

STATE OF LUXURY SURVEY 2020

EXECUTIVE SUMMARY

Presented by:



Luxury Daily[®]

THE HOME TRUST[™]
Arbiters of Refined Taste

HIGHLIGHTS OF THIS YEAR'S STATE OF LUXURY STUDY

- **More experiential companies** – This year's survey is enhanced with higher participation of luxury industry insiders than in previous years (~900 vs. ~607) and most of those newcomers are experiential luxury companies.
- **Advertising spending will moderate** – This year luxury goods and services/experiential companies will spend ~ 10% on advertising and marketing, down from 15% last year. Fewer plan to increase advertising investment in 2020 and more will decrease spending, compared with previous years.
- **Social media isn't delivering results** – While Instagram and Facebook are the most widely used social media channels, they continue to disappoint. Only about 25% of Instagram users and 14% of Facebook users report these channels are very effective.
- **Luxury companies and their advertising/marketing suppliers have different priorities for 2020** – From the client side, website enhancements and to a lesser extent collaborations and special events are top on their to-do list. On the supplier side, however, they will be focused on influencer marketing, content market and public relations, but to a lesser extent website enhancements, special events, and collaborations.

In addition, suppliers see the social media services they deliver to their clients as more effective than their clients do. This suggests that luxury companies and their services providers are not reading results in the same way.

- **Luxury consumers' shifting shopping behavior is a key challenge** – Causing the greatest challenge for luxury insiders this year is the changing ways consumers shop. While finding new customers continues to challenge luxury companies, they are also facing a consumer who is less willing to trade up to luxury. Part of the reason is millennials have an appetite for luxury but less ability to pay for it.

Further luxury insiders are challenged as to how to appeal to new customers coming into the luxury market who may not define luxury in the same way previous generations of consumers had. This changing definition of luxury may be the reason why insiders also feel that their advertising and marketing messages are becoming less effective.

- **Luxury insiders turn more negative about business conditions in 2020** – This year and next the luxury insiders surveyed are far less optimistic about conditions in the overall luxury market compared to their assessment in last three years. Last year in the 2019 survey, over 50% expected business conditions in the luxury market to improve. However, this year only 20% felt overall luxury market business conditions actually improved this year over to last.

Further only 21% expect business conditions in the luxury market to improve in 2020, while a greater number (32%) expect conditions to worsen next year. Most striking is the number of insiders who expect business conditions to improve in the next year has dropped by more than half in this year's survey overall last years. Last year 52% expected business conditions in the coming year to improve, whereas this year only 21% expect improvement in the coming year.



KEY TAKEAWAY

“It is not so much that luxury has lost its meaning, as it is that luxury has to evolve its meaning. Now it is much more of an omni-channel experience. It gives us the opportunity to redefine luxury as a service or experience vs. being simply an object of desire.”

Salvatore Ferragamo



Cartier



FENDI



MOSCHINO



Chloé

DOLCE & GABBANA

BVLGARI

GUCCI



OUR LUXURY INDUSTRY INSIDERS' SAMPLE

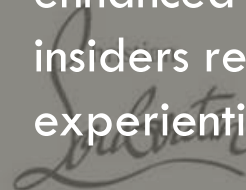
This year's survey is enhanced with more industry insiders representing experiential luxury insiders.



Tiffany & Co.



Mercedes-Benz



PRADA



Harrods



AZIMUT
YACHTS



BOSS
HUGO BOSS

LUXURY INSIDERS SURVEYED

Our survey sample increased significantly this year from ~600 respondents in the past three years to nearly 900 this year. This year we aimed to increase the representation of experiential luxury services providers in our sample, because the luxury consumer market overall is going more experiential.

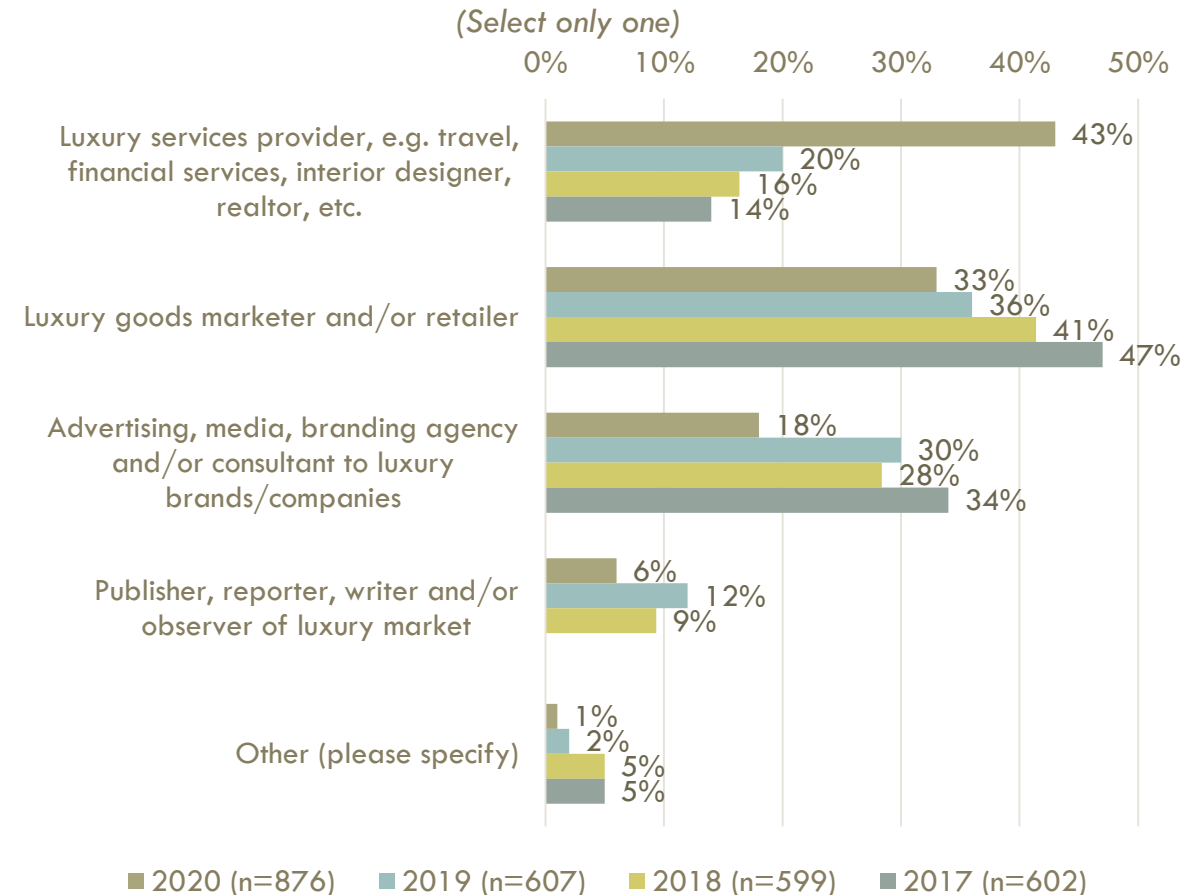
As a result, experiential luxury companies represented over 40% of the total survey sample, followed by luxury goods companies which accounted for one-third of the total sample.

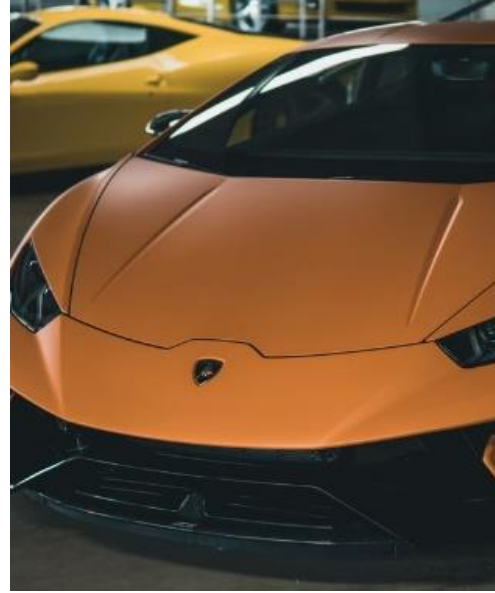
However, while the percentage representation of luxury goods companies declined, the absolute numbers of luxury goods insiders participating in this year's survey rose significantly from last year due to the overall increase in our sample. In 2020, some 285 luxury goods insiders responded to our survey, as compared with 221 last year, a 29% increase for luxury goods respondents.

Participation of advertising agencies, media, consultants and other insiders providing services to the luxury industry dropped percentage-wise from previous years, but not significantly in absolute numbers of respondents. This year 156 ad agencies and other providers to the industry were included in the sample, as compared with 180 last year.

This year the share of publishers, reporters and observers dropped as did those classified as "other."

What is your company's role in the luxury industry?





LOOK AT LUXURY GOODS MARKETERS

The next series of questions were asked only of luxury goods marketers and retailers.

LUXURY GOODS MARKETERS

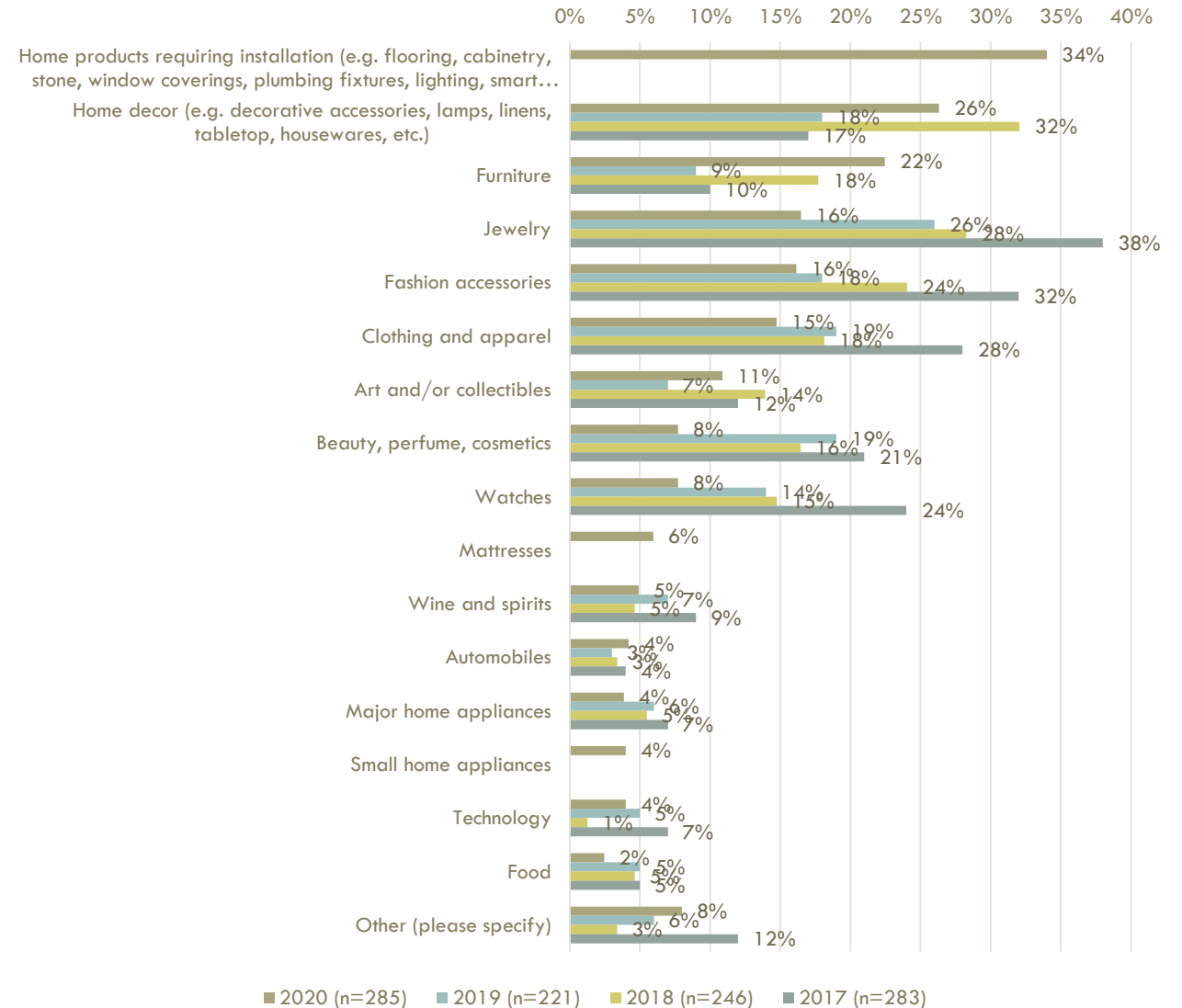
This year a greater representation of luxury goods companies selling products for home are included in the survey, including goods companies that supply home products that require installation (flooring, lighting, plumbing, window coverings, etc.), as well as home decor companies and furniture companies.

Over the course of the four year's surveys, there has been considerable variation in the luxury goods categories in which our survey respondents compete.

The “other” category includes such goods as boats, airplanes, outdoor and equestrian supplies.

What categories of the luxury goods market do you compete in?

(Check all that apply)



LUXURY GOODS DISTRIBUTION CHANNELS

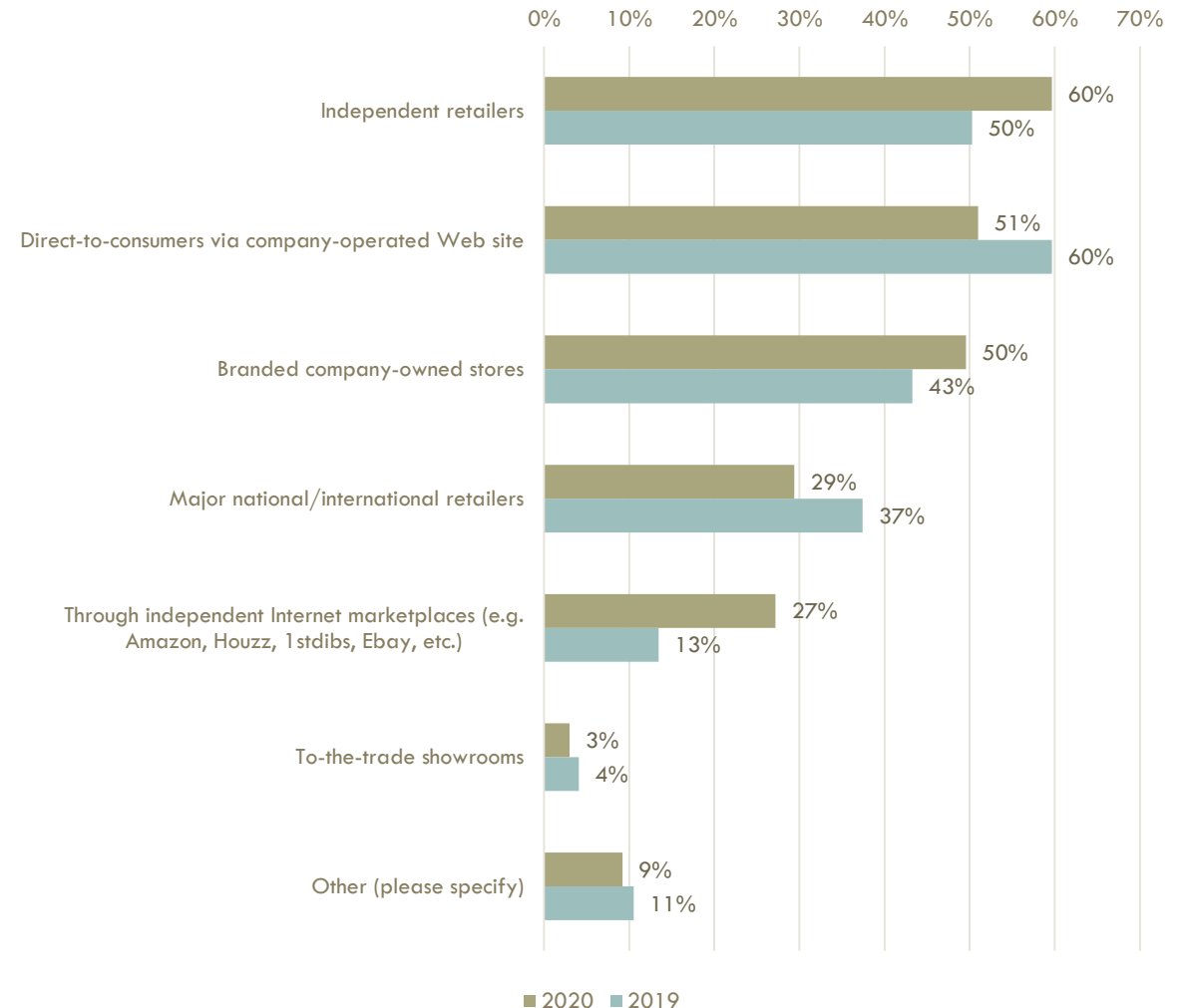
New to last year's survey was a question of how luxury goods companies distribute their products to consumers.

