True-Luxury *Global Consumer Insight*

Antonio Achille, Partner & Managing Director

THE BOSTON CONSULTING GROUP

SHAPING THE FUTURE. TOGETHER. 50 YEARS

True-Luxury *Global Consumer Insight*: we will address 6 "W" questions

Why now?

What makes our study unique?

Where will growth come from?

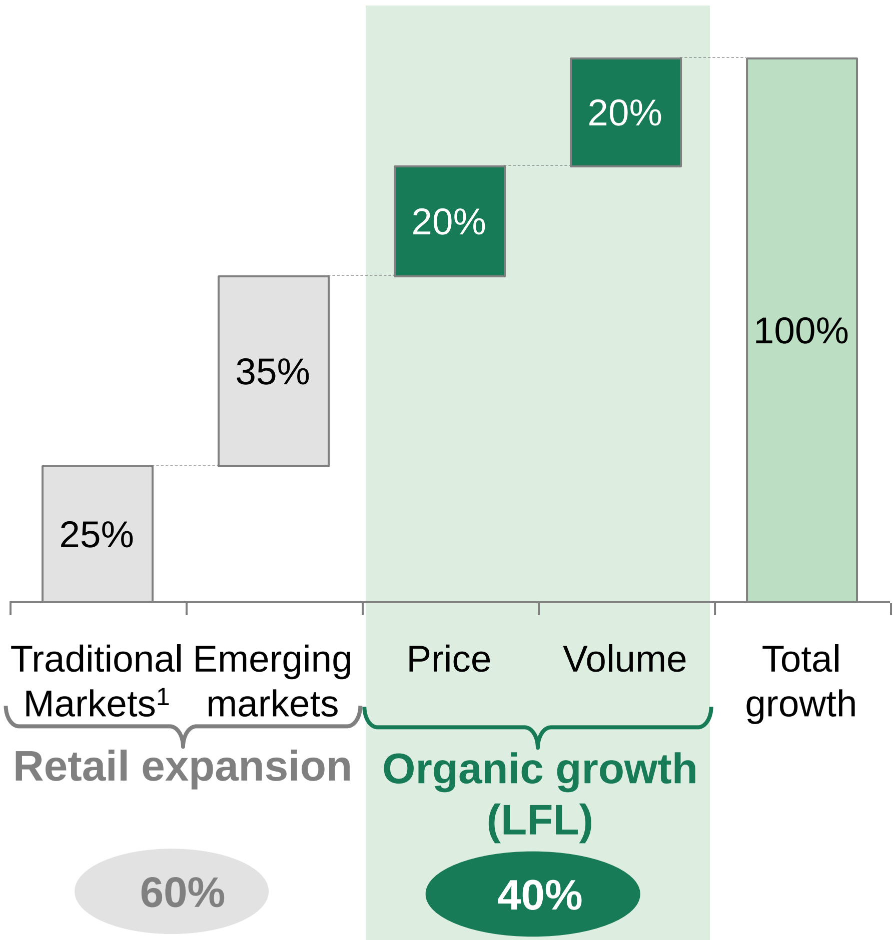
What will it take to win luxury Consumer?

Which luxury segments will drive growth?

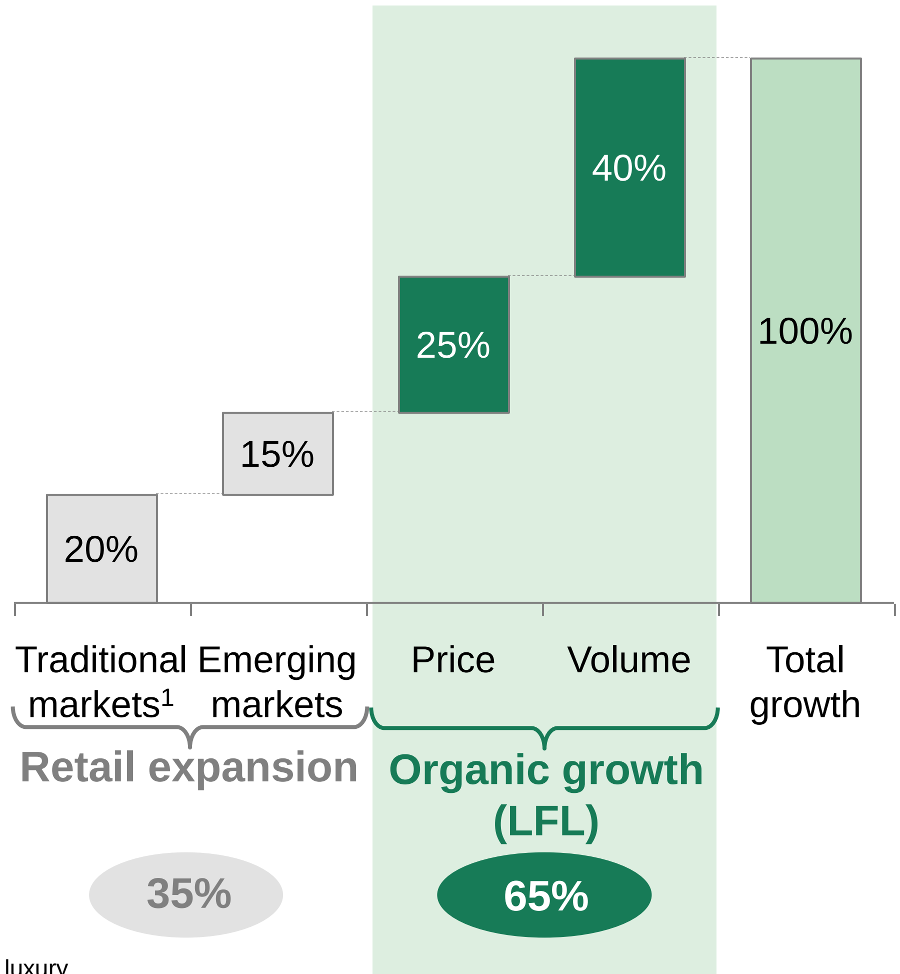
What's in for you?

Organic growth: 2 / 3 of next decade growth

Last decade growth components[2]



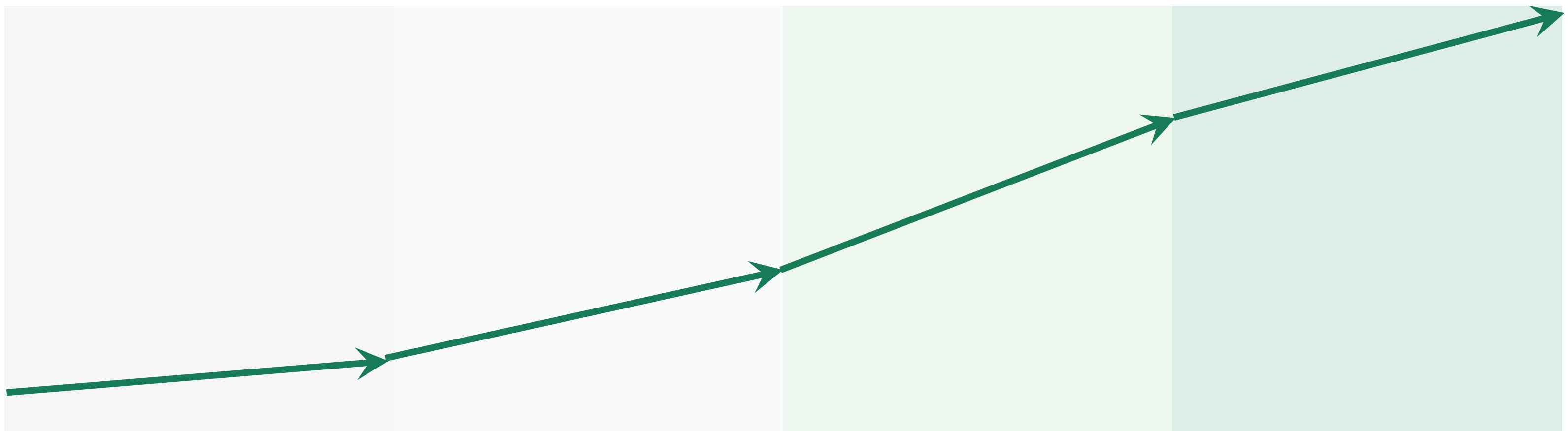
Upcoming decade growth components[2]



1. Europe (Italy, France, UK, Germany, Spain, Nordics), US and Japan; 2. Referred to personal luxury (apparel, accessories, hard luxury, Perfume & Cosmetics)
Source: Bernstein / BCG analysis

The **CONSUMER** era



Design	+Brand	+Retail	**+Consumer**
'80s	'90s	'00s	2014 **next decade**
• Style & Design for elites • *Temple of Desire*	• The rise of Global Brands	• Retail as part of Brand experience • "Real estate rush"	• Consumer: engine of top line and margin growth

Source: BCG 2013 specific survey

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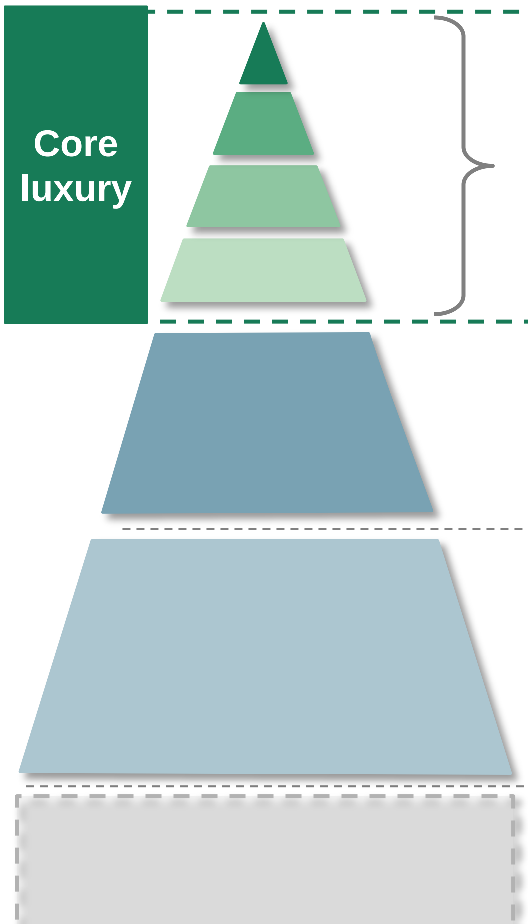
True-Luxury Consumers talk to you today



