

# STATE OF LUXURY SURVEY 2021

## *EXECUTIVE SUMMARY*

Presented by:



# HIGHLIGHTS OF THIS YEAR'S STATE OF LUXURY STUDY

As this tumultuous year draws to a close, the 500+ luxury industry insiders surveyed here will be thankful to put 2020 in their rear-view mirror. The coronavirus pandemic closed economies and grounded travelers – on whom much luxury business depends – all over the world for months on end.

The experiences the luxury industry endured through 2020 gives a new meaning to disruption. Bain and Altagamma expect the luxury market to contract between 20% to 35% by year's end.

But while the industry struggles to recover, there have been bright spots along the way. Luxury consumers rapidly shifted to online shopping to satisfy their cravings, so much so that by 2025 some 30% of luxury goods will be sold online.

In addition, luxury companies that produce home furnishings, as well as experiential providers that service the home sector, have also gotten a bump.

Bain & Company partner Claudia D'Arpizio sums it up expertly: "There will be a recovery for the luxury market but the industry will be profoundly transformed. The coronavirus crisis will force the industry to think more creatively and innovate even faster to meet a host of new consumer demands and channel constraints."

Here are highlights of this *2021 State of Luxury* survey, our fifth year of reporting:

# KEY FINDINGS

- **COVID-19 pandemic will bring needed change** – While the vast majority of insiders surveyed said the pandemic caused a major downturn within the luxury market, over one-fourth (28%) saw a silver lining coming out of it. They believed it will bring needed change to the luxury industry.
- **Revenues are down less than 10%** – It could have been worse, this insiders' survey reveals. While the majority of both luxury goods and luxury service/experiential companies experienced a sales decline, by no means did all. Further the average change in company revenues was -9% for luxury goods companies and -8% for luxury services/experiential companies. Many services companies serving the luxury consumers' home needs actually experienced growth this year. In addition, those luxury services companies derive about half of their company revenues from sales of luxury goods.
- **Advertising spending will be cut** – While luxury goods and services/experiential companies spent ~11% of revenues on advertising this year, up slightly from 10% last year, nearly 30% plan to reduce advertising and marketing spending in 2021, the highest share over the five consecutive years of conducting this survey. Internet and digital advertising will get the lion's share of next year's advertising spending. Advertising agencies that serve luxury companies are expecting a greater decline, with over half (51%) saying their clients will reduce advertising and marketing expenditures in 2021.
- **Social media isn't delivering results** – Despite luxury companies' greater commitment to digital advertising, social media is producing minimal results. Only 30% of those companies using Instagram and 16% of those using Facebook report that their efforts on these platforms are very effective.  
  
However, advertising agencies take a different view of the effectiveness of social media strategies. Over 60% say that Instagram is very effective for their clients and 40% say Facebook is. These varied findings suggest that ad agencies measure effectiveness in terms of attracting eyes and engagement on these channels, while luxury companies measure effectiveness by resulting sales.
- **Print media trending down** – Over half of the luxury companies will spend less on print media in 2021, a finding mirrored in the advertising agencies' sample, which expects about two-third of its clients to reduce print advertising.
- **Luxury consumers' shifting shopping behavior is a key challenge** – The changing ways consumers shop for luxury is causing the greatest challenge for luxury insiders this year. 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 by a lack of understanding of how to appeal to new customers coming into the luxury market. These customers don't define luxury in the same way previous generations of consumers had, making it harder for established brands to make a meaningful connection with them.
- **Renewed optimism for 2021** – While over two-thirds (68%) of those surveyed said business conditions in the luxury market are worse now than a year ago, only 17% expect it to worsen in 2021. In terms of prospects for the luxury market in 2021, some 44% expect conditions to improve while 39% expect it to remain about the same.

However, when asked about prospects for their own companies, the luxury insiders surveyed are much more optimistic. Over half (55%) say business conditions will improve for their companies in 2021.



# TIME TO REIMAGINE A NEW LUXURY EXPERIENCE



“The trends towards localism, connections to nature, well-being and the natural resilience and strength of humanity will all resonate at this time. The luxury industry will prosper by finding routes to solving the issues that we all have and offering solutions along with more reasons to purchase. This will engage the customer.”

Salvatore Ferragamo



Cartier



MOSCHINO



Chloé

DOLCE & GABBANA

BVLGARI

GUCCI



# OUR LUXURY INDUSTRY INSIDERS' SAMPLE

Over 500 luxury industry insiders provide their perspective on what they have come through in 2020 and where the luxury market is headed in 2021.



TIFANY & CO



PRADA



Harrods



AZIMUT YACHTS



BOSS HUGO BOSS

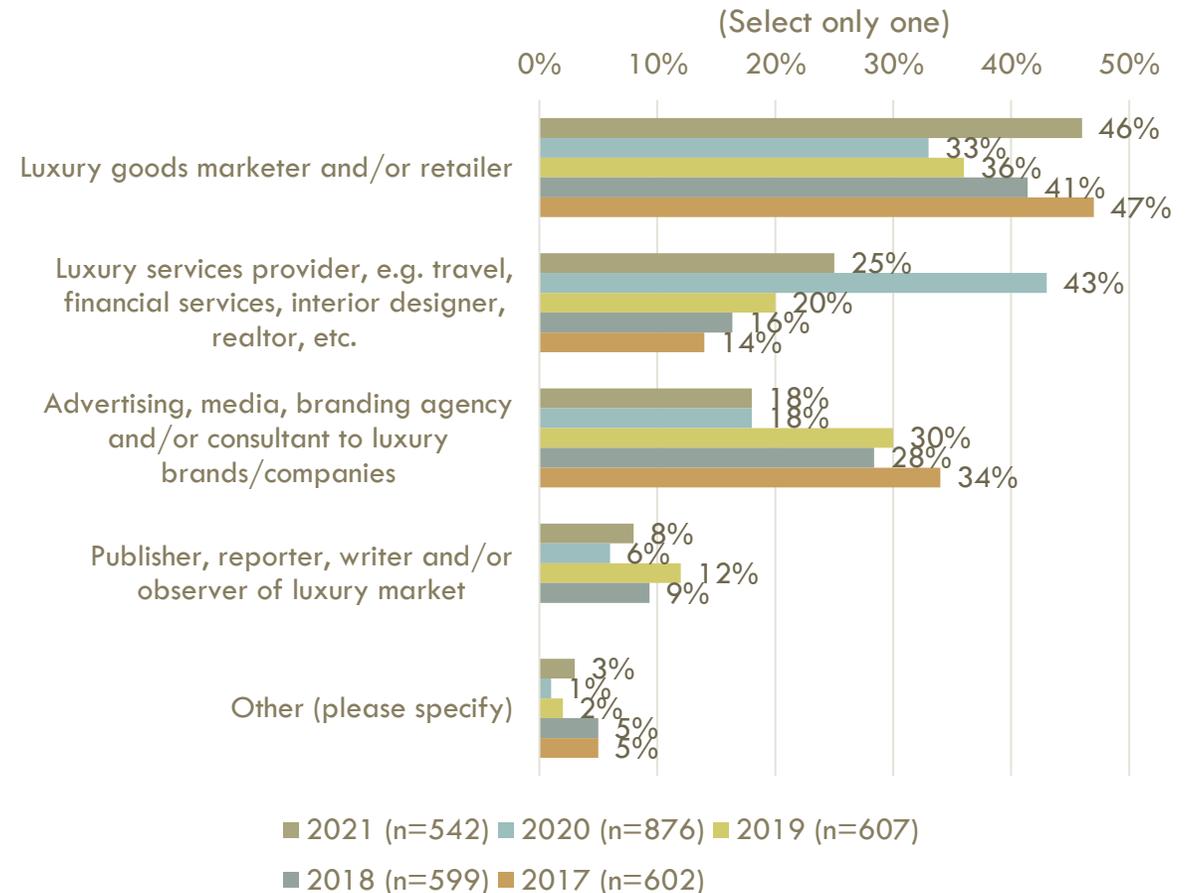
# LUXURY INSIDERS SURVEYED

This year just over 500 luxury industry insiders participated in our *State of Luxury* survey.

After seeing a significant rise in experiential luxury services providers in our 2020 survey, their participation returned to previous levels with a concomitant rise in the participation of luxury goods marketers and reduction in participation of travel, hospitality and restaurant insiders.

This is likely a result of the pandemic's disruption in the travel, hospitality and fine dining sectors, which suffered catastrophic declines in 2021.

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



# IMPACT OF PANDEMIC

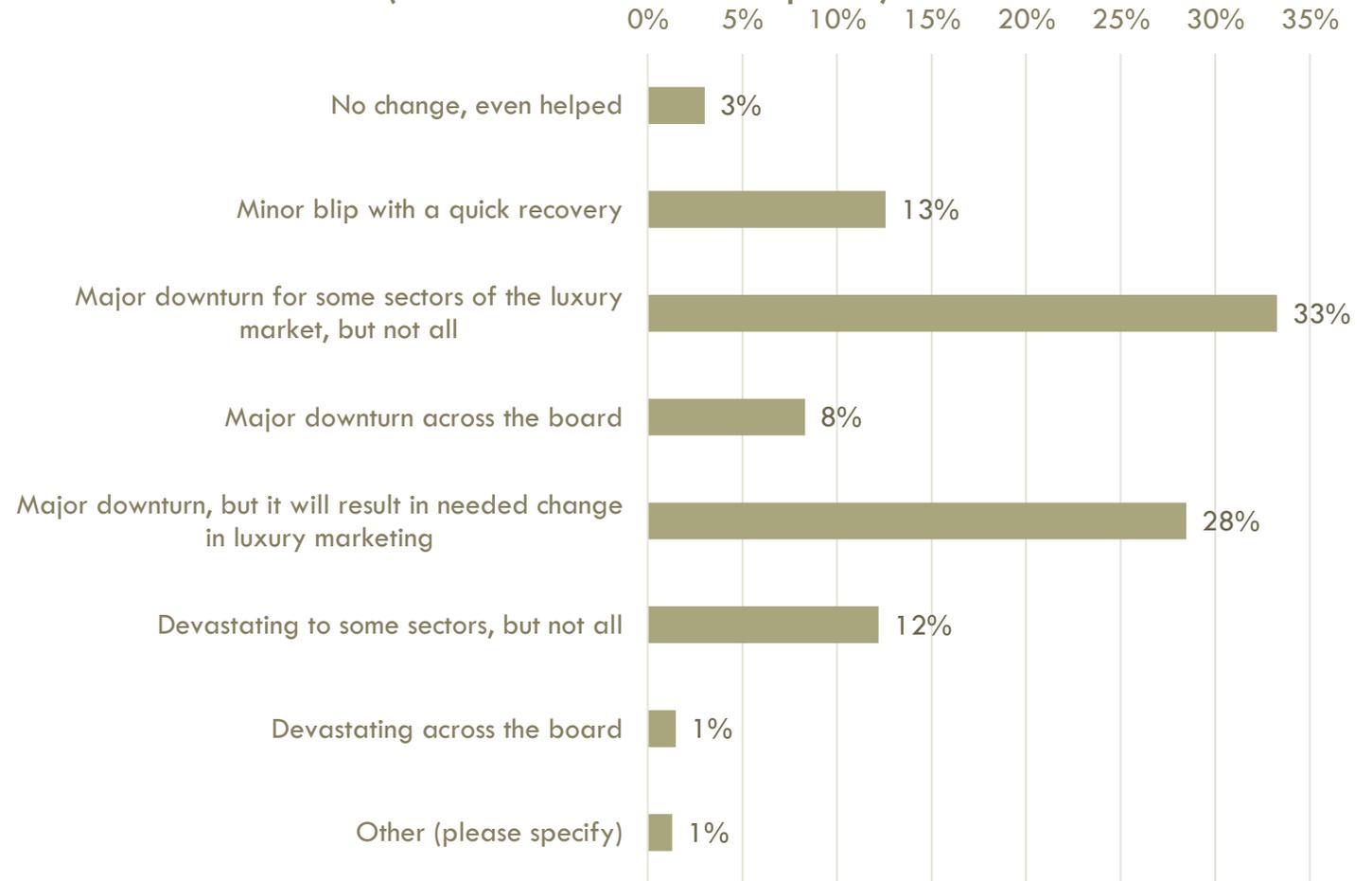
Respondents were asked the impact of the Covid pandemic on the luxury market.

Overall, the majority (61%) see the luxury market has experienced a major downturn, as opposed to a devastating one.

Some 33% see the major downturn impacting some, but not all sectors of the market. On the other hand, 28% feel that the major downturn is resulting in needed change in the market.

Of note, 3% of respondents say the pandemic and its effects have been good for business, this coming primarily from those with businesses targeting home furnishings, interior design and real estate.

How do you assess the impact of the COVID-19 pandemic on the luxury market?  
(Check the one best option)





# LOOK AT LUXURY GOODS MARKETERS

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

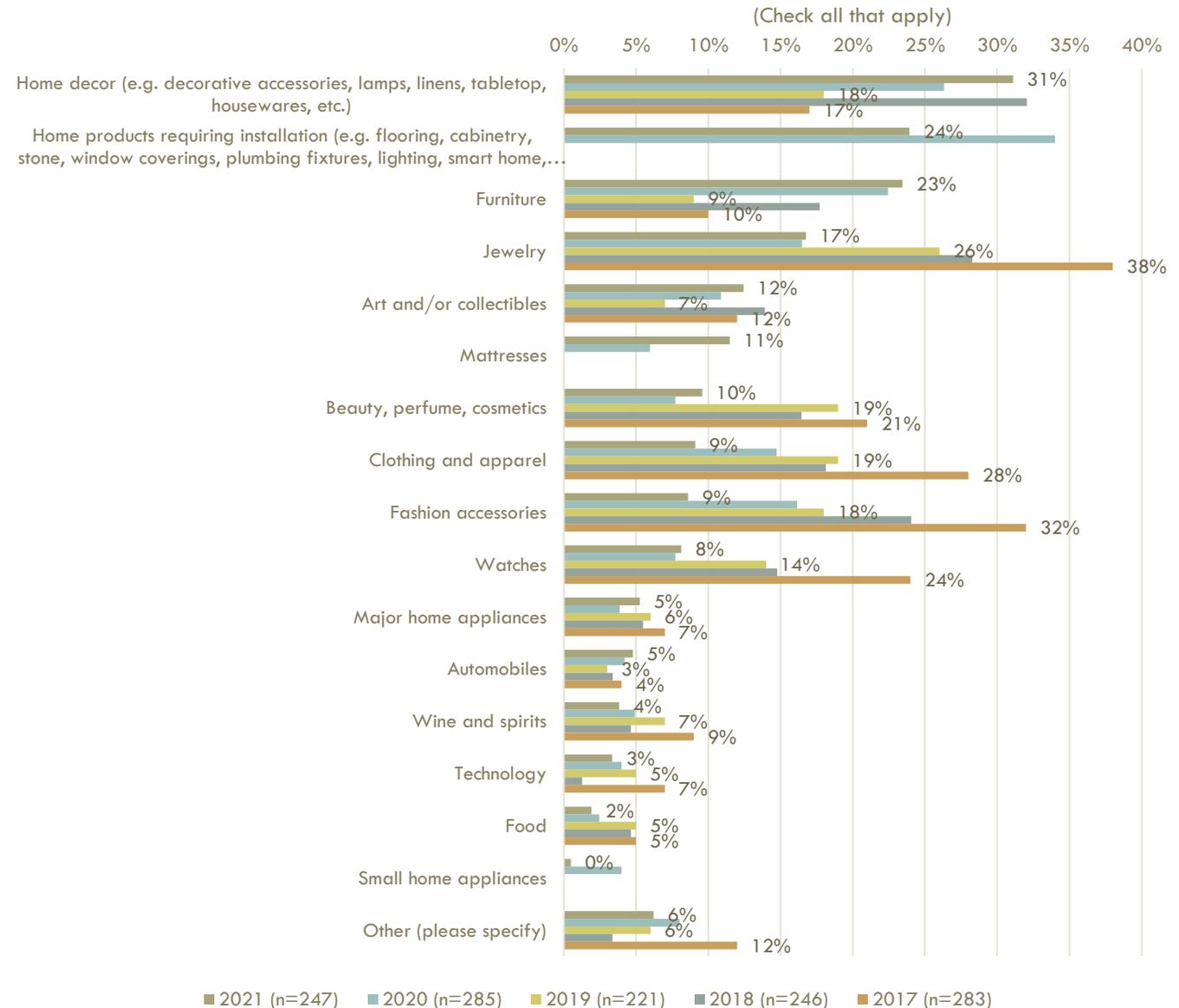
# LUXURY GOODS MARKETERS

This year a greater representation of luxury goods companies selling products for the home are included in the survey, including home decor companies, furniture companies and goods companies that supply home products that require installation (flooring, lighting, plumbing, window coverings, etc.). This has also been the sector in the luxury market most positively affected by the pandemic.

Over the course of the five year's surveys, there has been considerable variation in the luxury goods categories in which our 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?