Independent retailers, direct-to-consumer distribution via company-owned website, and branded company-owned stores are the three leading distribution channels for luxury goods companies.

"Others" include distributors, trade shows and popups.

How does your company distribute luxury goods to consumers?

(Check all that apply)

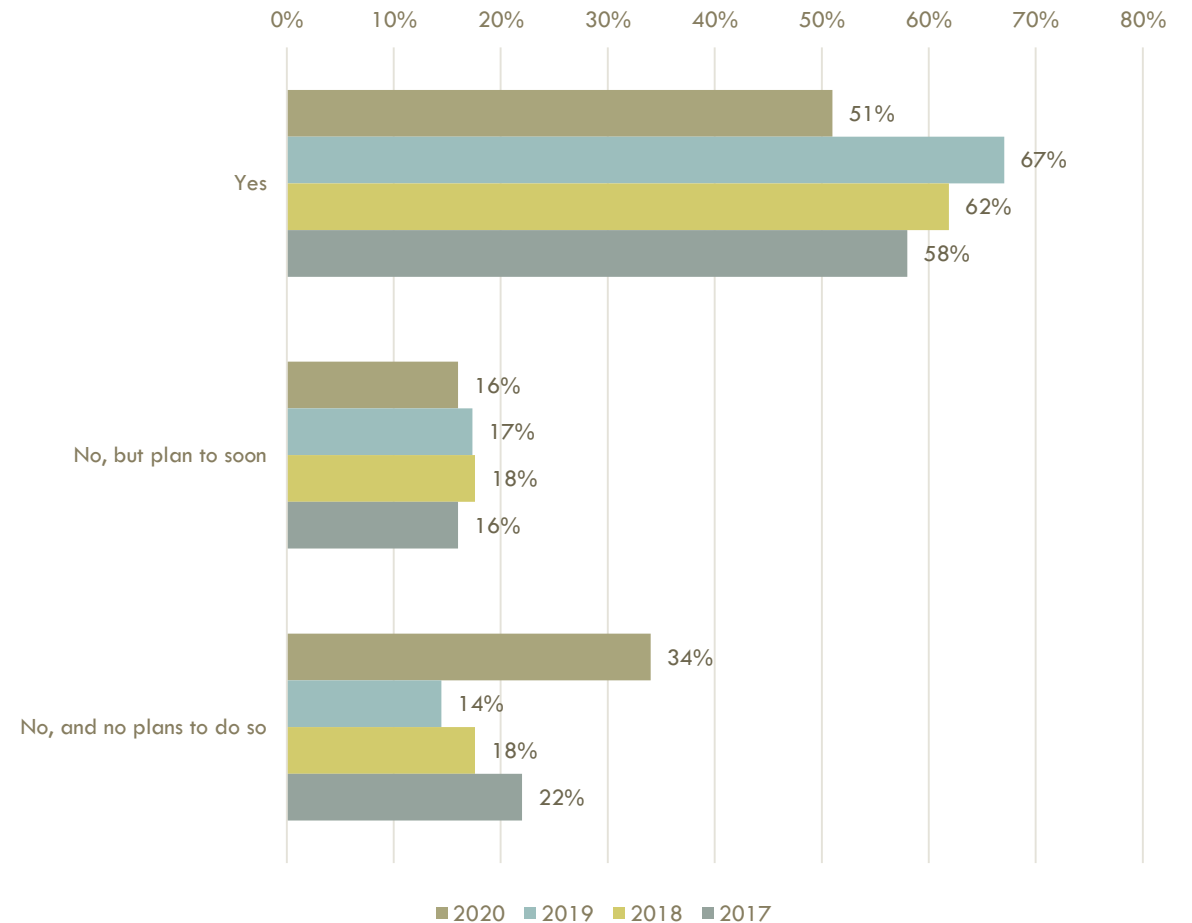


INTERNET E-COMMERCE

Overall, a majority of luxury goods companies this year depend upon dtc distribution, as in previous years.

However, this year a greater share of luxury goods companies report no plans to add direct-to-consumer distribution through a company-owned website. This is likely to the higher percentage of home-related companies that sell products requiring installation.

Does your company sell products direct-to-consumers through a company-owned website?



SHARE OF LUXURY GOODS COMPANY SALES ONLINE

This year luxury goods companies report on average about 20% of company sales are made online. That is down from previous years, likely a result from the higher level of representation of home-related luxury goods companies in our survey. Consumers are generally not as active purchasing that category of goods online as for others that are more easily shipped.

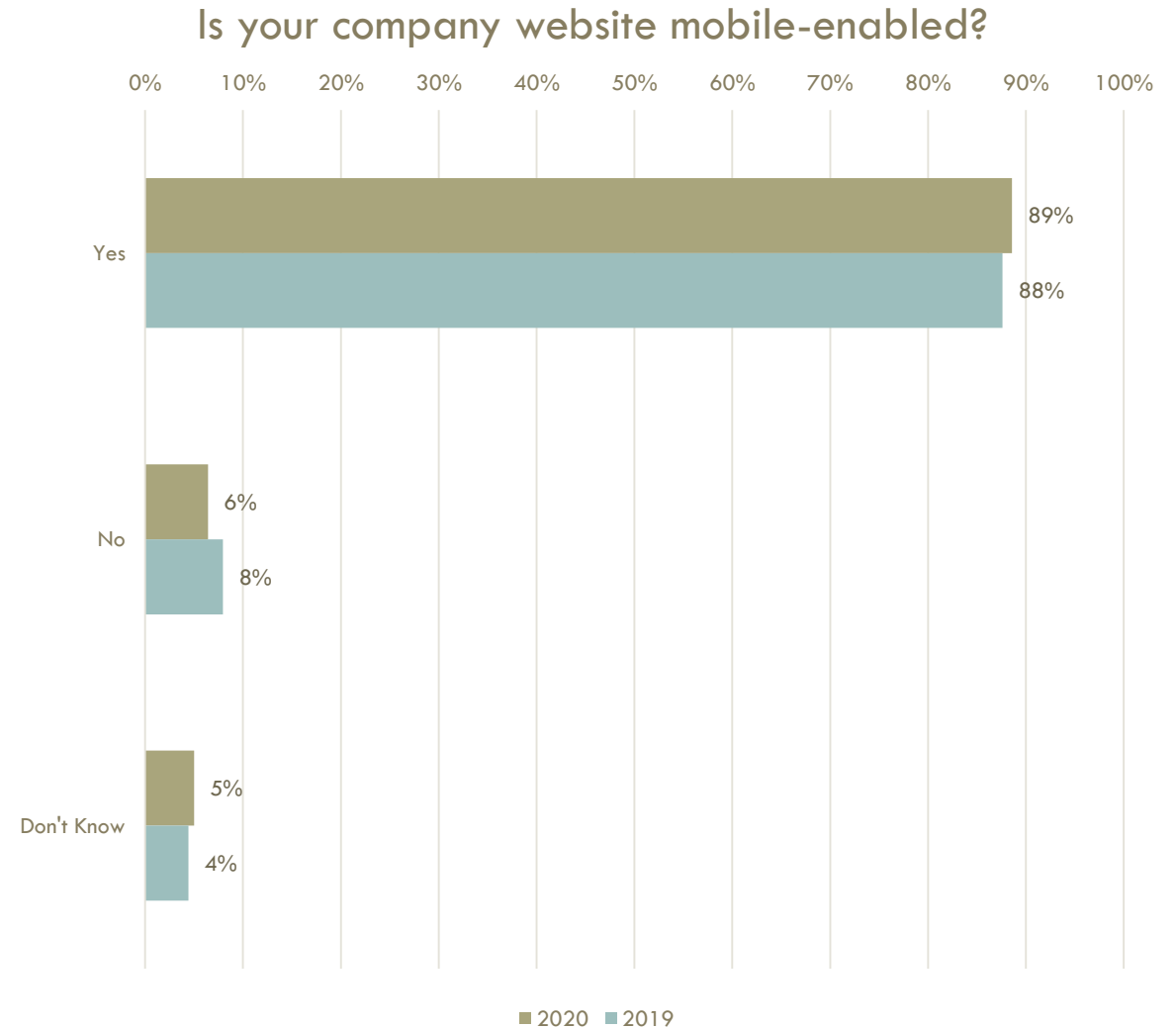
	2020 Company Revenues Online (avg. 21%)	2019 Company Revenues Online (avg. 35%)	2018 Company Revenues Online (avg. 34%)	2017 Company Revenues Online (avg. 34%)
1-10%	61%	38%	42%	35%
11-25%	15%	16%	16%	23%
26-50%	11%	21%	16%	19%
51-75%	2%	6%	7%	5%
76-99%	6%	8%	11%	5%
100%	5%	10%	8%	12%

MOBILE-ENABLED WEBSITE

The vast majority of luxury goods' websites are mobile-enabled.

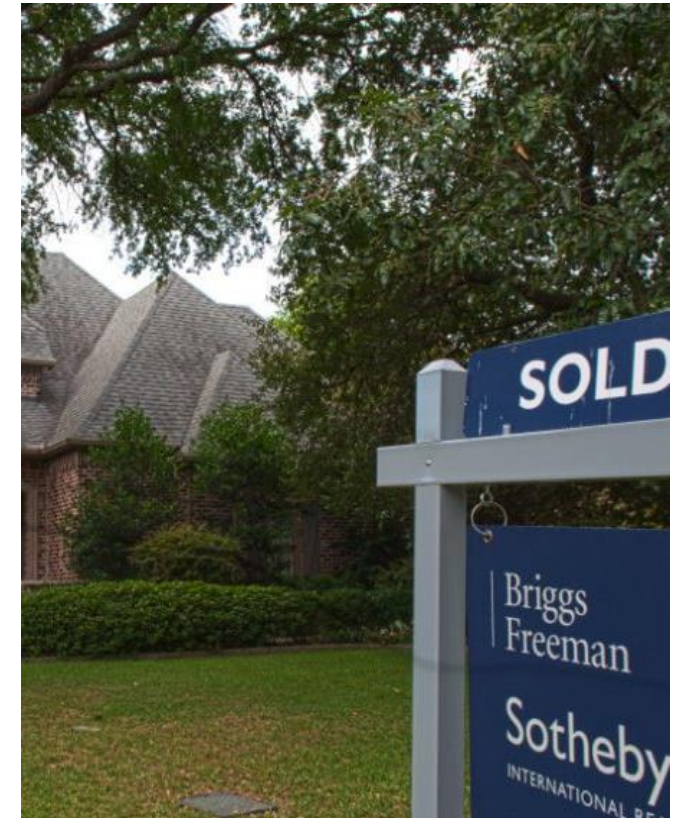
In a followup question among those 89% of luxury goods companies with mobile-enabled websites, they report that on average just over one-fourth (27%) of all Internet sales are generated through mobile devices.

This was a new question added to the survey.



LOOK AT LUXURY EXPERIENTIAL MARKETERS

The next series of questions were asked
only of luxury experiential marketers.



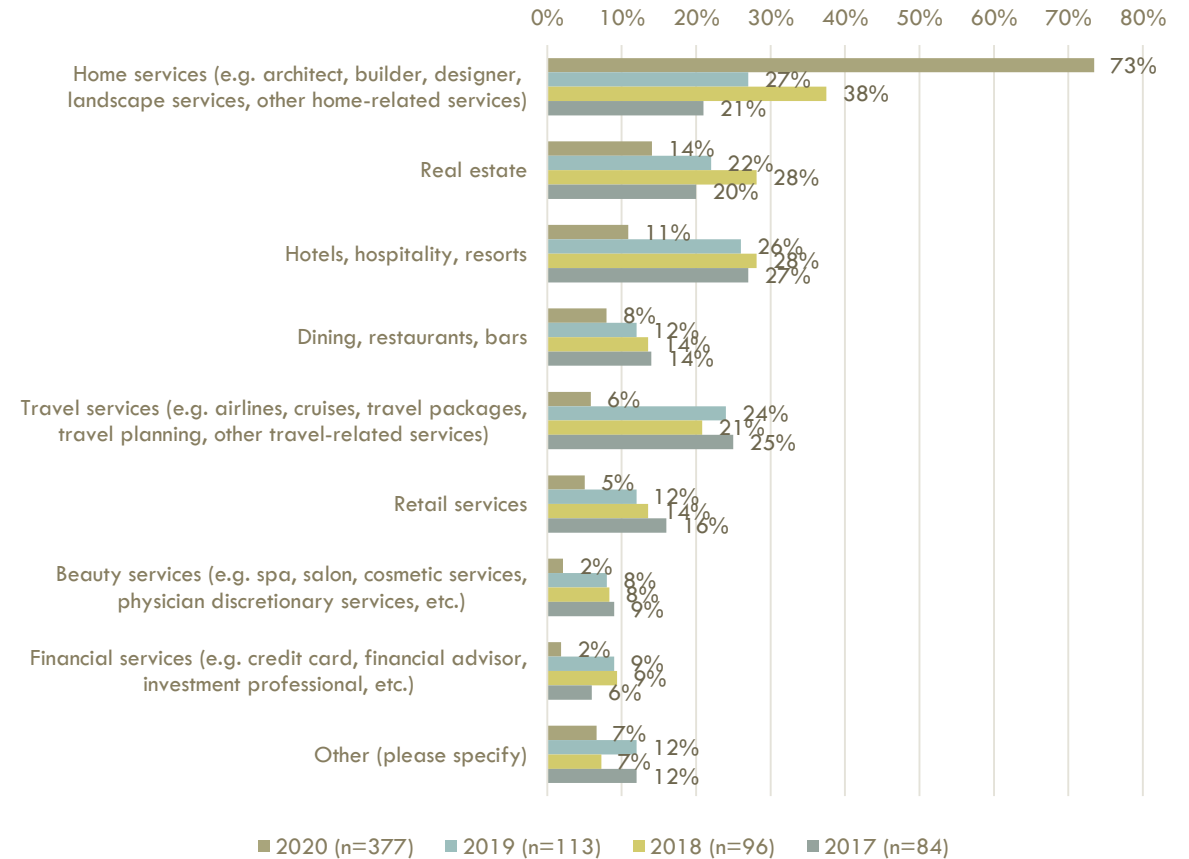
LUXURY SERVICE & EXPERIENCE MARKETERS

This year's sample was enhanced with the addition of more companies in the home services space, including architects, builders, interior designers and outdoor providers. They represent the largest share of respondents in the experiential space, followed by real estate, hospitality and dining.

However, the actual number of other experiential marketers, as opposed to their percentage representation, also increased significantly from last year's survey. For example, the number of companies in the dining experience and real estate space more than doubled and those in retail services and hospitality both increased over 40%.

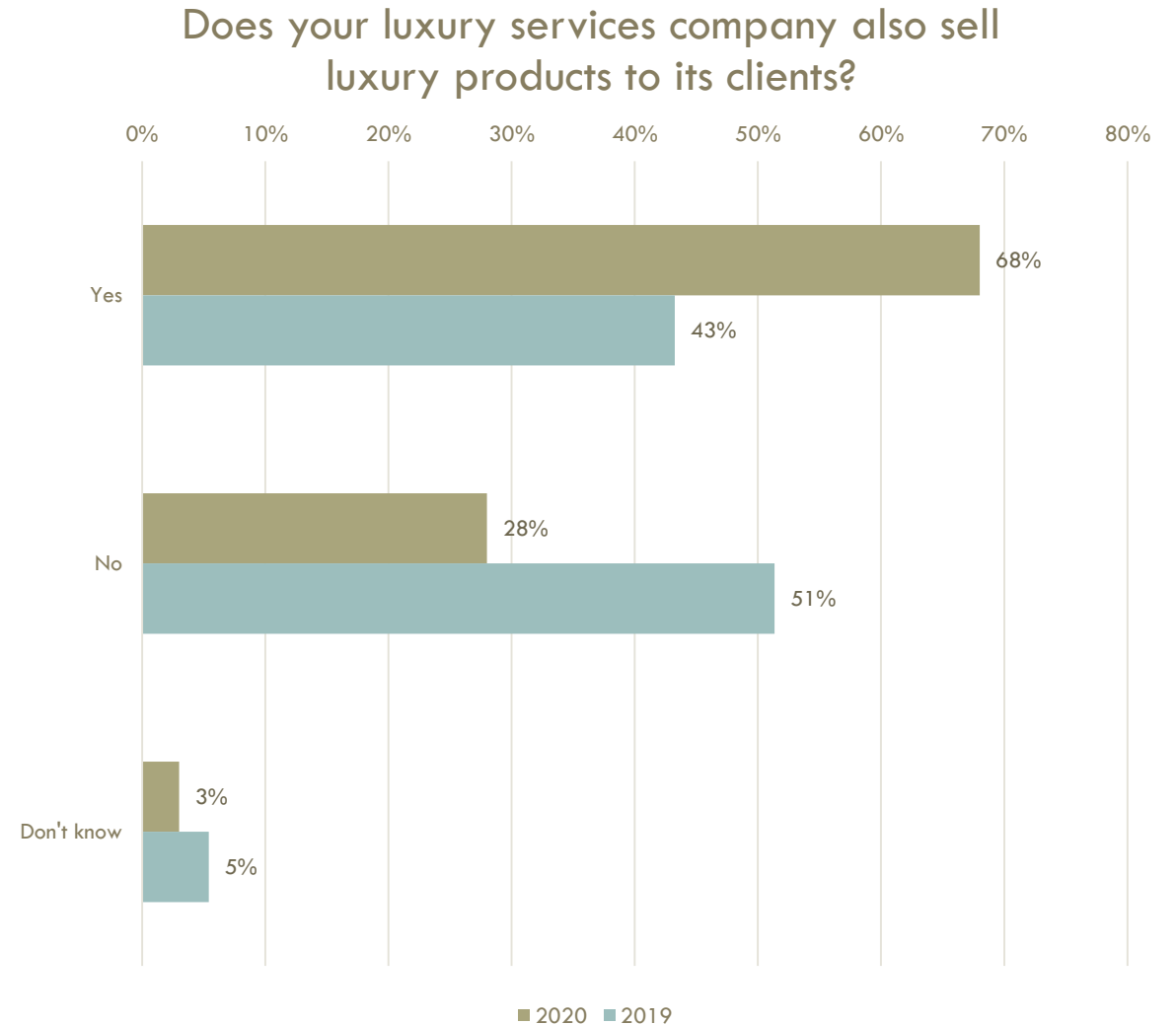
The other category includes companies in health services, wellness, legal and technology.