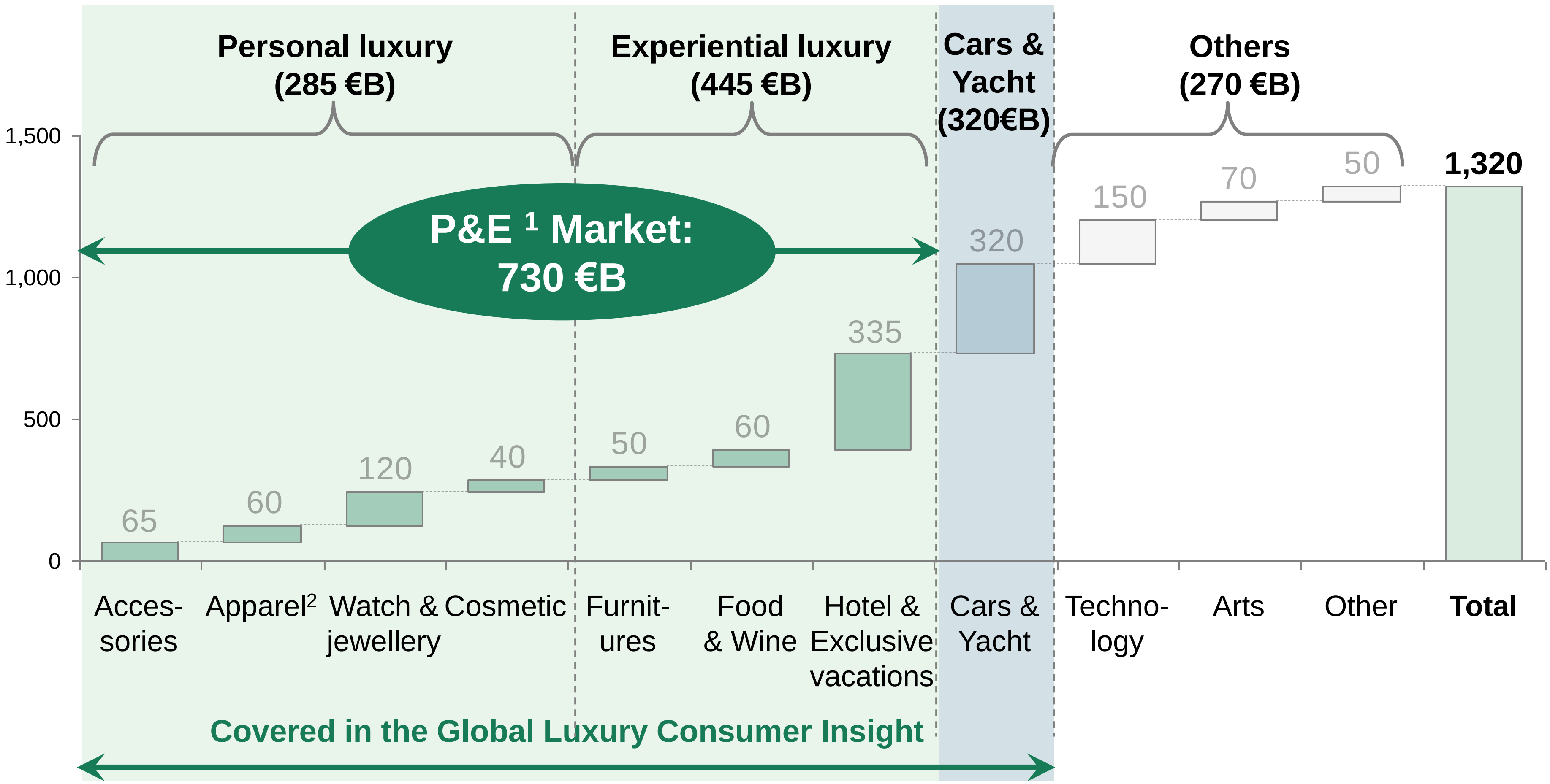
Cluster	Avg. yearly spend including cars[1] (K€)		Sample (#)
Beyond money	130 K€	Avg. 30K€	~10K
Ultra	60 K€		
Very high	10 K€		
High	3 K€		
Aspirational	<2K€	~5 K	~30K
Prospects	-	~25 K	
Rest of the world			

Focus of analysis

1.Cars & Yacht
Source: BCG Analysis

All luxury categories in scope: our actual sample spent ~230 M€ in luxury goods last year

Luxury market (€B)



1.Personal and Experiential luxury
Note: Some numbers are rounded.
Source: BCG 2013 specific survey, BCG-IPSOS market research

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Mapped Consumers opinion on 100+ luxury brands

GUCCI, PRADA, LOUIS VUITTON, CHANEL, Dior, PORSCHE, STELLA McCARTNEY, GIORGIO ARMANI, HERMÈS PARIS, miu miu, CÉLINE, MaxMara, VALENTINO, Loro Piana, DOLCE & GABBANA, ck Calvin Klein, Ferrari, ROLLS ROYCE, B&B ITALIA, Salvatore Ferragamo, BOTTEGA VENETA, GIVENCHY, Chloé, Artemide, DONNA KARAN NEW YORK, TOD'S, Ermenegildo Zegna, CLARINS PARIS, la prairie SWITZERLAND, ESTÉE LAUDER, Ray-Ban, Boffi, BISAZZA, ALEXANDER McQUEEN, TOM FORD, sergio rossi, FENDI, paco rabanne PARIS, SHISEIDO, LANCÔME PARIS, GUERLAIN PARIS, roche bobois groupe, BOSS HUGO BOSS, BRUNELLO CUCINELLI, ETRO Milano, CARRERA EYEWEAR, Persol, MICHAEL KORS, roberto cavalli, VERSACE, SISLEY, Thierry Mugler, OAKLEY, Cartier, DAVID YURMAN, H.Stern, Dorchester Collection, JUMEIRAH GROUP, BALENCIAGA PARIS, BURBERRY LONDON, LOEWE, TIFFANY & Co., Pomellato, GRAFF, YVES SAINT LAURENT, GOYARD, Van Cleef & Arpels, GARRARD, ROLEX, Chopard, WESTIN HOTELS & RESORTS, MARC JACOBS, BVLGARI, FOUR SEASONS Hotels and Resorts, Berluti Paris, JIMMY CHOO, LONGINES, BAUME & MERCIER GENEVE · 1830, Church's, MONT BLANC, MIKIMOTO, HARRY WINSTON, BUCCELLATI, MANOLO BLAHNIK, DE BEERS, OMEGA, TAGHeuer

Source: BCG 2013 specific survey
Note: Including: cars, hotel, furniture & design, sunglasses (not exhaustive)

Sounding board of WW leading brands to ensure robustness and actionability of the insight

Source: BCG 2013 specific survey

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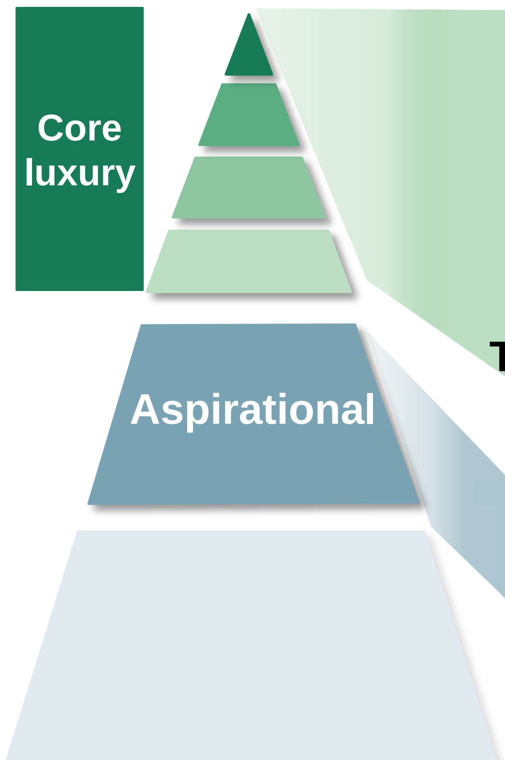
380M Luxury Consumers to become 440M by 2020



Cluster	2013 # (M)	2013 Bn(€)[1]	2020 # (M)	2020 Bn(€)[1]
Beyond	2		3	
Ultra	4		6	
Very high	9		12	
High	17		21	
Total Core lux.	32		42	
Aspirational	350		400	
Total Luxury Consumers[1]	~380		~440	

+10 M

+50 M

+60 M

1. Including experiential and personal luxury, excluding cars
Source: BCG Analysis

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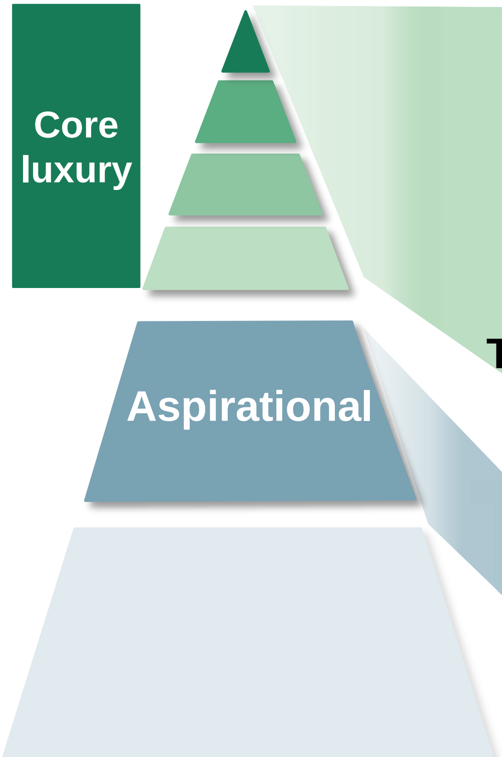
Personal and experiential luxury market to grow from today 730 to 880 Bn€



