2021
LUXURY RETAIL TRENDS

The 2021 Luxury Retail Trends Report reflects an industry at an inflection point. As with many sectors, the global coronavirus pandemic of 2020 shocked the luxury retail market and contributed to financial losses across the industry. Luxury consumers, their shopping habits, and their values have also changed as a result of the pandemic, forcing luxury brands to realign their value propositions in order to better engage the new luxury consumer.

TREND #1:

Investment in an Online Luxury Buying Experience

From being virtually nonexistent 10-15 years ago to now making up over **12% of total luxury sales worldwide** ($37 billion last year alone), online sales continue to soar for luxury retail brands. This trend is expected to continue with online sales projected to comprise 25% of total luxury sales as soon as 2025.

This further indicates just how crucial it is for luxury retailers to be equipped with the technology and knowledge to build a relevant, brand-consistent online buying experience for their customers. More than simply having online purchase options, luxury retailers have to ensure that their online experience encapsulates what it means to buy from their brand. This includes but is not limited to flawless functionality and utility for the consumer, beauty and elegance in website design, and thorough customization capabilities for a variety of different personas. Many high-end companies like Rolex have embraced this market shift and truly personify what it means to offer these functionalities and more within their online buying platforms.

The world of luxury is changing, and this change was accelerated by the COVID pandemic. In order to survive in the new world of virtual retail, companies must be willing and able to create a fully online luxury buying experience for their customers.

"eCommerce sales are projected to make up 25% of luxury retail sales by 2025."

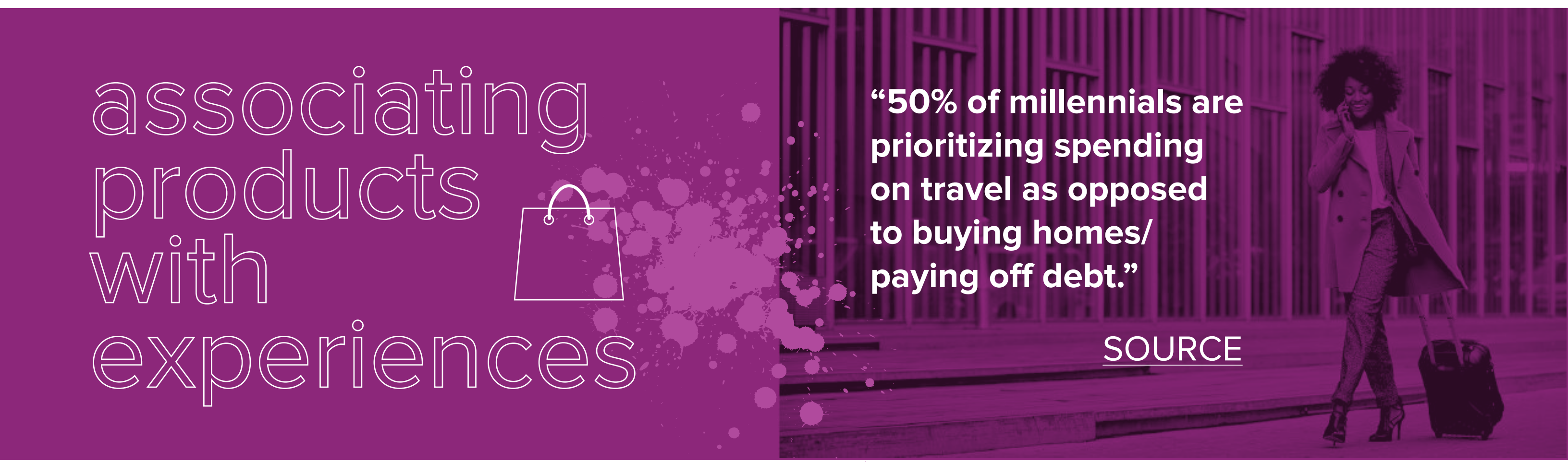
SOURCE

TREND #2:

Pairing Luxury Items with Experiences

Gen-Z and Millennials' spending habits differ drastically from those of previous generations. Almost 50% of this demographic would rather spend money on travel and experiences than on buying a home or paying off debt. So, what does this mean for luxury retail brands? It indicates that far less disposable income is being spent on luxury goods, whereas in years past these purchases took a higher precedent. To combat this new spending trend, luxury retailers are having to get creative with how they market their products, where one of the most effective strategies has been associating products with experiences.