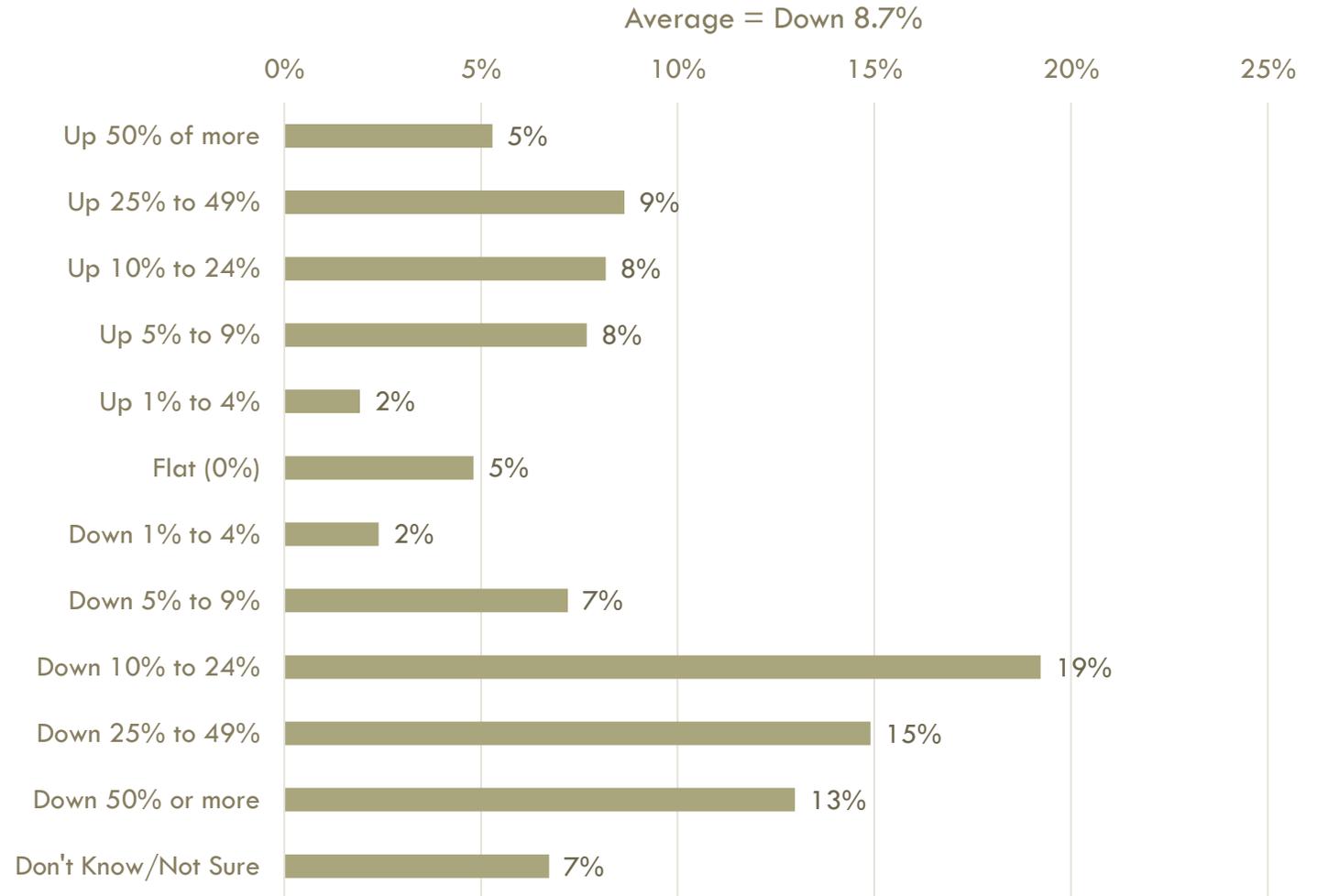


# LUXURY GOODS SALES CHANGE YEAR-OVER-YEAR

Through September, the luxury goods companies experienced on average decline of 8.7% in sales.

But as mentioned before, the pandemic has been good for about one-third of the companies surveyed, mostly in the luxury home goods sector.

### Year-to-Date, How Much Have Your Company's Sales Changed Compared to Last Year?

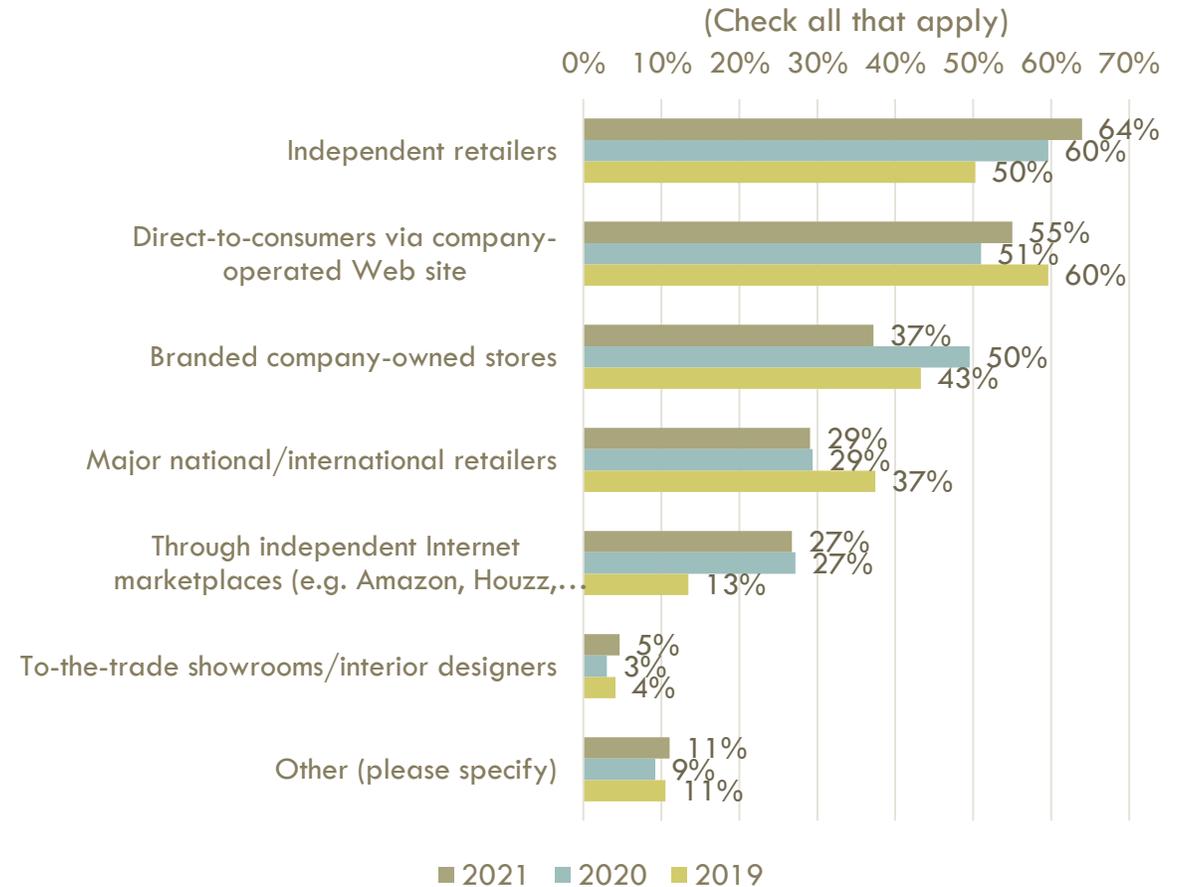


# LUXURY GOODS DISTRIBUTION CHANNELS

Independent retailers, direct-to-consumer 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?

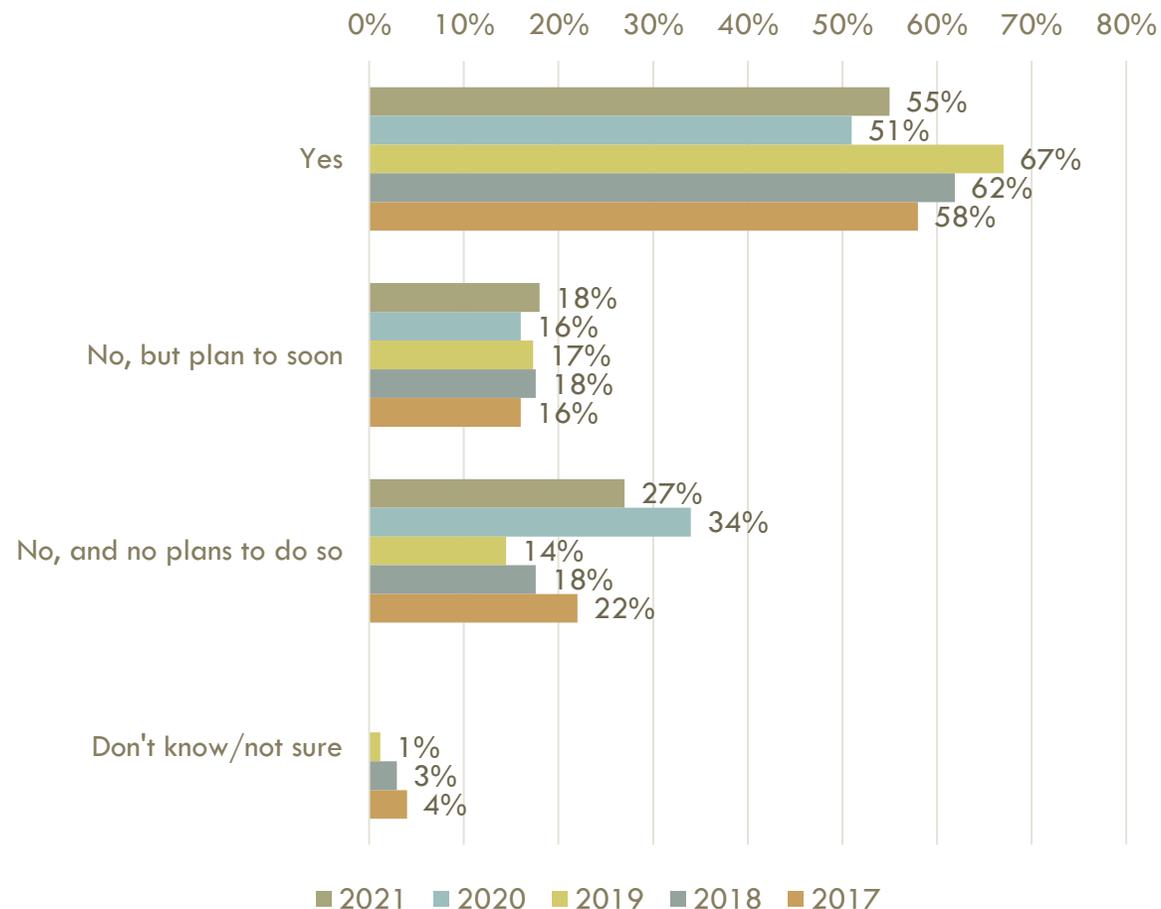


# INTERNET E-COMMERCE

Overall, a majority of luxury goods companies this year depend upon direct-to-consumer distribution, as in previous years.

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

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 30% of company sales are made online.

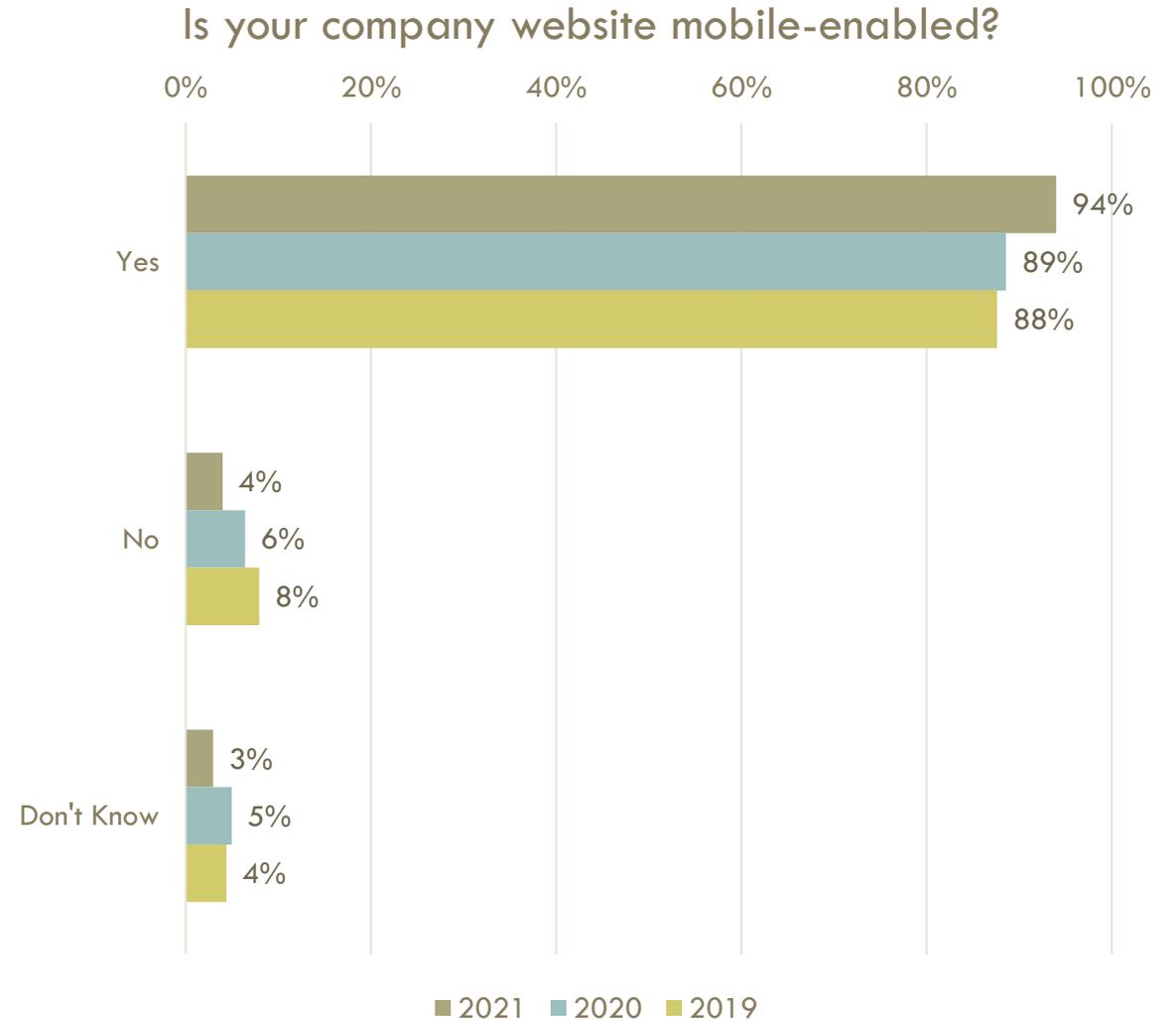
This is up from 2020, but down from previous years 2019-2017, likely a result from the higher level of representation of home-related luxury goods companies in our survey. Consumers are generally not as active purchasing that category of goods online as others that are more easily shipped.

	<b>2021 Company Revenues Online (avg. 30%)</b>	<b>2020 Company Revenues Online (avg. 21%)</b>	<b>2019 Company Revenues Online (avg. 35%)</b>	<b>2018 Company Revenues Online (avg. 34%)</b>	<b>2017 Company Revenues Online (avg. 34%)</b>
1-10%	45%	61%	38%	42%	35%
11-25%	18%	15%	16%	16%	23%
26-50%	14%	11%	21%	16%	19%
51-75%	7%	2%	6%	7%	5%
76-99%	11%	6%	8%	11%	5%
100%	5%	5%	10%	8%	12%

# MOBILE-ENABLED WEBSITE

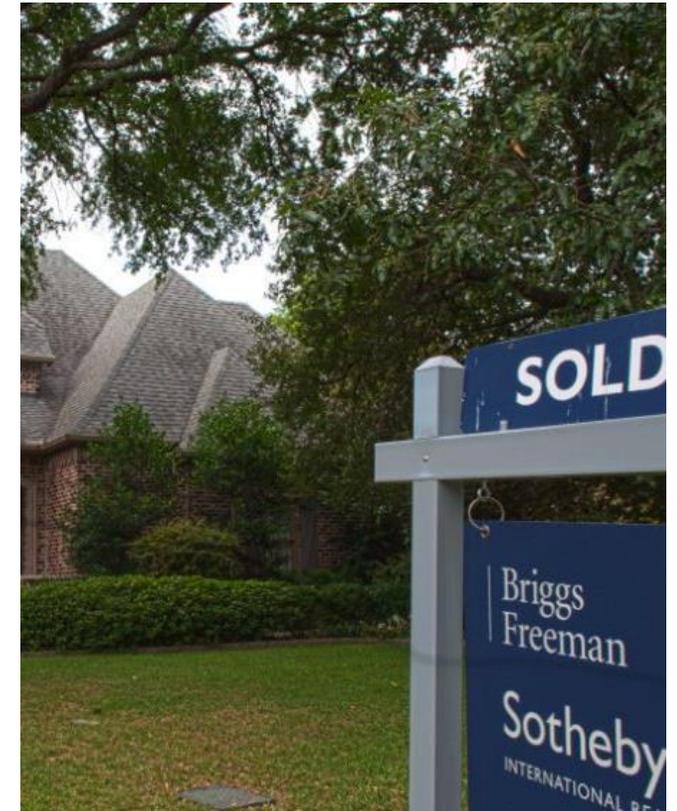
The vast majority of luxury goods' websites are mobile-enabled.