What categories of the luxury services market do you compete in?
(Check all that apply)



ALSO SELL LUXURY GOODS

With the addition of more home-services companies, this year a significantly greater share of experiential luxury marketers also sell luxury goods to their clients, 68% as compared with 43% last year.

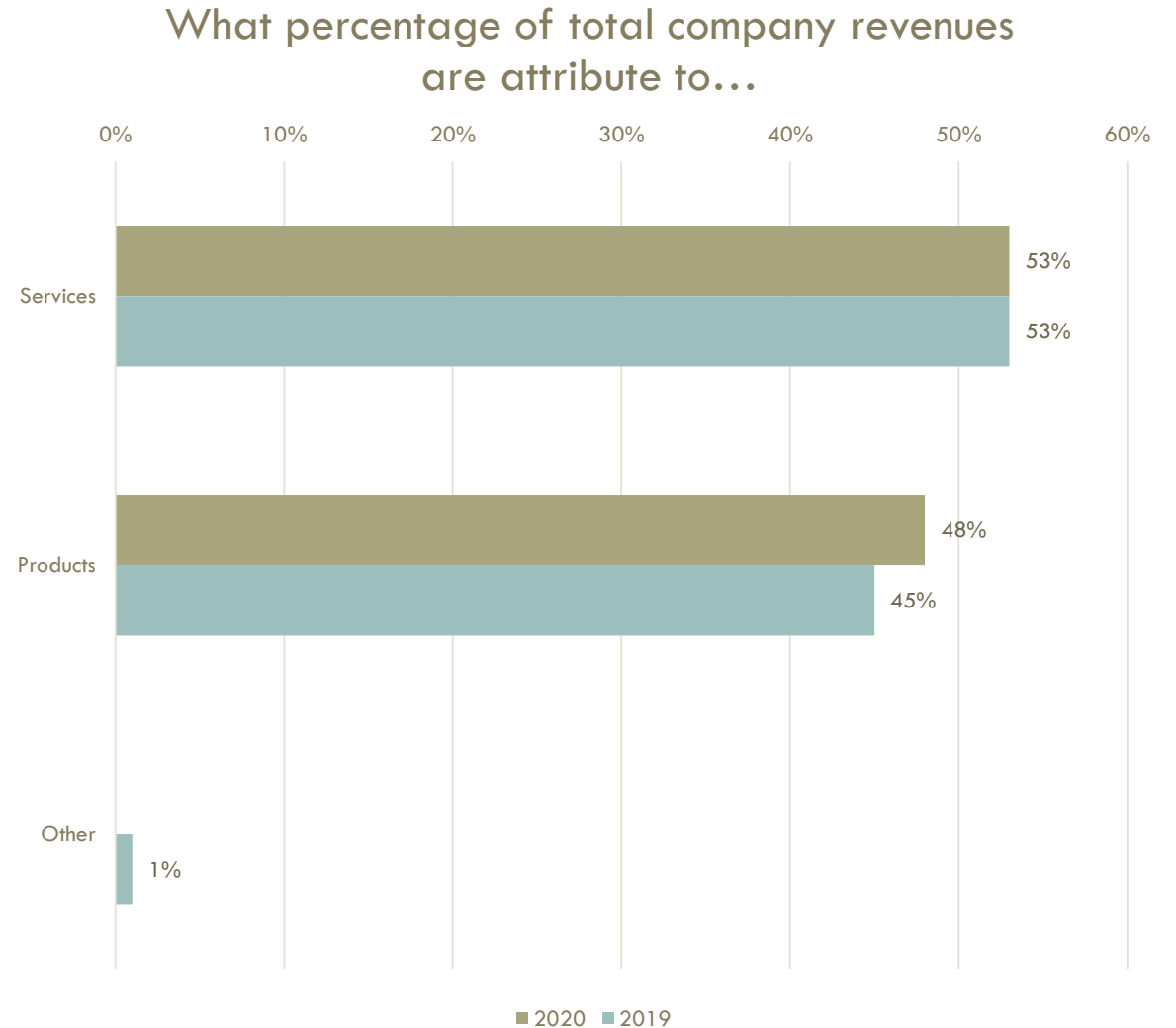


REVENUES OF LUXURY SERVICES FIRMS BY TYPE

Among those services companies that also sell luxury goods, just slightly over half of their sales are generated in services (53%) with the remained coming from sales of products (48%). The results are virtually unchanged from last year.

Luxury goods sales make a substantial contribution to the overall sales for those experiential companies that also sell luxury goods.

Note: this question was only asked of those services marketers that also sell products to their clients.





ALL LUXURY GOODS & SERVICES MARKETERS

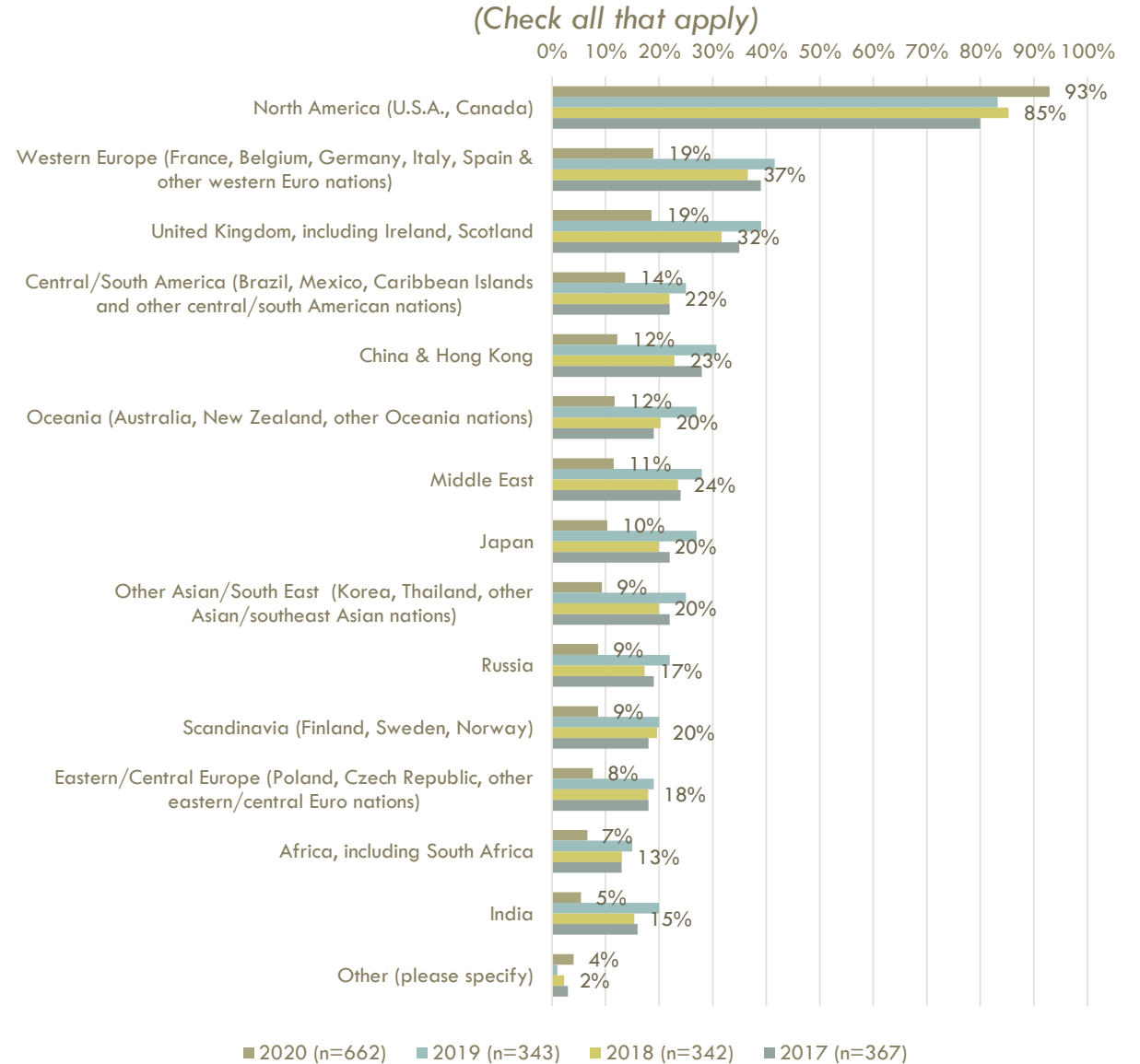
The next series of questions were asked only of the luxury goods and luxury services/experiential marketers.

LUXURY MARKETS COMPETED IN

Over 90% of our luxury goods and service/ experience marketers compete in the U.S. and Canada, followed by Western Europe, United Kingdom, Central and South American and China.

This question was asked only of luxury goods and luxury experiential companies, not agencies and consultants that provide services to luxury marketers.

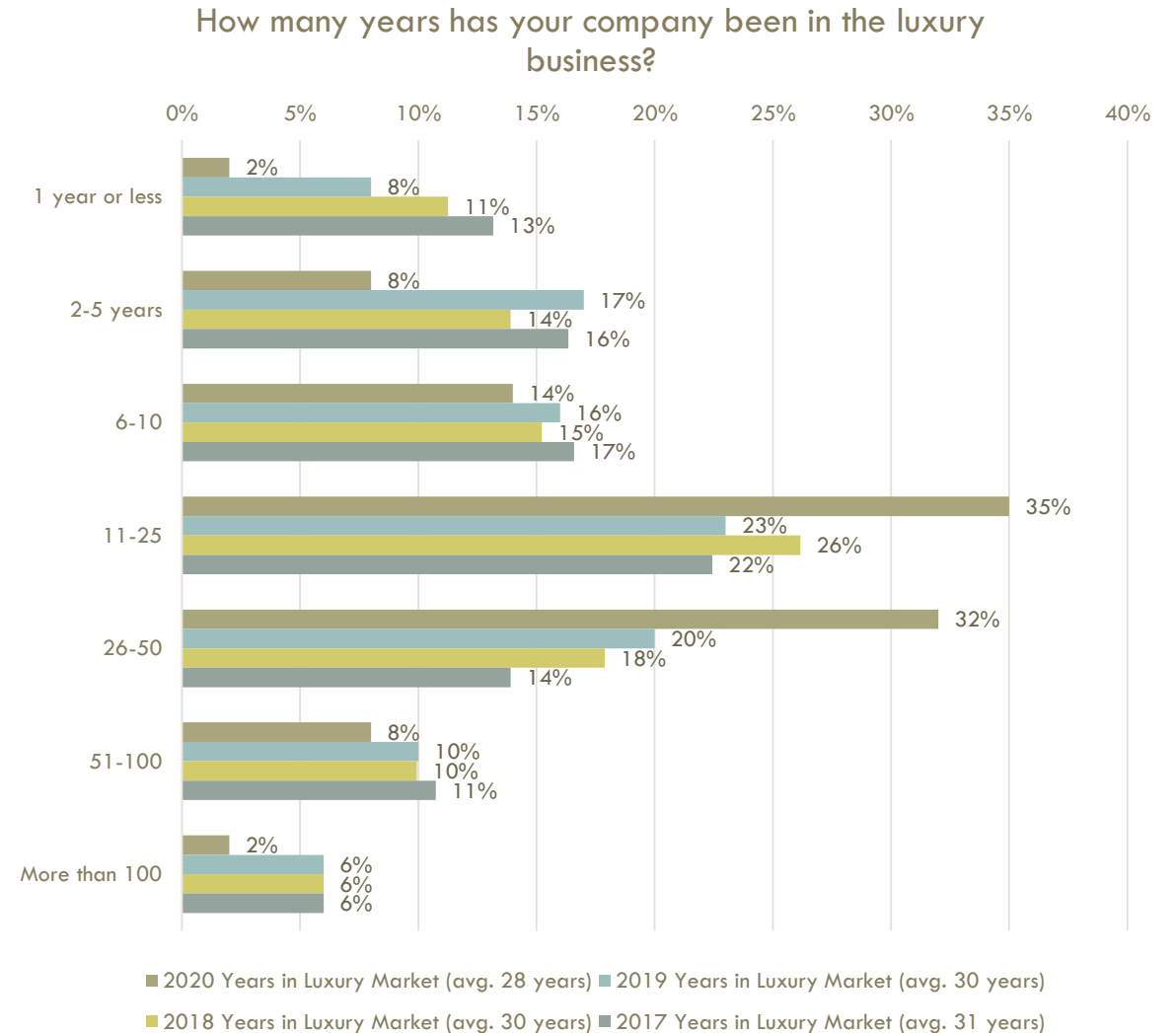
In which markets does your company compete?



YEARS IN THE LUXURY BUSINESS

The typical luxury goods and service/experience marketer has been in the business of luxury for about 30 years, which is roughly the same as in previous years.

This year over two-thirds (67%) have been in the business of luxury between 11-50 years, which is distinctive from previous years when a greater share had been new entrants in the luxury space.





COMPANIES' ADVERTISING, MARKETING & INNOVATION STRATEGIES

This series of questions asked luxury goods and services/experiences companies about their advertising, marketing and innovation plans.

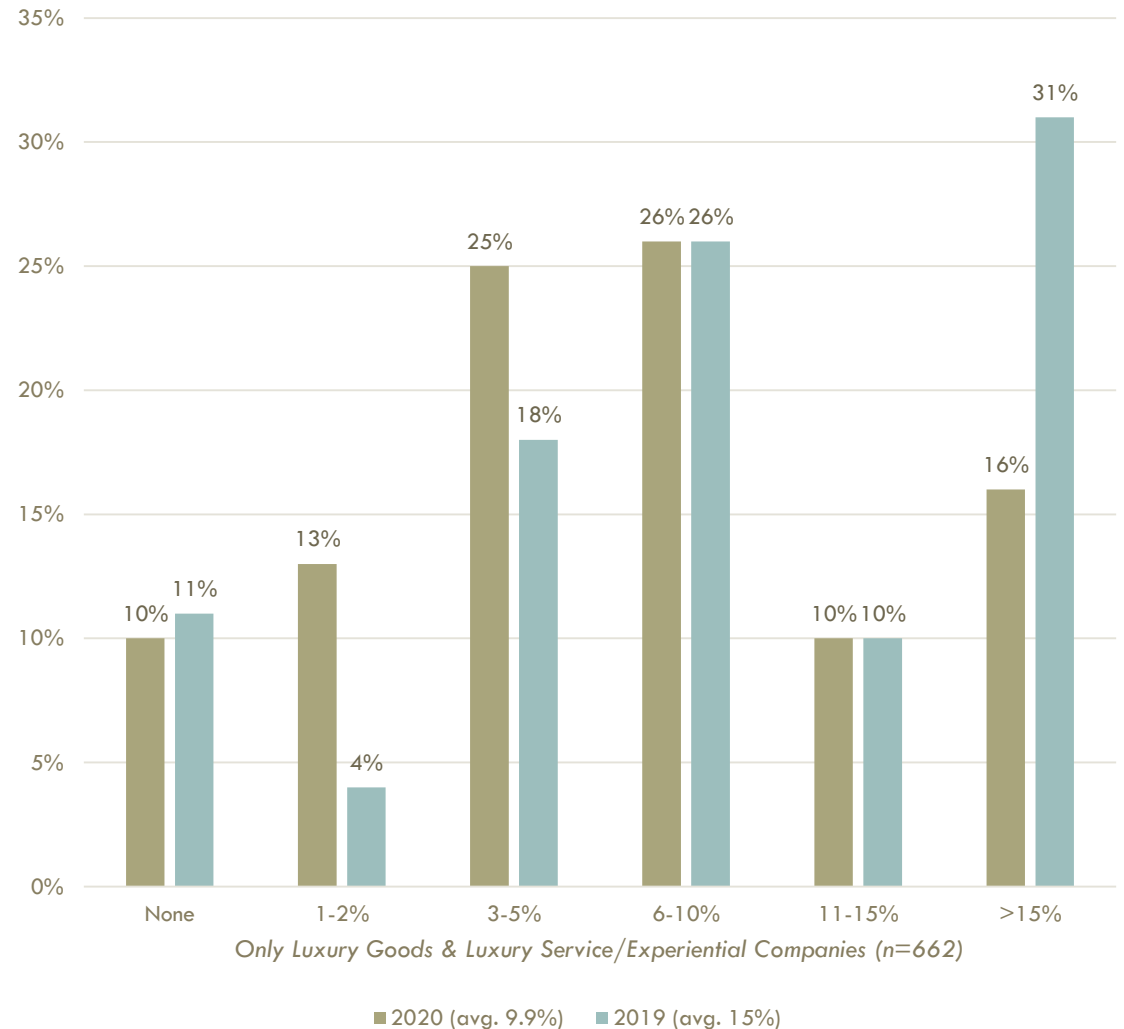
SPENDING ON MARKETING AND ADVERTISING

This year the average amount luxury goods and service/experiential companies invest in advertising is about 10%, which is down substantially from the 15% reported in 2019.