There perhaps is no greater example than the Omega Speedmaster Professional, the first watch on the moon. The Apollo 11 moon landing was over fifty years ago, and the watch is still near the top of best-selling watches year in and year out. The watch has been intentionally unchanged over the past fifty years to give younger consumers a chance to buy into the experience and history of the moon landing. Luxury retailers can take a page out of Omega's book and offer younger generations the marriage of product and experience that is trending in the marketplace today.

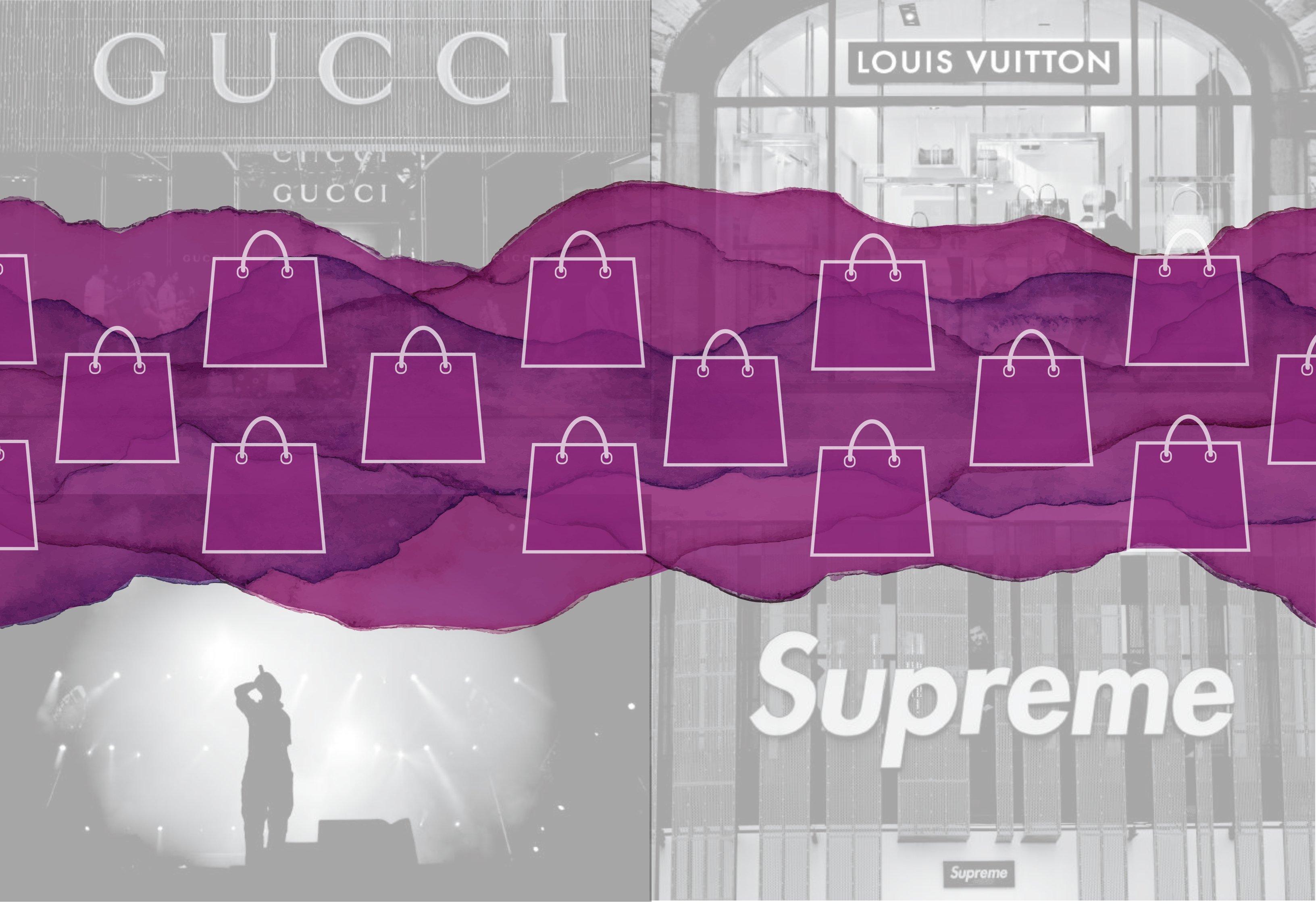


TREND #3:

