

"From which online store did you buy from?"

" Which factors would you consider more important when buying online?"

1. Navigability of website
2. Price discount
3. Free return
4. Payments accepted
5. Quality of customer care

Source: BCG 2015 ad hoc study (10'000 respondents in 10 countries)

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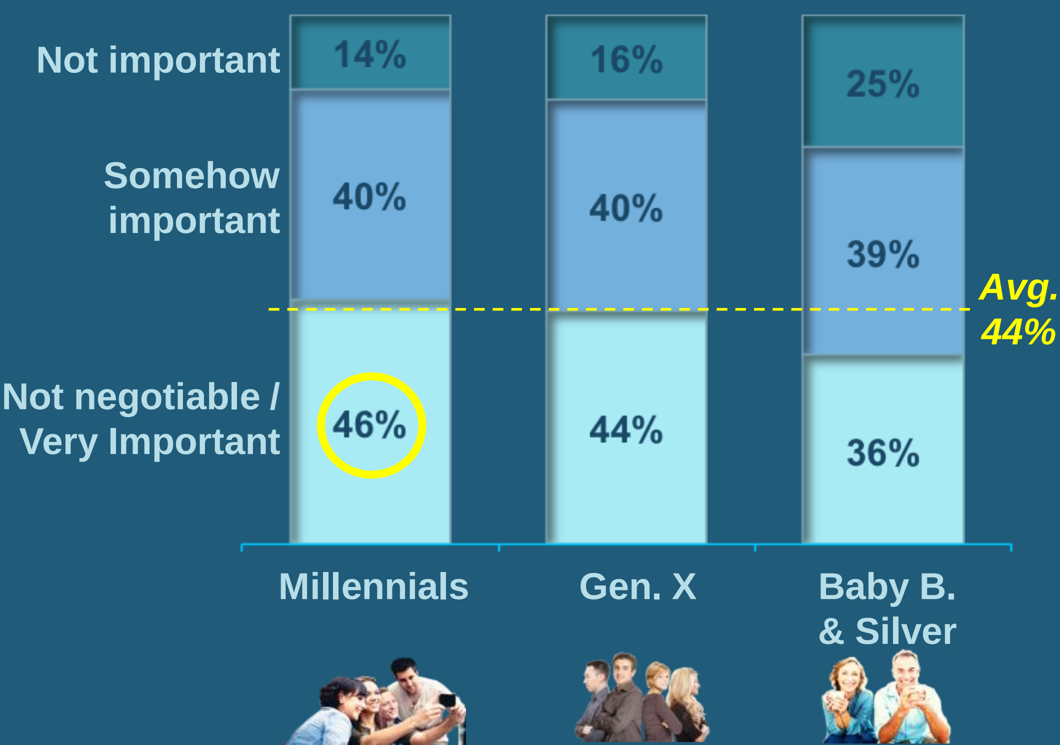
~80% of consumers asking for Omnichannel especially the youngest generations

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

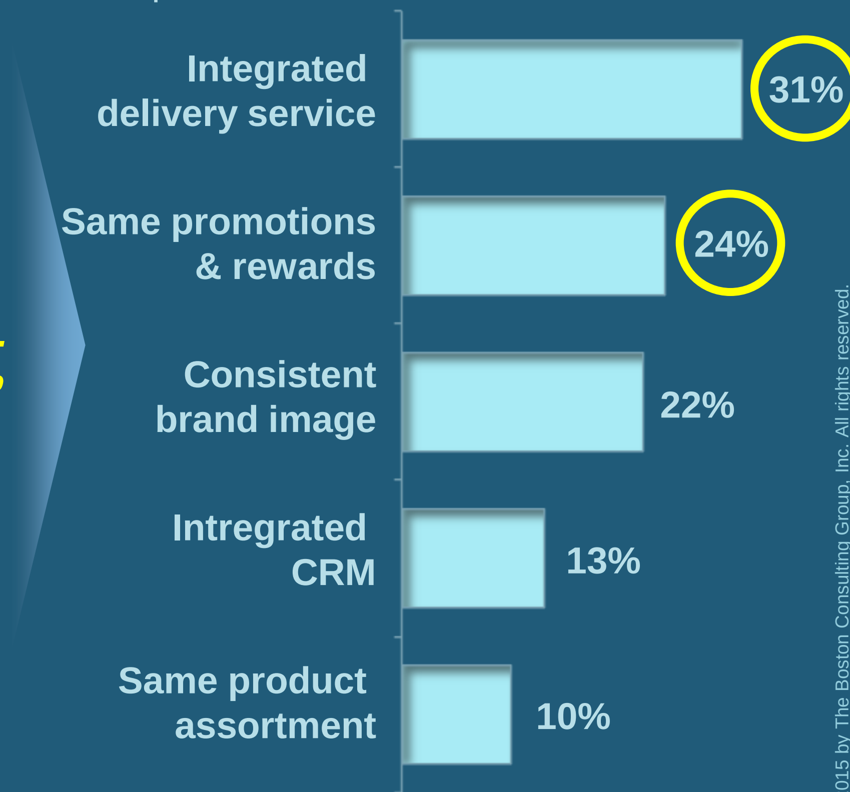
% of respondents



Omnichannel index¹ 86% 84% 75%

"What do you expect when dealing with multiple channels?"