Cluster	2013		2020	
	# (M)	Bn(€)[1]	# (M)	Bn(€)[1]
Beyond	2	40	3	60
Ultra	4	80	6	110
Very high	9	90	12	115
High	17	50	21	60
Total Core lux.	32	260	42	345
		+85		
Aspirational	350	470	400	535
		+65 bn €		
Total Luxury Consumers[1]	~380	~730	~440	~880
		+150		

1. Including experiential and personal luxury, excluding cars
Source: BCG Analysis
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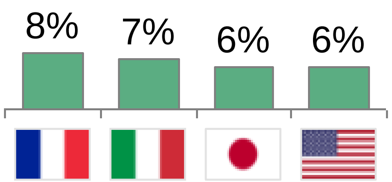
Disaffection: ~1M core luxury consumers impacted; 4Bn€ luxury spend at risk

Profile & Relevance

% of total population of core luxury consumers

Top countries



Profile
- Age
- % in top 20% HH

- 45-50
- 100%

Value impact
- Current value[1]
- Value at risk

- 8 Bn€
- 4 Bn€ (50%+)

Categories impacted and retention levers

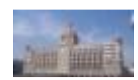
- Most **discontinued** categories

Perfumes & cosmetics

Sunglasses

Shoes

- Most **resilient** categories



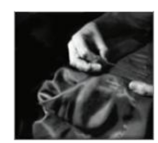
Hotels

Furniture

Vacation

- Key **retention** levers

Quality



Craftsmanship

In-store service

1. 2013 value
Note that disaffected are current luxury consumers expected to decrease their spend on luxury
Source: BCG ad hoc luxury study

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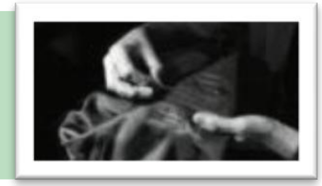

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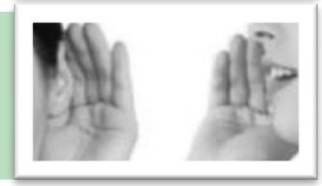


4 Gifting: a true gift for continued growth

5 Global Consumer: catch me if you can

6 DOS is dead, long life to DOS

7 Digital "physicalization"

1

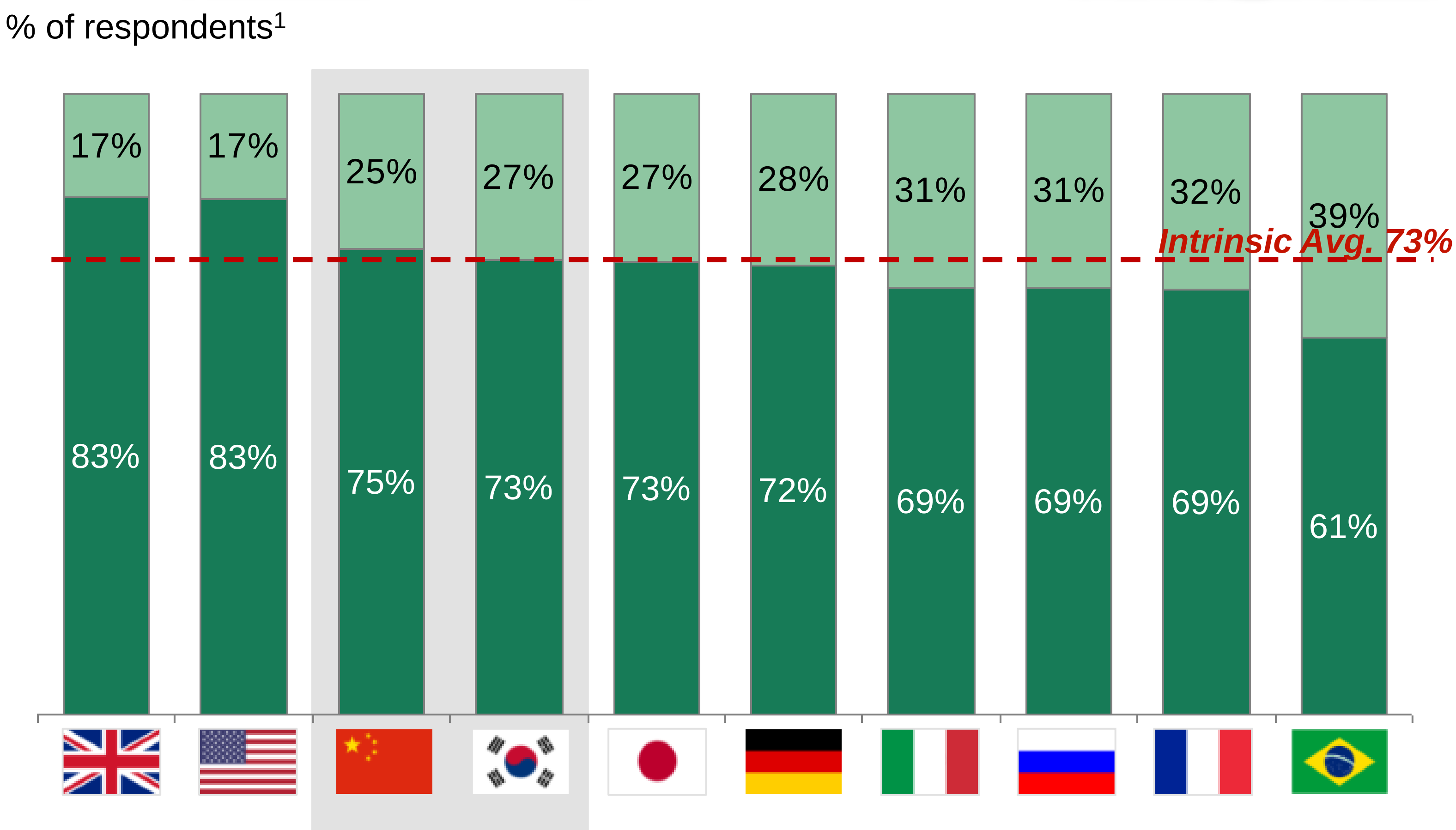
Luxury: the art of balancing *Intro* and *Extro* values

Intro values	*Extro* values
Quality *Exclusivity* *Craftsmanship* *Timeless*	*Adorned aesthetics* *Brand visibility* *Customization* *Being Cool/Sexy*

1

Intro values roaring, also in China and S. Korea

"What is luxury to you?"



***Extro* values**

- Adorned aesthetics
- Brand visibility
- Customization
- Being Cool/Sexy

***Intro* values**

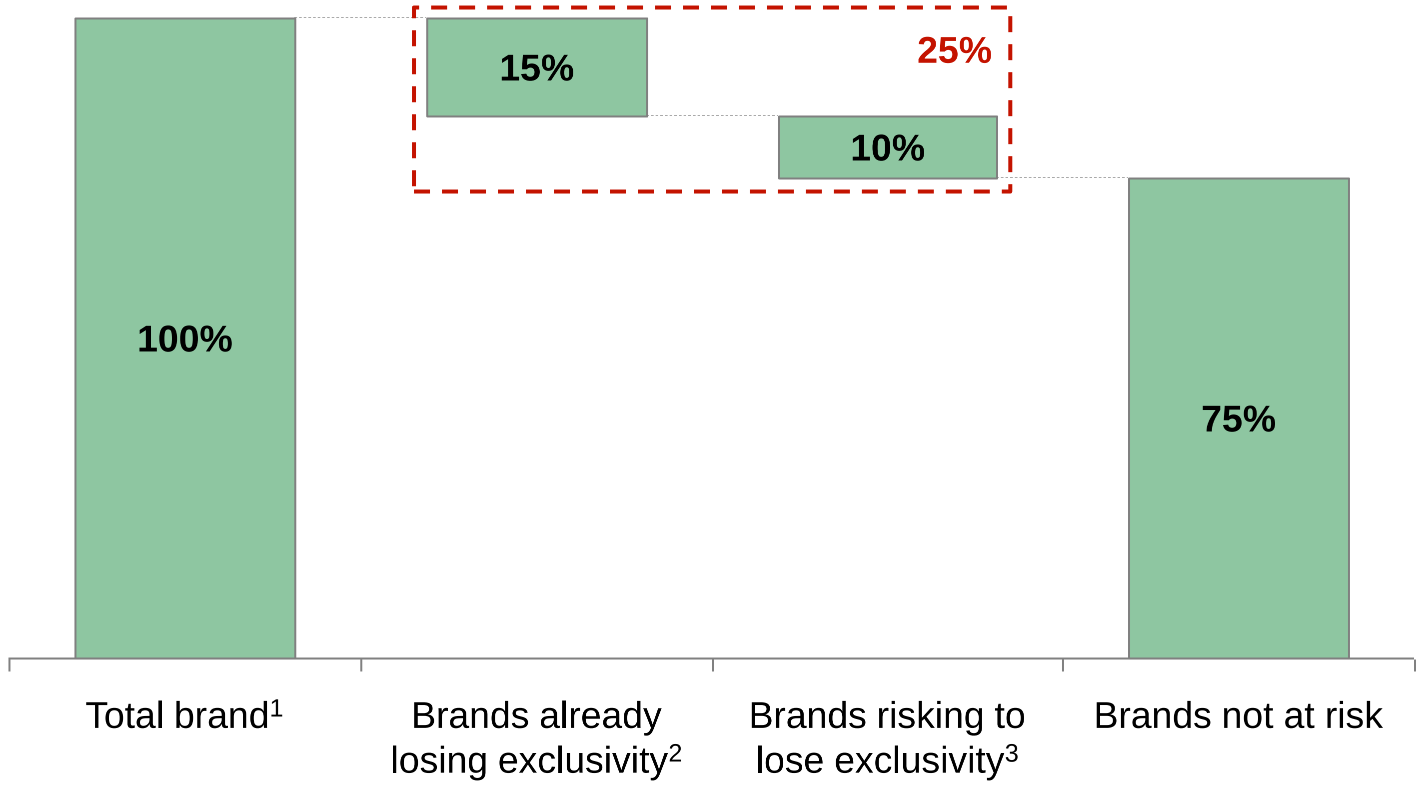
- Quality
- Exclusivity
- Craftsmanship
- Timeless

1. Respondents where asked to rank the top three values: the graph represent the value ranked as the most important
Source: BCG 2013 specific survey (10.000 core luxury Consumers in 10 countries)

~25% of luxury brands at risk of losing exclusivity

"Which are the brands you think are losing exclusivity?"

