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RETAIL

6 luxury trends from 2010-19 that will leach into the Twenties

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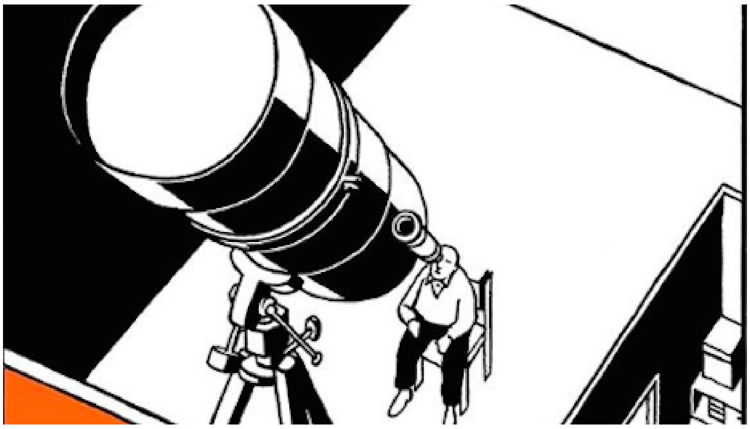

Sky's the limit: Herms gets the luxury formula right, and will continue to do so in the Twenties. Image credit:Herms. Illustration by Marc Antoine Mathieu

By MICKEY ALAM KHAN

The urge to resist December punditry was tremendous, but staying silent would mean abdicating responsibility to luxury brands and retailers trying to figure out their strategy for the 2020s.

So here goes an unbiased assessment of where the winds are blowing based on the wisdom imbedded in 90,000-plus articles, images and videos published by *Luxury Daily* since 2010 after talking to thousands of senior executives in the luxury business. Put simply, six overarching trends emerge:

Digital empowerment: The adoption of online and mobile shopping upended key characteristics of luxury with immediacy of product availability and pricing comparison. The impact on exclusivity and reach was commoditizing, to say the least. A full blossoming of social media armed consumers with tools to not just expect more from brands, but also to excoriate them if their values did not sync. Digital enabled the Age of Outrage.

For 2020 and the decade ahead, digital's omnipresence means many things: a dial-down of bricks-and-mortar retail store leases in mature markets, 24/7 engagement with consumers, and ecommerce and mcommerce compatibility with expertise in warehousing and returns.

If ecommerce is about a quarter of luxury sales worldwide at the start of the new decade, expect it to end with more than 50 percent share by end of 2029.

Big got bigger: LVMH and Kering, along with U.S. and Middle Eastern holding companies, snapped up storied family-owned Italian, French, German and American luxury brands. Bulgari, Loro Piana, Brioni, Versace, Jimmy Choo, Stuart Weitzman, Rimowa and Tiffany fell for the embrace of a corporate parent that offered economies of scale and distribution not easily available to smaller brands.

The fact is, most luxury brands and these conglomerates have copied mass-market practices for product distribution, pricing and even manufacturing. Hence why these large groups stress their quality, creativity, innovation and heritage but never limited distribution or rarity of product.

LVMH, Kering, Richemont, Tapesty, Capri Holdings and the Qataris, Kuwaitis and Emiratis will continue to acquire European luxury brands as younger generations within family-owned firms prefer to cash out. Luxury will be thoroughly corporatized by the end of the Twenties.

Sustainability: Buzzword or not, the sentiment is here to stay. Millennials and Gen Z consumers expect sustainable practices as a baseline. Kering, LVMH, hoteliers and automakers have led, with initiatives announced in the past year that set them on a path to green manufacturing, humane treatment of labor and animals, and earth-friendly efforts.

Fashion brands have been called out for destroying unsold inventory, harmful treatment of animals the flight from fur is a consequence, with warning signs for leather and for encouraging a culture of waste. That will change as the circular economy and a focus on the carbon footprint gains ground.

Across sectors, luxury marketers will embrace transparency in supply chains, deploying blockchain technology to certify the end-to-end journey of a product.

Experiences: This drive to experiences is nothing but a symptom of product-consumption fatigue. Seniors and boomers are divesting themselves of stuff, and millennials and Gen Z do not fall for the usual merchandise. What does that say for decorative luxury is anyone's guess. Consumers, affluent and aspirational, want to transport themselves from the daily, dreary headlines and spend time with friends and family, creating memories in beautiful places with great food, exquisite service and frictionless travel.

Where marketers must be en guarde is if this trend solidifies into a post-material age. Not every luxury brand that sells tangible product can become an experience purveyor, albeit the way it sells can improve to meet the Twenties consumer's digitally enabled, exacting standards.

China: The dragon will awake in the Twenties and will it roar. Chinese consumers worldwide account for 40 percent of all luxury goods sold. The 50 percent tipping point will breach in the next five years, unless the Chinese Communist government clamps down on purchases of luxury goods and services through currency controls, travel restrictions or punitive taxes.

What does this oversize influence mean for luxury marketers? Expect to adhere to Chinese standards of thought and speech censorship, or self-censorship, in other words. Chinese sense of humor is not the same as the West's, nor is the country's dislike of condescension toward it. The social backlash and ostracizing can be swift and unforgiving. Ask Dolce & Gabbana.

Brands will also have to step up their digital savvy the Chinese shopper is, arguably, the most exacting in the world, spoiled by the likes of Alibaba and its Tmall unit, Weibo, Tencent, Secoo, JD.com and a bunch of others that offer retail, entertainment, communication and banking at the tap of a finger and fulfillment within hours.

Wealthy grow wealthier: Shy of a recession, depression, global terrorism or war, the wealthy will continue to grow their asset base as long as key global stock markets perform. According to Wealth-X, there were 174,000 individuals worldwide in 2009 with a net worth of $30 million or more. That number grew to 275,000 individuals by 2019. What this means is that there is a strong market for luxury brands in the high-net-worth and ultra-high-net-worth echelons.

As luxury marketers seek scale and continually rising prices of their stocks, they will have to do a delicate dance: maintain the exclusivity and quality of their products as they cast a wider net without alienating the truly wealthy. France's Herms is one brand that handles this duality with ease, and will continue to do so in the decade ahead.

One more punt. Bernard Arnault, chairman/CEO of LVMH, aesthete extraordinaire and *Luxury Daily's 2019 Luxury Personality of the Year*, briefly became the richest person in the world this year, with a supposed net worth north of $100 billion. He's No. 3 behind Amazon's Jeff Bezos and Microsoft cofounder Bill Gates. Once Mr. Arnault absorbs Tiffany in 2020 and a few other brands in the years beyond, expect him to boast the rare distinction: the ultimate luxury seller and customer.

Want to know what 2020 is likely to turn for luxury brands and retailers? Come join us at Luxury FirstLook 2020 in New York Jan. 15. Few seats left