This year and the same as last year, a sizeable percentage report investing nothing (10%), but a significantly smaller share this year (16%) than last (31%) reported spending over 15%. The majority this year invest in the 3%-to-10% range.

Of note, the luxury goods companies average slightly less (9.6%) invested in marketing and advertising this year than the luxury service/experiential companies (10.3%).

What percentage of company revenues are invested in advertising and marketing?



TRENDS IN SPENDING ON MARKETING & ADVERTISING

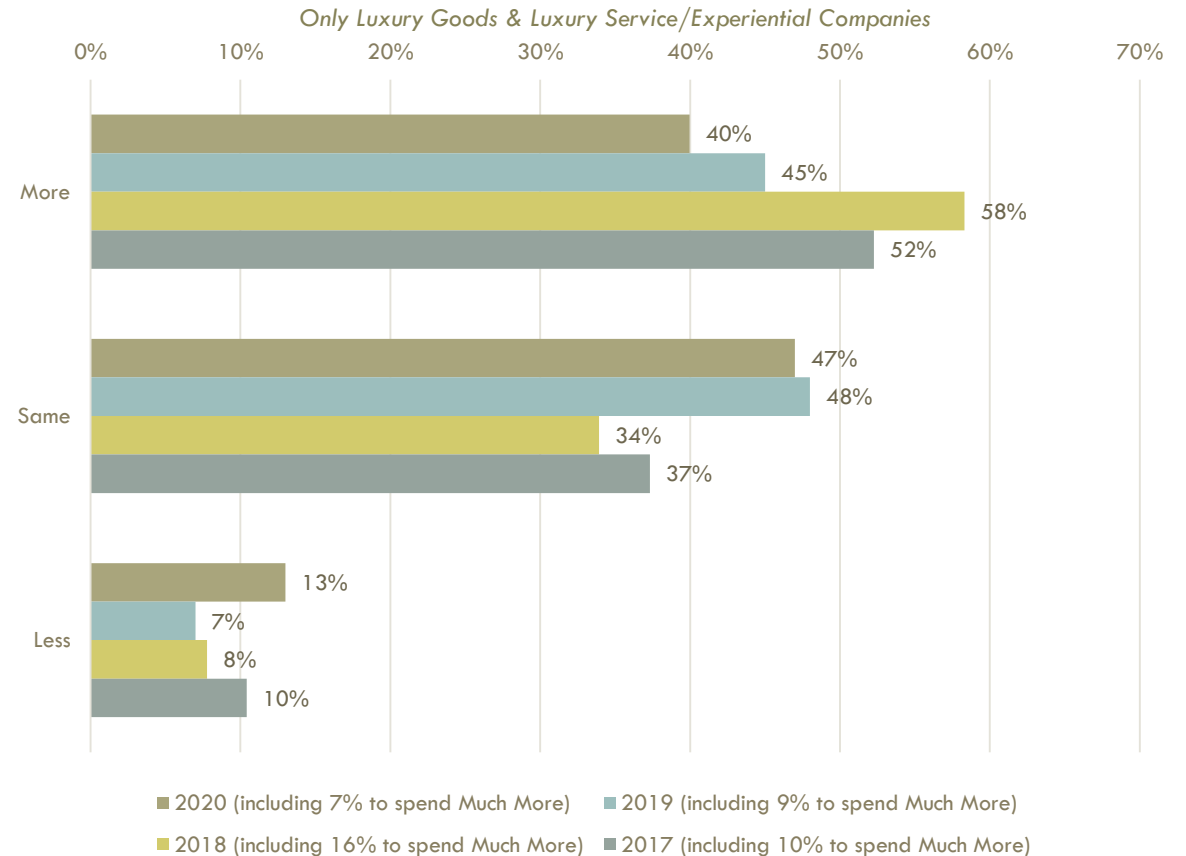
This year a smaller share of luxury goods and service/experiential companies report they will spend more on advertising and marketing in the coming year, 40% as compared with 45% in 2019.

Correspondingly, a greater share will spend less next year, 13% vs. 7% reported in 2019.

This finding points to continued challenges for advertising media companies to attract luxury companies' investments.

In terms of their expected spending change, last year luxury goods and service/experiences companies reported their ad spending increased by 7.8% on average. This year the average expected change is 7.1%, a small but marked difference.

In the coming year, will your company spend more, less or the same on marketing and advertising?

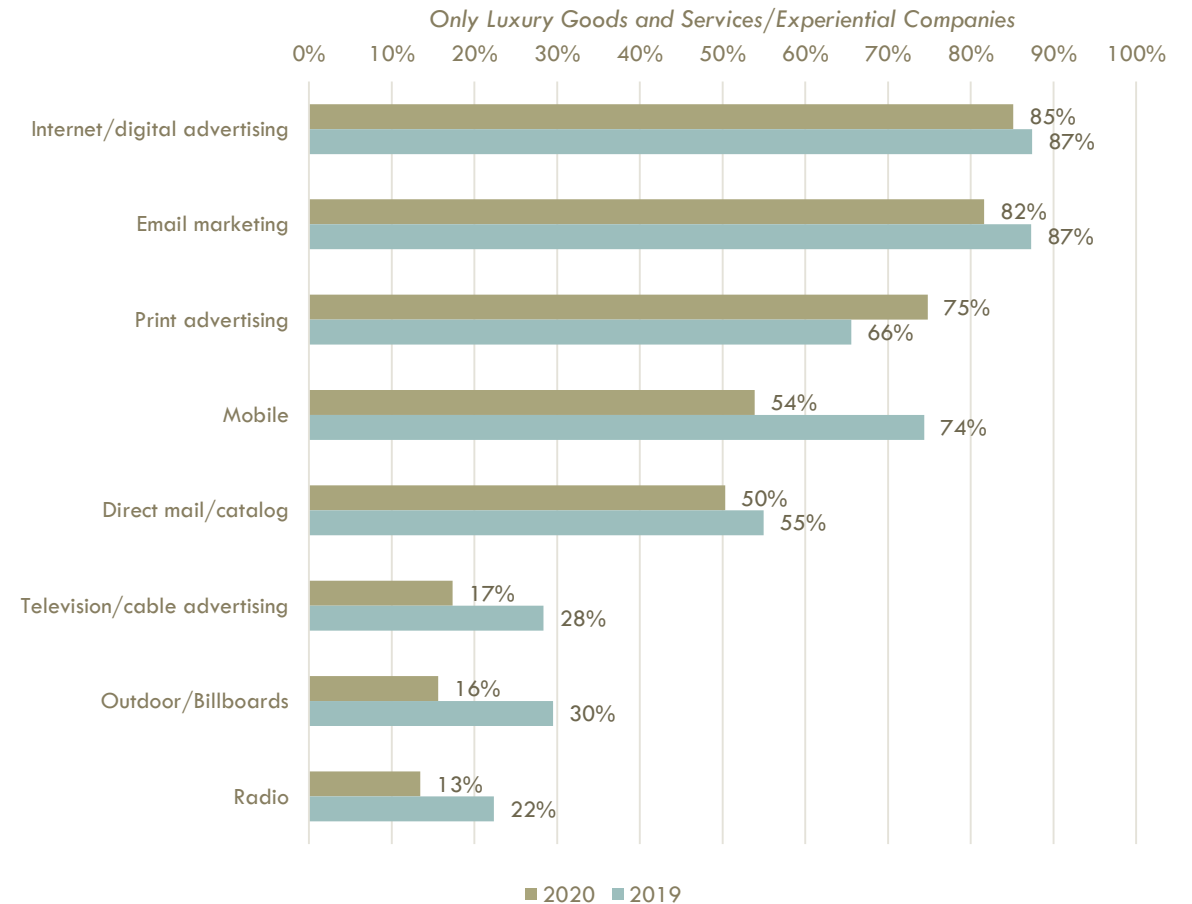


TRENDS IN ADVERTISING MEDIA USED

The most widely used advertising media are digital and email marketing this year, with mobile declining in importance and print advertising rising compared with last year.

In addition, television, outdoor and radio all declined in importance this year.

Advertising Media Used by Luxury Goods and Services/Experiences Companies



ADVERTISING MEDIA TRENDS

For 2020, the luxury goods and services/experience companies have moved toward the middle in terms of spending trends by media.

Other than outdoor and print advertising, the companies have backed off spending more and have moved to the middle in terms of expected spending in 2020 compared with 2019.

Luxury Goods & Services/ Experiential Companies	Spend More		Spend Same		Spend Less	
	2020	2019	2020	2019	2020	2019
Internet/digital advertising	62%	77%	35%	22%	4%	1%
Mobile	52%	70%	44%	26%	4%	4%
Email marketing	45%	53%	51%	43%	4%	4%
Direct mail/catalog	29%	33%	54%	44%	17%	24%
Outdoor/Billboards	19%	17%	57%	51%	24%	32%
Print advertising	19%	17%	49%	35%	33%	48%
Radio	14%	18%	61%	41%	25%	41%
Television/cable advertising	13%	13%	48%	33%	39%	54%

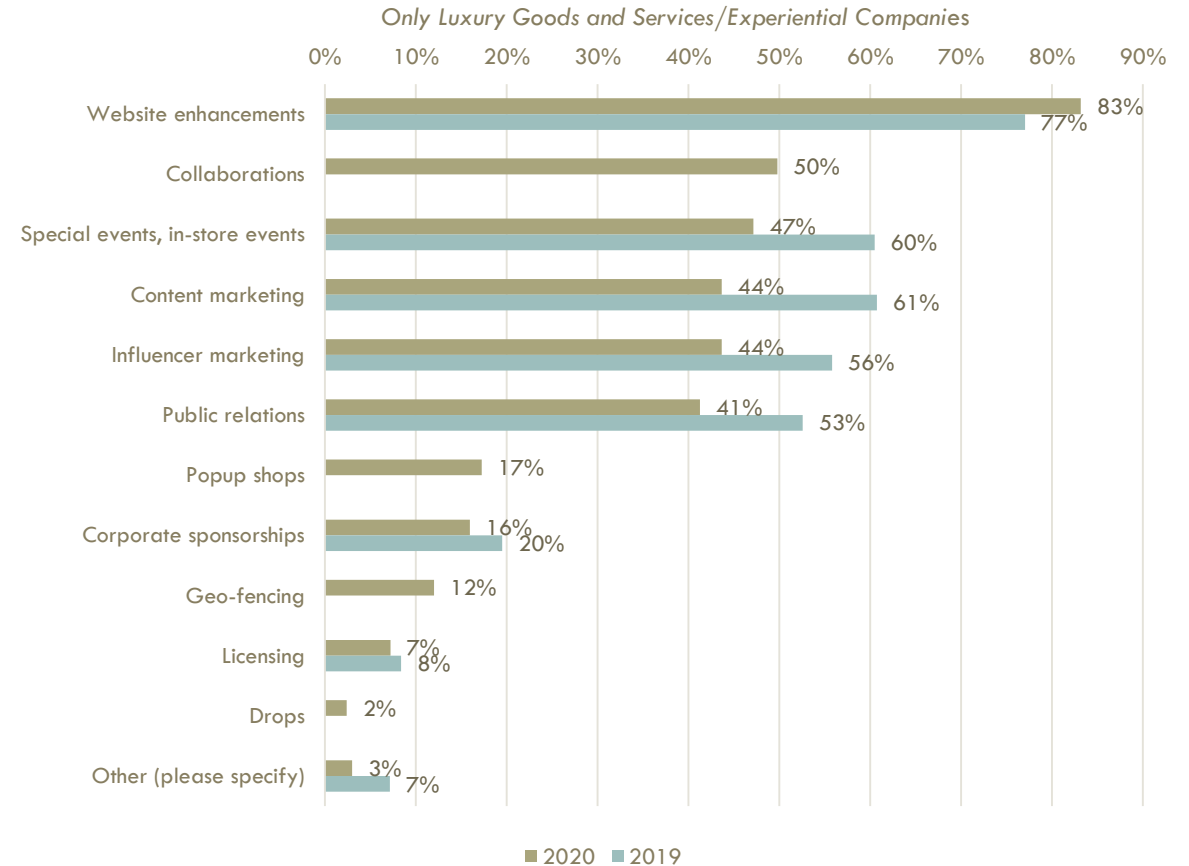
OTHER ADVERTISING STRATEGIES

The three most important strategic priorities for luxury goods and services/experiential companies in 2020 will be website enhancements, collaborations and special events.

Interestingly, special events, content marketing, influencer marketing and public relations are less of a priority for these companies in 2020 compared with 2019.

“Others” include strategic partnerships, videos and trade show exhibits.

Are any of these areas planned for more investment in the coming year?
(Check all that apply)



SOCIAL MEDIA CHANNELS

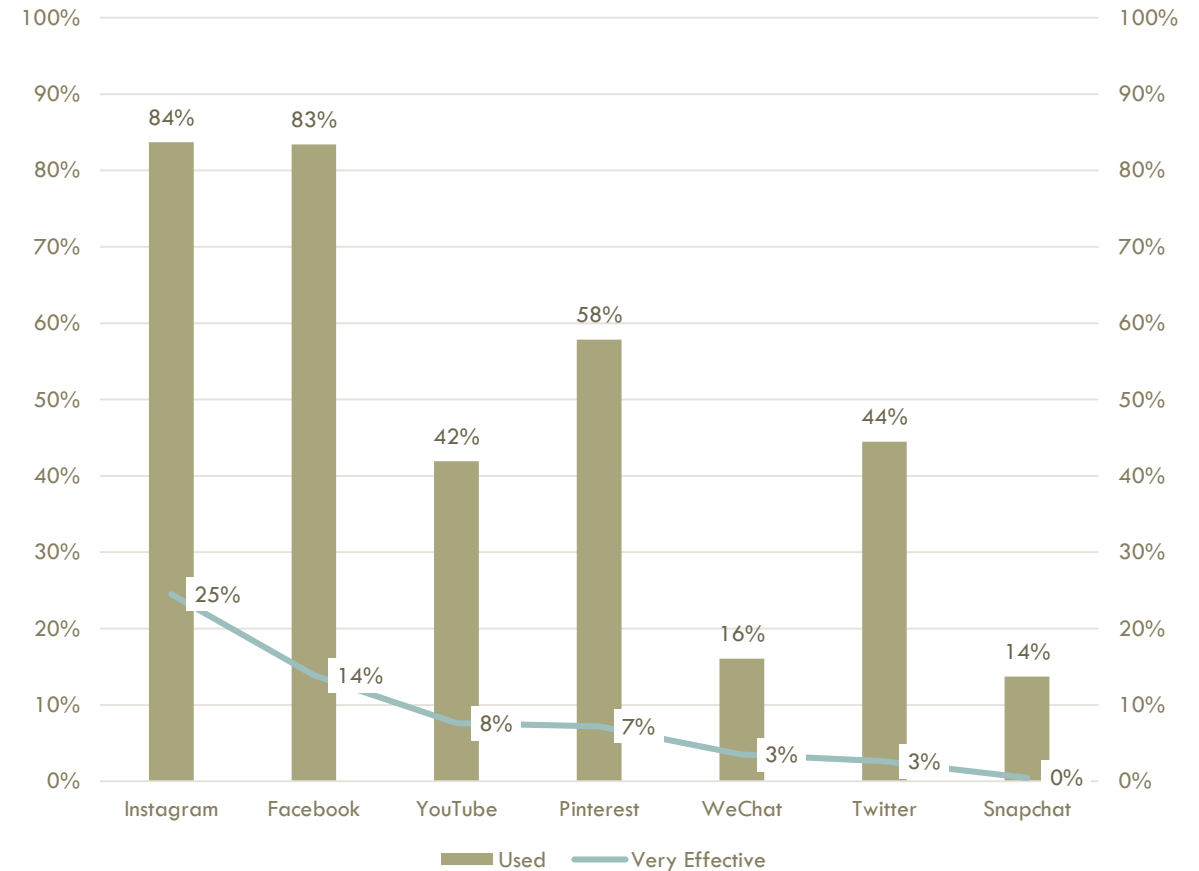
Luxury goods and services/experiential companies favor Instagram and Facebook social media channels; however, their relative effectiveness differs markedly. Facebook is rated much less effective (14%) than Instagram (25%).