% of respondents



1. % of respondents for which it is somehow important / very important / not negotiable that a brand can be reached through different channels
Source: BCG 2015 ad hoc study (10'000 respondents in 10 countries)

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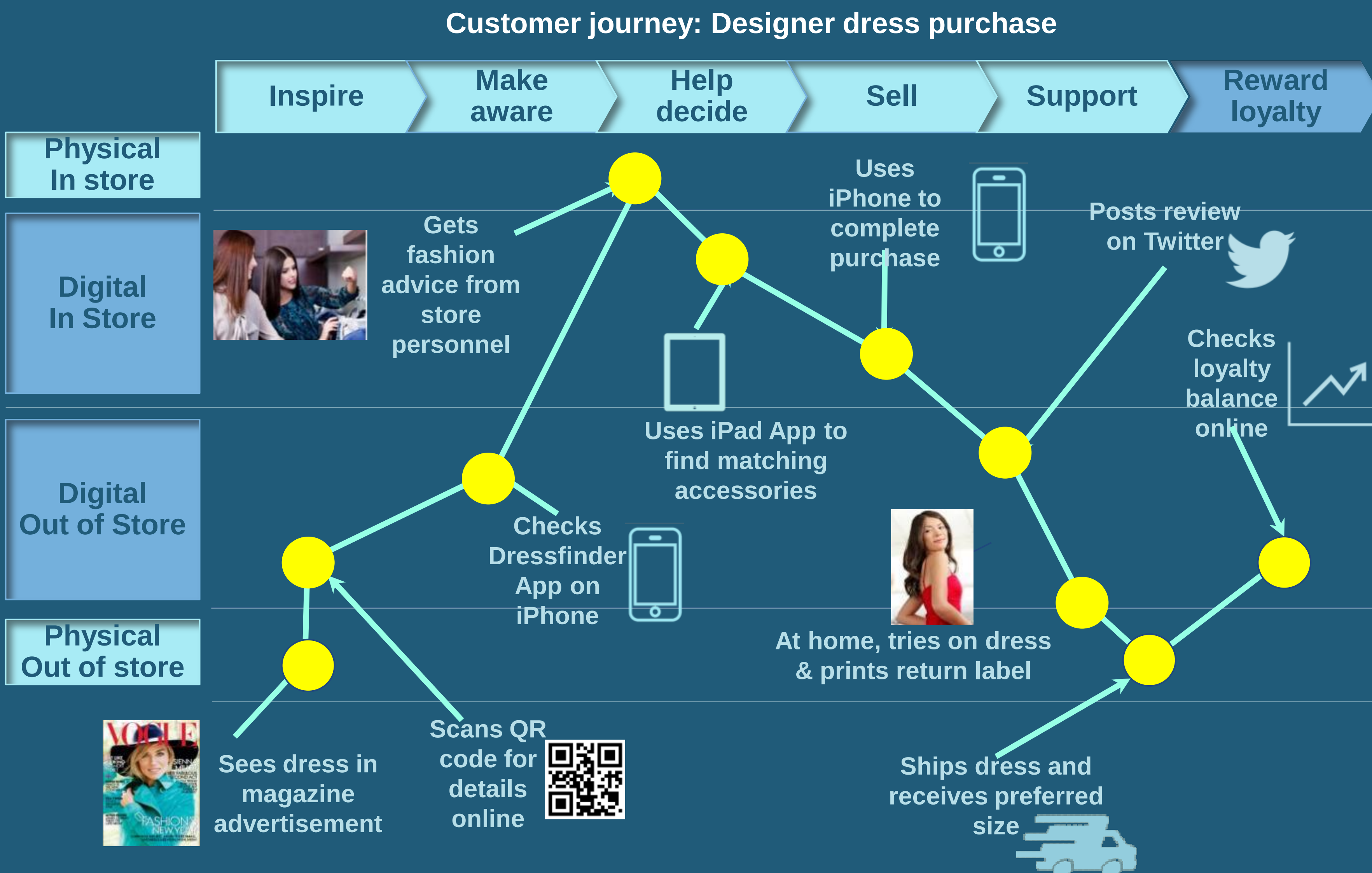
Integrated customer journey

