

UP, DOWN, OR FLAT?

LUXURY OUTLOOK SUMMIT 2024

AGENDA

- MACRO-ECONOMIC DYNAMICS
- LUXURY INDUSTRY DYNAMICS
- OVERALL
- FASHION & LEATHER GOODS
- BEAUTY
- TRAVEL & HOSPITALITY
- AUTOMOTIVE
- WINES & SPIRITS
- LUXURY RETAILERS (ON & OFFLINE)
- JETS & YACHTS
- MARKETING
- RECOMMENDATIONS

MACRO- ECONOMIC DYNAMICS

1. Global Fragility: Central banks raised interest rates, will probably pause/pare back; damage done with high borrowing rates.
2. Expect central banks to reverse course in Q2 to prevent outright global recession; mixed, tepid 2024.
3. Tech, finance, media, corporate layoffs (layoff fears) affect the second wealth tier (next 15% who drive 30% sales). AI doesn't help.
4. Major cybersecurity event may bring major economy(ies) to a halt temporarily, or longer, and create serious conflict with sponsor foreign powers.
5. Ukraine and Middle East have no short-term solution/keep global economic growth at risk.

LUXURY INDUSTRY DYNAMICS

1. It's a market share battle.
2. Lack of innovation across categories reduces demand.
3. Too much reliance on pricing has hurt demand.
4. Poor customer experiences and lost art/skill of high-performance relationship building dampens results.
5. The Icons prevail.



Overall, 2024 will be mostly subdued.

Top-tier luxury will be somewhat resilient/reliant on top-tier 5/40 spending, while second 15/30 tier is soft.

Each brand will be affected differently based on true luxury credentials, target client, categories, brand trust/experience.

FASHION & LEATHER GOODS



2024 vs 2023: Up low-single digits.

Both are affected by lack of innovation and newness.

Key Reasons:

- Winners take most, still a long tail of mediocrity.
- Pricing power limited.
- People consume less/better quality. Previously owned continues to grow.
- Classic leather goods from top brands remain strong as statement pieces/investments.

BEAUTY



2024 vs 2023: Flat.

Affected by lack of innovation and newness.

Key Reasons:

- Traditionally is most resilient/timeless necessity/indulgence in downturn but consumers are bored and stretched.
- Lack of breakthrough innovation and failure to follow consumer into service solutions vs products.
- The groups fail to innovate while entrepreneurs create marginally successful cult brands.

TRAVEL & HOSPITALITY



2024 vs 2023: Up high single digits.

Key Reasons:

- Luxury experiences still generate higher demand than products.
- Pent-up travel demand slows, but still grows vs 2023.
- Room rates and airline prices are coming down to support travel demand, but younger consumers struggle.
- Lots of new luxury properties and renovations coming on stream that will create more competition.
- Airlines service levels improve as demand slows.

AUTOMOTIVE



2024 vs 2023: Flat to slight increase.

Key Reasons:

- Supply available but prices and interest rates are high, dampening growth.
- Luxury upgrades continue, but at a slower rate.
- Luxury pre-owned market slows too, due to interest rates.
- Electric cars still popular, but reality check on cost of owning, slow charging, and interest rates overpower growth.
- Tesla price drops and other recalls don't build trust in Evs.

WINES & SPIRITS



2024 vs 2023: Slightly lower.

Key Reasons:

- Innovation slows in category; no new news.
- Quality over quantity reigns across all segments.
- Gen-X and Boomers are drinking less due to health and longevity focus.
- Gen-Z and Millennials are drinking far less due to early adoption of longevity habits.
- Many brands trying to go upmarket, but quality over quantity can only go so far.
- Connoisseur water is a new trend along with alcohol-free cocktails.

JEWELRY & WATCHES



2024 vs 2023: Up low single digits.

Key Reasons:

- Continued growth in iconic, branded pieces as investment items, but prices lower.
- Wearing a fine watch or piece of jewelry remains a defining statement.
- Emotionally powerful/ storied, unique and special occasion pieces remain popular.
- Quality over quantity continues.
- Apple watches will continue to innovate (e.g., health and wellness) and drive growth, but at relatively lower prices.

LUXURY RETAILERS (ON & OFFLINE)



2024 vs 2023: Down slightly.

Key Reasons:

- Consumer preference to buy more in-store and less online favors the omnichannel players, but profits are elusive.
- Lost the trust of luxury brands and top customers due to cash flow/low inventory problems.
- Top tier brands continue to exit wholesale channels. Lesser brands favor wholesale/brand offering options deteriorate.
- Poor service and lost art/skill of high-performance relationship building erodes CLTV.
- Poor training and labor shortages hurt client conversion, retention and referrals.
- Product returns remain high in all channels, and are very unprofitable online.