Next most effective channel, though less used relative to Instagram and FB, is YouTube, rated by 8% as very effective. Of note: Pinterest is far more used than YouTube (58%) but rated about equally effective as YouTube.

However, what is most notable in these findings is the relative ineffectiveness of any social media channels.

Note: Only insiders that reported using each social media channel rated its relative effectiveness.

Social Media Channels Used & Rated Very Effective by Luxury Goods & Services/Experiential Companies



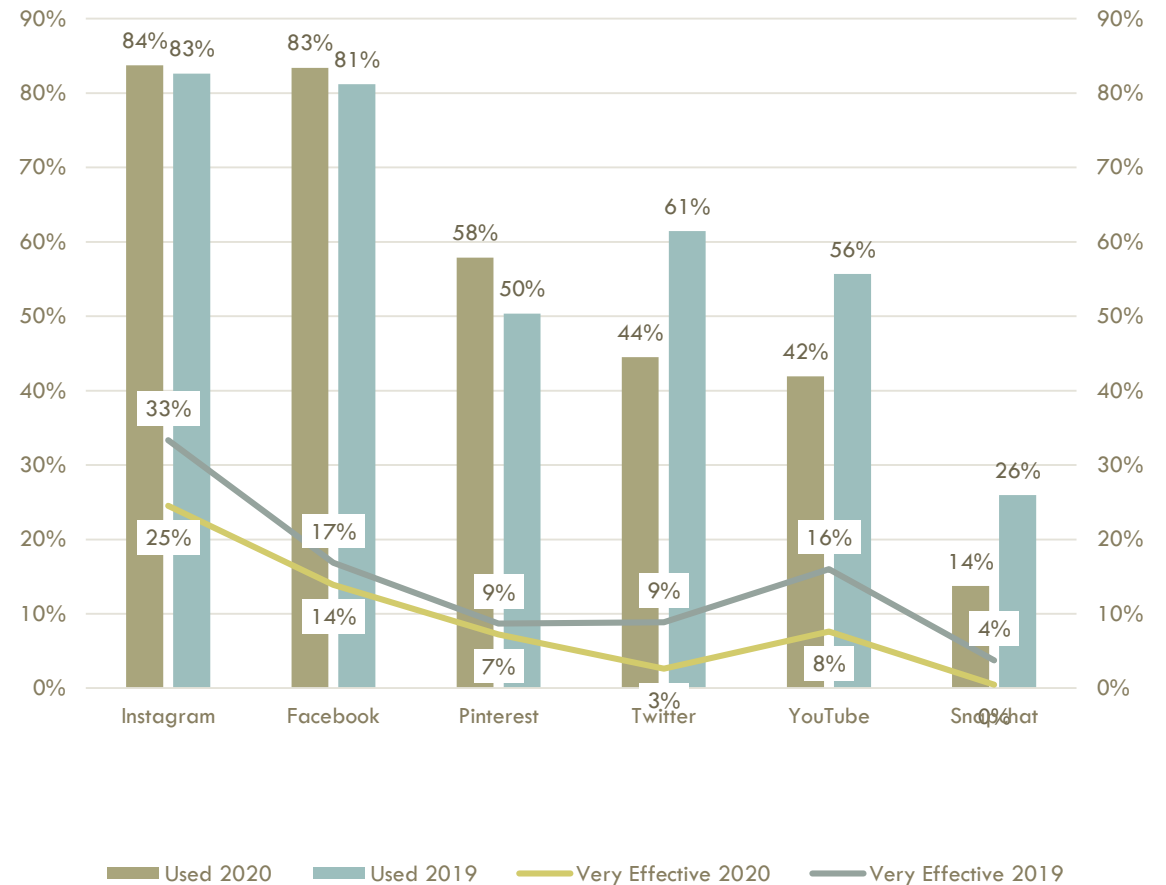
COMPARING SOCIAL MEDIA USE & EFFECTIVENESS 2020 WITH 2019

Overall the trends in luxury goods and services/experiential companies use of social media has declined for Twitter, YouTube and Snapchat from 2020.

Further the rating of the effectiveness of each social media channel has declined from 2019 to 2020. For example last year 33% rated Instagram very effective; this year only 25% rated it the same.

While we would expect social media effectiveness to increase as luxury companies become more experienced in their use, we find the opposite.

Social Media Channels 2020 & 2019





SUPPLIERS' SIDE VIEW OF THEIR CLIENTS' ADVERTISING, MARKETING & INNOVATION STRATEGIES

This new series of questions asked suppliers of advertising and marketing service to luxury companies about their clients' about their advertising, marketing and innovation plans.

CLIENTS' SPENDING ON MARKETING AND ADVERTISING

A new series of questions were included this year just for suppliers to luxury goods and services/experiential companies.

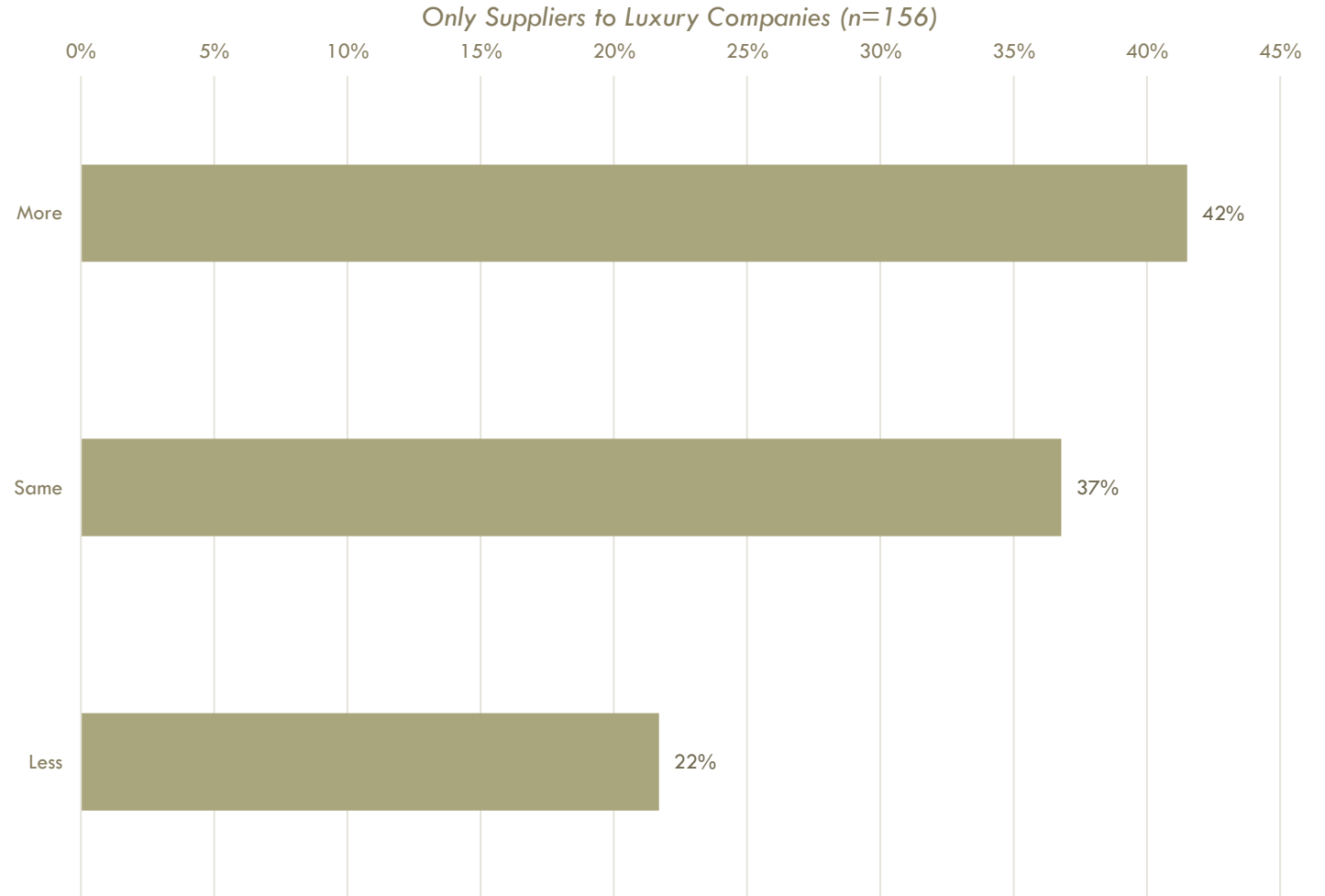
From the suppliers' side, business looks good. Some 42% of these companies expect their clients to increase advertising and marketing expenditures, compared with 37% who expect it to remain the same. Only 22% expect spending to decline.

- This compares with luxury companies' expectations where 40% plan to increase spending, 47% plan it to remain the same and 13% plan to cut spending.

The average amount suppliers expect their clients' spending to change is 3.8% in 2020.

- This compares to an average of 7.1% change reported by luxury companies.

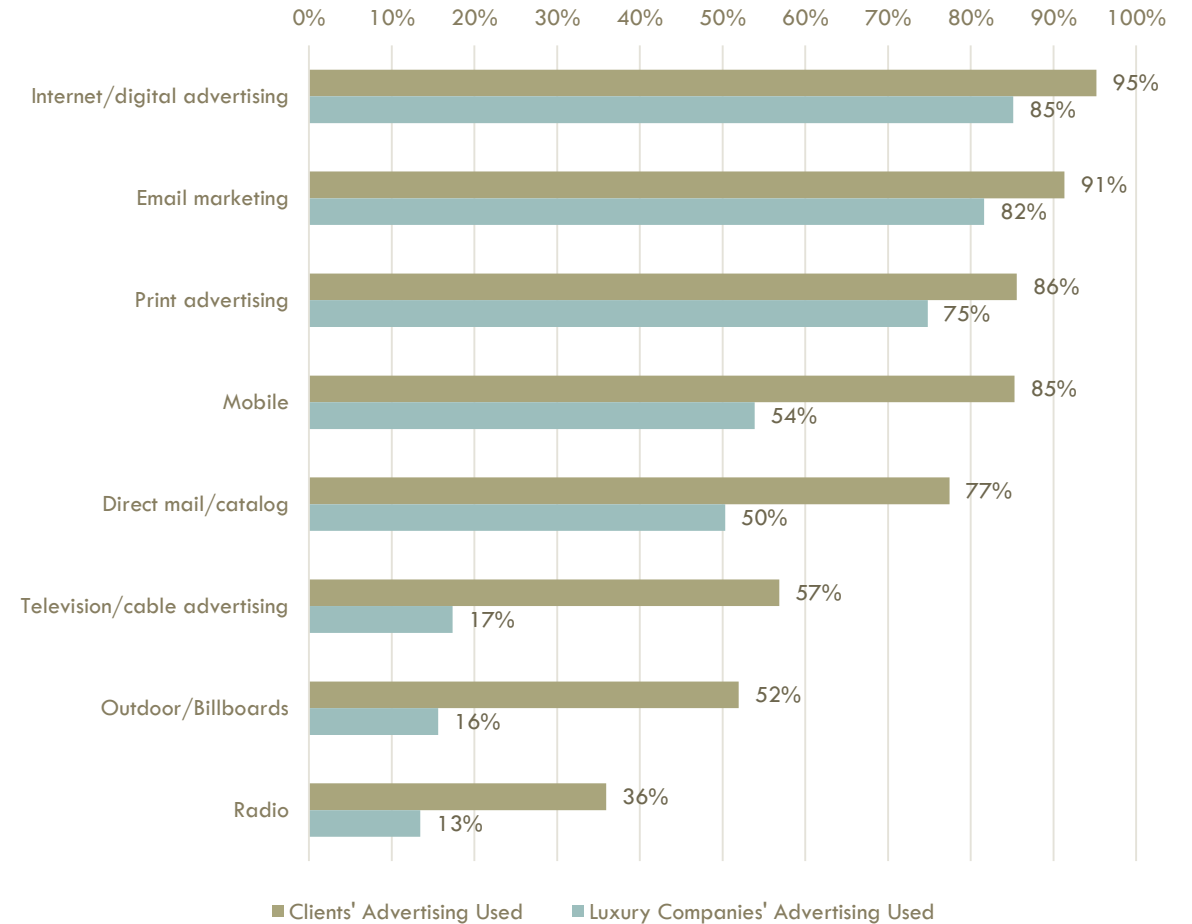
In the coming year, will your clients spend more, less or the same on marketing and advertising?



ADVERTISING MEDIA USED BY CLIENTS COMPARED WITH LUXURY COMPANIES

Overall the suppliers report a higher level of use of all media than do the luxury companies surveyed. Digital, email, print, mobile and direct mail all are on the slate for over three-fourths of their luxury clients next year.

Clients' Advertising Used Compared with Luxury Companies



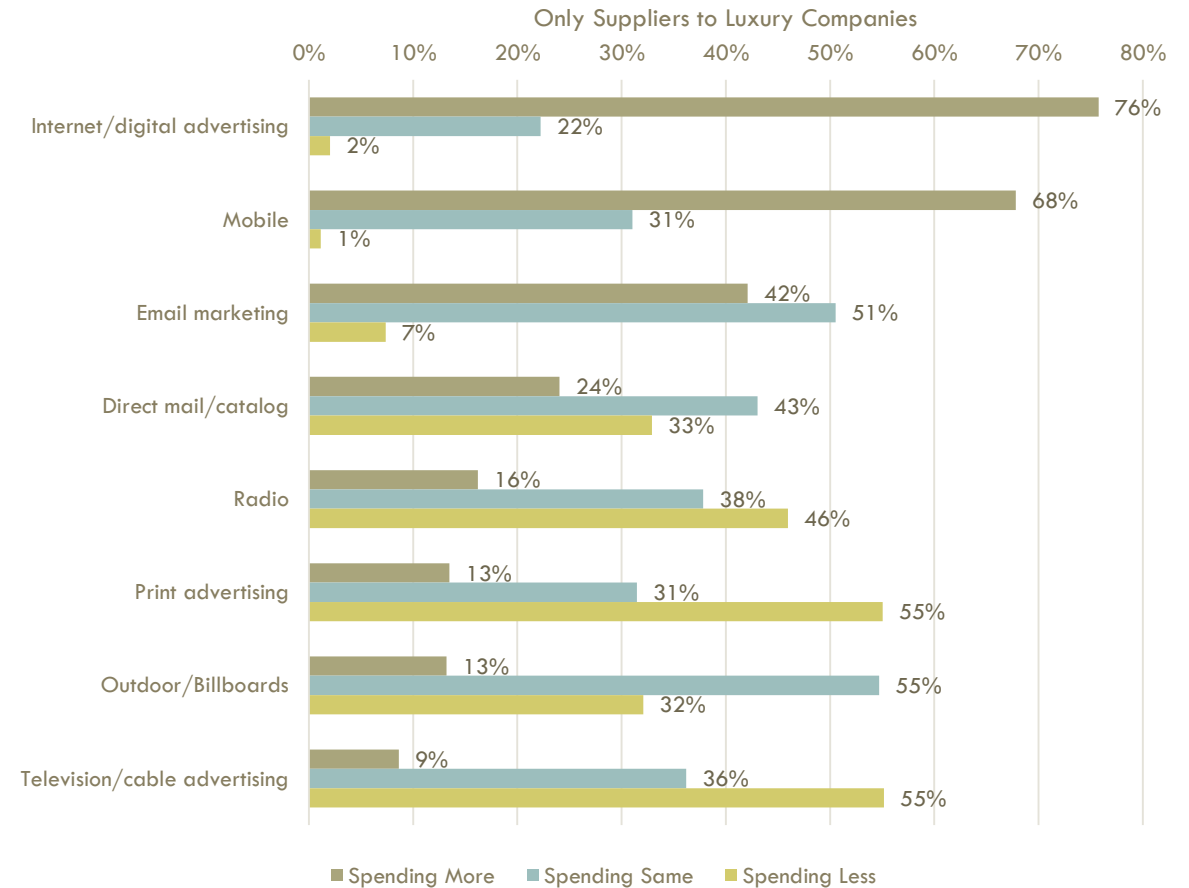
CLIENTS' ADVERTISING MEDIA TRENDS

Internet/digital advertising and mobile will be the growth advertising media for the suppliers' clients. While email marketing will be slated for growth by 42% of their clients, more (51%) will be spending the same.

