

COLUMNS

# 2024: The challenge for luxury amid global and regulatory changes

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*Nora Kleinewillinghoefer is a partner and North America lead for fashion and luxury in global strategy and management consultancy Kearney's Consumer practice.*

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By **Nora Kleinewillinghoefer**

In 2024, the luxury retail sector must navigate a complex landscape shaped by global fragility and evolving regulatory environments.

Geopolitical turmoil, such as the ongoing conflicts in the Middle East and Ukraine, combined with disruptive events like the Red Sea attacks impacting and diverting shipping through the Suez Canal, present significant operational challenges and risks to brand perception in the luxury market.

Concurrently, luxury brands are adapting to an increasingly stringent regulatory climate, particularly regarding sustainability. The EU's Corporate Sustainability Due Diligence Directive and Corporate Sustainability Reporting Directive, alongside the U.S.'s focus on supply chain transparency as embodied in the New York Fashion Act and the Uyghur Forced Labor Prevention Act, demand a higher level of responsibility vis vis environmental and human rights impacts.

Additional measures, including the EU's Safe and Sustainable-by-Design Framework and efforts to curtail micro-plastic pollution, further constrict operational parameters. These changes require not only comprehensive supply chain due diligence but also transparent and substantiated environmental claims to effectively address greenwashing.

In response, organizations are seeking increased agility in their supply chains to adapt to geopolitical shifts, such as rerouting shipments away from volatile regions like the Red Sea and optimizing production schedules around events such as local holidays. This strategic responsiveness is key to mitigating the impact of global uncertainties on luxury retail operations in 2024.

As we step into 2024, the luxury market is poised for transformative shifts across various domains, painting a dynamic landscape for industry players.

## **Refining channel strategies amid evolving consumer behaviors**

The year heralds a further evolution in in-store, online and omnichannel strategies, driven by changing consumer behaviors. With emerging categories and shifting demographics, luxury brands will need to adapt their approaches in 2024.

Despite the digital surge, in-store shopping remains the backbone of the luxury sector, complemented by the burgeoning momentum of social commerce.

The post-pandemic era sees a renewed appetite for in-store experiences, which will benefit mono-brand boutiques. Brands are integrating omnichannel and digital elements such as interactive dressing rooms and personalized recommendations to enhance the boutique shopping experience.

### **Supply chain resilience in the face of uncertainty**

Luxury fashion and retail brands are increasingly vulnerable to supply and demand shocks.

The need for traceability and control across supply chains is paramount, given erratic and localized demand and unpredictable supply disruptions. The industry may also see a shift in production sources, with artisans playing a pivotal role, moving away from a Eurocentric focus.

Recent collaborations by top brands with local craftsmen in Japan and India underscore this trend, highlighting a more diverse production landscape.

### **The sweeping role of technology**

In 2024, the luxury fashion industry is ripe with technological innovation, and AI, machine learning, and blockchain are leading the charge. AI is particularly transformative, offering a spectrum of applications from dynamic trend forecasting and personalized shopping experiences to combating counterfeit products and streamlining supply chains for greater sustainability and efficiency.

This technological diversity presents luxury brands with both opportunities and challenges. To harness its potential effectively, luxury companies need to have a strategic tech focus, selecting and investing in applications that resonate with their brands' unique identity and objectives.

### **From Conflict to Compliance**

From an analyst's perspective, 2024 presents a nuanced landscape for the luxury market.

Brands will have to adapt to these evolving dynamics and understand regional specificities and consumer preferences if they are to succeed. Brands that have clarity of vision and a distinct path forward will see that these adaptations are critical to weather the changes in the coming period of cautious optimism.