In a follow-up question among those 94% 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 is the same percentage as in 2020.



# LOOK AT LUXURY EXPERIENTIAL MARKETERS

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



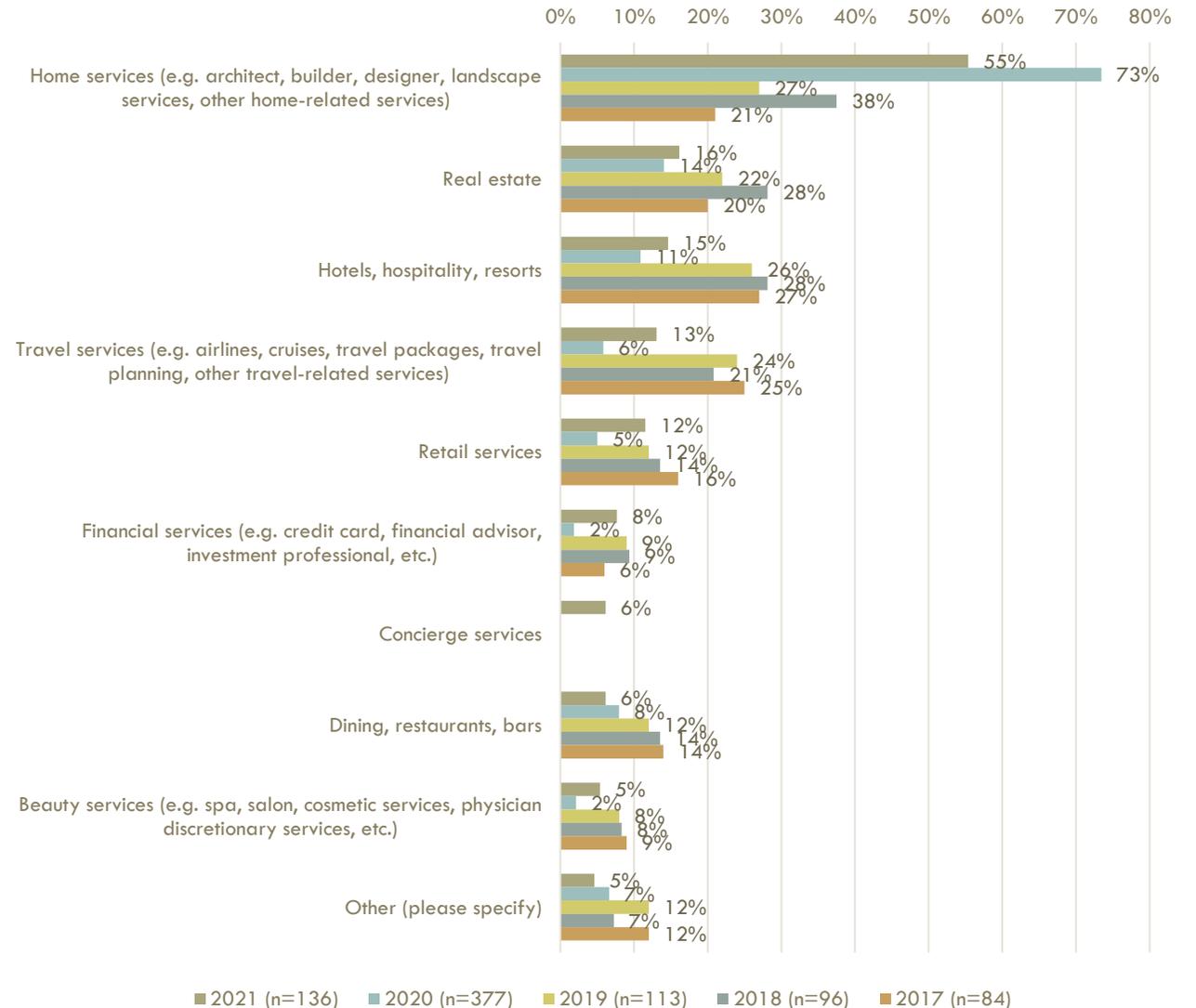
# LUXURY SERVICE & EXPERIENCE MARKETERS

While there was a smaller share of home service providers in this year's sample, they remain the largest segment reporting in the experiential services category. They include architects, builders, interior designers and outdoor providers.

Home services were followed by real estate, hotels/hospitality and travel services. Concierge services was a new category added this year.

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)



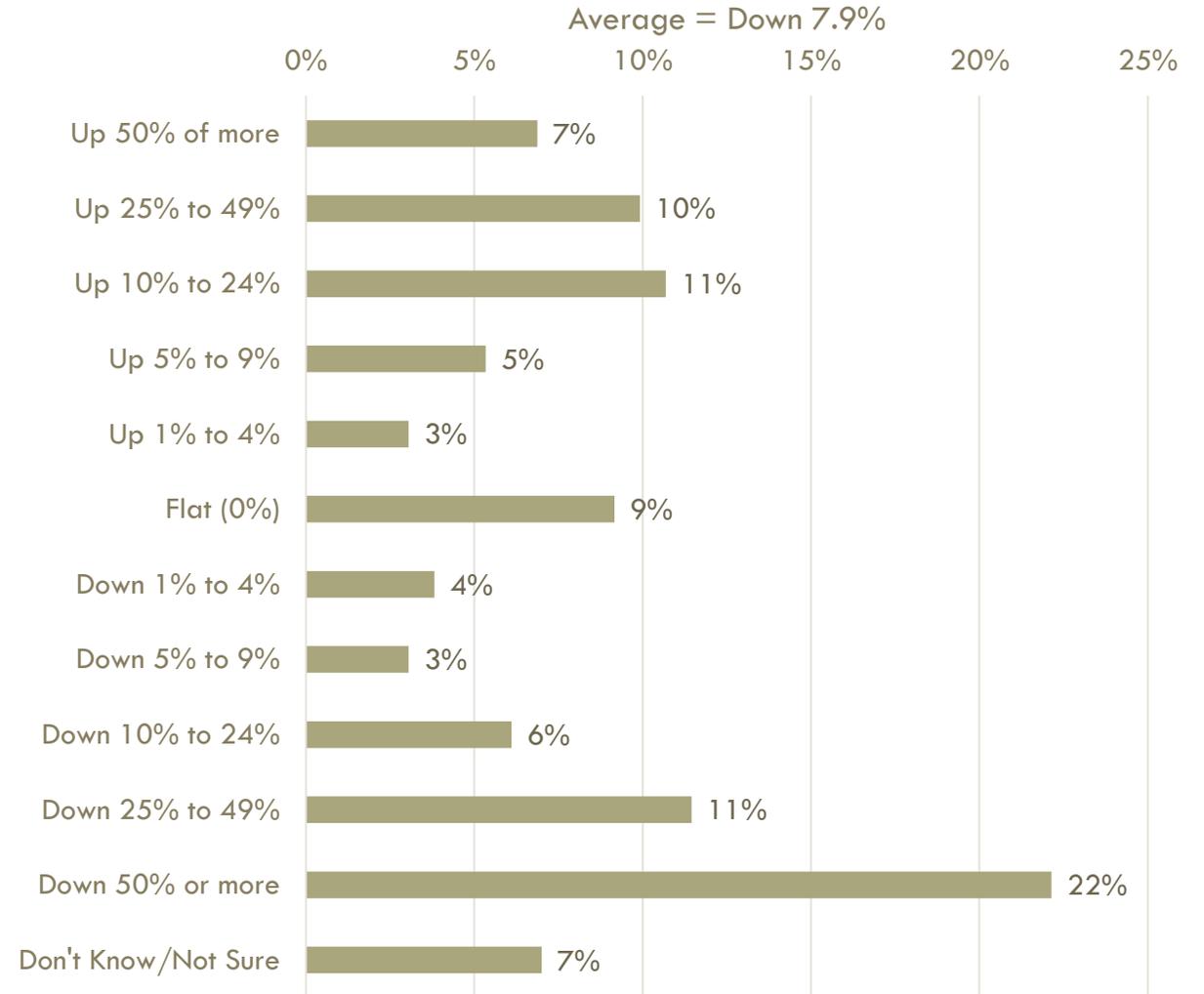
# LUXURY SERVICES MARKETERS SALES CHANGE YEAR-OVER-YEAR

Through September, the luxury services and experiential companies tracked an average decline of 7.9% in sales.

For some service providers, such as those in the home sector, the pandemic contributed to growth.

But it hurt more experiential company's sales (46% experienced a decline) than it helped (38% experienced a sales increase).

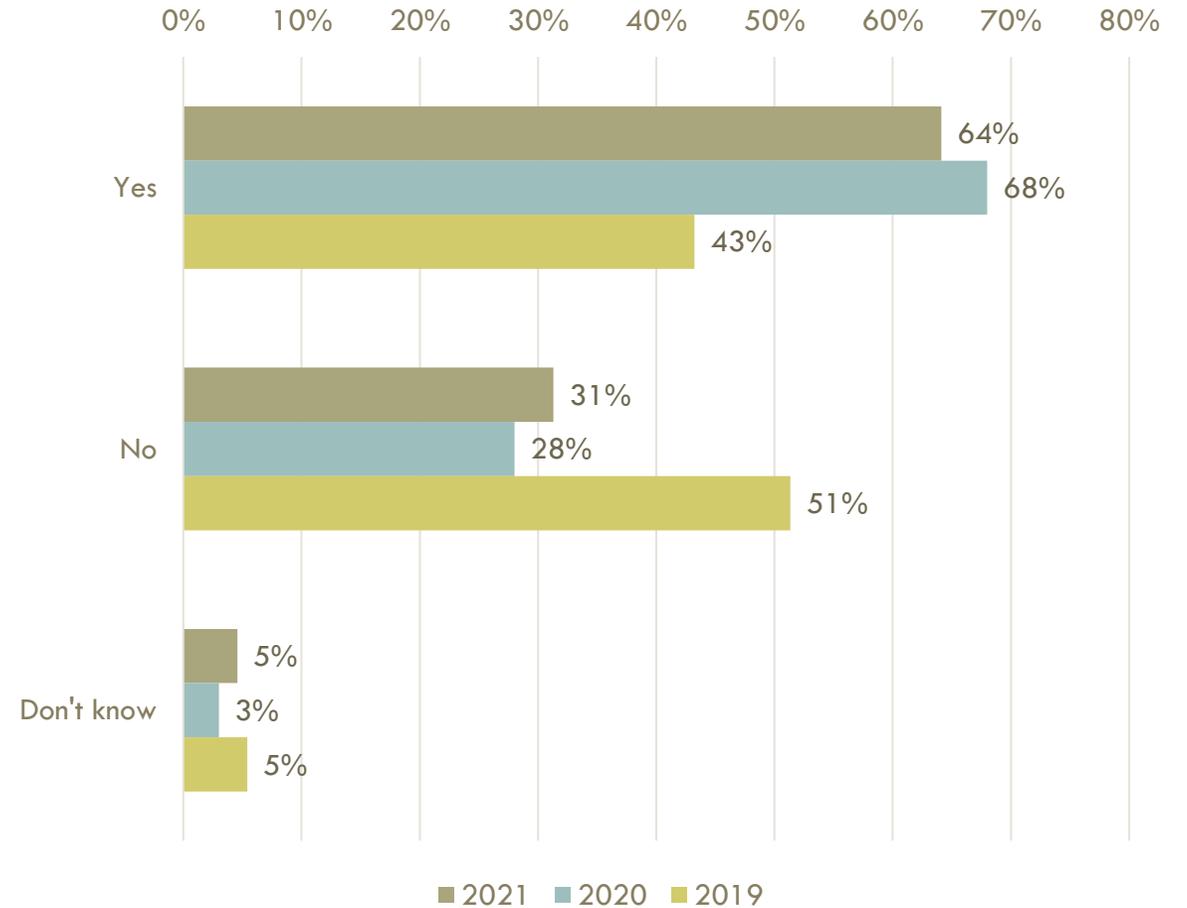
Year-to-Date, How Much Has Your Company's Sales Changed Compared to Last Year?



# ALSO SELL LUXURY GOODS

About two-thirds of the luxury service and experiential companies generate additional revenues from sales of luxury goods.

Does your luxury services company also sell luxury products to its clients?



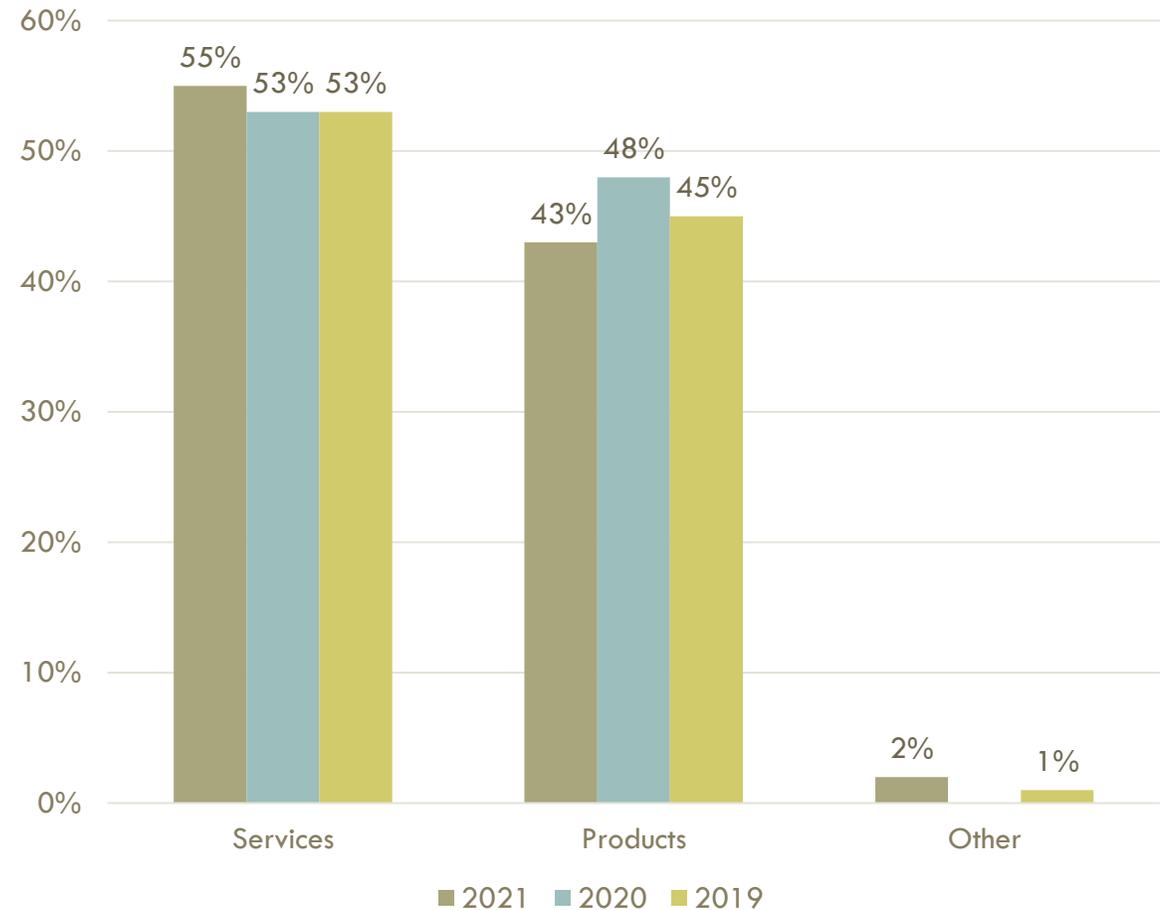
# REVENUES OF LUXURY SERVICES FIRMS BY TYPE

Among those services companies that also sell luxury goods, just slightly over half of their sales are generated in services (55%) with the remained coming from sales of products (43%). The results are not significantly changed 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.

What percentage of total company revenues are attribute to...





# ALL LUXURY GOODS & SERVICES MARKETERS

The next series of questions were asked only of the luxury goods and luxury services/experiential marketers, not among those agencies that provide services to luxury companies, such as ad agencies and consultants.