% of top brands analyzed



1. Analysis on top brands included in the survey with at least 200 respondents purchasing their products 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
Note: for the entire analysis considered only brands with at least 200 respondents purchasing their products: ~100 brands
Source: BCG 2013 specific survey (10.000 core luxury Consumers in 10 countries)

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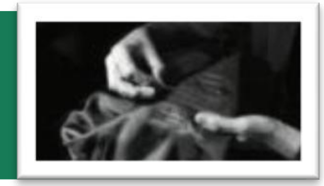

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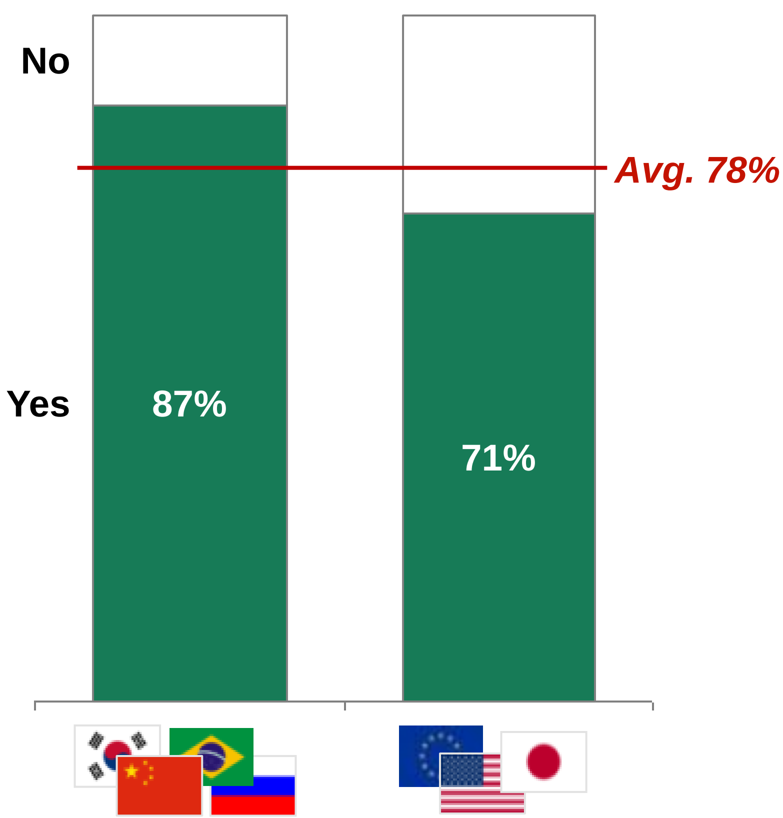
"Made In" rocks in all geographies with emerging markets the most sensitive

"Do you check where luxury products you buy are made in?"

% of respondents

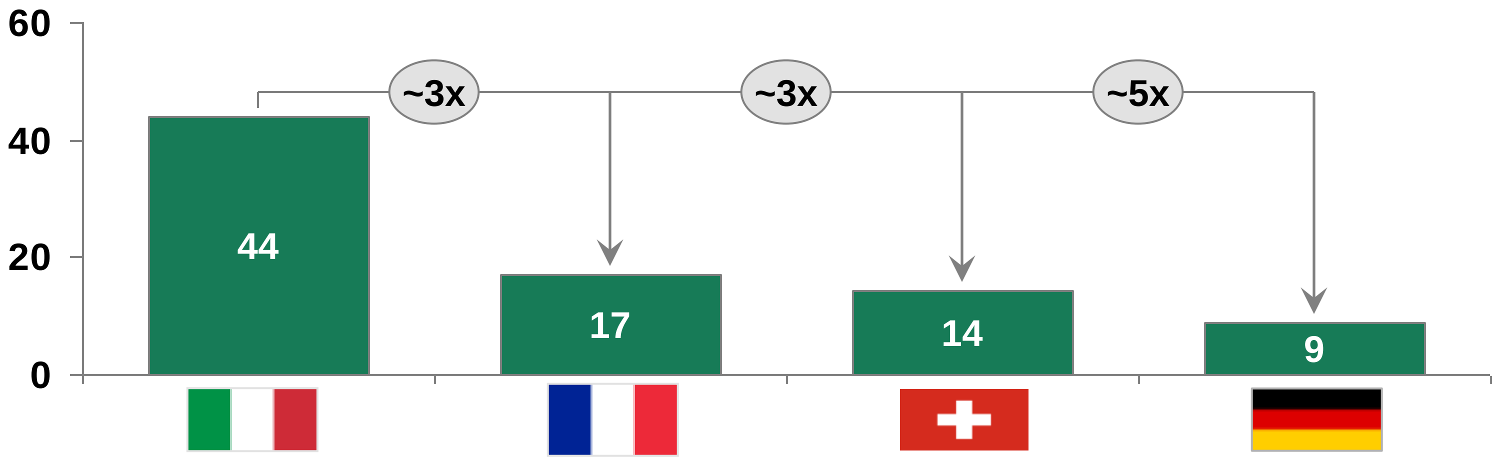


Source: BCG 2013 specific survey (10.000 core luxury Consumers in 10 countries)

"Made In Italy" outperforms "Made In France" and is first for all categories except watches & cars

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

% over "Made In" respondents



Ranking	"Made in" Italy	"Made in" France	"Made in" Switzerland	"Made in" Germany
Clothing	#1	#2	#8	#4
Accessories[1]	#1	#2	#7	#4
Jewelry	#1	#2	#3	#4
Watches	#2	#4	#1	#3
Cars	#2	#5	#8	#1

Source: BCG 2013 specific survey (10.000 core luxury Consumers in 10 countries)
Note: 1. Accessories include handbags, shoes and sunglasses

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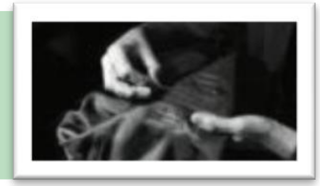

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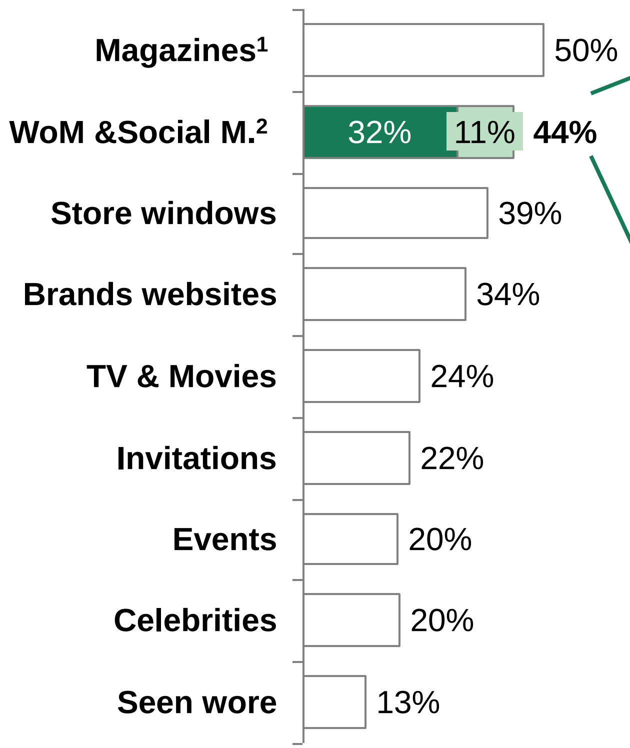
Word of Mouth is a key influence lever