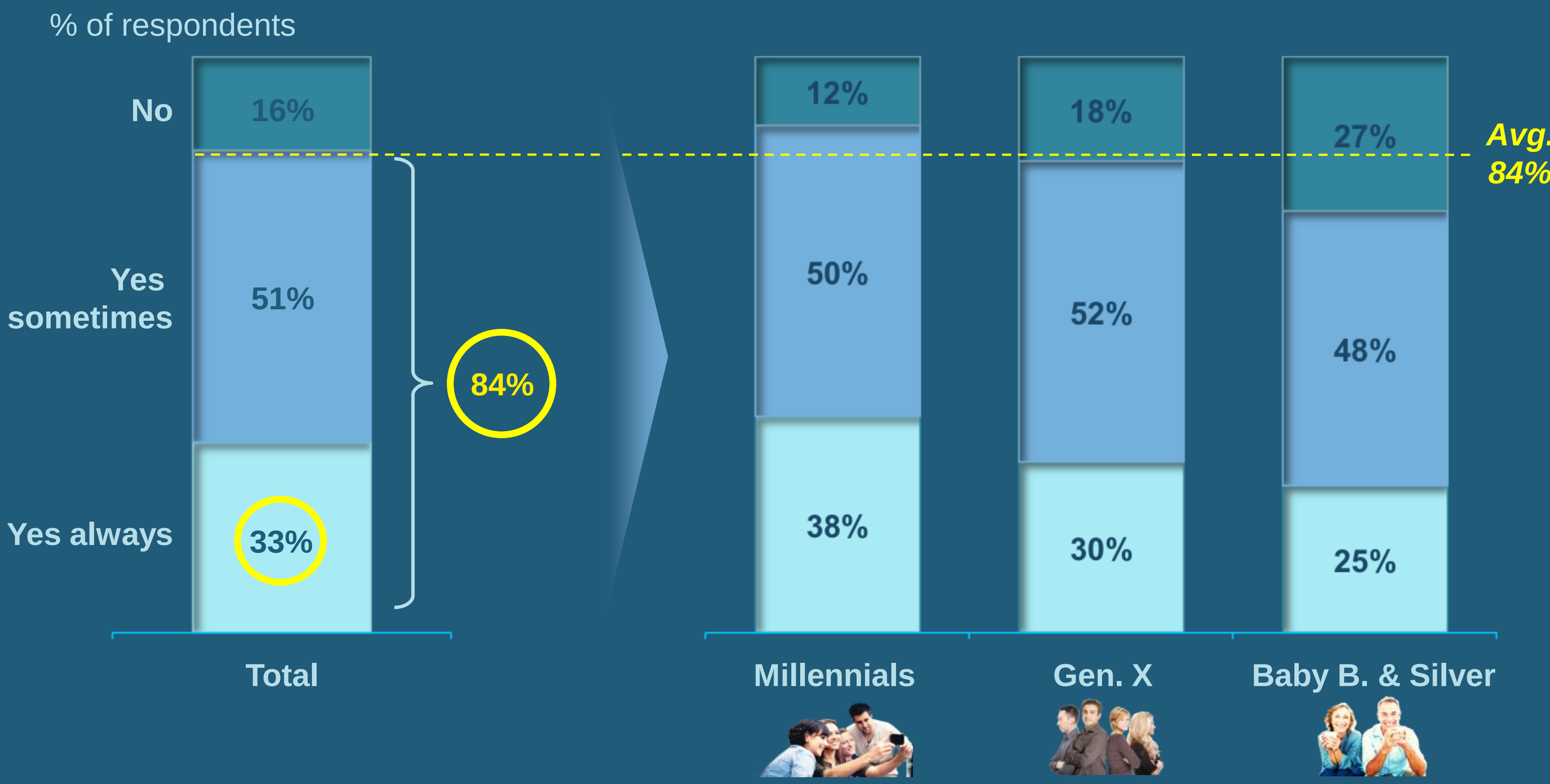


Source: BCG analysis

Price transparency

84% of Consumers check prices in advance of purchasing; 33% always do it

"Do you usually get informed about the prices before going to the store for a purchase?"



Source: BCG 2015 ad hoc study (10'000 respondents in 10 countries)

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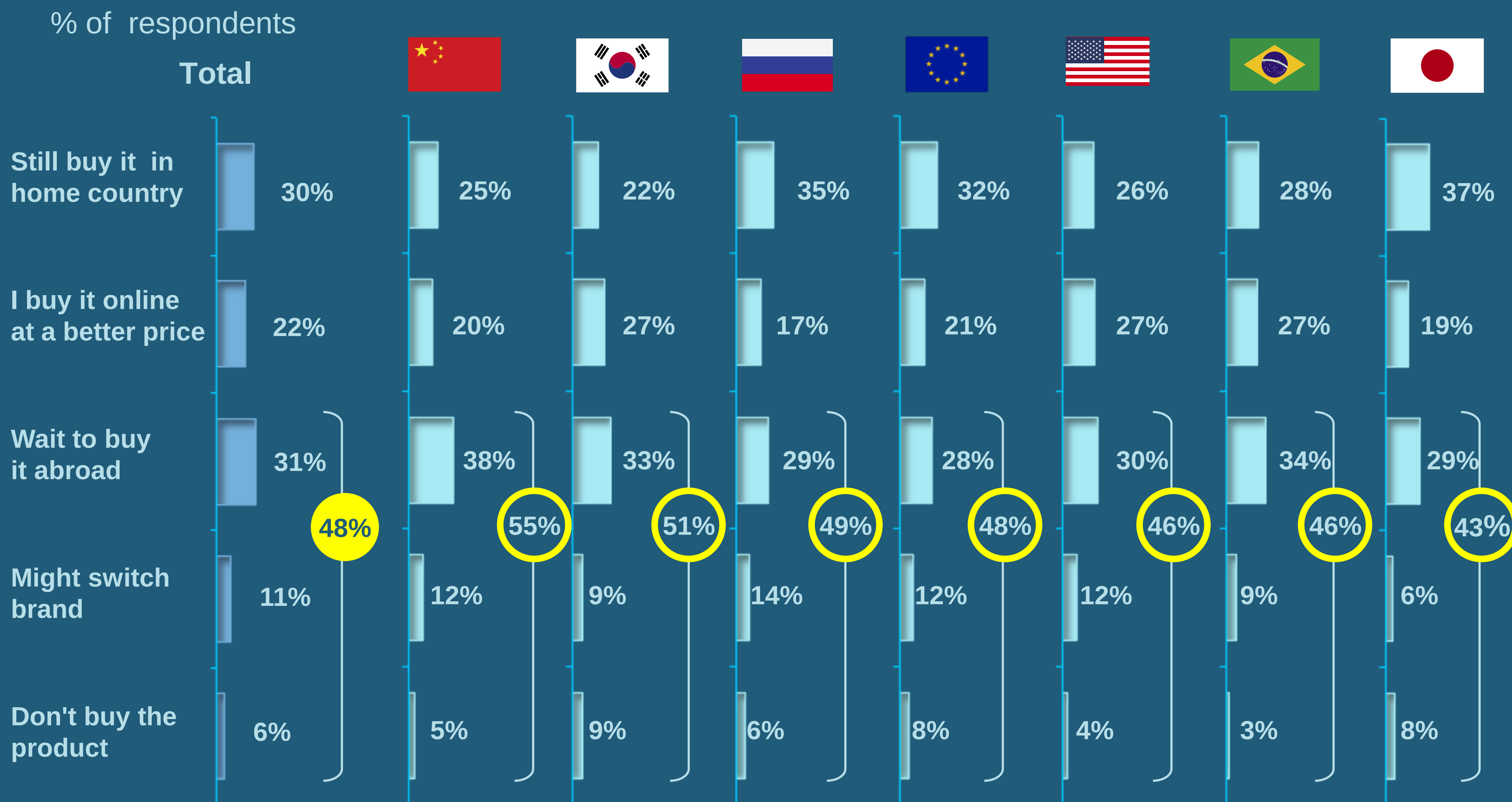
Strong price differentials might put at risk ~50% of purchases

"How would you react if you were to realize a price difference between your Country and another one?"