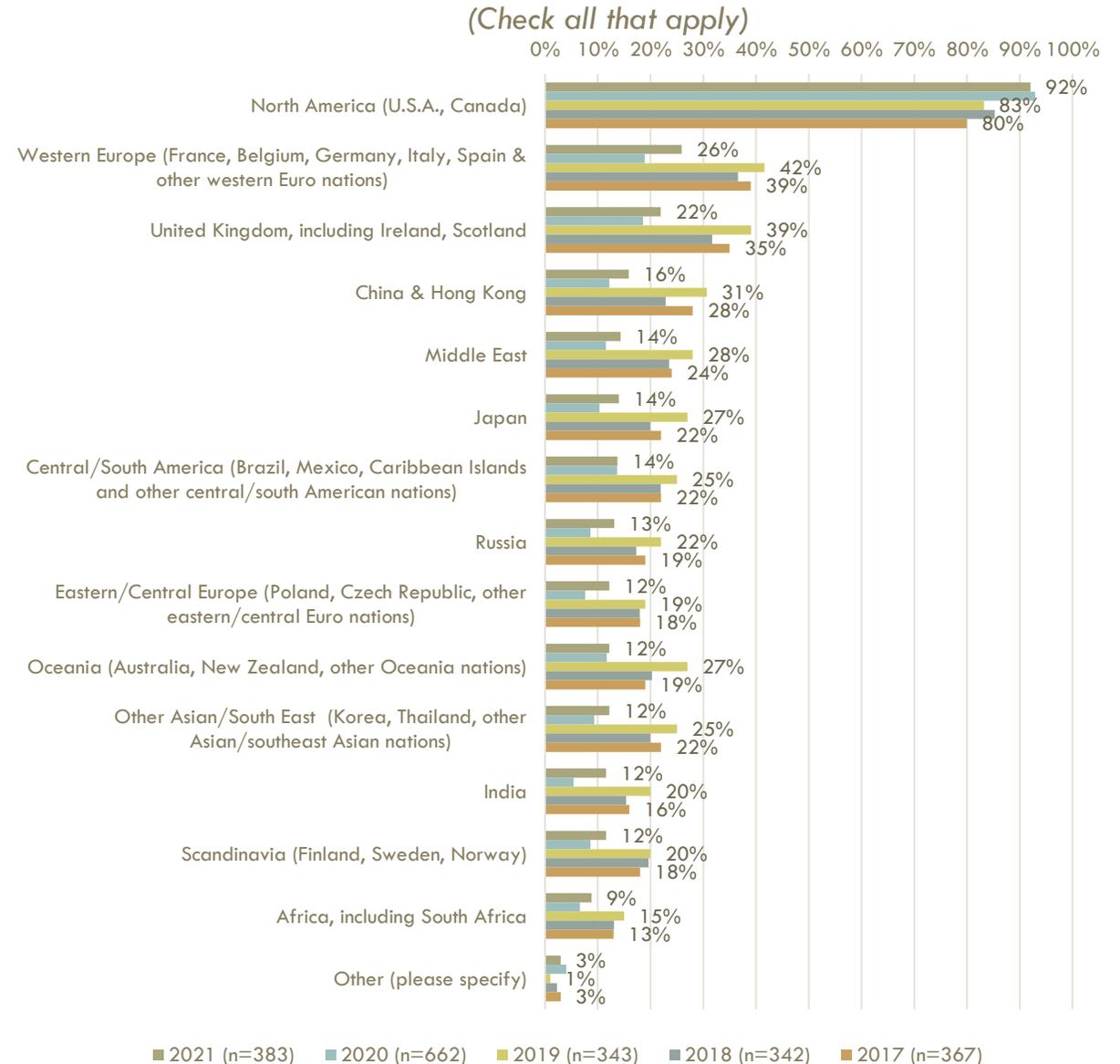
# LUXURY MARKETS COMPETED IN

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

This year fewer companies marketed in Central and South America and more marketed in the Middle East.

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?

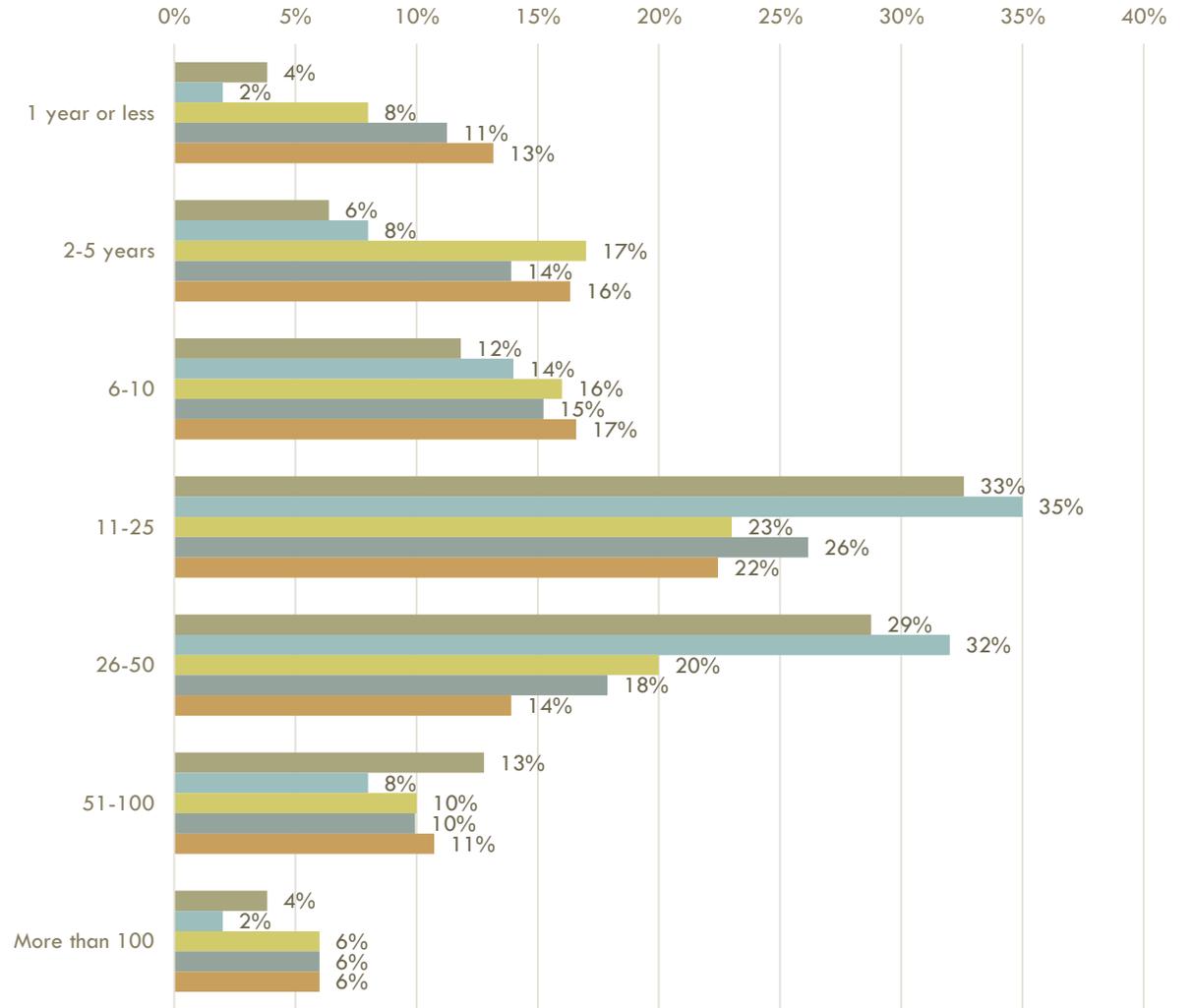


# YEARS IN THE LUXURY BUSINESS

The typical luxury goods and service/experience marketer has been in the business of luxury for 34 years on average, four years longer than last year.

Overall, nearly 80% of companies have been in the luxury business for 11 years or more, which is distinctive from previous years when a greater share had been new entrants in the luxury space.

How many years has your company been in the luxury business?



■ 2021 Years in Luxury Market (avg. 34 years) ■ 2020 Years in Luxury Market (avg. 28 years)  
 ■ 2019 Years in Luxury Market (avg. 30 years) ■ 2018 Years in Luxury Market (avg. 30 years)  
 ■ 2017 Years in Luxury Market (avg. 31 years)



# COMPANIES' ADVERTISING, MARKETING & INNOVATION STRATEGIES

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

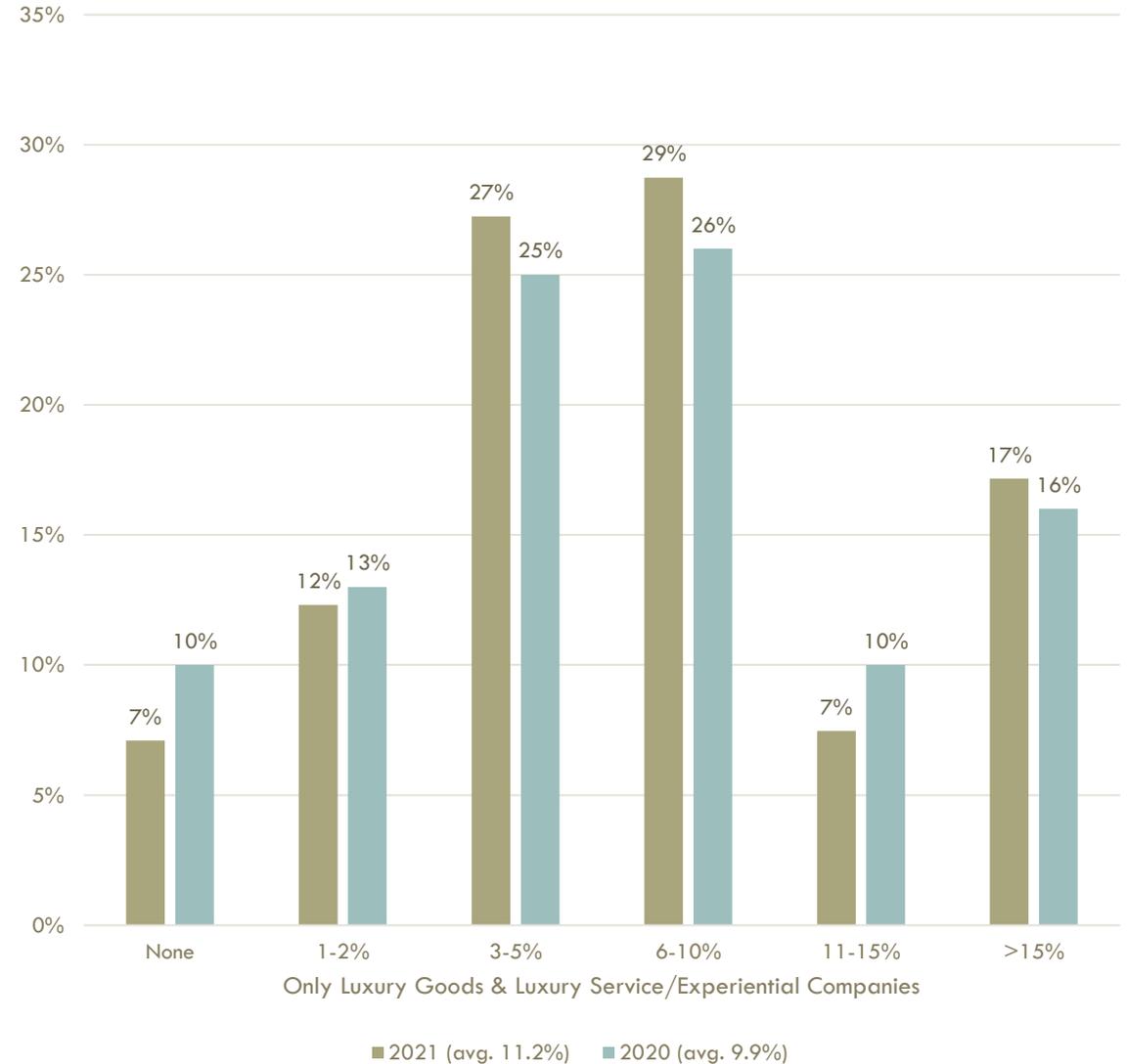
# SPENDING ON MARKETING AND ADVERTISING

This year the average amount luxury goods and service/experiential companies invested in advertising was 11.2%, up slightly from last year when they invested 9.9%.

A sizeable percentage (19%) reported investing 2% or less of revenues on marketing and advertising.

The largest share, however, invest from 3 to 10% of revenues in advertising and marketing (56%).

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



# TRENDS IN SPENDING ON MARKETING & ADVERTISING

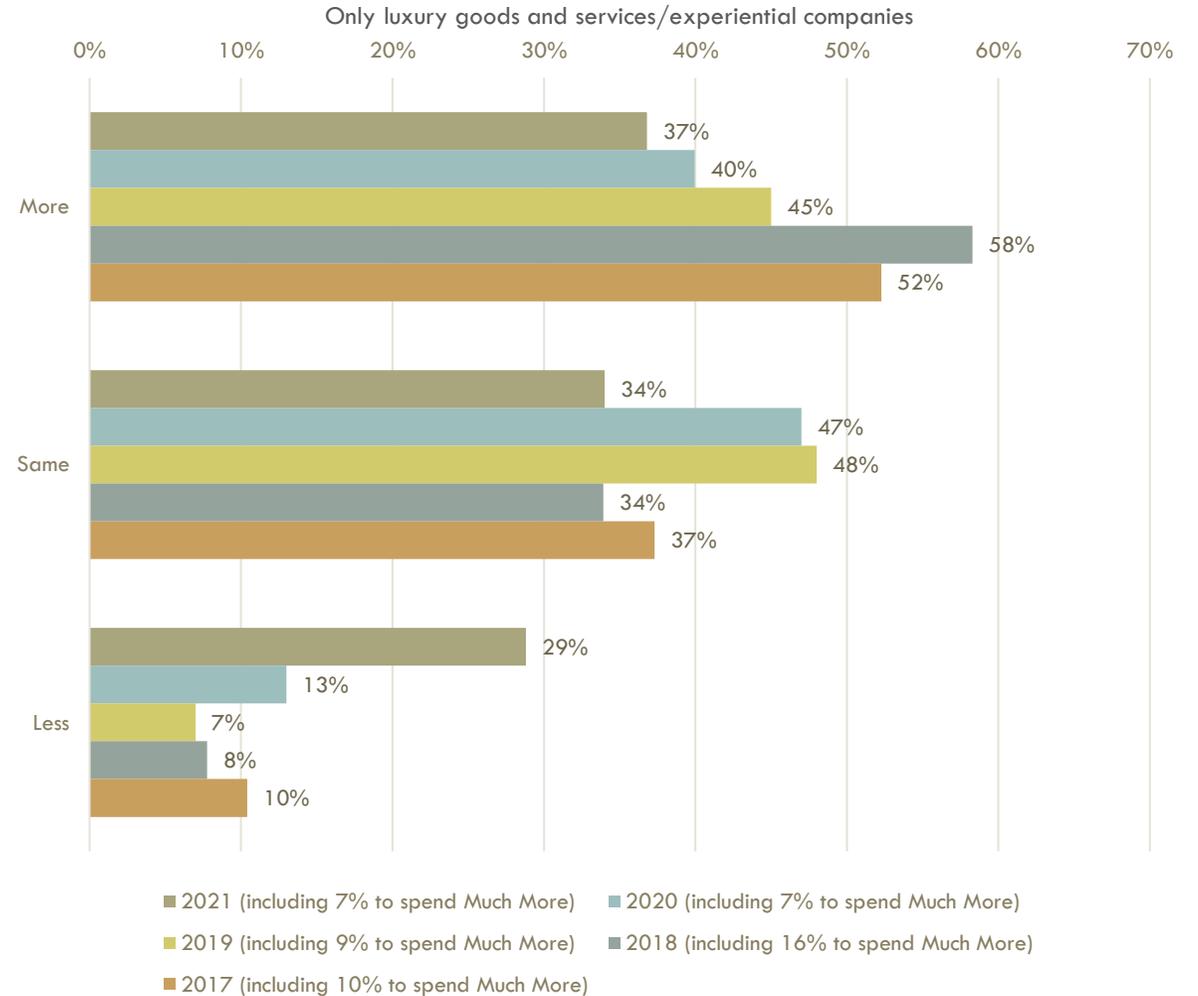
Luxury goods and services/experiential companies have much more cautious plans for marketing and advertising spending for 2021. Nearly 30% plan to invest less in marketing and advertising, dropping from around 10% in previous years.

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 would increase by 7.1%.

This year the average expected change was 3.5%, a significant decline overall.