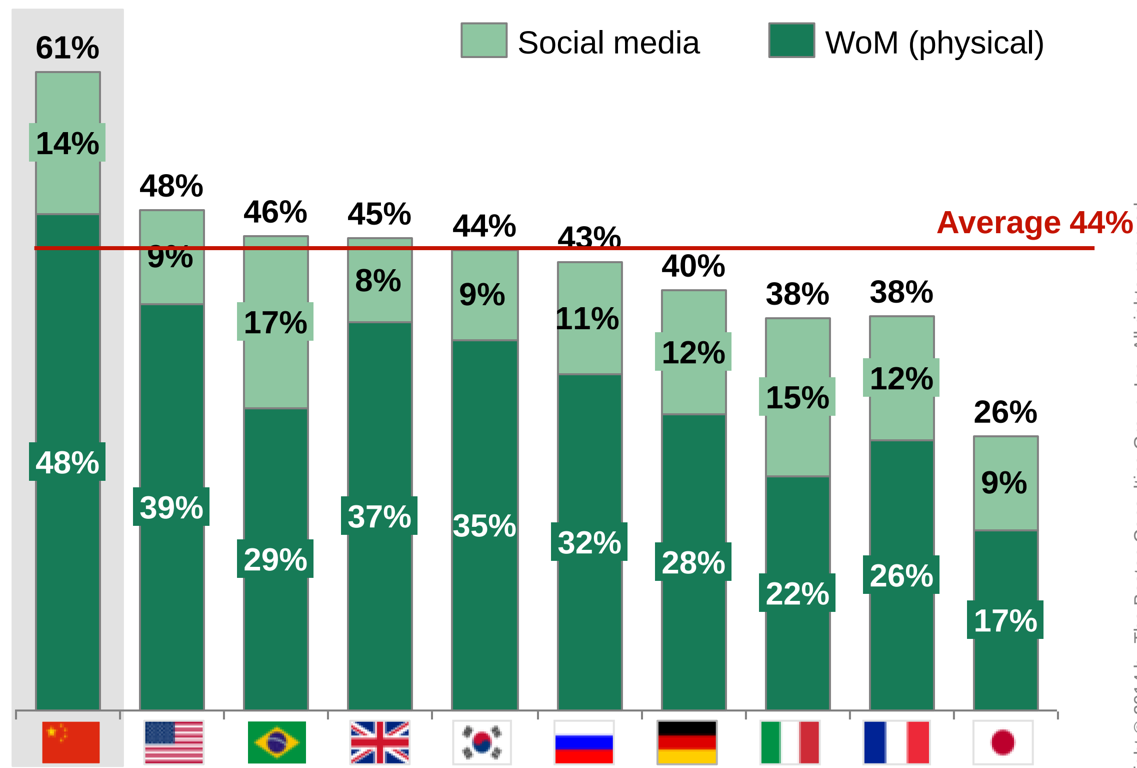
3

"Which of the following has an impact on your purchase decision?"

% of respondents



Different WoM influence across markets

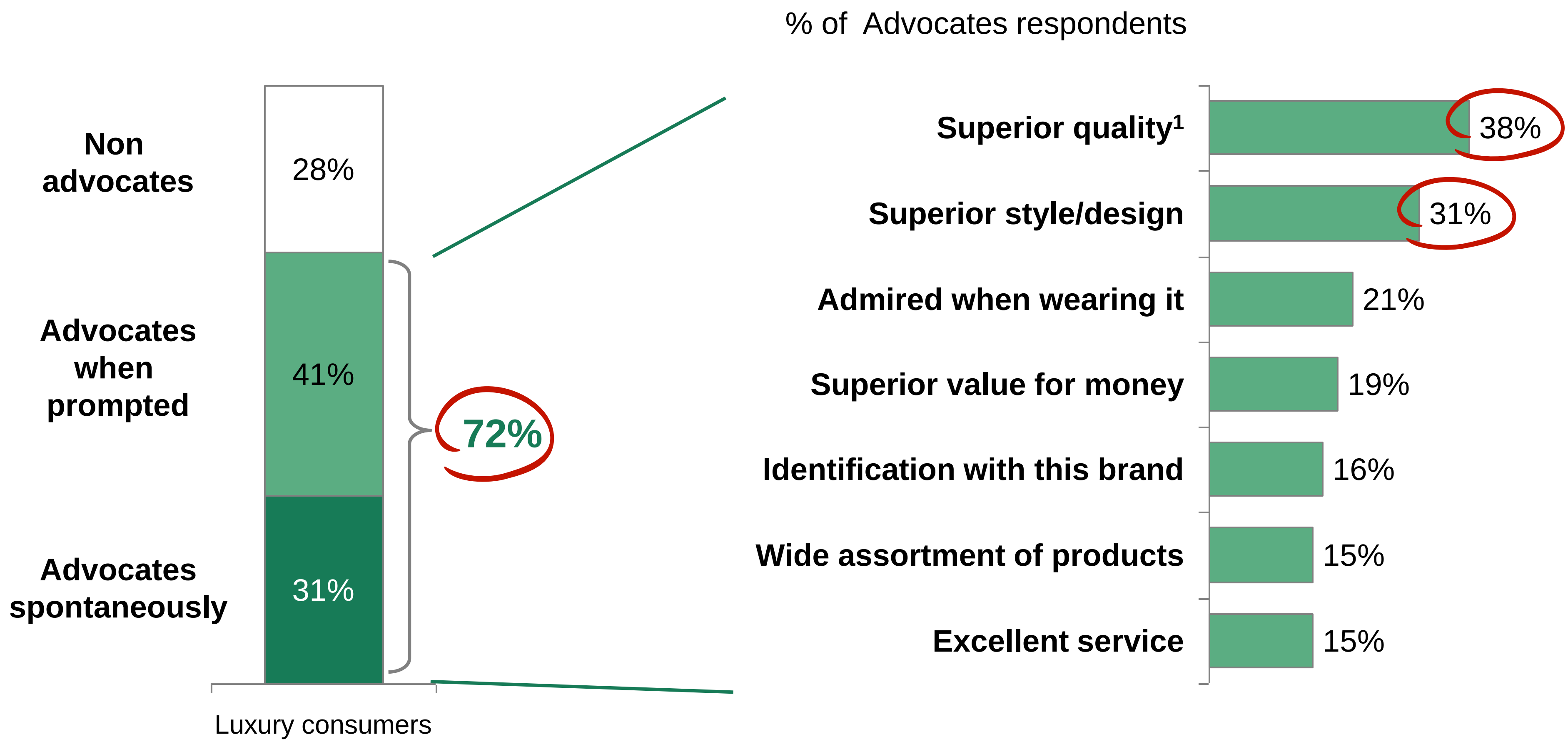


1 Including fashion, lifestyle and other magazines and newspapers 2. Respondent influenced by Social media and other Websites but not by physical Word of Mouth
Note: multiple choices possible; Source: BCG 2013 specific survey (10.000 core luxury Consumers in 10 countries)

2 out of 3 luxury Consumers are active advocates. Quality and design key to activate them

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

" Please indicate the reason why you have recommended this brand"



Source: BCG 2013 specific survey (10.000 core luxury Consumers in 10 countries)

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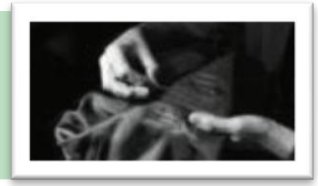

3 **The Advocacy era**

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5 **Global Consumer: catch me if you can**

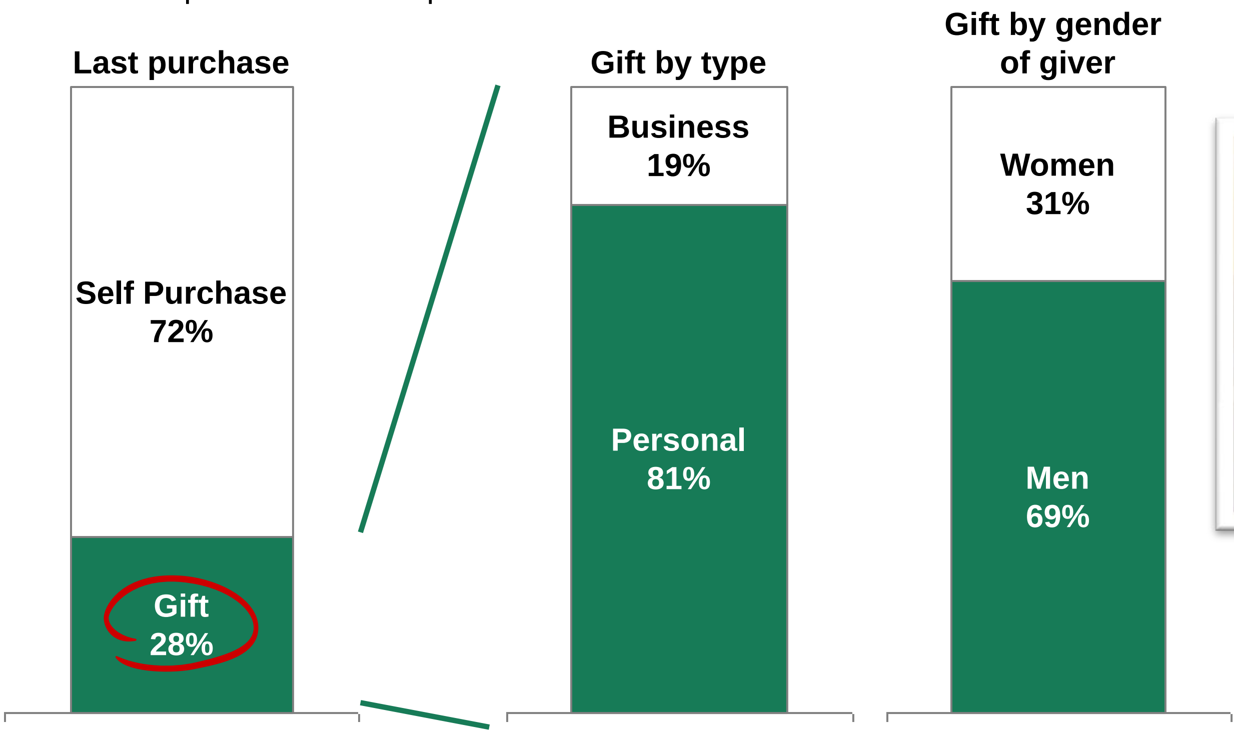
6 **DOS is dead, long life to DOS**

7 **Digital "physicalization"**

4 Gift represents ~30% of core luxury spend: 7 gifts out of 10 made by men

"Who was the recipient of your last purchase?"