Note: EU includes respondents from Italy, France, Germany, UK
Source: BCG 2015 ad hoc study (10'000 respondents in 10 countries)

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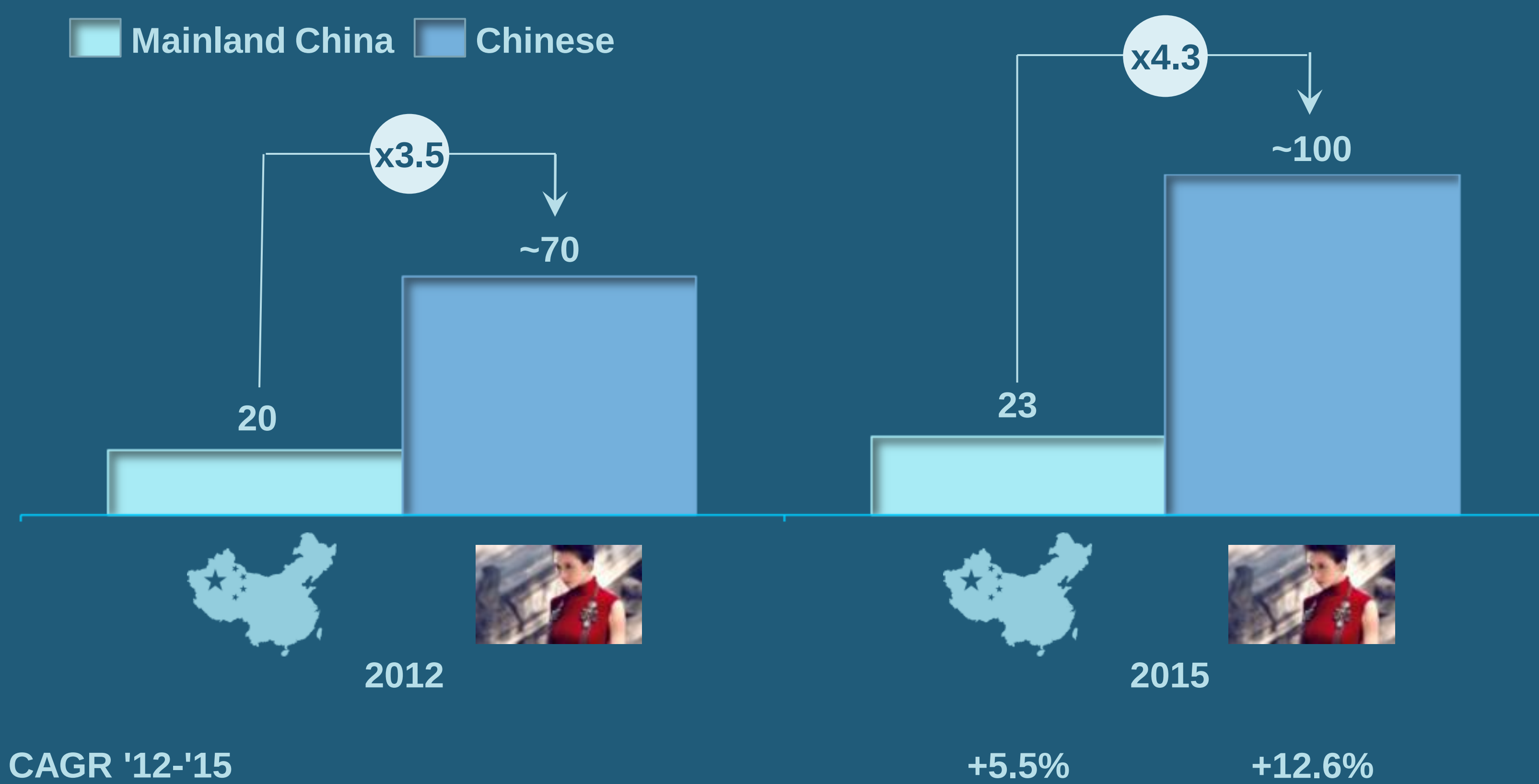
What's happening to Chinese

From China to Chinese

Personal Luxury market by Country and Nationality
(€B, retail value @current)