Notably, a majority (55%) of suppliers report their clients will back off on their spending in print advertising in 2020. Television and radio will also see more decline.

Overall the trends in suppliers' view of their clients' expected spending is not all that different from the companies' reported expectations.

Thinking of the different advertising media your luxury clients use, will your clients invest more, less or the same in the coming year?

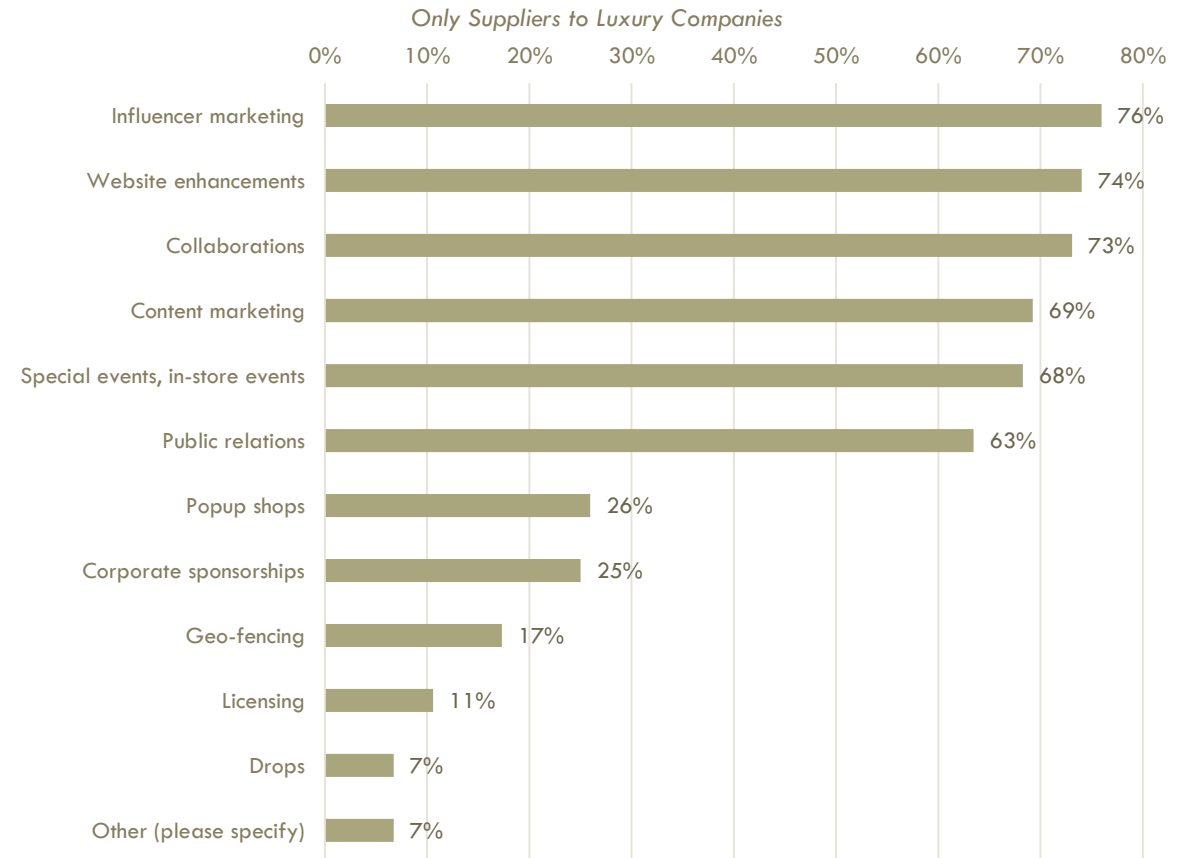


OTHER ADVERTISING STRATEGIES

Suppliers report that influencer marketing, websites enhancements and collaborations are top on their clients' list from 2020.

Content marketing, special events and public relations will also be important in their clients' to-do list.

Are any of these areas planned for your luxury clients in the coming year?
(Check all that apply)

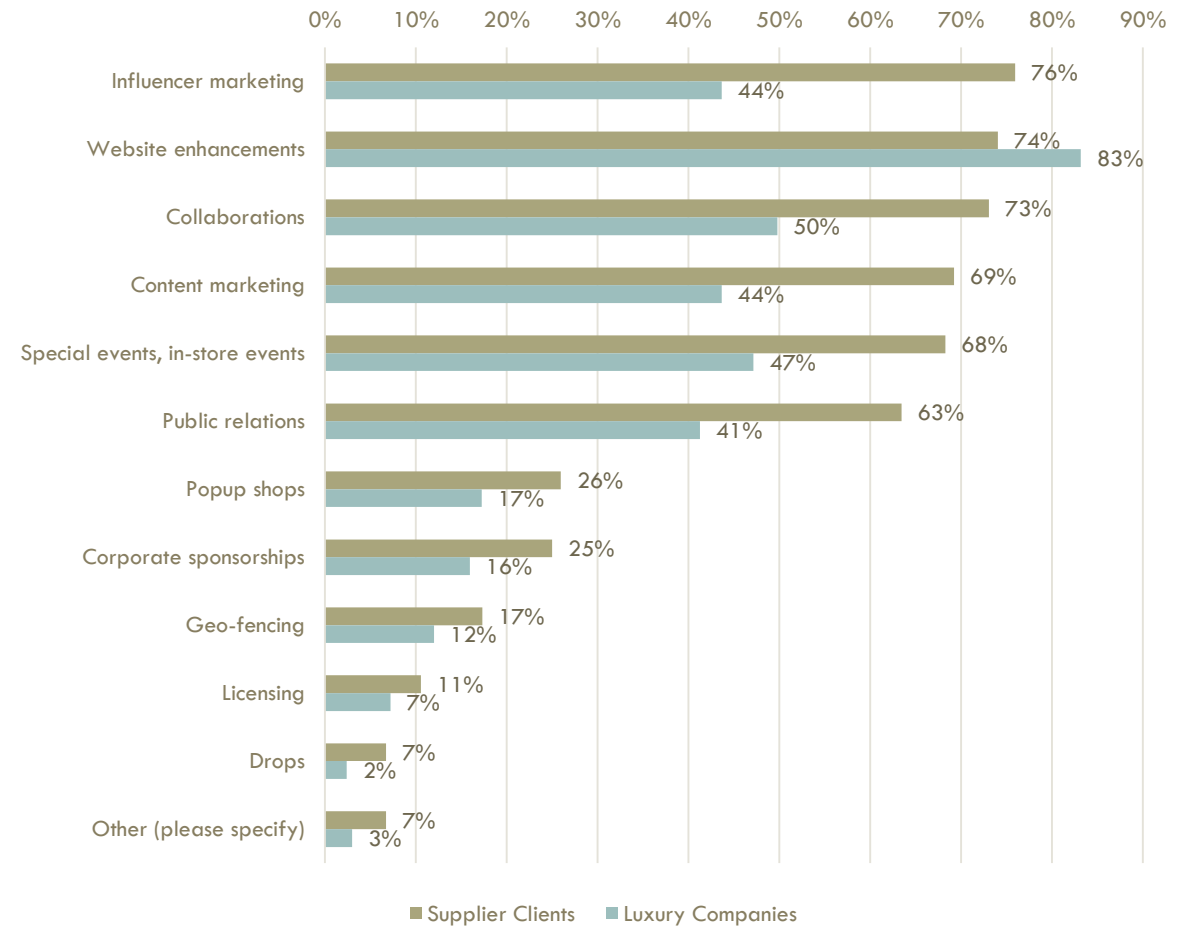


SUPPLIERS' CLIENTS COMPARED WITH LUXURY COMPANIES ON OTHER ADVERTISING STRATEGIES

From the suppliers' perspective, influencer marketing strategies, collaborations, content marketing and public relations are significantly more important than those strategies are from the luxury companies' perspective.

For those luxury companies, website enhancements are their number one priority.

Suppliers' Clients Strategies Compared with
Luxury Companies

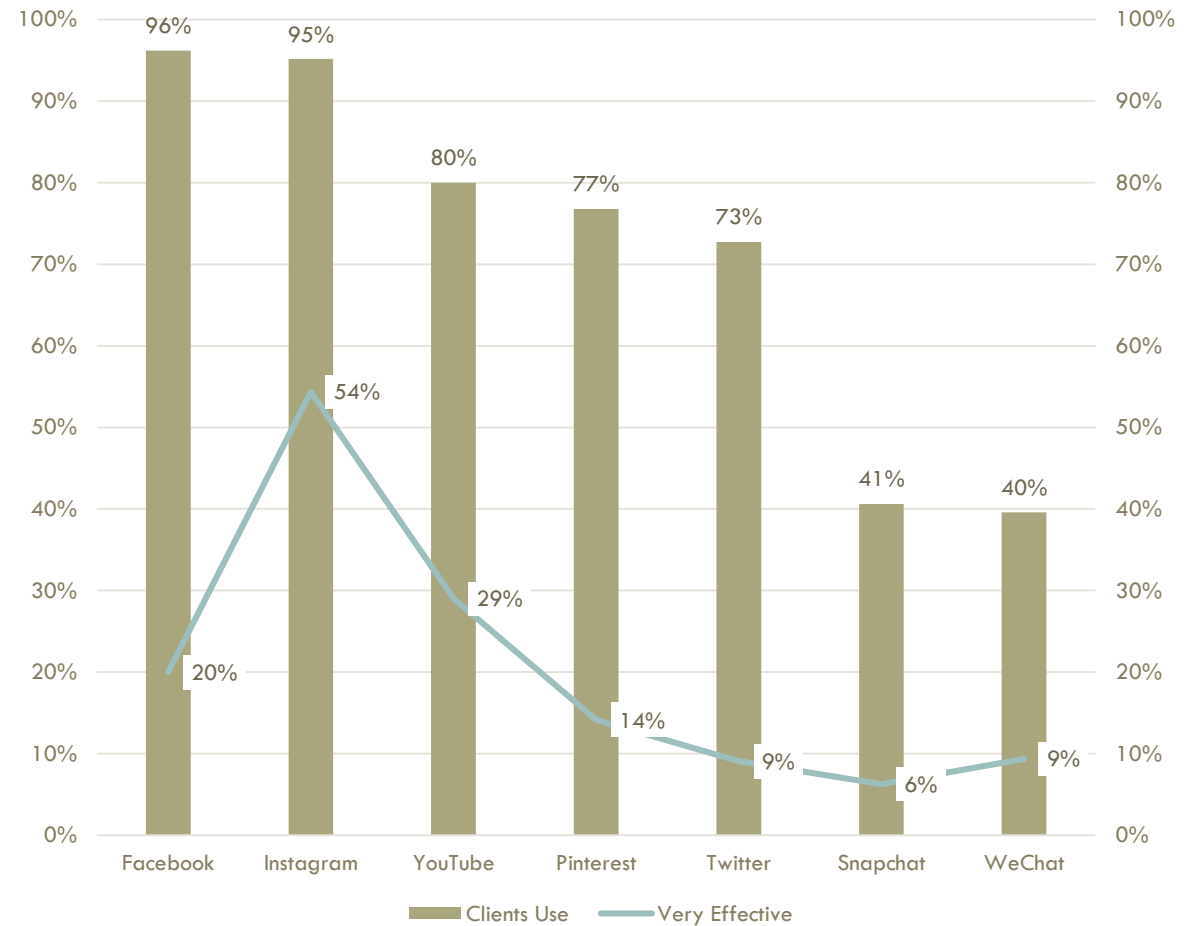


SOCIAL MEDIA CHANNELS

Suppliers to luxury companies report their clients are relatively more engaged on the various social media channels than do the companies themselves. Further the suppliers report much greater effectiveness for Instagram (54% reported by suppliers compared with 25% by luxury companies), Facebook (20% vs. 14%) and YouTube (29% vs. 8%).

Perhaps this higher effectiveness rating is not surprising because these suppliers are likely to be implementing social media strategies for their clients, so they are more likely to perceive their efforts are more effective than their clients do.

Clients' Social Media Channels Used and Rated Very Effective by Suppliers





LUXURY MARKET GROWTH CHALLENGES, OPPORTUNITIES & INNOVATION

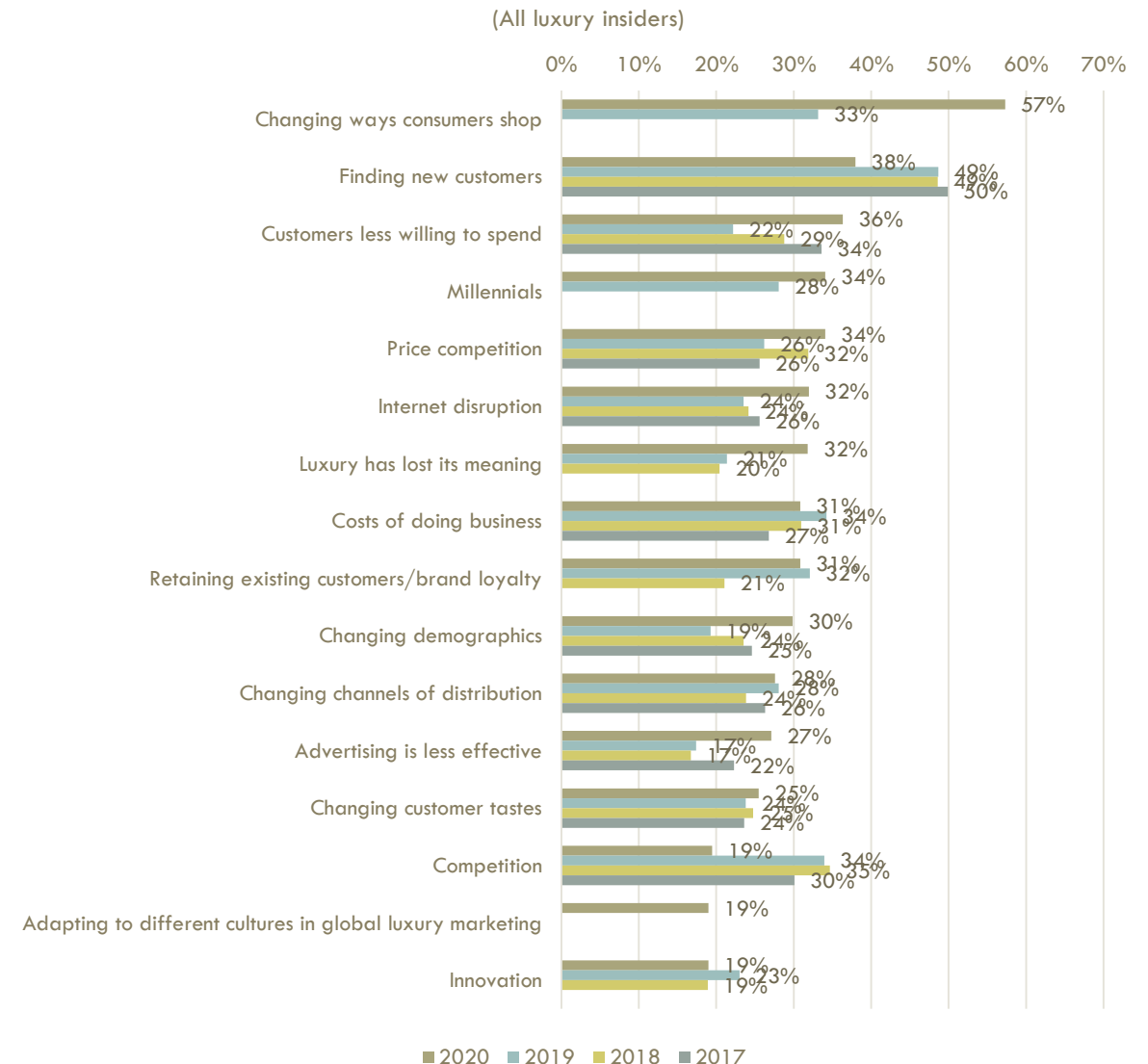
This final series of questions was asked of all luxury companies, suppliers to luxury companies and observers of the luxury market.

GROWTH CHALLENGES

This year the number one growth challenge for luxury insiders is the changing ways consumers shop. Nearly 60% identified this as their biggest challenge. Next cause for worry is finding new customers and the fact that customers today are less willing to spend and trade up to luxury. Also key challenges are millennials, price competition and internet disruption.

On the next page we will look how their view of challenges has changed in the past year...