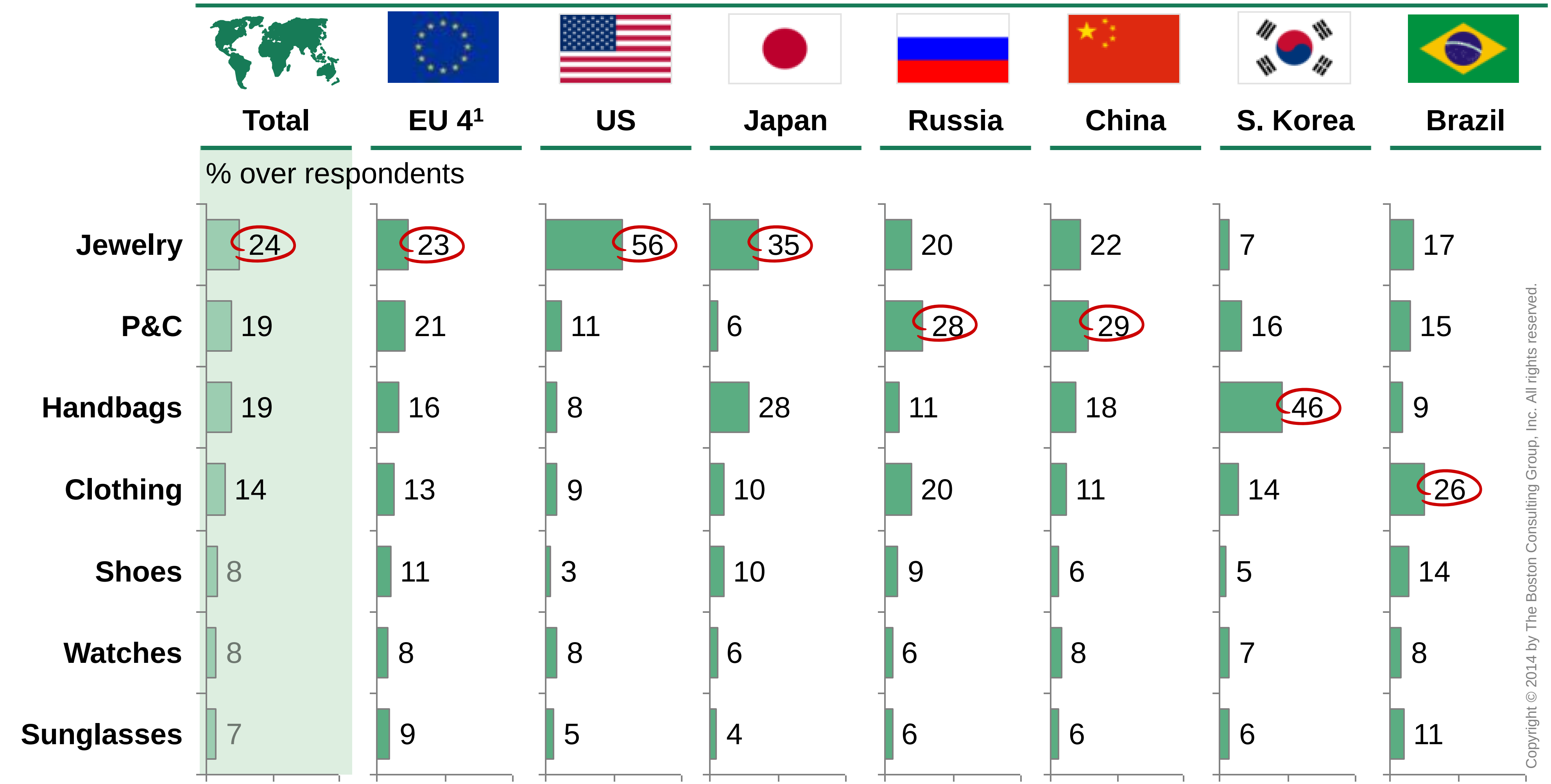
% of total respondents on last purchase



Source: BCG 2013 specific survey (10.000 core luxury Consumers in 10 countries)

P&C, Jewelry and Handbags the most gifted categories, with significant differences by country

Top gifted categories by market



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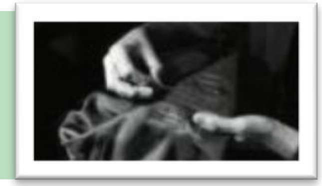

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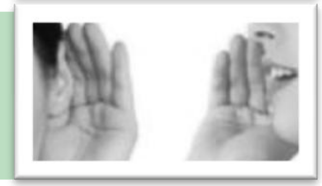

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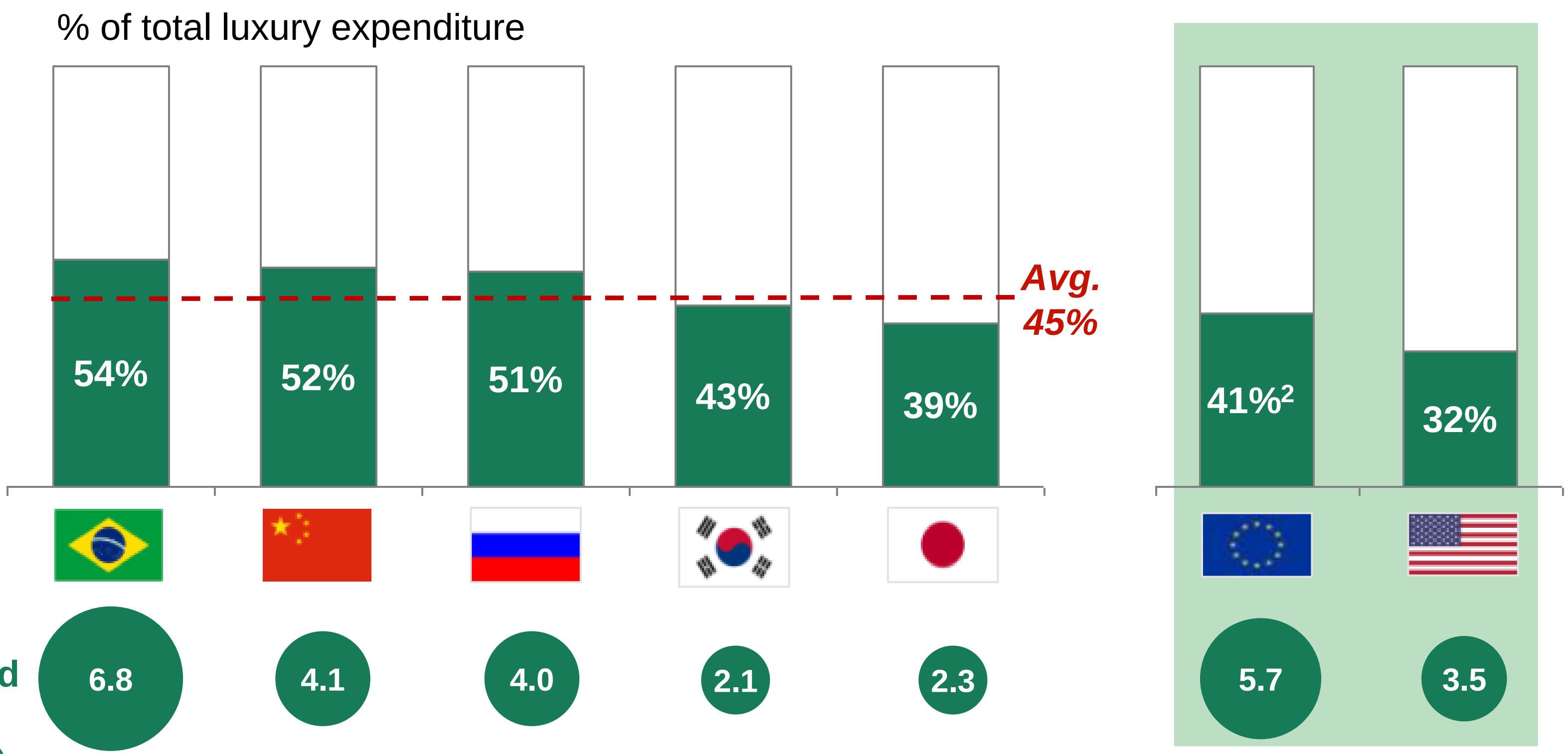
5 50% of luxury spending made out of the home country

"How much have you spent out of your home country in last 12 months?"



Average spend abroad (K€/Year[1]) (cars excluded)

Spend in home country
Spend abroad

1. Average spend abroad of a single Consumer per year. Includes all respondents ; 2. Mainly within Europe
Note: EU includes Italy, France, UK and Germany
Source: BCG 2013 specific survey (10.000 core luxury Consumers in 10 countries)