Source: BCG Analysis

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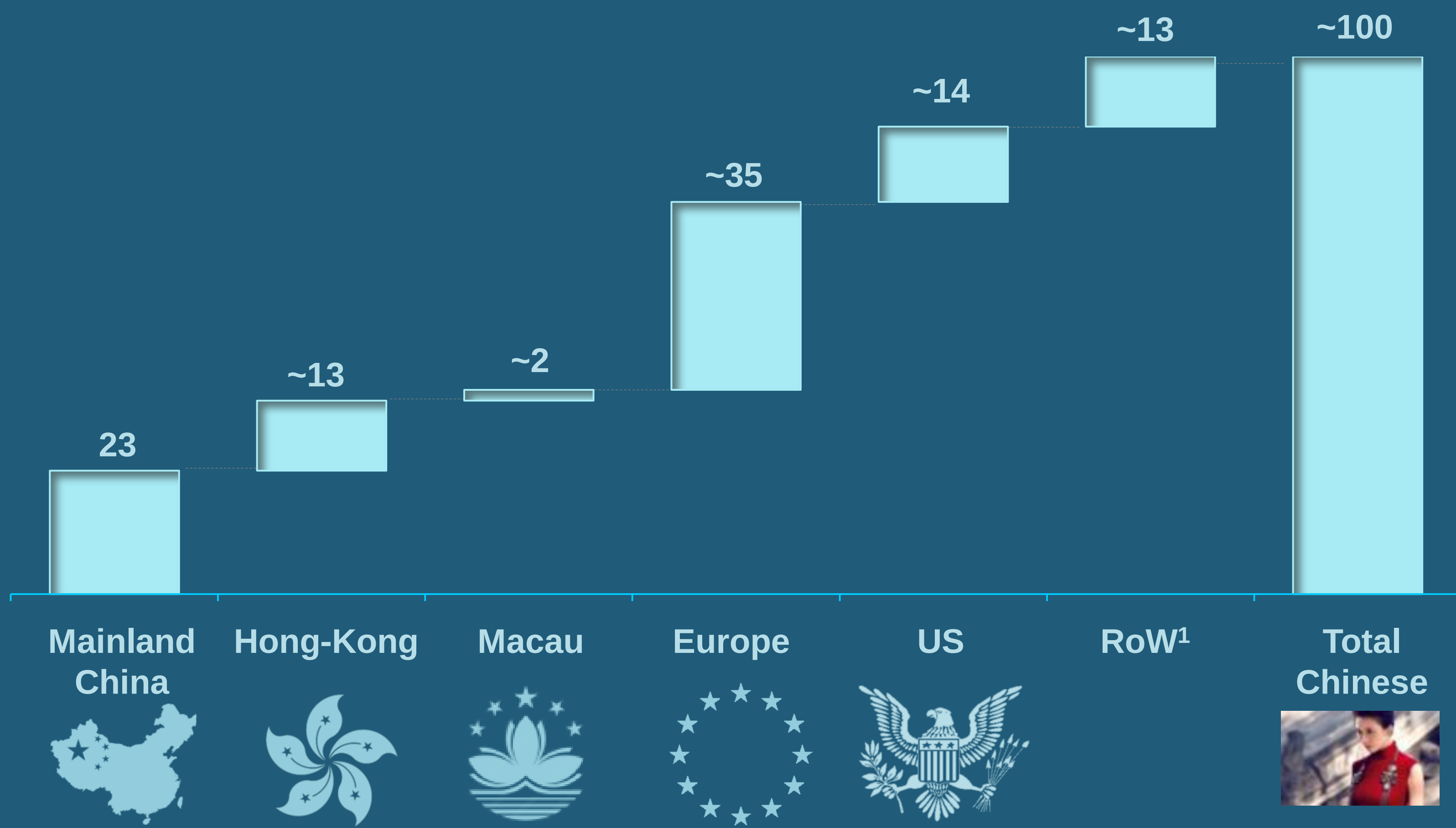
Where are Chinese purchasing?

Chinese Personal Luxury market by location of purchases
(€B, 2015 retail value @current)



1. Russia, Middle East, Other APAC, Other Americas
Source: BCG analysis

New York / Milan the new Macau?

"In which cities have you bought / plan to buy luxury products in the past / next 12 months?"

	2015	2016F
1	Hong-Kong	Paris
2	Paris	Hong-Kong
3	Tokyo	Tokyo
4	Seoul	New-York
5	Macau	Milan

Exiting (Seoul, Macau) — ***Entering*** (New-York, Milan)

Source: BCG 2015 ad hoc study (10'000 respondents in 10 countries)

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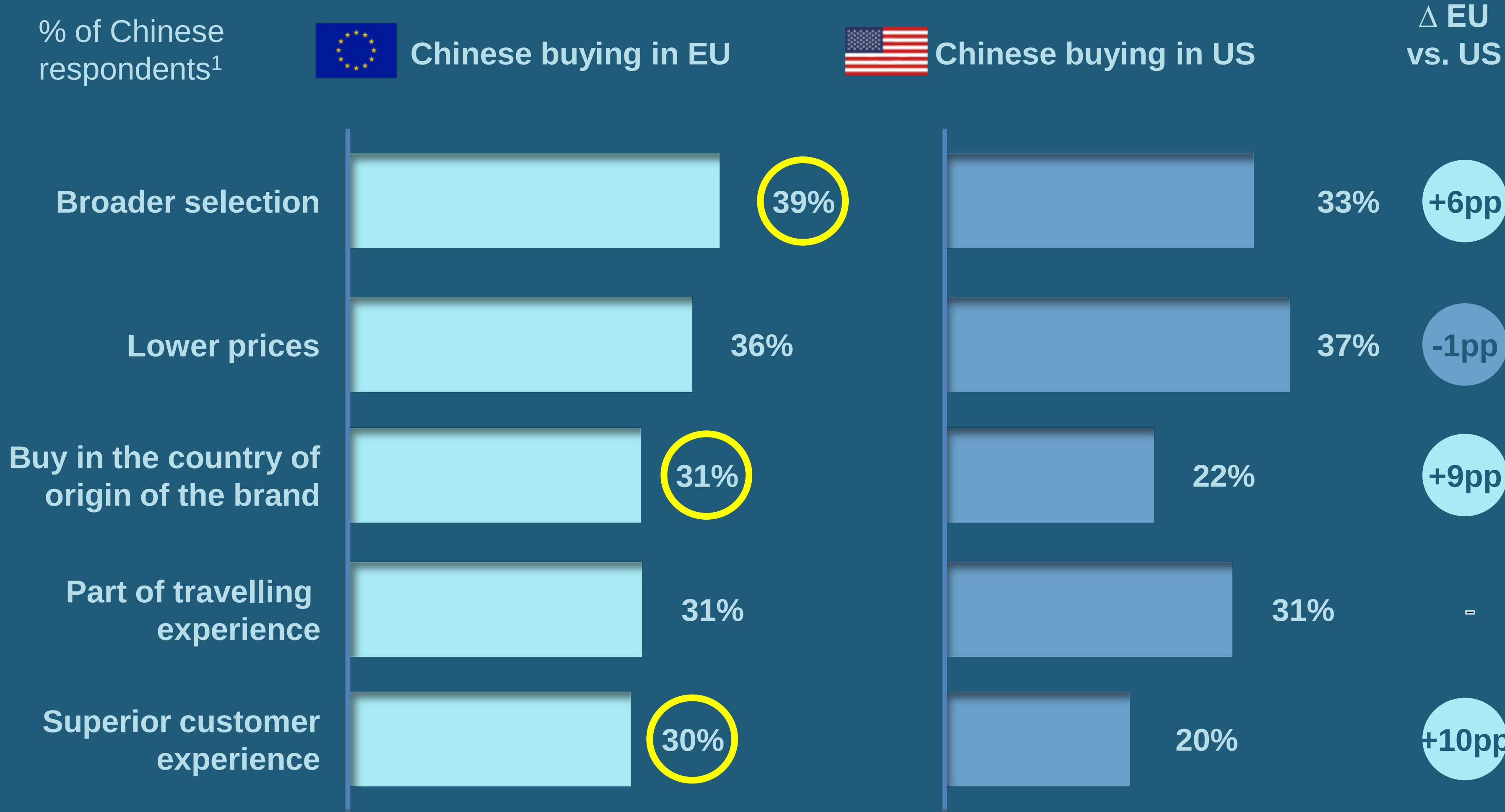
How to capture Chinese consumers abroad?