Degradation of Brand Loyalty Among Luxury Consumers

An emerging trend that has been affecting luxury retail, and retail in general, is the degradation of brand loyalty. Recent numbers suggest that **73% of buyers are willing to consider new brands when shopping**. This can be attributed to several factors ranging from competitive pricing by emerging competitors to simple point of purchase convenience.

To fight this decline in brand loyalty, luxury retailers are turning to rewards-based programs that encourage repeat purchases. However, traditional points programs or Buy X, Get Y offers don't traditionally line up with the image of a luxury brand. This requires brands to be innovative with their approach to loyalty programs; for example, using exclusive rewards and benefits to entice repeat buyers and foster a sense of an exclusive community. These rewards include early access to exclusive items, front row seats to fashion shows, and many more. For luxury retailers with high AURs, lifelong repeat customers are crucial. They will need to work harder in today's buyer-centric market to make consumers feel valued and ensure sustained interest for years to come.



TREND #4:

Collaboration with Brands and Cultural Icons

To appeal to a wider base of potential consumers, luxury brands have begun collaborating with complimentary brands and celebrity icons. Using celebrities to sell products is nothing unique or new to the world of retail, but luxury brands have taken it a step further by involving these celebrities in the creation process.

21% increase in leather sales for Louis Vuitton following their partnership with Supreme.

SOURCE

A great example is Gucci and hip-hop artist Gucci Mane coming together to create and market a new line of clothing making its debut in 2020. It is moves like these that ensure Gucci is consistently an icon in popular culture and is also why they have seen double digit growth over the past 5 years (netting 10 billion last year alone). Retailers are also collaborating with other businesses to create products that market to their combined fan bases.

In 2017, Louis Vuitton and Supreme joined forces to create a line of luxury luggage and the result was a **21% increase to their leather sales**. Strategic partnerships are becoming more and more prevalent in luxury retail and knowing when and who to collaborate with is necessary to stay top of mind in the public eye.

TREND #5:

A Move Towards Omnichannel

Omnichannel selling is a trend that many luxury retailers have been resistant to embrace due to perceived conflict in the traditional luxury buying experience. The popular belief among said retailers is that the luxury consumer wants an exclusive in-person buying experience, but the numbers do not reflect this belief. The exact statistics vary according to the specific study, but it is agreed upon that at least **60% of all luxury sales are either conducted online** or influenced by an online presence. Despite this, it wasn't until COVID made it a necessity for retailers to offer diverse selling and delivery methods that many luxury brands began to adopt omnichannel retailing.

A great example of a company tailoring its offerings to this new trend is Tiffany and Co. They have rolled out a whole new omnichannel experience for their consumers through both a new Global IT upgrade (including the implementation of a new inventory management and source-to-pay system) and advanced customization and delivery options for customers shopping online (dubbed 'Make It My Tiffany'). These changes have assisted in raising total net earnings by 53%.

Despite success stories like these, many luxury retailers either have refused to make changes, or they are using outdated technologies to try to play catchup. Investments in modern technology will open the door to offer shoppers the fully integrated buying experience that they have come to expect.

Going Forward

The luxury retail market experienced unprecedented disruption in 2020 but already, the industry is adapting to the new modalities of the modern luxury consumer. Investing in eCommerce and digital capabilities must be a priority for luxury retailers as a means for reaching and engaging consumers more effectively. Consumers' priorities have drastically changed in recent years and brands must be prepared to demonstrate clear and unequivocal alignment to these consumers' values.

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