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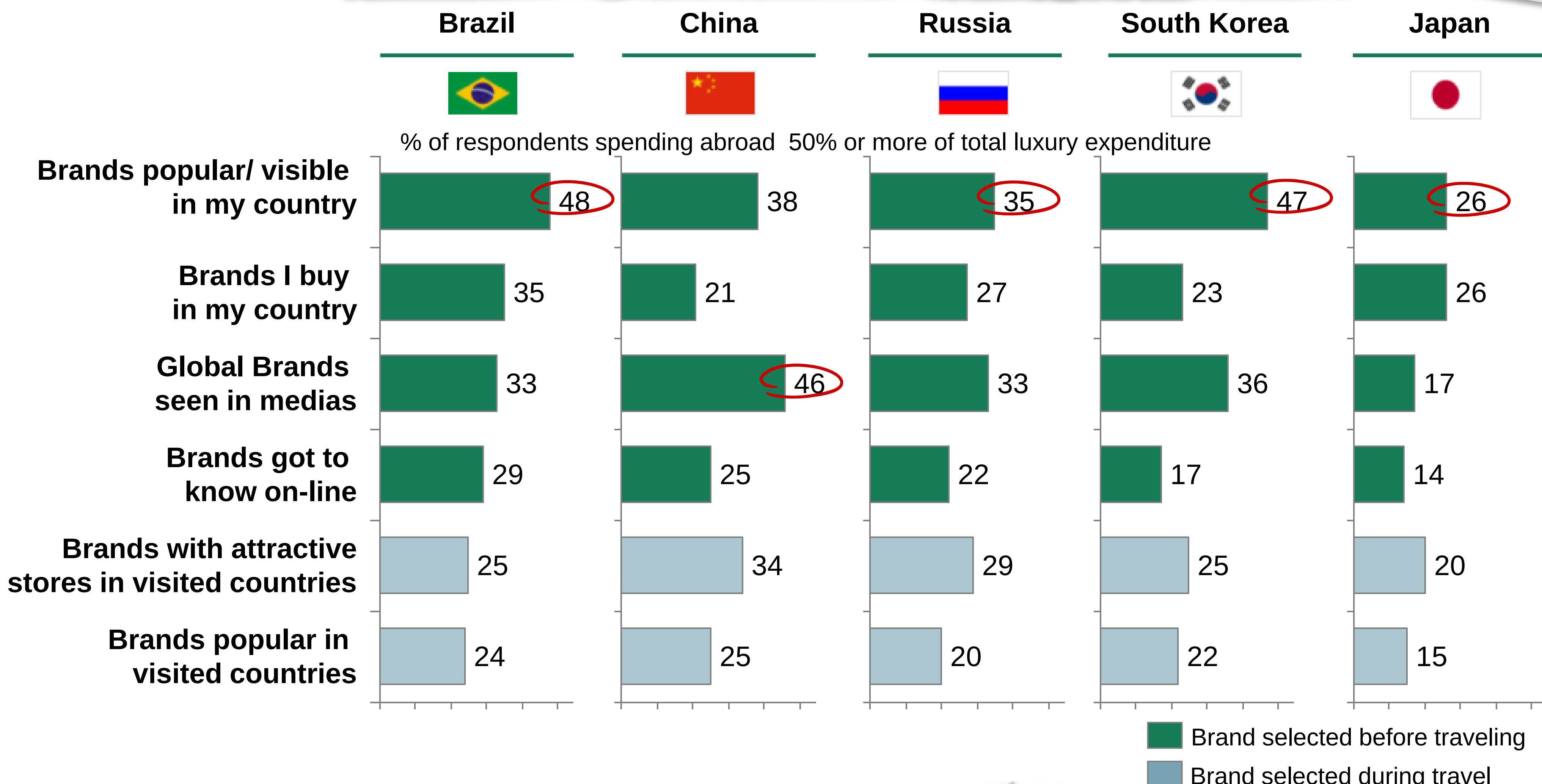
5

Brands need to be known before to get on the shopping list of luxury globetrotters

" When you are abroad, how do you select the brands to purchase? "

EU & US excluded[1]



1. Europe and US not included as significant part of their purchases abroad are on a regional base

Source: BCG 2013 specific survey (10.000 core luxury Consumers in 10 countries)

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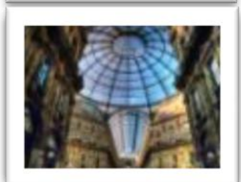
5 Traditional hubs capture 70+% of luxury travelers but top European destinations losing share

"In which city have you bought in the past 12 months?"

Excluding Consumers in their home country[1]

Paris — 26%



Milan — 24%

London — 22%

Paris, Milan, London: 72%

Milan still strong but **losing share**

New-York — 21%

Hong-Kong — 17%

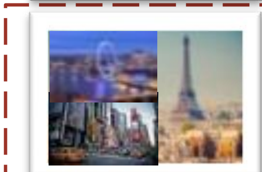
"In which city do you plan to buy in the next 12 months?"

Excluding Consumers in their home country[1]

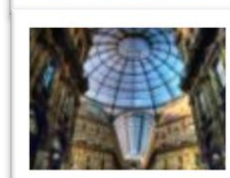
Singapore ↑

Moscow ↑

Macau ↑



Paris, London & NY =



Milan ↓

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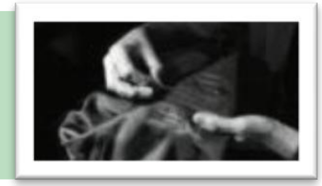

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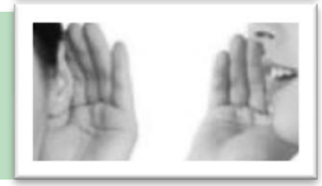

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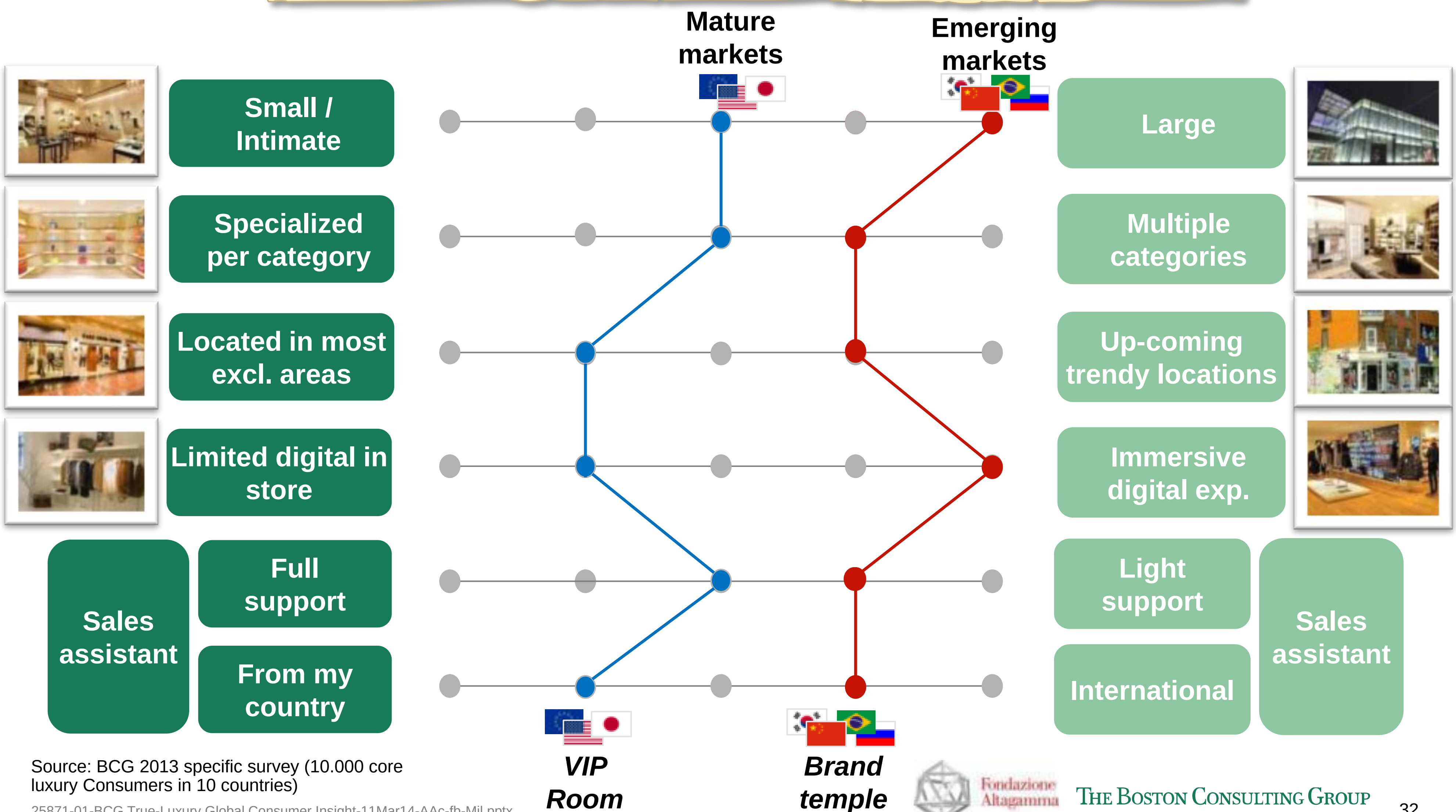
DOS: one size does not fit all

"Which characteristics should your ideal store have?"



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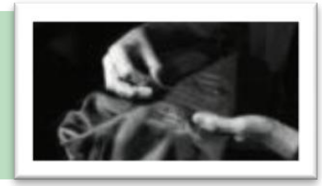

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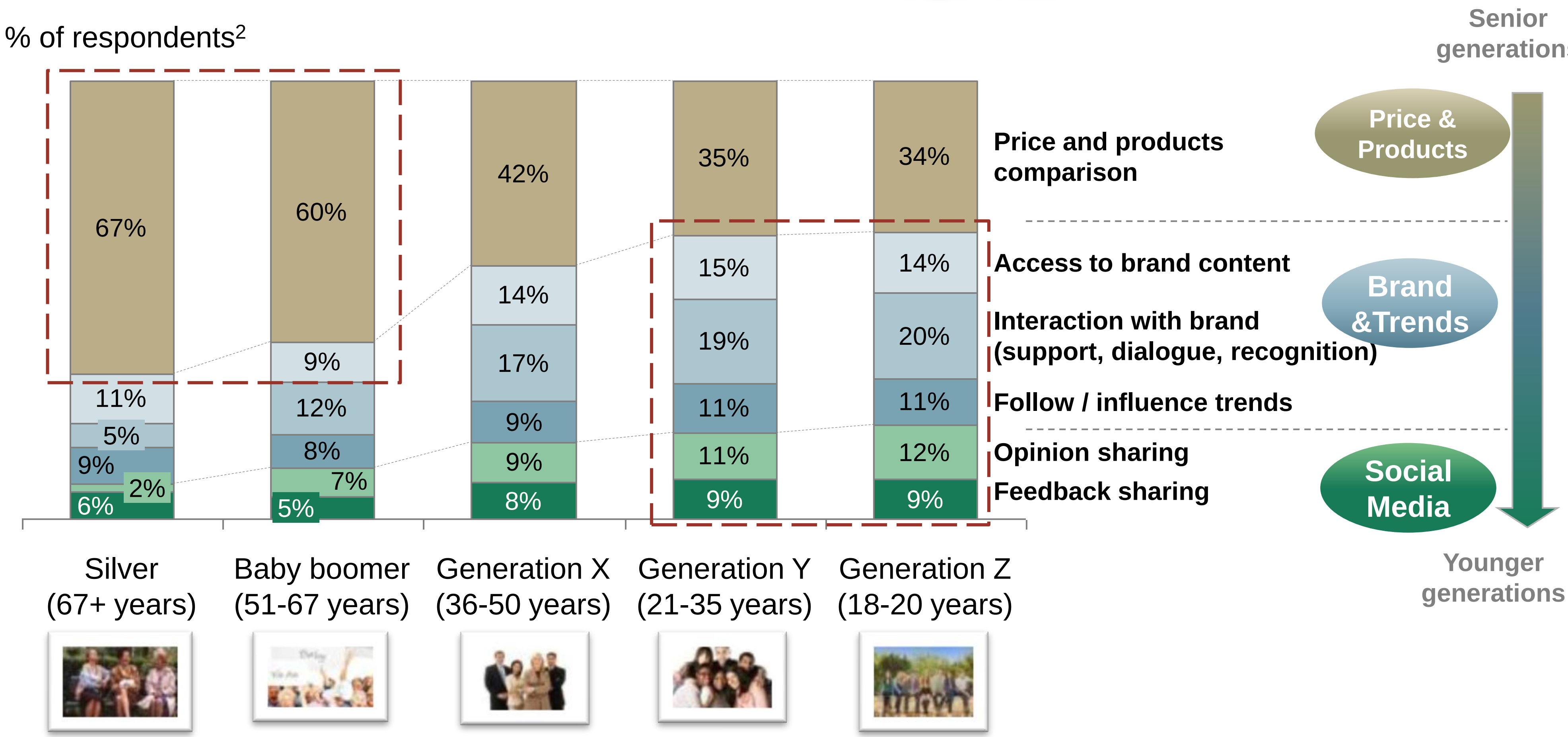
Use of digital as an information source different across generations