"What is your main reason for buying outside your home country?"



Note: Consumer buying both in Europe and US are excluded from the analysis
1. Includes Chinese respondents that spend abroad at least 25% of their personal luxury expenditure
Source: BCG 2015 specific survey (10.000 core luxury Consumers in 10 countries)

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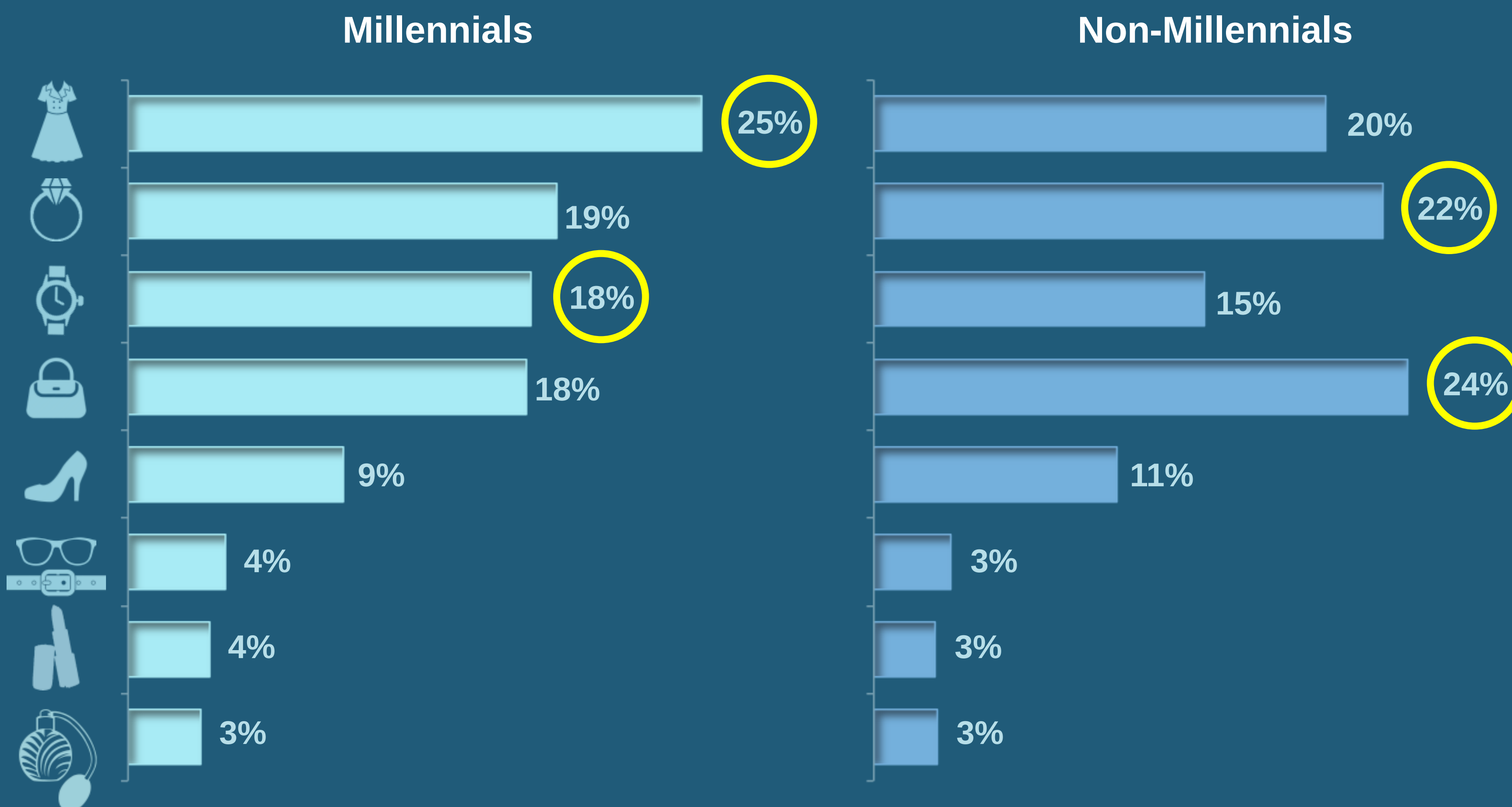
Which category they look for?

"Which luxury products have you bought in the last 12 months and how much have you spent?"

% of total P&E Luxury spending



Source: BCG 2015 ad hoc study (10'000 respondents in 10 countries)

Chinese closing the Digital gap

"Where have you bought the last item purchased? Where have you researched it?"

% of respondents

		China 2014	China 2015
Worldwide average[1]	Online sales	17%	18%
	ROPO	46%	41%

Note: 1. China excluded
Source: BCG 2015 ad hoc study (10'000 respondents in 10 countries)

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Milan rebirth

Milan is rising back

"In which cities have you bought / plan to buy luxury products in the past / next 12 months?"