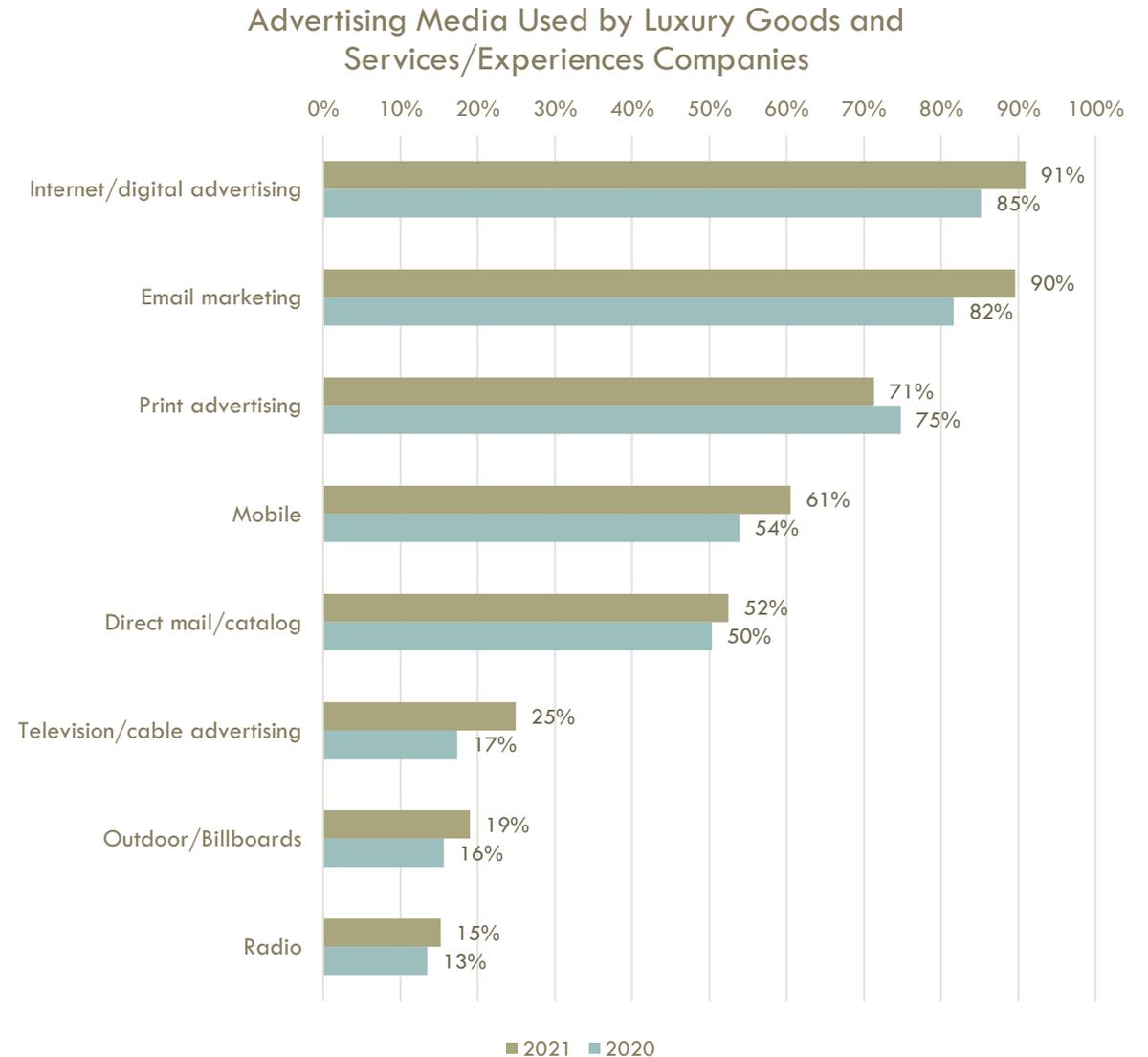
In the coming year, will your company spend more, less or the same on marketing and advertising?



# TRENDS IN ADVERTISING MEDIA USED

The most widely used advertising media are digital and email marketing this year and last, with reliance on both rising year-over-year.

Print was the only media that declined in use overall, but only slightly.

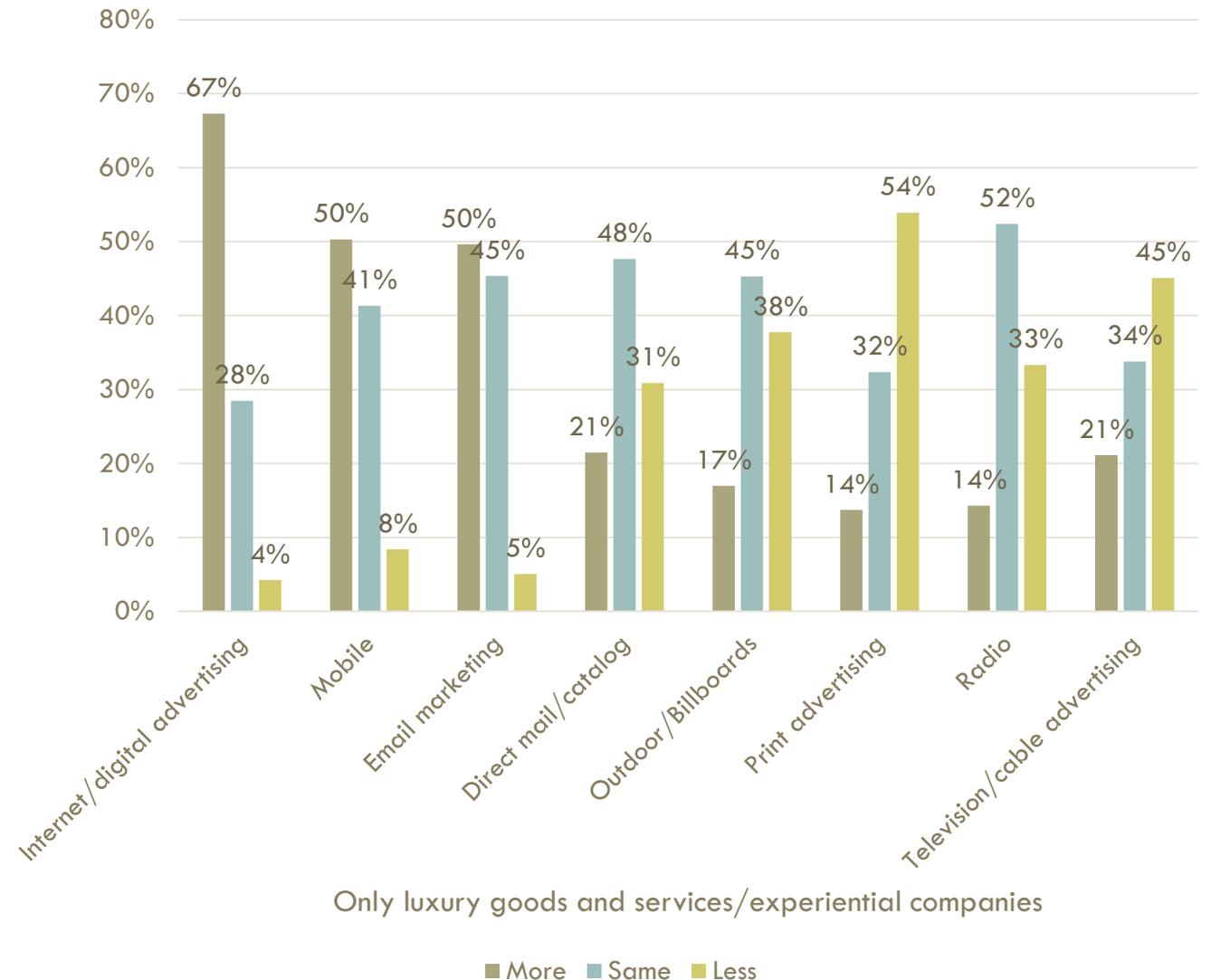


# ADVERTISING SPENDING TRENDS BY MEDIA

For 2021, luxury goods and services/experiential companies plan to invest more in internet/digital, mobile and email marketing.

All other media platforms are either going to remain the same – direct mail, outdoor and radio – or decline – print and television.

Advertising Spending Trends by Media  
2021



# OTHER ADVERTISING STRATEGIES

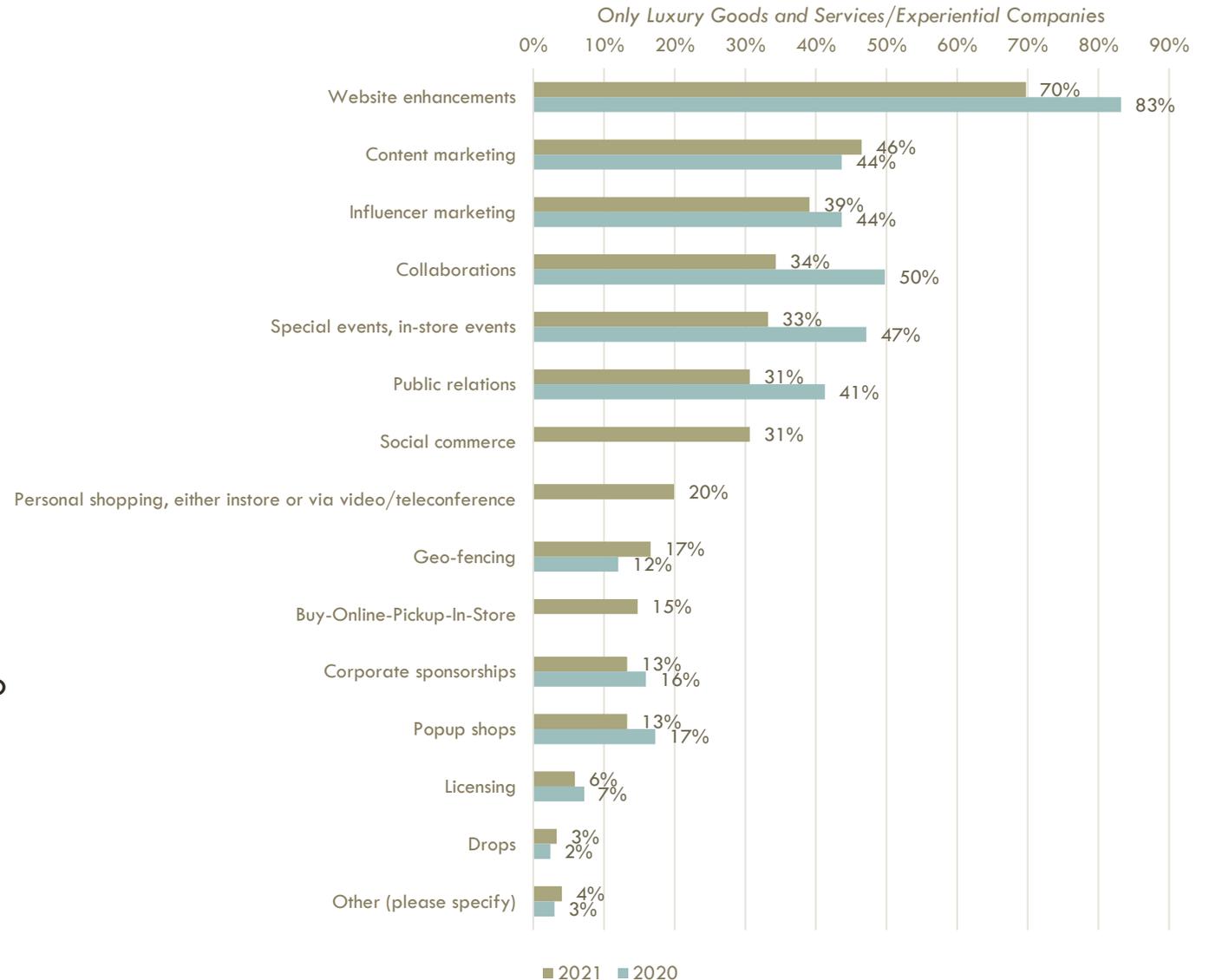
The three most important strategic priorities for luxury goods and services/experiential companies in 2021 will be website enhancements, content marketing, and influencer marketing.

On the other hand, collaborations, special events and public relations will be of less importance to luxury goods and services/experiential companies next year compared to previous year.

Due to the pandemic, more attention will be paid to social commerce, personal shopping and buy-online-pick-up-in-store this year.

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

Are any of these areas planned for more investment in the coming year?



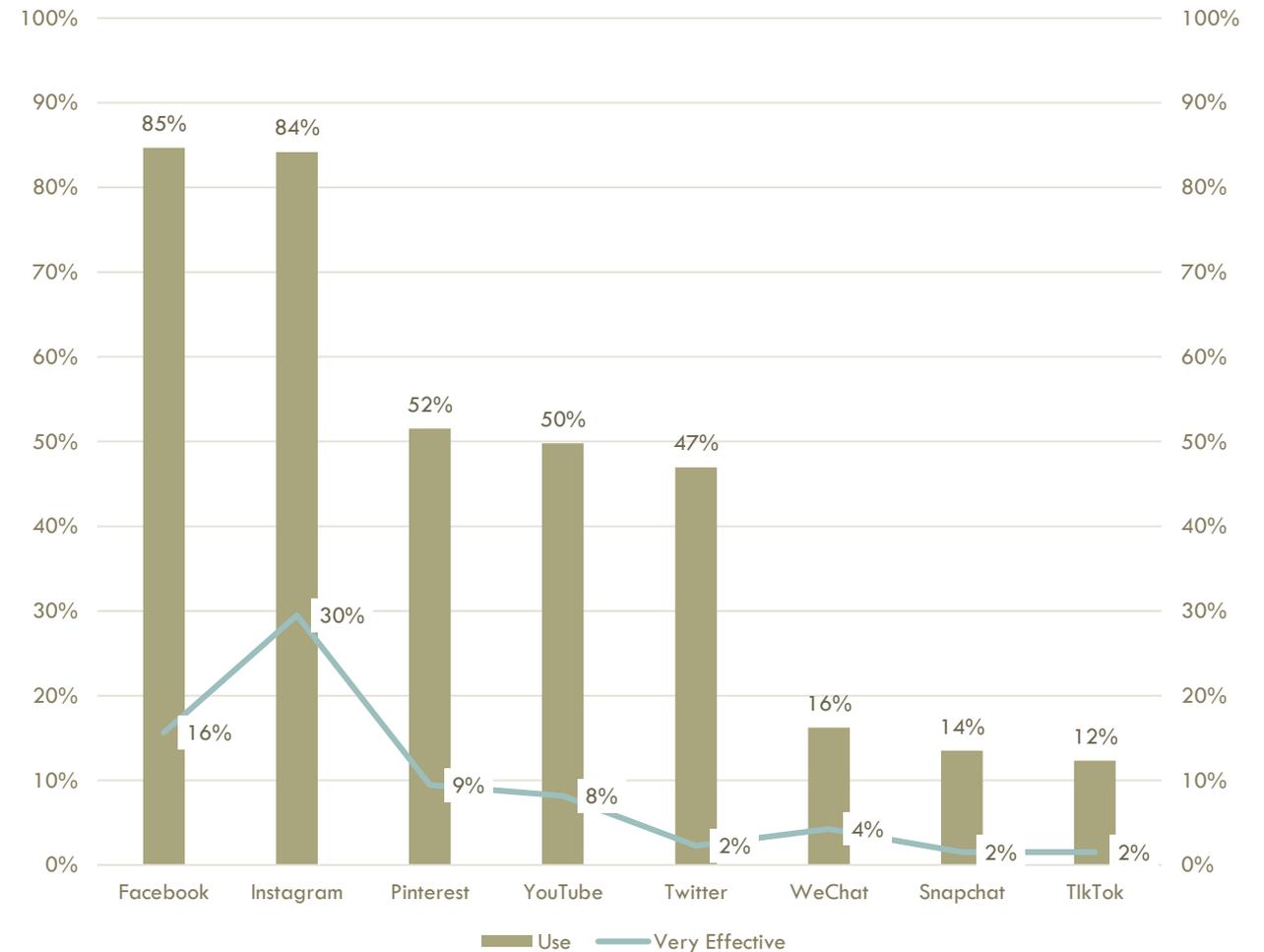
# SOCIAL MEDIA CHANNELS

While social media is widely used by luxury goods and services/experiential companies, its relative effectiveness is low. For example, Facebook and Instagram are used by over 80% of these companies, but their relative effectiveness is disappointing. Instagram (30%) is about twice as effective as Facebook (16%) but still both are fairly low.

Next most effective channels, though less used relative to Instagram and FB, is Pinterest and YouTube, rated by fewer than 10% as very effective.

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, 2021

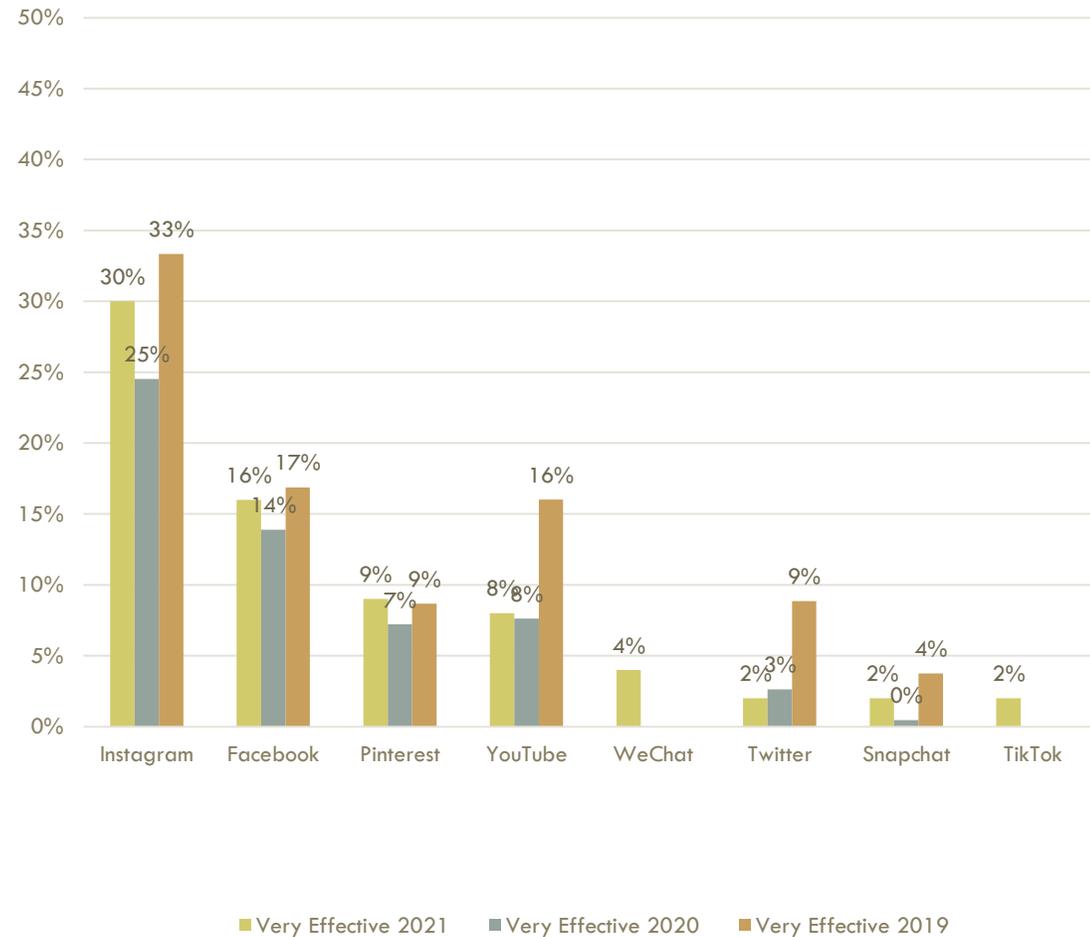


# TRENDS IN SOCIAL MEDIA EFFECTIVENESS

Charting social media's effectiveness over the last three years, we find its relative effectiveness has not improved significantly. In fact, it has declined most especially for YouTube and Twitter.