What are the biggest challenge/s to growth in the luxury market?
(Check all that apply)



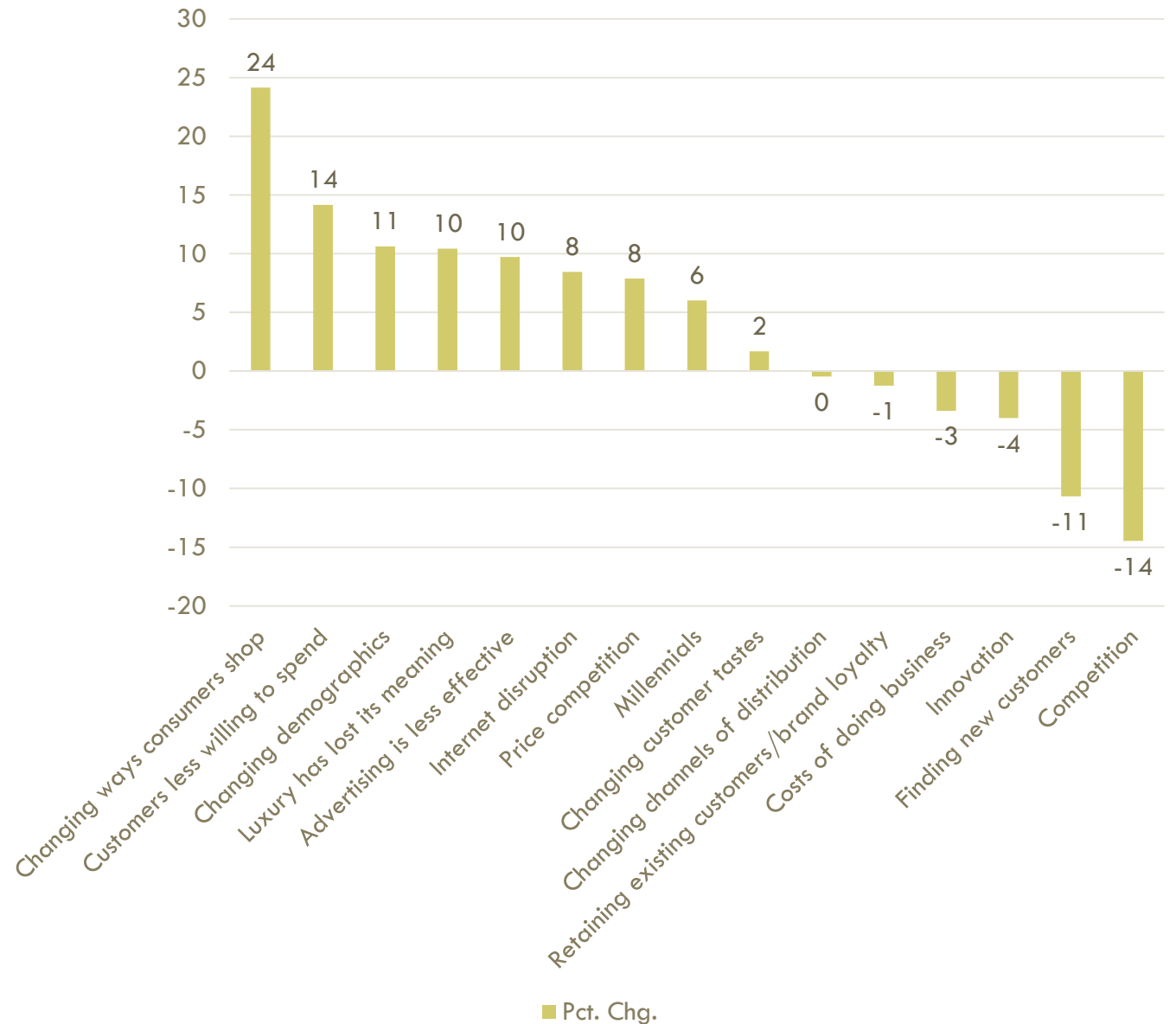
GROWTH CHALLENGES FROM 2019 TO 2020

Perhaps more telling about the state of luxury is how luxury insiders' perceptions have changed since last year. The most movement year-over-year was seen in the changing ways consumers shop, followed by consumers less willing to spend, demographic shifts, luxury's loss of meaning and the fact that advertising has been less effective.

Here is a comment from one of the insiders surveyed:

"It is not so much that luxury has lost its meaning, as it is that luxury has to evolve its meaning. Now it is much more of an omni-channel experience. It gives us the opportunity to redefine luxury as a service or experience vs. being simply an object of desire."

Growth Challenges Changes from 2019 to 2020

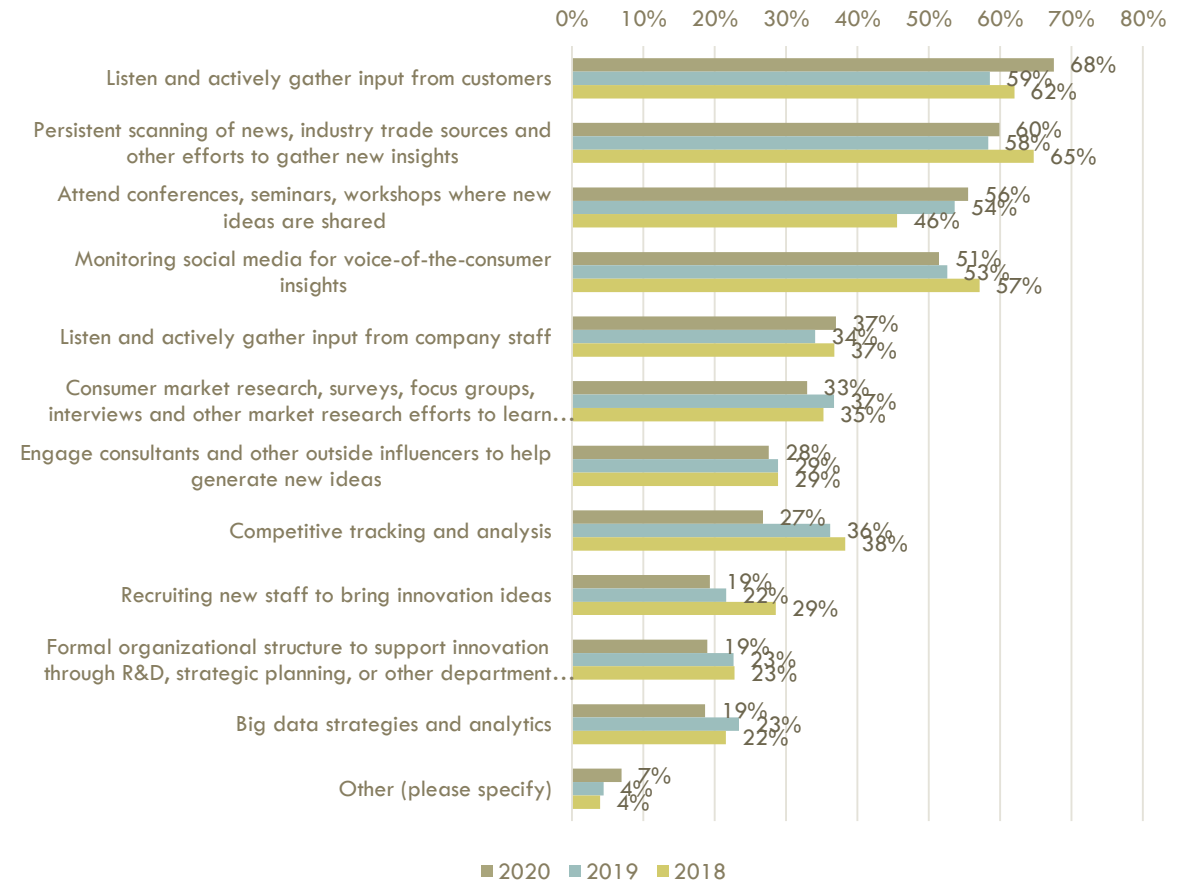


INNOVATION STRATEGIES

In order to stay ahead of the curve, the greatest number of industry insiders actively listen to input from customers as well as persistently scan the news for developments and new ideas.

They also gather ideas from industry conferences and monitoring social media, while far fewer listen to company staff or conduct formal market research to drive innovation.

What efforts does your company make to innovate in the luxury market?
(Check all that apply)





BUSINESS CONDITIONS IN LUXURY INDUSTRY

How the luxury insiders rate current and future business conditions, both for the industry as a whole and their companies.

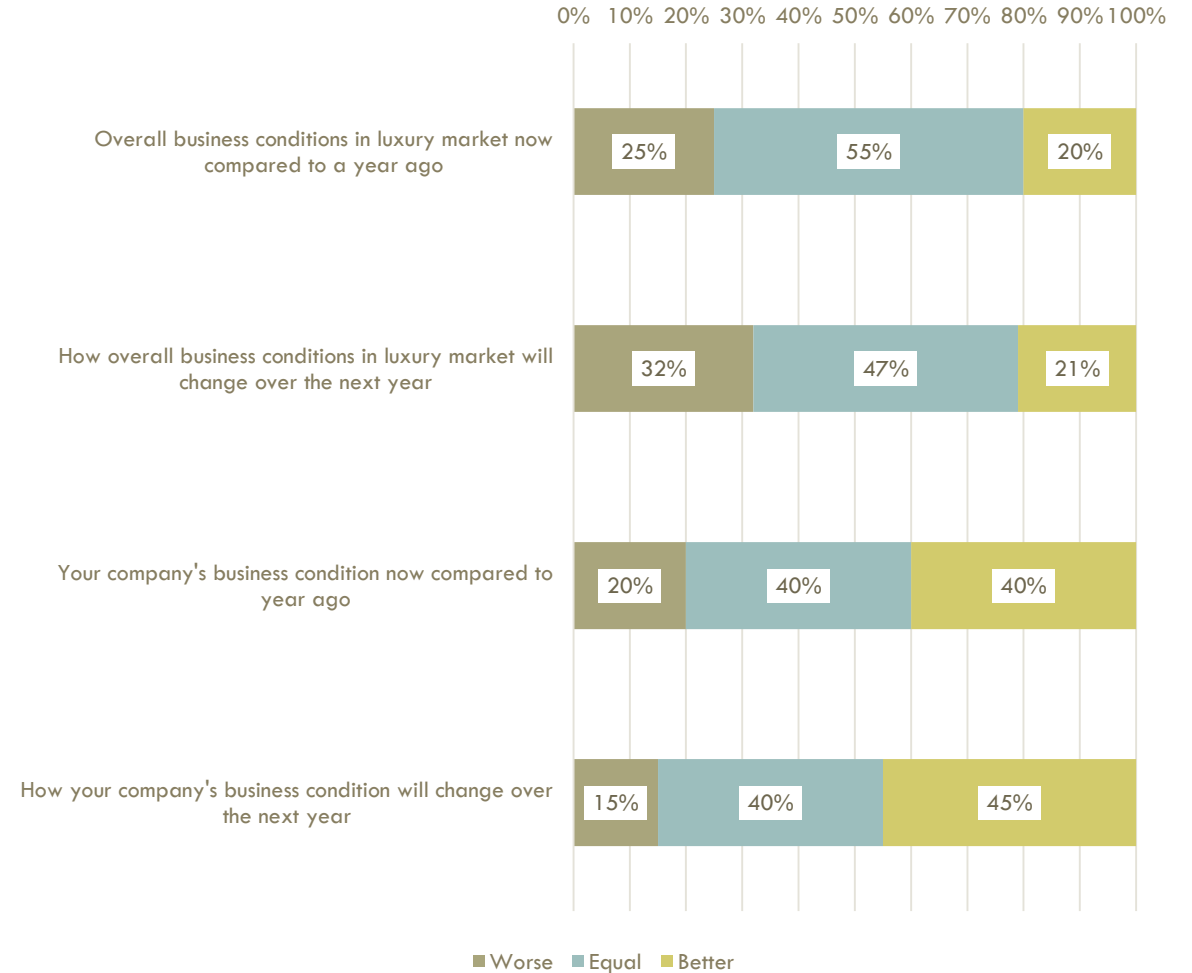
LUXURY MARKET BUSINESS CONDITIONS 2020 SUMMARY

Overall luxury insiders view business conditions in the luxury market about the same this year (55%) compared with last year, with more (25%) seeing business conditions worse this year (25%) than see them improved (20%). As for next year, their assessment turns more negative with 32% expecting conditions to worsen and 47% expecting things to remain pretty much the same.

As for their assessment of their company's current business conditions, they are more optimistic. Some 40% said business conditions for their company is better this year than last and 45% expect their company to improve next year.

However, their assessment of both the luxury market's business conditions and their own company's have turned much more negative than last year....

2020 Luxury Market Business Conditions



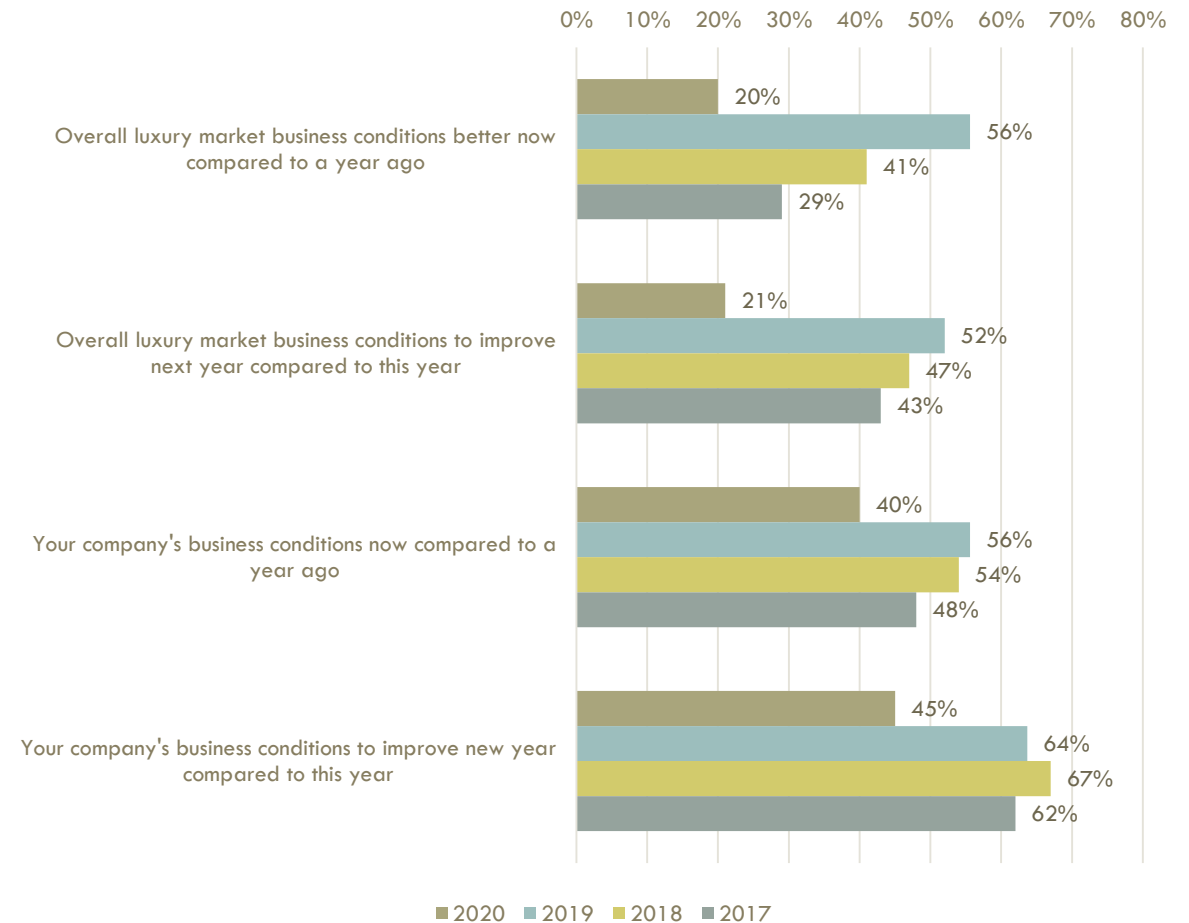
IMPROVED BUSINESS CONDITIONS TRENDS 2017-2020

This year and next the luxury insiders surveyed are far less optimistic about conditions in the overall luxury market compared to their assessment in last three years. In 2019, over 50% expected business conditions in the luxury market to improve. However, this year only 20% felt overall luxury market business conditions actually improved this year compared to last.

Likewise their own company's did not experience the positive improvement expected. Last year in 2019 some 64% expected their own company's business conditions to improve this year. But only 40% reported such improvement in this year's survey.

Let's unpack the results for each of these questions...