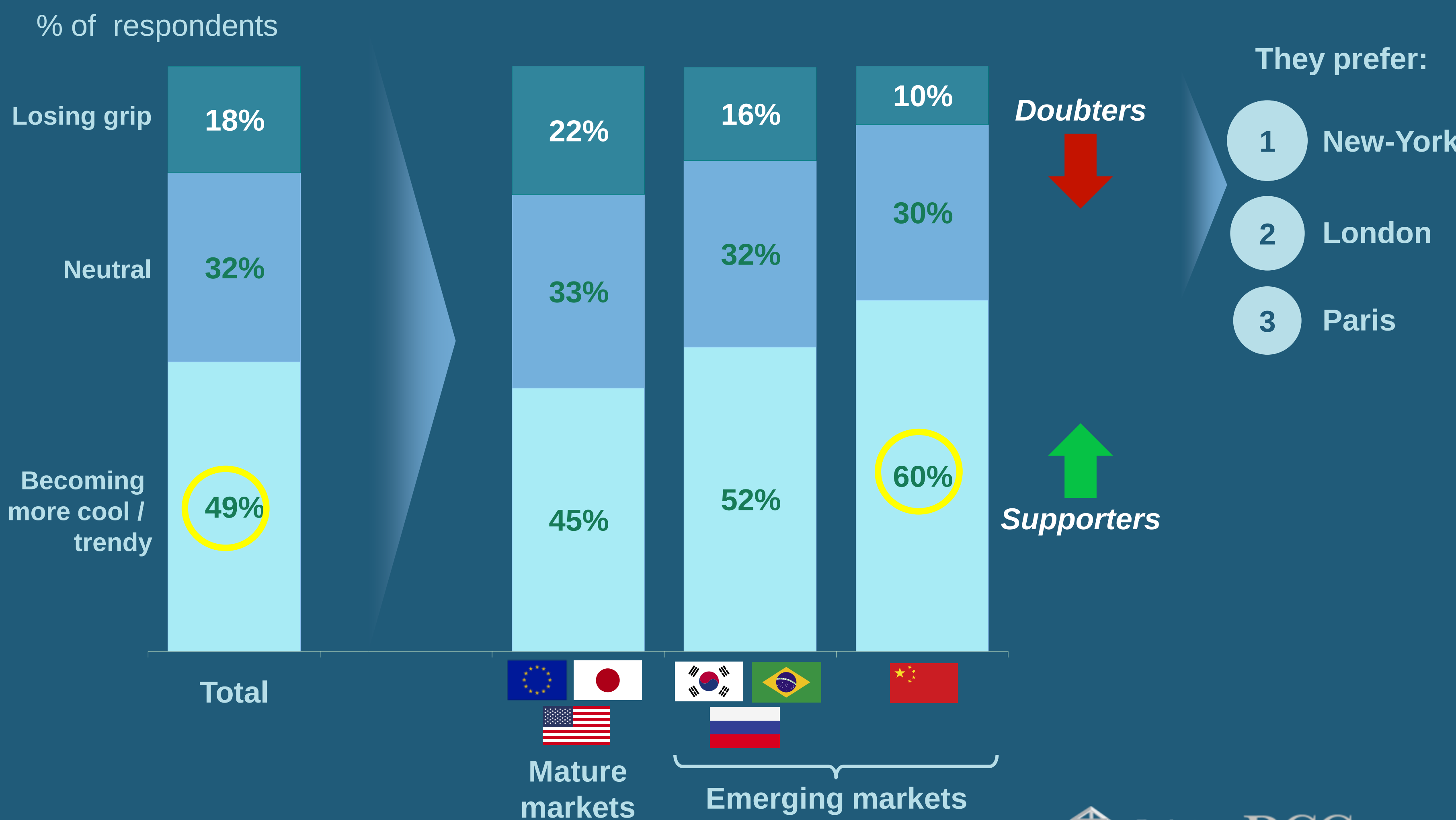
	2014	2015	2016F
1	Paris	Paris	Paris
2	New York	New York	New York
3	London	London	Milan
4	Hong-Kong	Milan	London
5	Milan	Hong-Kong	Hong-Kong

Expo effect?

Note: The calculations excludes consumers in their home country
Source: BCG 2014 and 2015 ad hoc study (10'000 respondents in 10 countries)

Milan becoming cooler and more trendy, especially for emerging markets consumers

"Based on your experience in Milan, do you feel that the city is:"



Source: BCG 2015 ad hoc study (10'000 respondents in 10 countries)