JETS & YACHTS

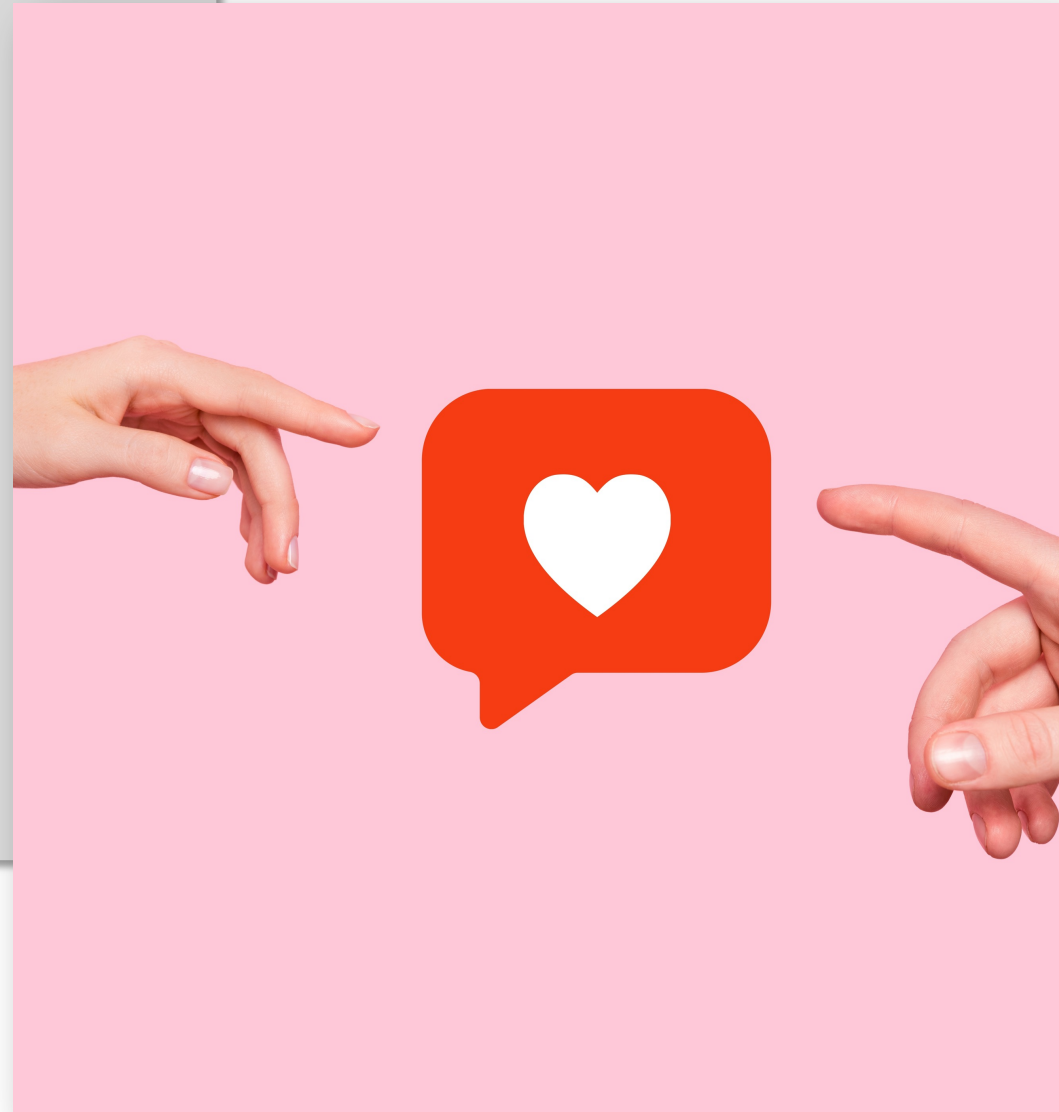


2024 vs 2023: Up high single digits.

Key Reasons:

- UHNWs keep getting wealthy irrespective of economic conditions (except maybe a depression).
- Private aviation is now seen as a necessity not a nice to have for UHNWs for business and pleasure.
- Yacht ownership is now elevated to the level of a home.
- Both represent freedom and experiential expression in a YOLO world where you can afford anything.

MARKETING & ADVERTISING



2024 vs 2023: Slightly up.

Key Reasons:

- Luxury and premium brands realize that marketing spending is necessary, especially in a market share battle.
- Brands will reduce spending in G&A, but will keep investing in marketing, although they will find more effective ways to invest to get HNW and UHNW (events, stealth loyalty programs, etc.)

2024 Recommendations

- While most operate out of fear, be bold.
- Invest in genuine product innovation and marketing, not just brand stories.
- Determine what service components/subscriptions/membership benefits you can inject to complement your products.
- Invest in your front-line people. Inspire, educate and empower them to deliver extraordinary experiences that build trusted, high-performance customer relationships that drive CLTV.
- In competitive times your MOAT is the trusted customer relationship that drives repeat business and referrals.

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