While we would expect social media effectiveness to increase as luxury companies become more experienced in their use, that has not been the case.

Social Media Channel Effectiveness 2021-2019





## 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' advertising, marketing and innovation plans.

# CLIENTS' SPENDING ON MARKETING AND ADVERTISING

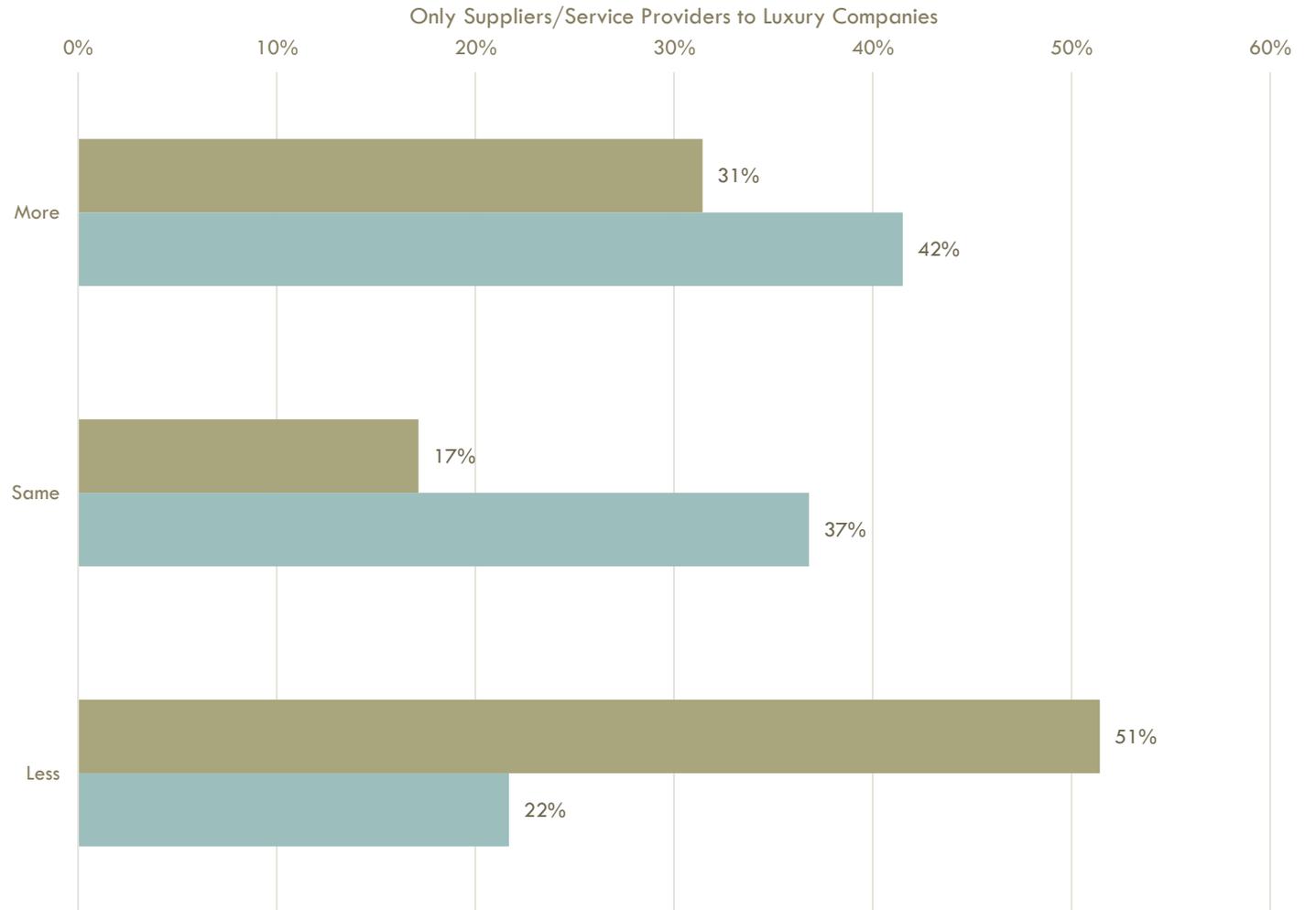
Advertising agencies that provide services to luxury companies are anticipating a strong pull back in advertising and marketing activities among their clients in 2021. Over half (51%) expect clients to spend less on advertising, with only 31% expecting them to pick up the pace.

- This compares with luxury companies' expectations which were more positive. Some 37% of luxury goods and services/experiential companies expected to invest more in marketing and advertising, while 29% expected to cut spending in 2021.

The average amount suppliers expect their clients' spending to change is -3.2%, as compared to a 3.8% increase in 2020.

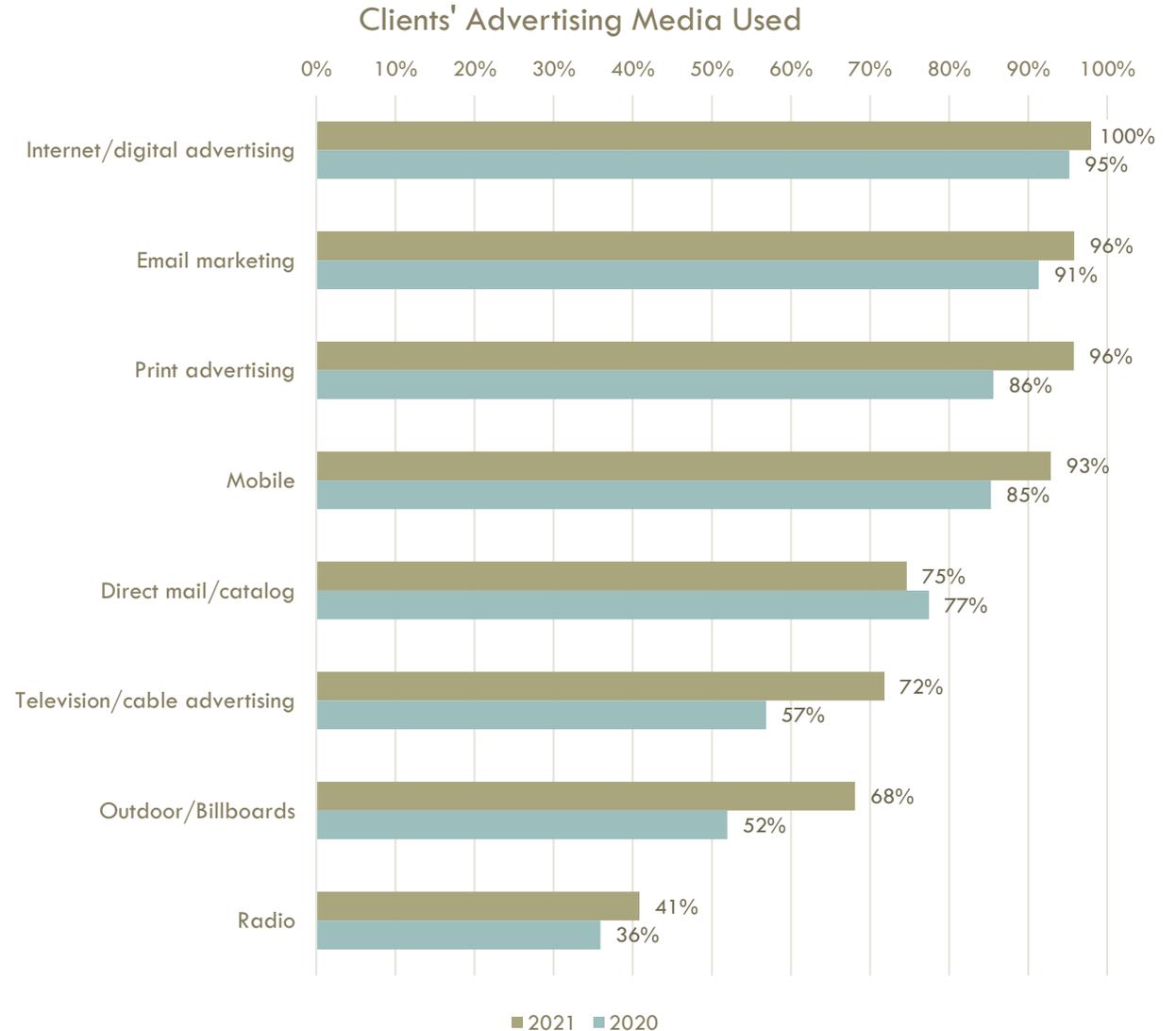
- This compares to an average of 3.5% increase in expected spending reported by luxury companies.

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



# ADVERTISING MEDIA USED BY CLIENTS

Advertising and marketing agencies are most active using internet/digital, email, print and mobile advertising for their clients. And all of these media will get extra attention in 2021.

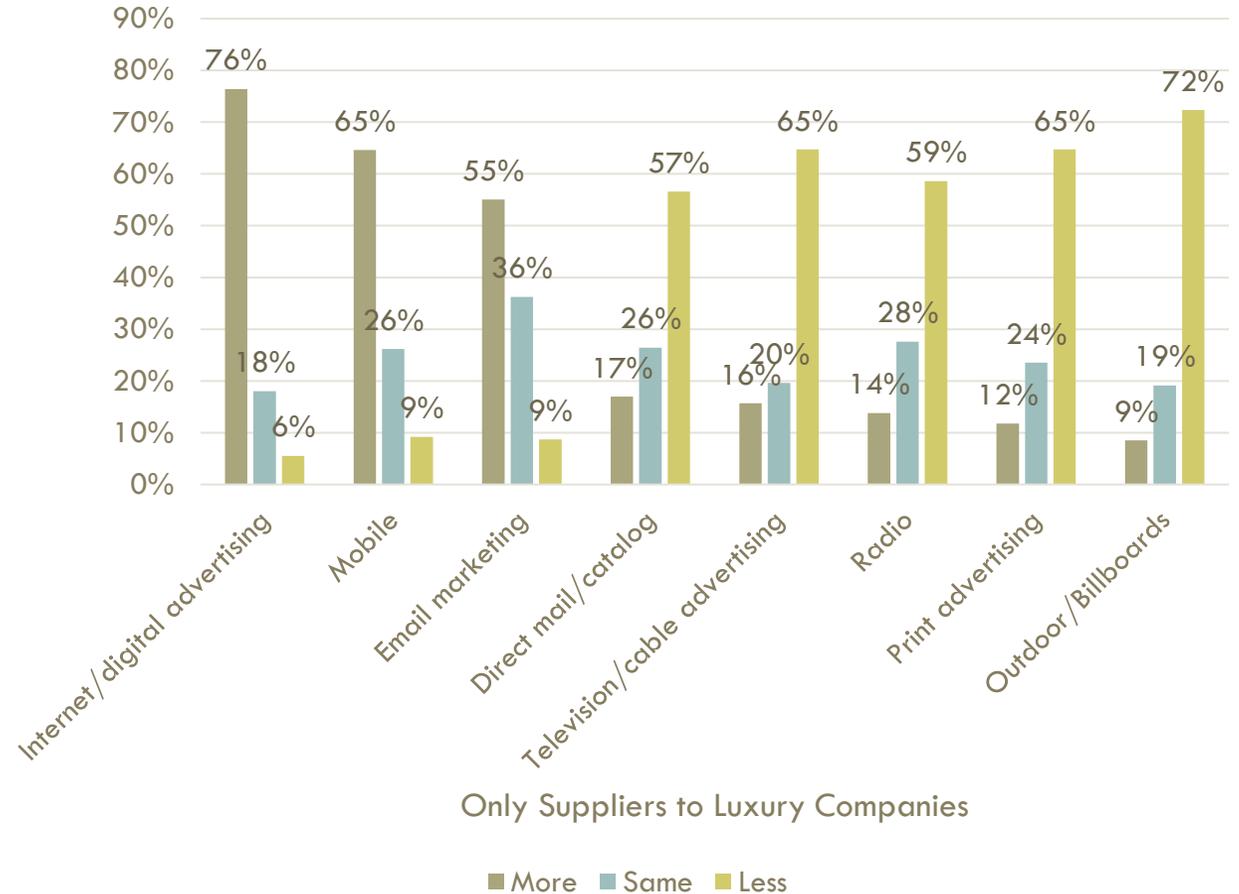


# CLIENTS' ADVERTISING MEDIA TRENDS

Internet/digital advertising, mobile and email marketing will be the growth advertising media for the suppliers' clients.

Notably, all other media – direct mail, television, radio, print and outdoor – will see a decline in 2021.

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

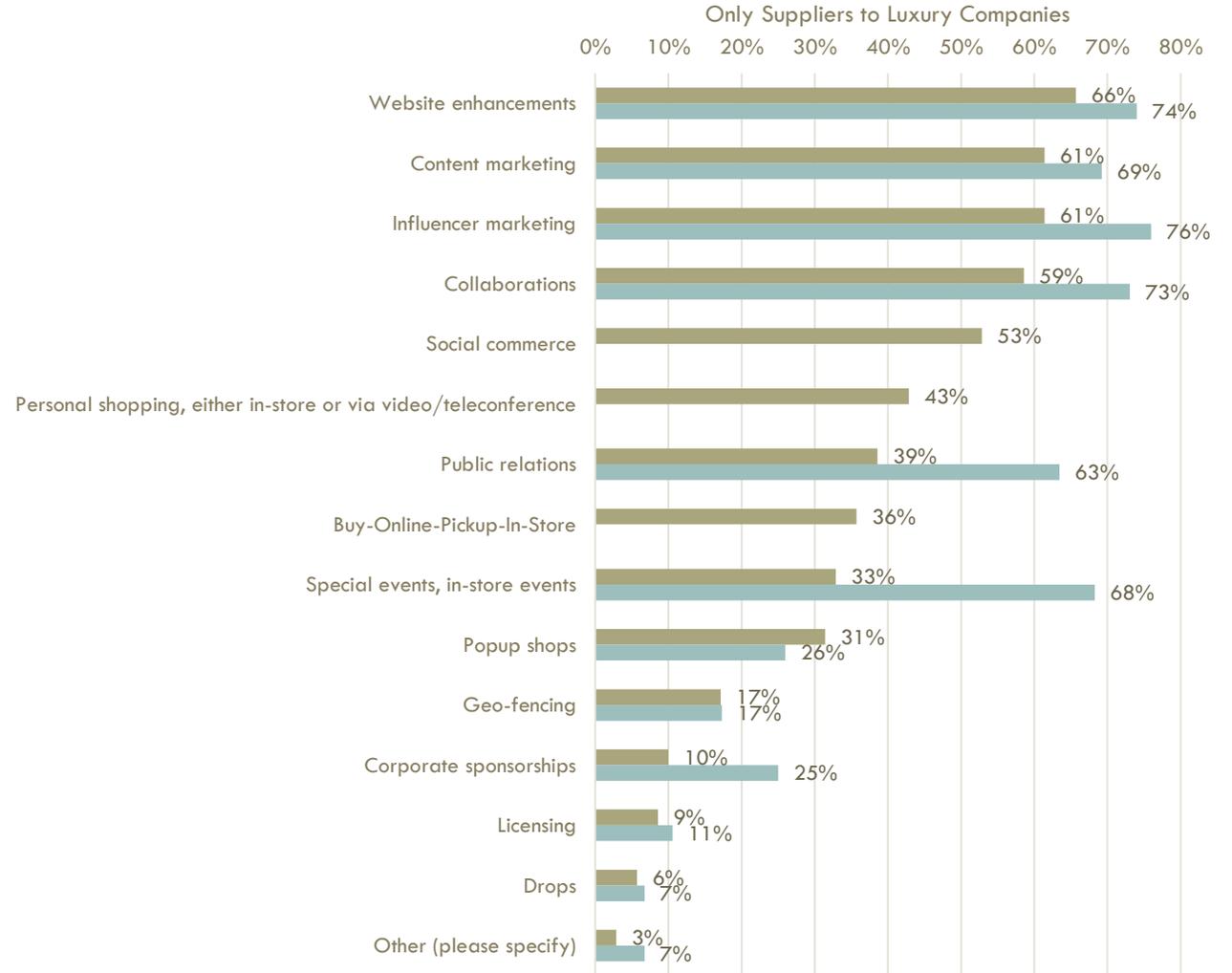


# OTHER ADVERTISING STRATEGIES

Suppliers report that website enhancements, content marketing, influencer marketing and collaborations are top on their clients' list from 2021.

Overall suppliers and luxury companies express the same relative priorities for other advertising and marketing strategies.