Business Conditions Improve Summary 2017-2020

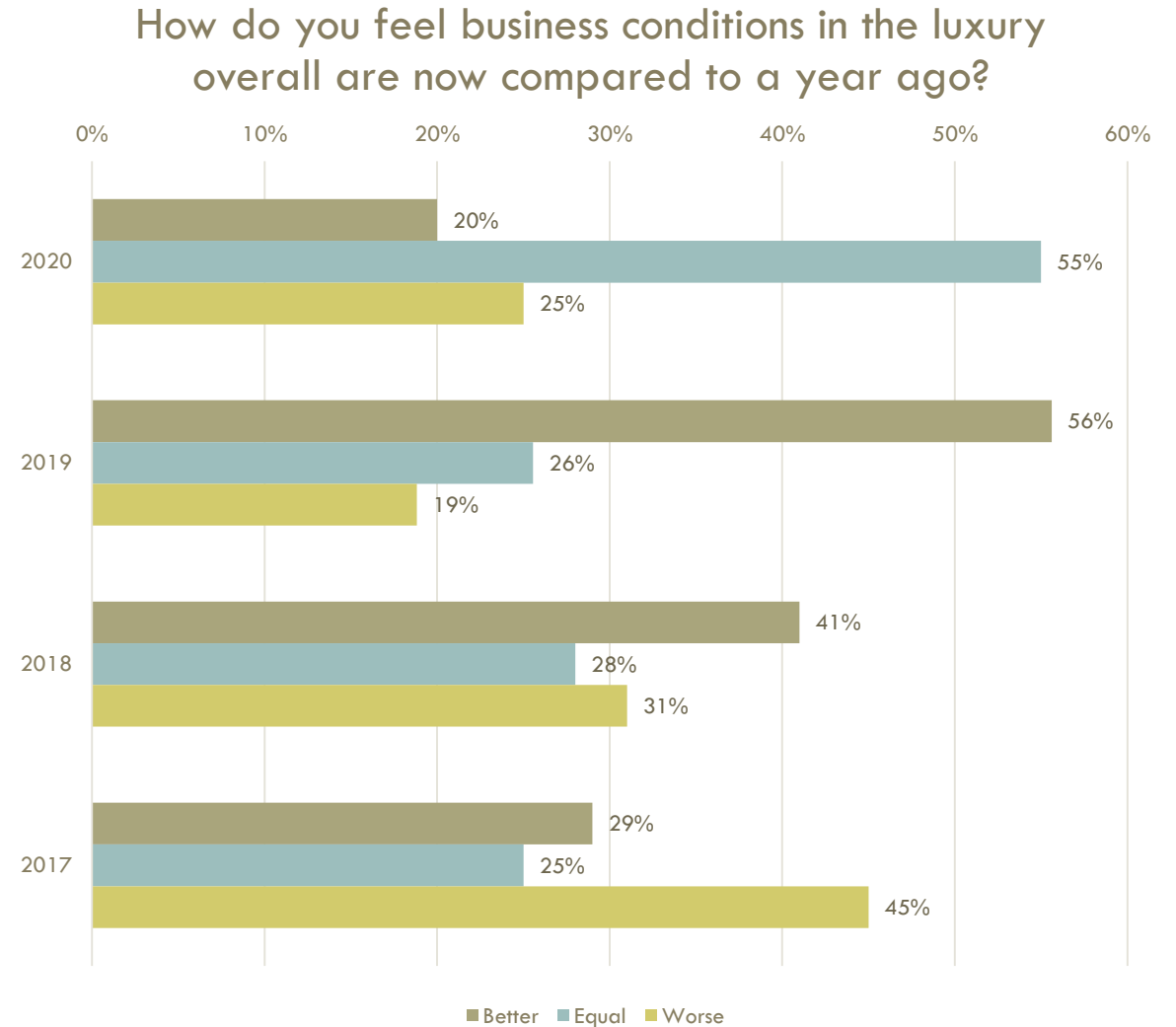


LUXURY MARKET BUSINESS CONDITIONS NOW

Compared to 2019 when 56% of those surveyed felt business conditions had improved over the previous year, this year the shift has been toward the middle with 55% this year reporting business conditions in the luxury market are about the same as last year.

While business conditions in the luxury market haven't gotten significantly worse – only 25% feel luxury market conditions are worse now than a year ago – only 20% feel conditions are improved.

Overall their assessment of current luxury market business conditions were most negative in 2017 when 45% felt things were worse, which compares with 25% this year.



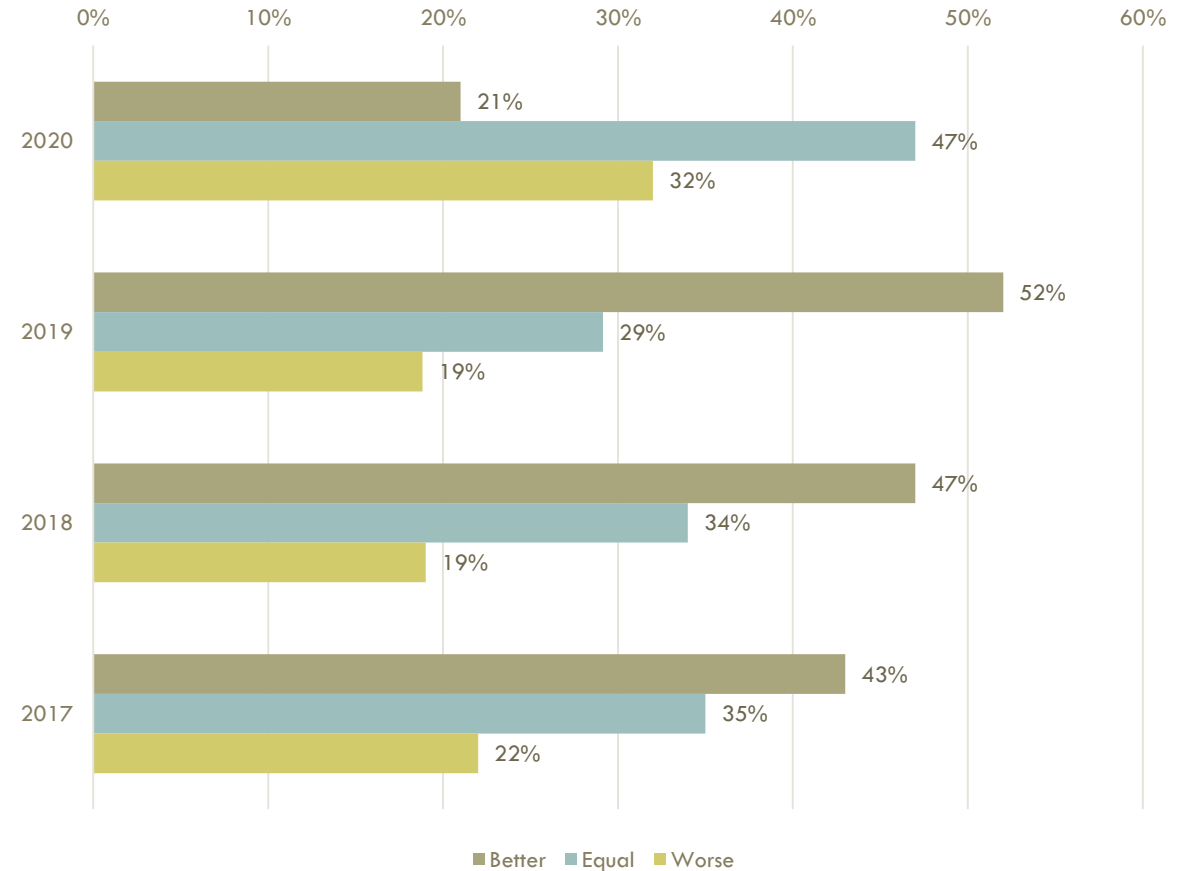
LUXURY MARKET BUSINESS EXPECTATIONS FOR NEXT YEAR

In terms of next year, the luxury insiders' view of the overall luxury market has taken a negative turn. The number who expect business conditions to improve has dropped by more than half. Last year 52% expected business conditions in the coming year to improve, whereas this year only 21% expect improvement in the coming year.

Further, nearly one-third (32%) expect business conditions in 2020 to worsen compared with this year. This is the highest share of those surveyed since 2017.

In the past three years of our survey, the greatest share of those surveyed consistently believed that luxury market business conditions overall would improve over the next year. But in 2020 the largest share (47%) expect business conditions to remain about the same in the coming year compared with last year.

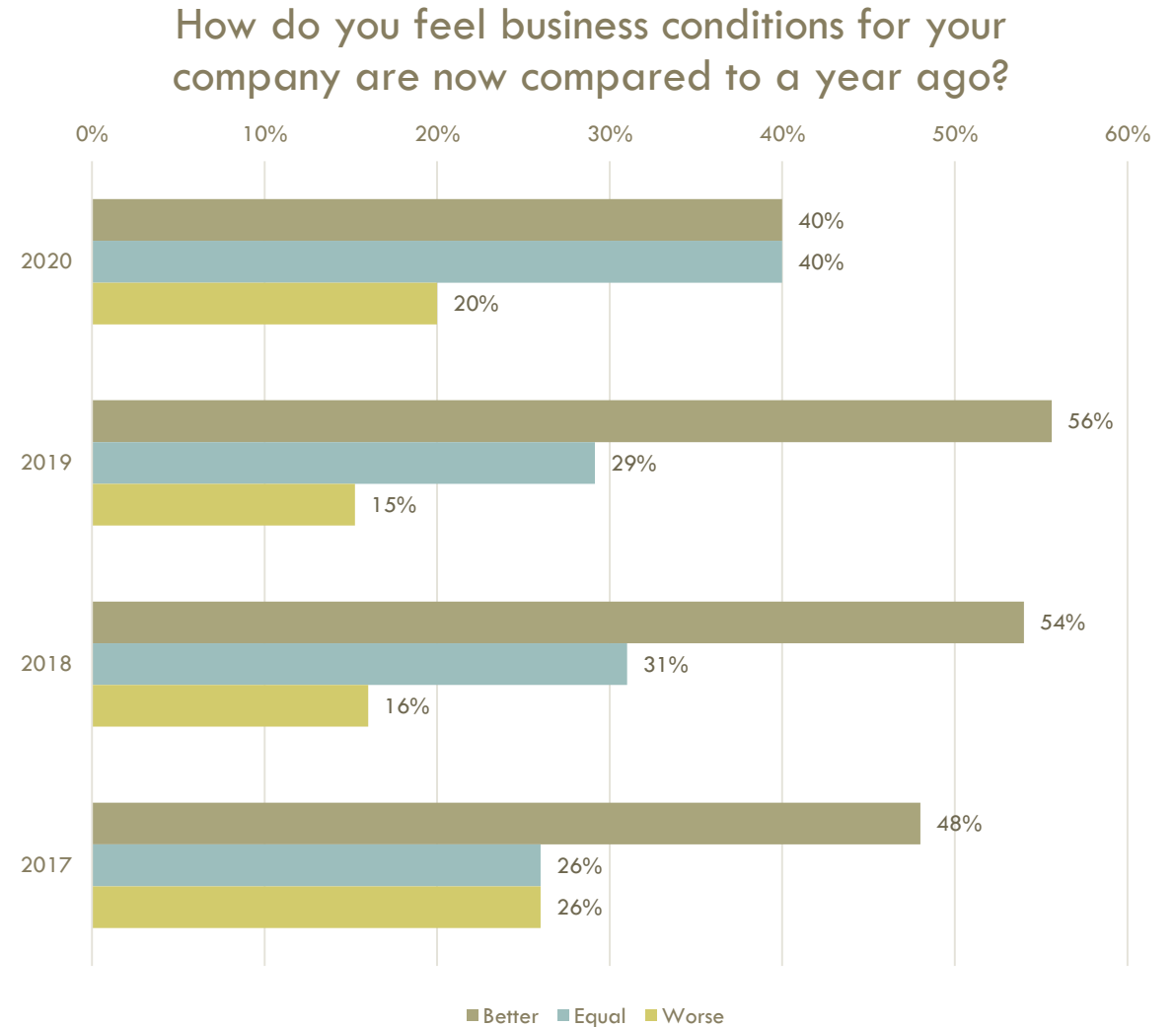
How do you feel business conditions in the luxury market overall will change over the next year compared to now?



COMPANY'S BUSINESS CONDITIONS NOW

Looking at business conditions for their own company, this year's insiders are less positive than they have been in the past. Only 40% this year report business conditions improved, compared with 56% last year.

While a greater share (26%) of those surveyed in 2017 felt business conditions were worse that year compared with previous year, still a fairly high percentage (20%) this year said business was worse compared with last year.

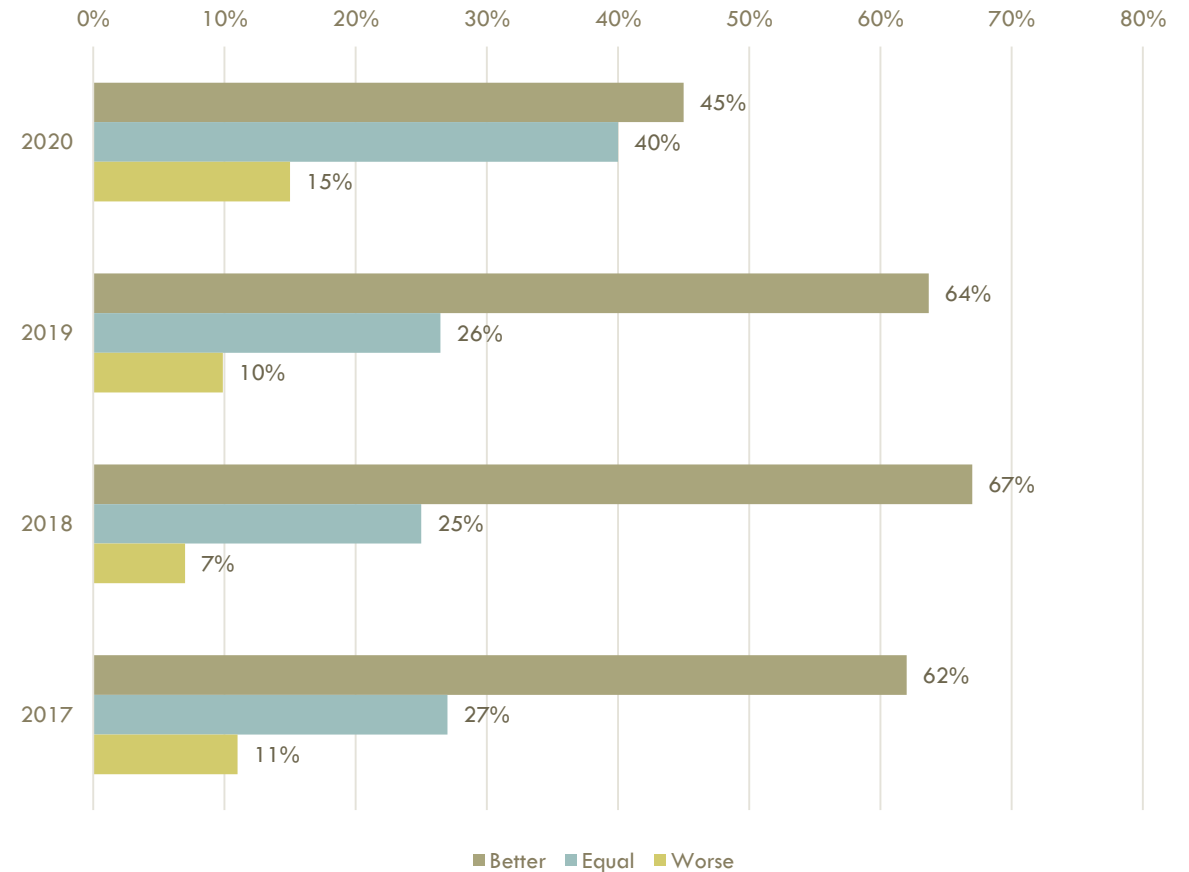


COMPANY'S BUSINESS EXPECTATIONS FOR NEXT YEAR

Luxury insiders remain optimistic about business conditions for their own company in the coming year compared to this year, but they are less optimistic overall than in previous years. In the last three years, over 60% of luxury insiders surveyed expected business conditions in the coming year to improve. However, this year a sharply reduced share of luxury insiders (40%) expect their company's business conditions to improve.

And a greater share than ever (15%) expect their company's business conditions to worsen next year.

How do you feel business conditions for your company will change over the next year compared with now?



FINAL THOUGHTS

Hopefully this report has given you some new ideas and inspiration. Now it is up to you to turn those ideas into action.



**IT'S NOT
ABOUT IDEAS.
IT'S ABOUT
MAKING
IDEAS
HAPPEN.**

GET THE REPORT

You've read the descriptive research findings.

Learn more about what your peers – and your competitors – are doing in response to the market forces shaping the new luxury market in the final report.

Get the prescriptive research in the final report, *State of Luxury 2020*, with ideas and inspiration for change and innovation in luxury brand marketing, advertising, and sales.

This survey is the joint effort of *Luxury Daily*, The Home Trust International and Unity Marketing.

- *Luxury Daily* is the world's largest luxury business publication. It is part of Napean LLC, a New York-based publisher whose portfolio also includes *Mobile Marketer* and *Mobile Commerce Daily*, as well as allied conferences in addition to luxury events and awards. Mickey Alam Khan is founder and editor in chief. Web address: LuxuryDaily.com
- The Home Trust International is a network of the finest resources for luxury homes. Based in Palm Beach, FL and led by Christopher P. Ramey, The Home Trust International is a by-invitation only organization. Web address: Thehometruster.com.
- Unity Marketing is a Stevens, PA-based market research firm specializing in the affluent consumer. It is run by Pamela N. Danziger, noted author, analyst and affluent expert. Web address: UnityMarketingOnline.com

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