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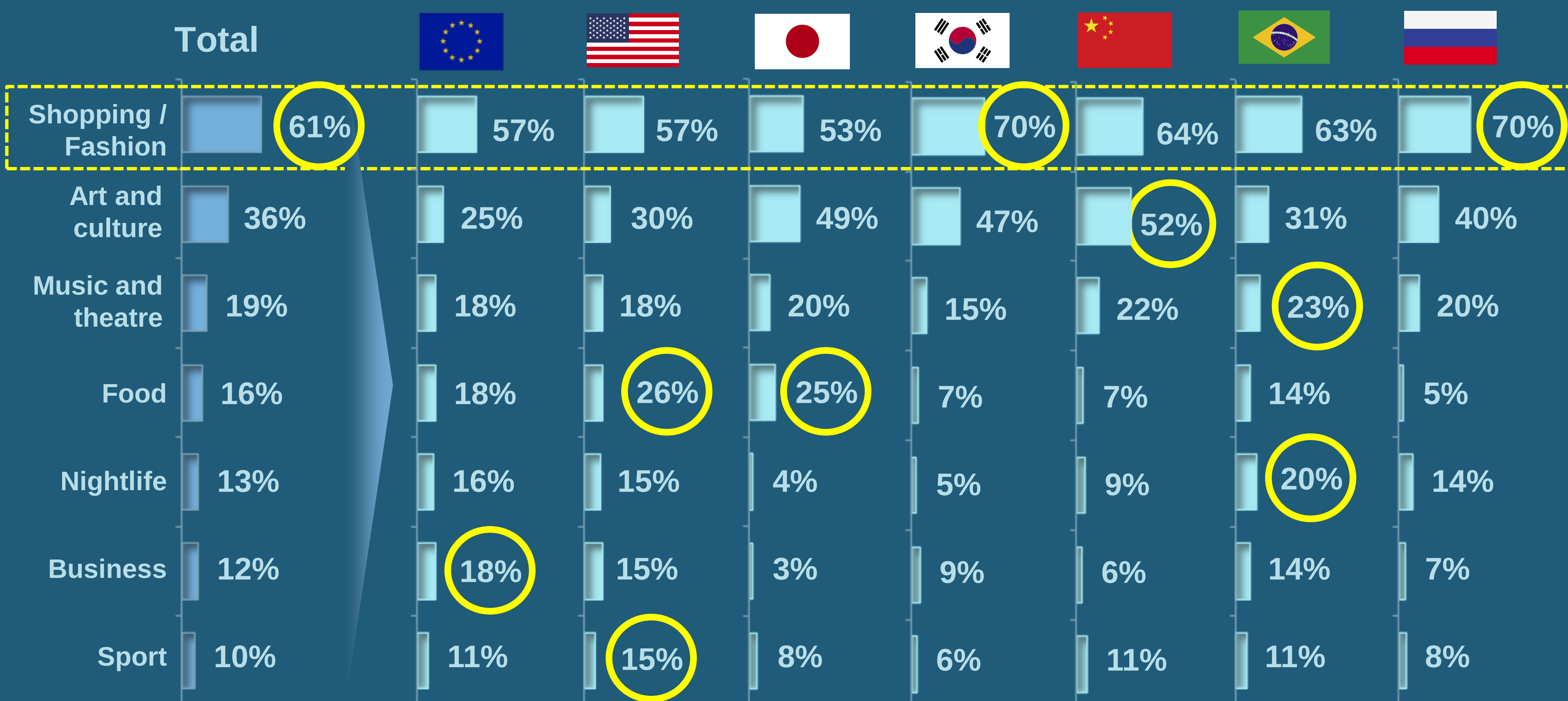
Milan: strong potential on Art and Culture still not fully leveraged

"What are the first associations coming to your mind when thinking to the city of Milan?"

% of respondents



Source: BCG 2015 ad hoc study (10'000 respondents in 10 countries)

True-Luxury *Global Consumer* **segmentation**

The CONSUMER era: key takeaways

Growth to continue

- Short term (2016): confirmed **consumer confidence positive trend**
- Mid term (2022): **400M** consumers to become **480**; market to increase by **290€Bn**

New Consumer realities

- Evolving values: **Exclusivity** not granted, **Sustainability** growing
- **Millennials** the 6th continent
- Personal luxury **saturation** happening
- The **"Store War"** has begun: **newness** key to capture the Consumer
- **Digital influence** era continuing
- **Price transparency** under the spotlight
- **From China to Chinese**
- **Milan** rising back

12 unique segments entering your stores with different expectations

- Absolute Luxurer, Megacitier and Experiencer representing 50%+ of the market
- Social Wearer the fastest growing segment

Antonio Achille

Partner and Managing Director - Milan

Antonio Achille is a Partner and Managing Director in the Milan office. He is a senior leader of the Consumer & Retail team and he leads globally the Luxury practice for the firm.

For 20 years, he has been advising National and International Groups on issues that include corporate strategy, organization, digital, supply chain, merchandising, growth acceleration and operational improvement. Within the luxury sector his experience includes apparel, leather goods, eyewear, selective fragrances, jewelry/hard luxury in department stores, franchising and duty free. The geographical scope of his work includes most of the Europe markets, North America, China, Turkey and Korea.

He has developed an extensive knowledge on the Global Luxury Consumer and he is responsible for the database that includes a comprehensive view on over 40.000 consumers from 20 countries, developed in cooperation with Altagamma, the trade association for the Italian luxury industry. The actionable insights of the study are presented at the yearly event "*True-Luxury Global Consumer Insight*".

In addition he contributes to the annual Luxury Summit, one of the most valued discussion forum for the sector. He is also member of the Scientific Committee of one the first Italian master on Luxury. He is author and co-author of most of the recent BCG publication on Luxury such as "Luxury ecosystem advantage" , "Shock of the New chic",.. Antonio is extensively quoted, as Luxury and Consumer expert, in Italian and International media, such as NYT, FT, The Economist, WWAD, Bloomberg, CNBC, Il sole 24 ore, Il Corriere della Sera,...

About BCG and its Luxury practice

The Boston Consulting Group (BCG) is a global management consulting firm and the world's leading advisor on business strategy. We partner with clients from the private, public, and not-for-profit sectors in all regions to identify their highest-value opportunities, address their most critical challenges, and transform their enterprises.

Our customized approach combines deep insight into the dynamics of companies and markets with close collaboration at all levels of the client organization. This ensures that our clients achieve sustainable competitive advantage, build more capable organizations, and secure lasting results. Founded in 1963, BCG is a private company with 81 offices in 45 countries.

Within the Firm, The Luxury practice, with more than 200 experts worldwide, advises Brands and Retail companies bringing together the experience of its centers of competence located in all key must-be geographies for the sector: Milan, New York, Paris, Shanghai, Hong Kong and Tokyo.

BCG Luxury team has a deep and relevant experience driving profitable growth with leading Brands and Retail companies, from strategy to marketing and operations, and a unique point of view on consumer segmentation.

BCG contacts

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Thank you

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