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



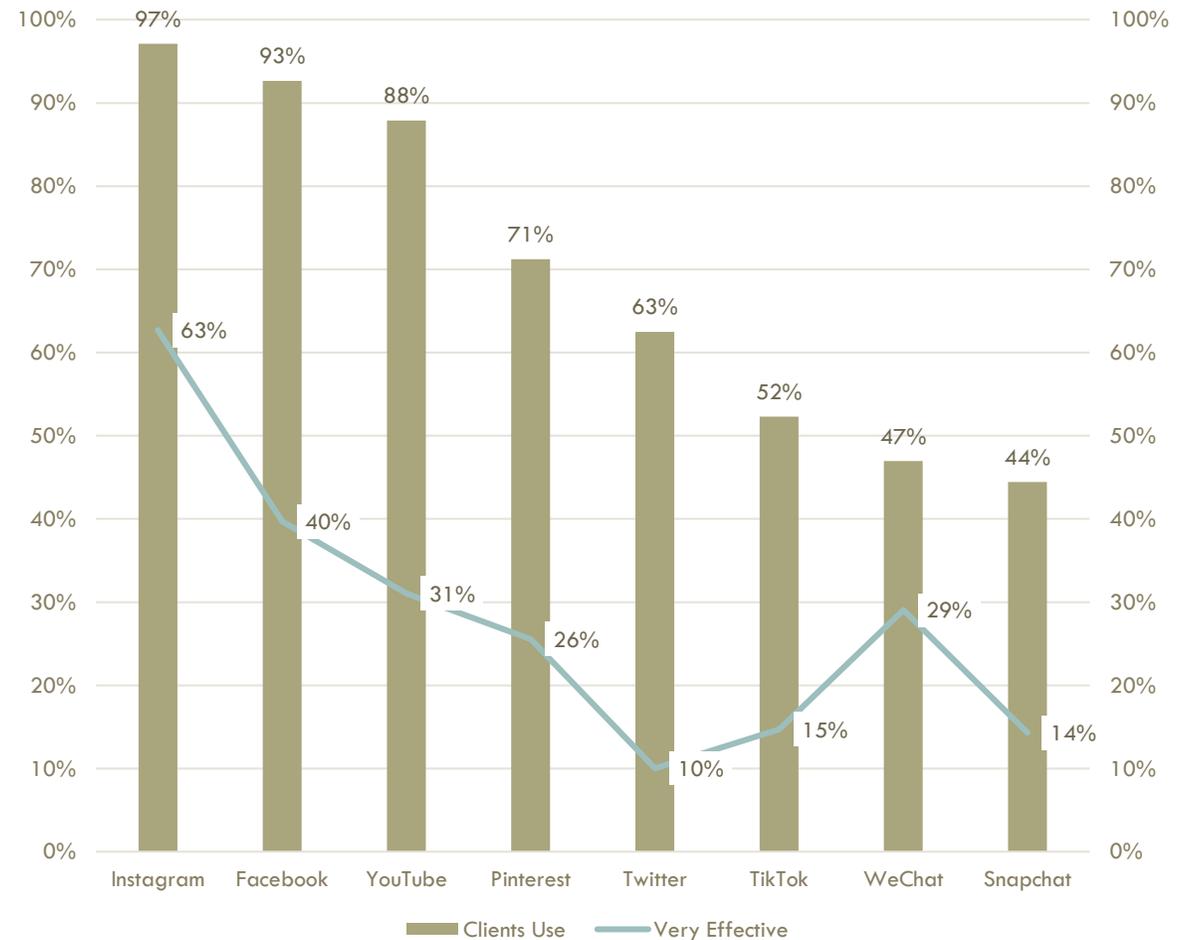
# SOCIAL MEDIA CHANNELS

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 (63% reported by suppliers compared with 30% by luxury companies), Facebook (40% vs. 16%) and YouTube (31% vs. 8%).

There is significant variation between companies' and ad agency perspectives.

Perhaps agencies measure social media as more effective because they are highly engaged in social media strategies and measure hits, likes and shares rather than resulting sales as their clients are likely to focus on.

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





# LUXURY MARKET GROWTH CHALLENGES, OPPORTUNITIES & INNOVATION

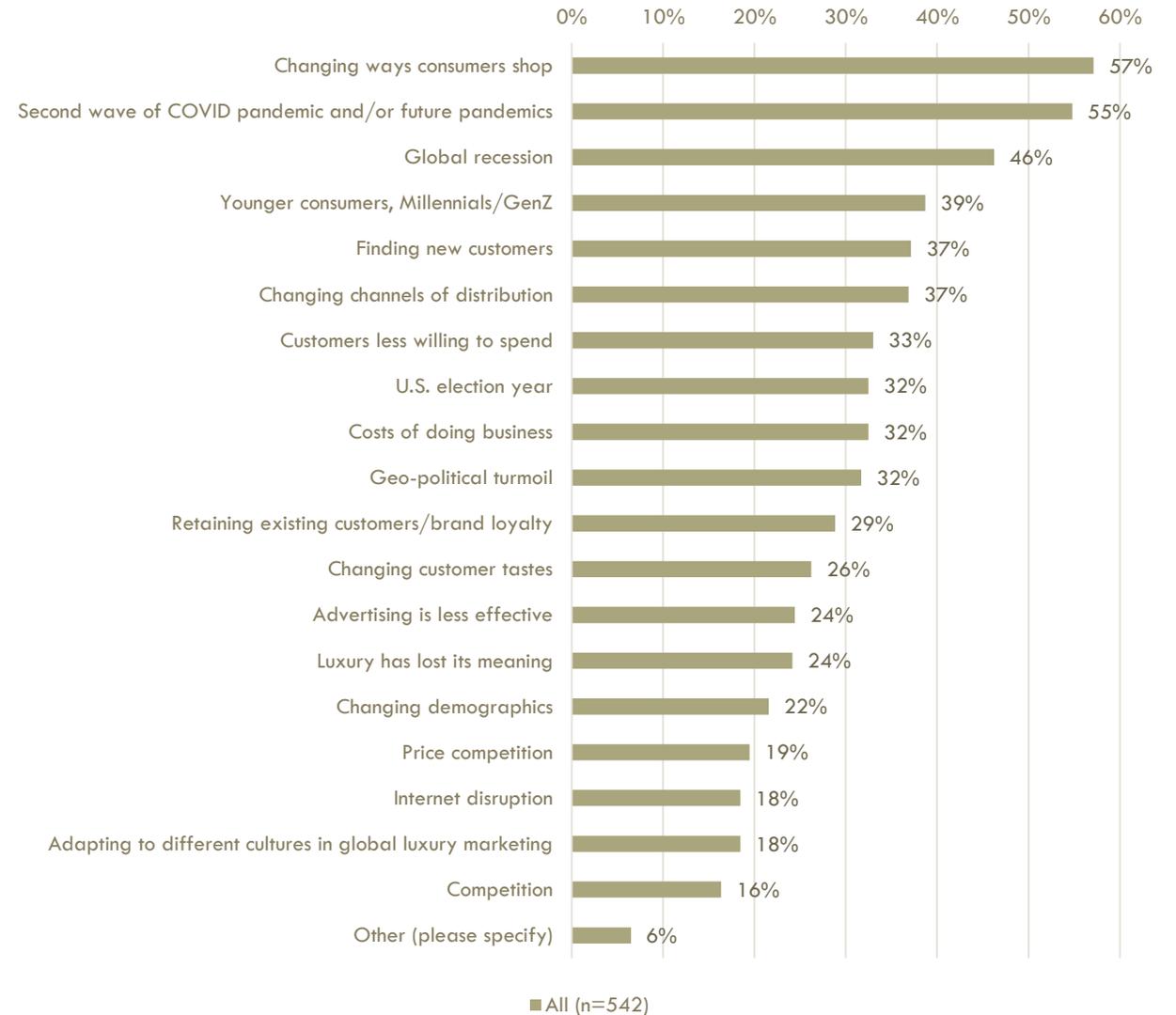
This final series of questions was asked of all luxury companies, suppliers to luxury companies and observers of the luxury market.

# 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 a potential second wave of the COVID pandemic along with a global recession which may follow.

Other key challenges are finding new customers as younger consumers emerge as the next generation of luxury consumers.

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



## The Paradox of Amazon vs Luxury experiences



# COMMENTS ON GROWTH CHALLENGES

“Luxury has lost its meaning for the younger consumer. There is less opportunity for self-expression.”

“The collapse of magazine publishing hurts -- which has become less focused on fashion, and more reliant on social issues. It is hard to understand the value of a fashion magazine any longer.”

“Everything is decentralized--there are so many touchpoints to accessing luxury goods.”

“Basically luxury is the same old thing, the same old way. What more can any brand really say about what is new? Total reliance on high tech-ing a traditional product -- what is the point of tech, when your products has no ‘je ne sais quoi?’”

“Young people today are exceptionally ignorant on what constitutes luxury. I find it amazing that at international conferences on luxury, I see presentations and lectures with titles like ‘What is Luxury Today’ and ‘How do We Define Luxury.’ But Rolls Royce, Bentley, Boeing BBJ, Bombardier and Challenger Aircraft, Mega Yachts all are selling stuff! “

“I was last in Shanghai. At a cocktail party of about 100, half the ladies -- all expensively dressed -- were wearing logos. They all looked like a logo Christmas Tree. Has luxury lost its meaning? Again, in some cultures, they have no idea other than its European, Expensive and everyone wants at least two!”

“Consumer spending habits have changed. People are leaving metro areas and wanting to live and shop in suburb/rural which then forces them online. Downtowns are ghost towns. It takes huge investments in an online marketplace to meet customer needs from home.”

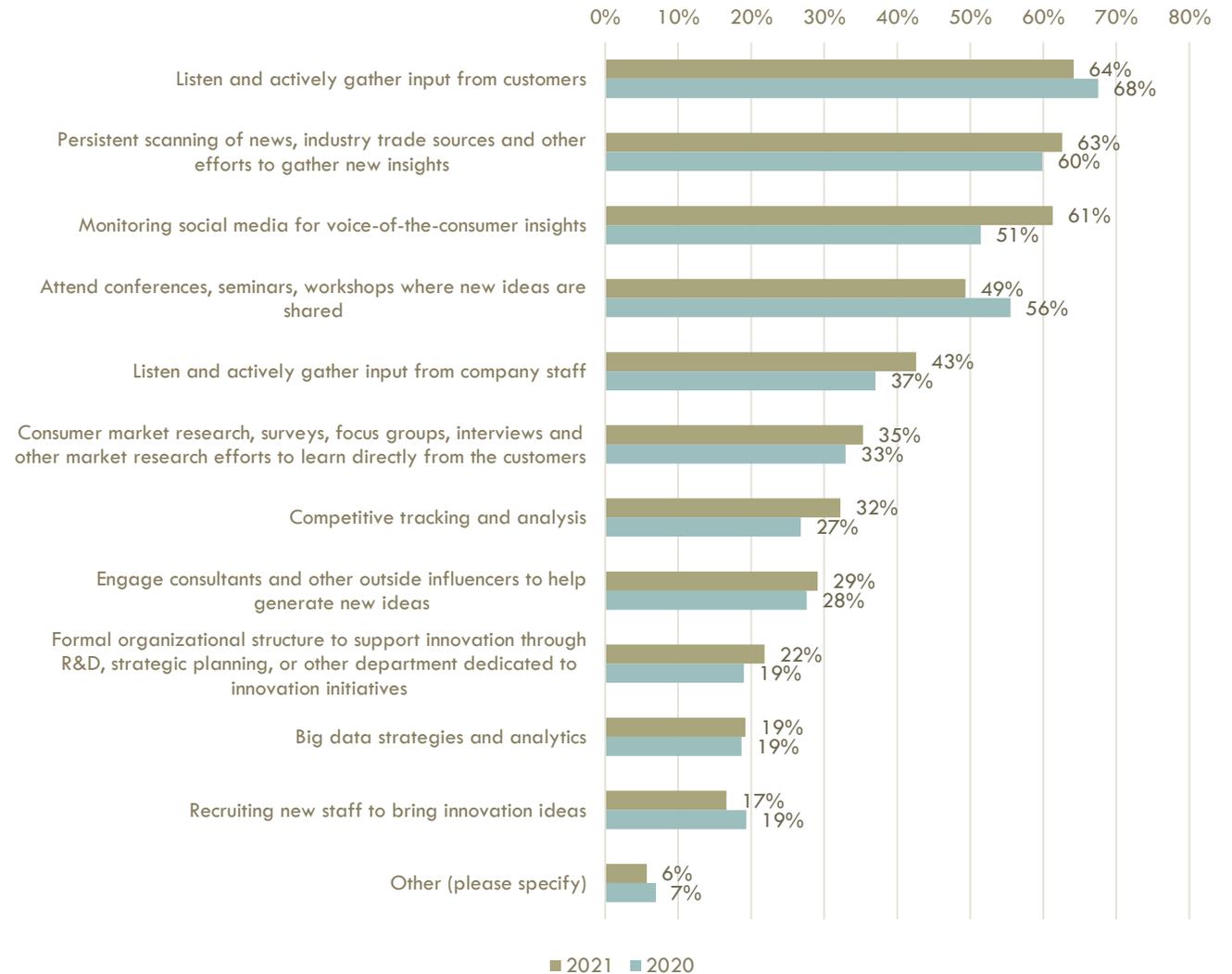
# INNOVATION STRATEGIES

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.

Growing in importance in 2021 will be monitoring social media for the voice-of-the-consumer, while conference attendance will likely drop.

While listening to customers, including gathering input from company staff, is important, fewer luxury industry insiders rely upon 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.

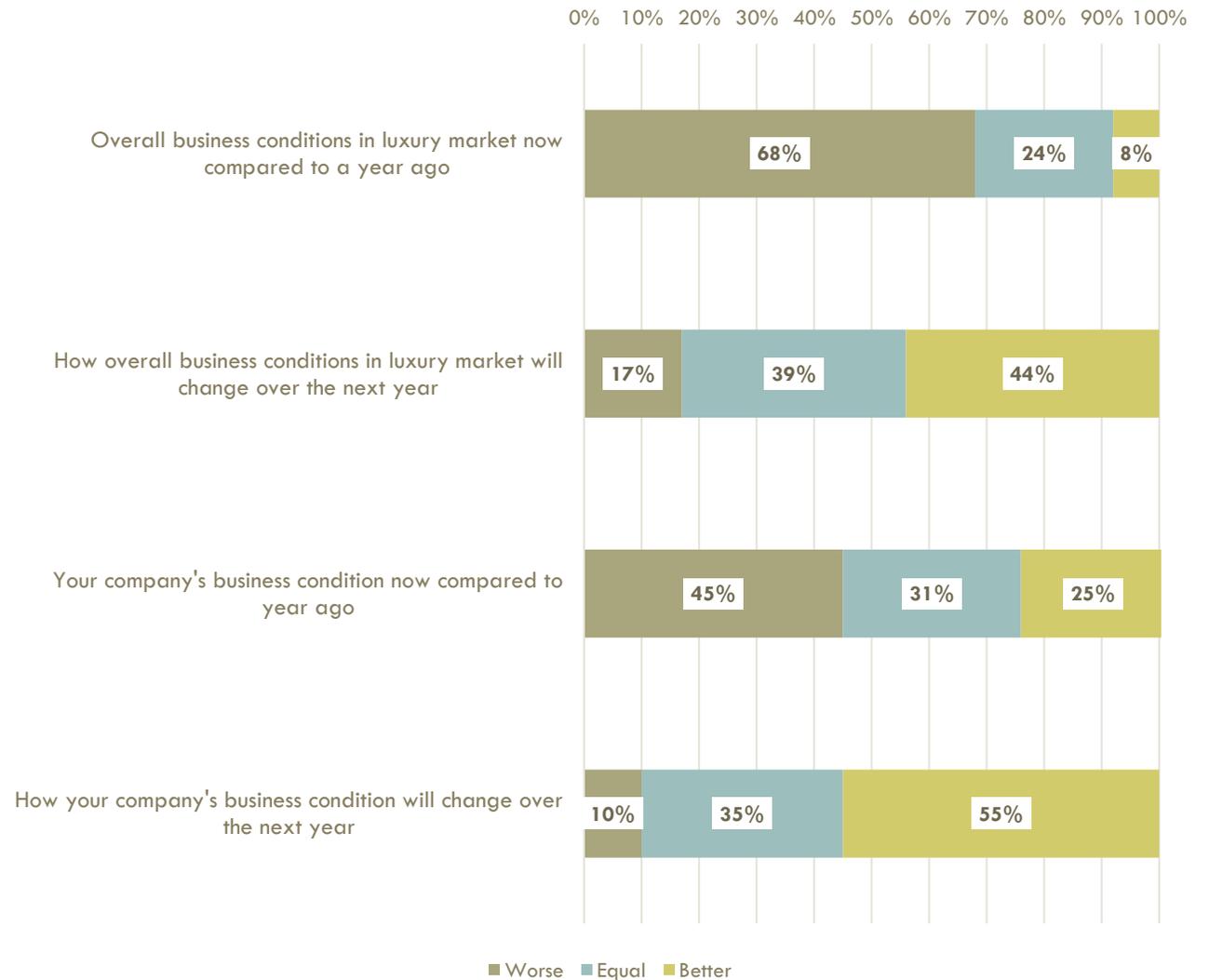
# LUXURY MARKET BUSINESS CONDITIONS 2020 SUMMARY

The luxury market has experienced a tumultuous year, with nearly 70% of luxury insiders seeing business conditions worse now than a year ago. However, the luxury insiders feel their own companies have weathered it better than the market overall, with only 45% saying their company's business conditions have worsened.