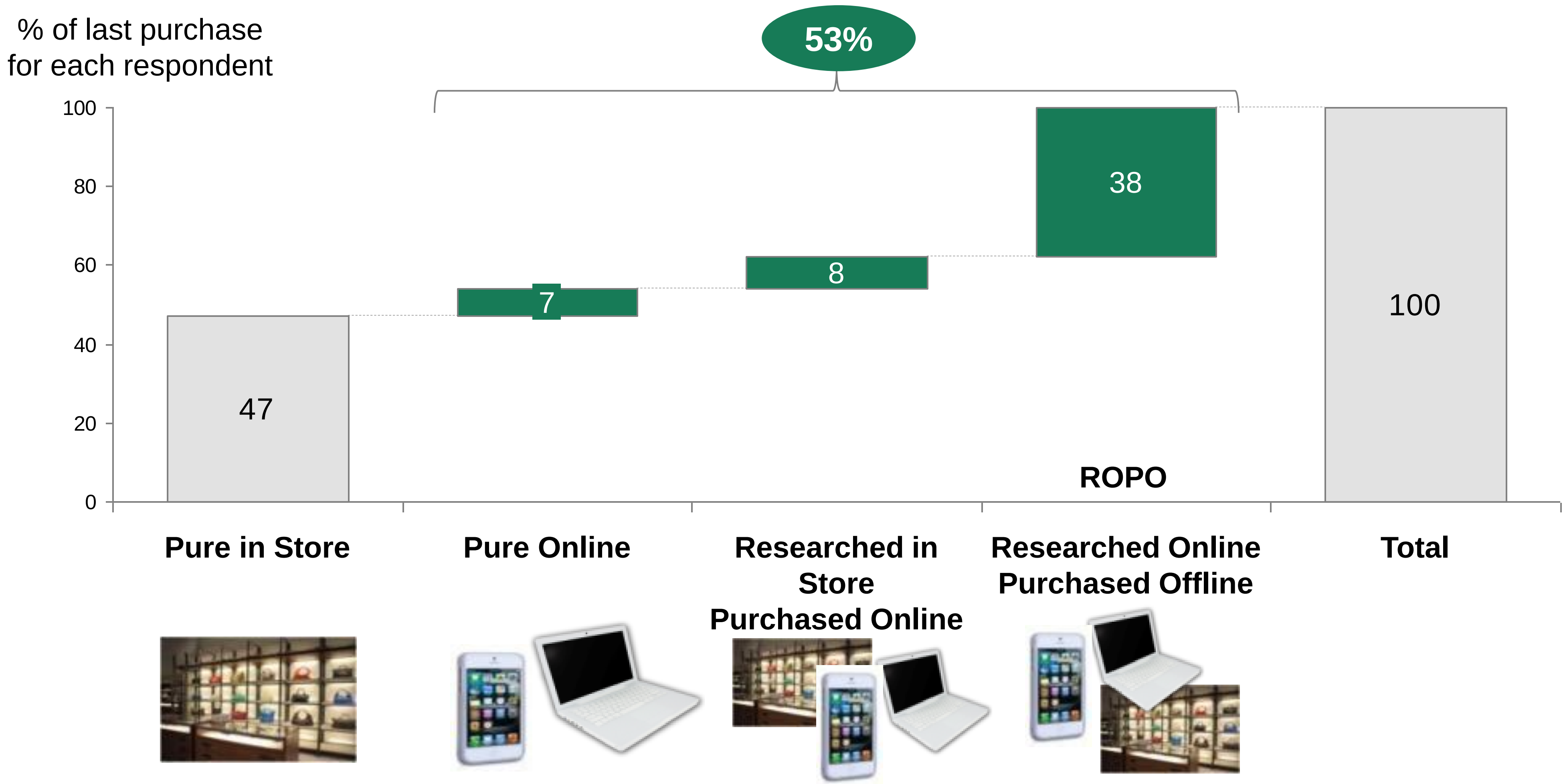
Why do you use digital beyond purchasing?



Note: Respondents purchasing Online or Researching Online and Purchasing Offline 2. Up to 2 answers possible, index value represented
Source: BCG 2013 specific survey (10.000 core luxury Consumers in 10 countries)

Channels are blurring with online influencing over 50% of total luxury purchases

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



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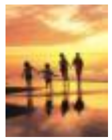
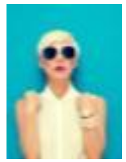
8 Global segments accounting for 80% of Core luxury market, 3 of them for 50%+

		Global segments (gender / geography balanced)								Gender specific		Country specific	
													
		Absolute luxurer	Megacitier	Experiencer	Fashionista	Status Seeker	# Little Prince	Social Wearer	Classpirational	Timeless Proper	Omni Gifter	Luxe Immune	Rich Upstarter
Segment size	(M)	2.1	2.3	2.7	2.7	2.2	1.5	0.7	3.1	2.5	2.0	1.5	1.3
	(%)	*8%*	*9%*	*11%*	*11%*	*9%*	*6%*	*3%*	*13%*	*10%*	*8%*	*6%*	*6%*
Avg. Spend[1]	(K€)	29	17	12	8	8	10	14	3	8	10	4	4
Current value	(Bn€)	61	38	33	21	16	15	10	10	21	19	6	5
	(%)	*24%*	*15%*	*13%*	*8%*	*6%*	*6%*	*4%*	*4%*	*8%*	*8%*	*2%*	*2%*

counting for 50%+ of lux. market

1.Does not include cars
Source: BCG 2013 specific survey (10.000 core luxury Consumers in 10 countries)

Fondazione Altagamma THE BOSTON CONSULTING GROUP

True-Luxury *Global Consumer Insight*: we will address 6 "W" questions

Why now?

What makes our study unique?

Where will growth come from?

What will it take to win luxury Consumer?

Which luxury segments will drive growth?

What's in for you?

So what's in for you?

Key take-aways

- **2 / 3** of the next decade growth will be **organic (today markets, today stores)**
- **380 M luxury Consumers** to become **440**; total market to increase by **150 €Bn** of which **85 €Bn** coming from **42M Core Luxury Consumers**
- Socio demos no longer predictive of core luxury Consumer behaviors: **12 unique segments entering your stores with different expectations**

Call for action

- Growth is there but there will be **winners and losers. Actions required include a set of commercial lever**
  - **Retail**: country and generation customization
  - **Quality and Exclusivity** as Brand life insurance
  - **Advocacy** a key pillar of an effective **Omni-media strategy**
  - **Digital**: from brick to digital and back again
- **"Made In Italy" an asset to build on** for the long term growth
- "Amazonization" of Brand assets: **consumer knowledge** will make the difference

Source: BCG 2013 specific survey (10.000 core luxury Consumers in 10 countries)

Antonio Achille

Partner and Managing Director - Milan

Antonio Achille is a Partner and Managing Director in the Milan office. He is a leader of the Consumer & Retail practice of the firm, with a particular focus on Luxury Good and Fashion.

For 20 years, he has been advising National and International Groups on issues that include corporate strategy, growth acceleration, clients strategic segmentation, organization redesign and Post Merger Integration. In the Luxury and Fashion sector his experience includes apparel, eyewear, accessories, selective fragrances, jewelry/hard luxury and experiential luxury. The geographical scope of his work includes most of the developed and emerging luxury markets (EU, North America, China, Turkey, Korea, Middle East ….).

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 chairs 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 uxury 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 FT, WWAD, Bloomberg, CNBC, FashionIllustated, Il sole 24 ore, Il Corriere della Sera,...

Prior to joining BCG he worked for Arthur D. Little. He graduated magna cum laude from the "Università L. Bocconi" of Milan where he holds a degree in Business Administration.

About BCG and its Luxury Fashion & Beauty 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, Fashion and Beauty practice, with more that 200 experts worldwide, advises Brands and Retail bringing together the experience of its centres of competence located in all key must be geographies for the sector: Milan, Ney York, Paris, Shanghai, Hong Kong and Tokyo.

BCG Luxury, Fashion and Beauty 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

To obtain a copy of the full report **"True-Luxury Global Consumer Insight"** presented by BCG, to schedule an interview with the author of the study **Antonio Achille**, or to discuss possible customization please contact:

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