As for the coming year, 44% believe the luxury market will do better in 2021 and 55% believe their own companies' prospects will improve as well.

Here follows an assessment of each question and trends from previous years...

Luxury Market Business Conditions, 2020 & 2021

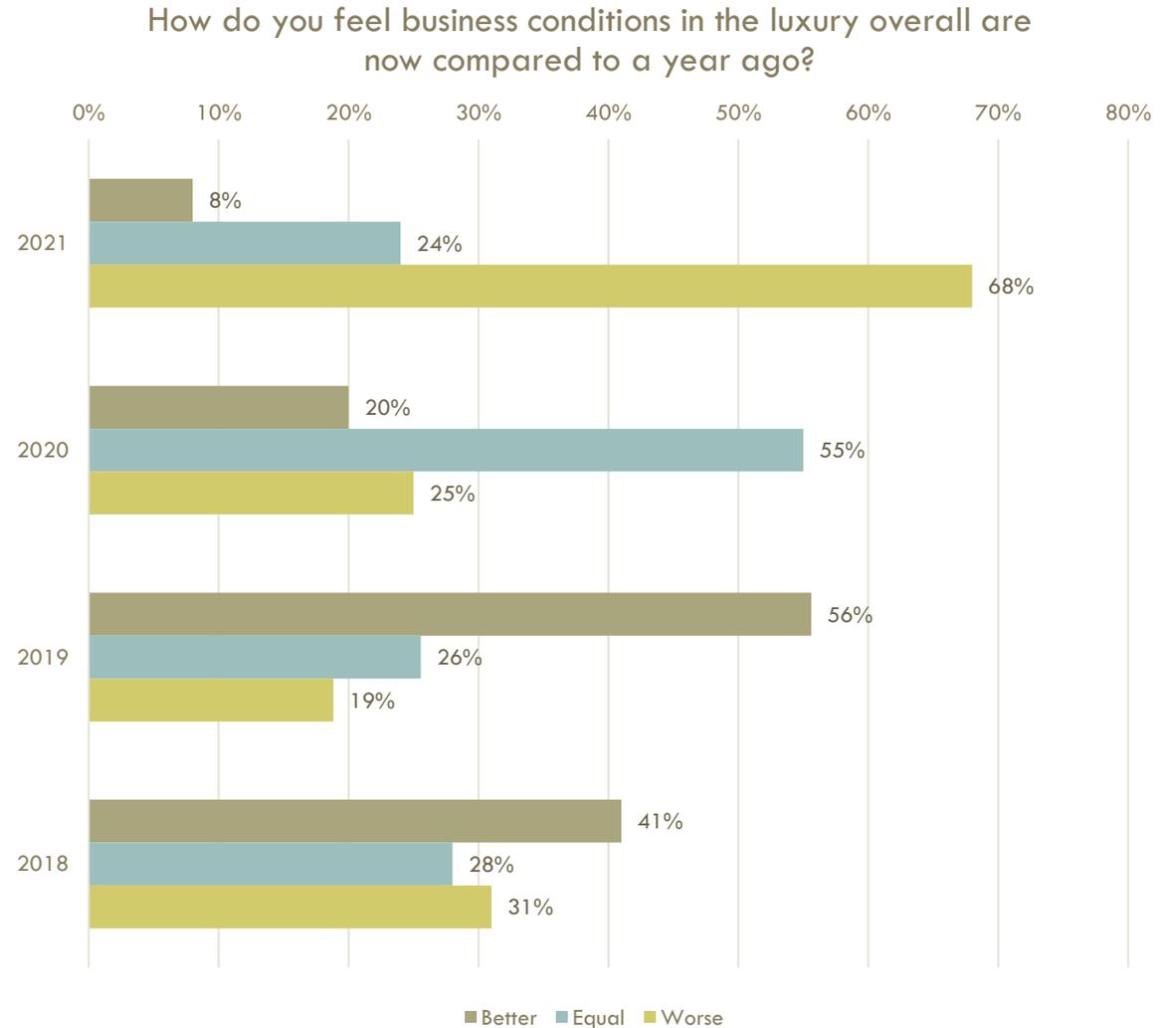


# LUXURY MARKET BUSINESS CONDITIONS NOW

2019 was a banner year for the luxury industry, according to the luxury insiders surveyed then. Over half of those surveyed said business conditions were better in 2019 as compared with the previous year.

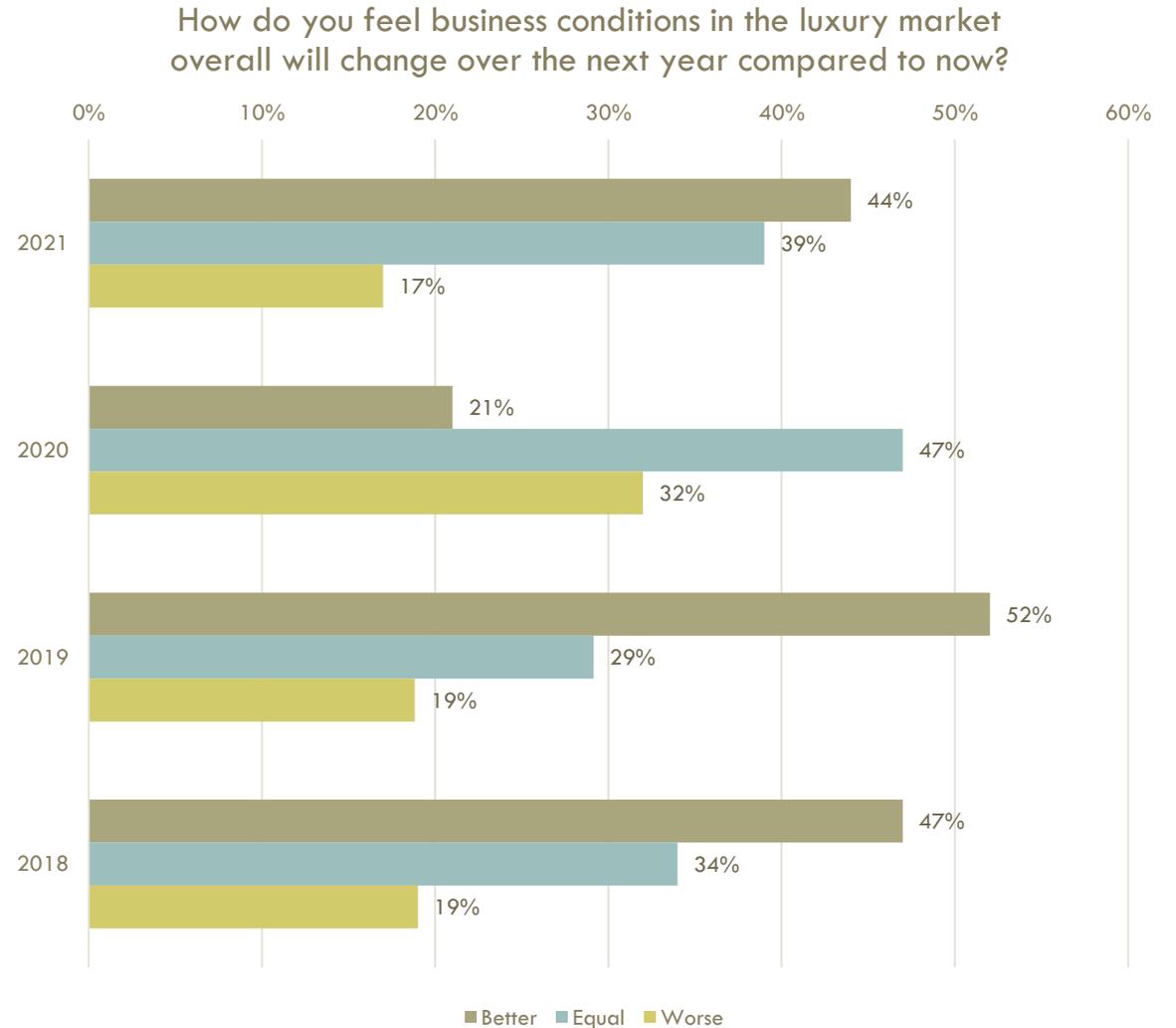
However, in 2020 that high-water market declined from 56% to only 20% who said 2020 was better than in 2019.

Then, of course, this year, the pandemic hit and with it business conditions in the luxury industry declined sharply.



# LUXURY MARKET BUSINESS EXPECTATIONS FOR NEXT YEAR

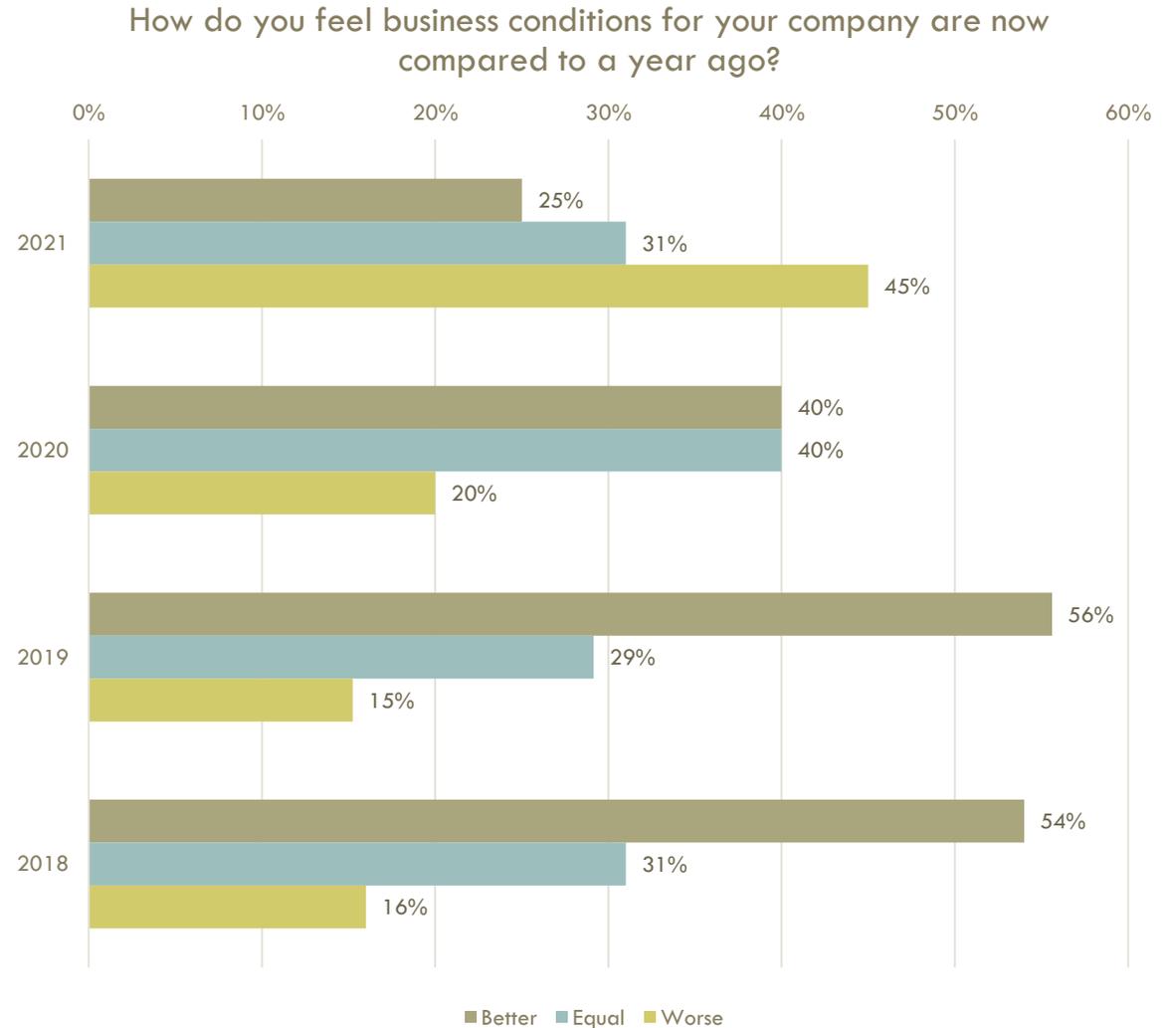
After a year like 2020, the only direction for the luxury industry is up, at least according to this assessment of luxury insiders. Some 44% expect business conditions to improve in 2021, which is below their expectations in 2019, but still quite strong.



# COMPANY'S BUSINESS CONDITIONS NOW

Looking at business conditions for their own company, this year's insiders were more positive about their company than the industry as a whole.

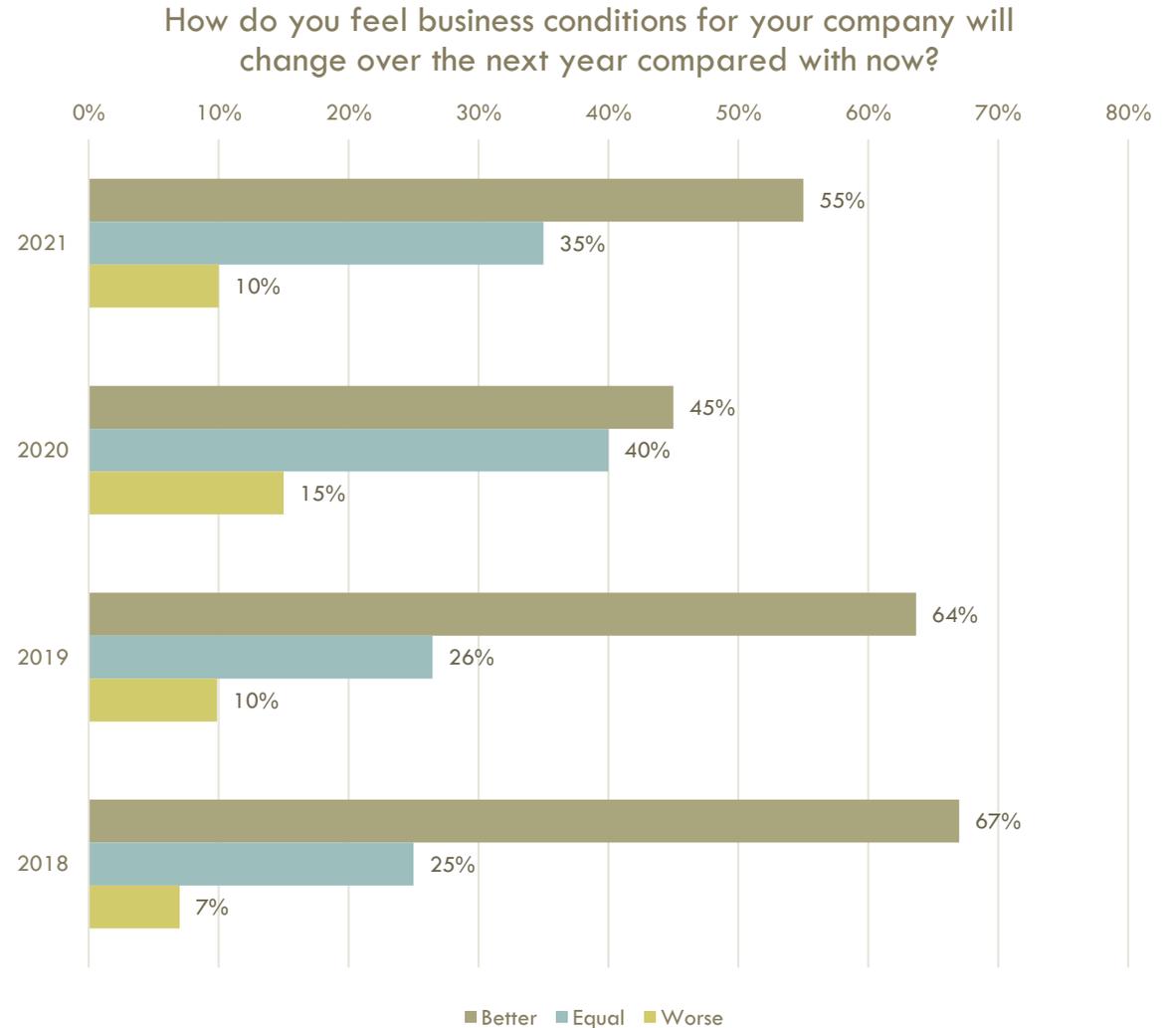
But compared to how they felt about their companies' business prospects in 2018 and 2019, they express a much more depressed environment, with 45% saying business conditions have worsened now as compared to a year ago.



# COMPANY'S BUSINESS EXPECTATIONS FOR NEXT YEAR

However, for 2021, the luxury insiders overall are much more optimistic about business conditions for their own company.

Some 55% expect business conditions for their company to improve, while only 10% are expecting business conditions to worsen, a value that is on par with historical tracking.



## FINAL THOUGHTS

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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 ANALYSIS REPORT

You've read the descriptive research findings.

Next, get the final analysis report, *State of Luxury 2021*, to turn these findings into actionable luxury brand marketing, advertising, and sales strategies.

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](http://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](http://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](http://UnityMarketingOnline.com)

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