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2025 LUXURY RETAIL INDUSTRY TRENDS

Largely due to economic uncertainty, rising geopolitical tensions, and continued high prices, the personal luxury goods market declined between 1-3% in the first half of 2024, and it's suspected that a similar trend will emerge for overall year-over-year (YOY) growth. While the economy slowly improves in the US, China and South Korea have seen a massive economic slowdown, which in turn effects the luxury goods market – a far cry from the massive growth seen in the region post-pandemic.

Across the industry, there continues to be rise in investment pieces such as jewelry and handbags, large price fluctuations, a redefinition of exclusivity in the wake of a growing consumer base, and an overall increase in technological advancements. Luxury brands that will set themselves apart moving into 2025 are those that understand these changing dynamics and how innovative methods of marketing and technology can differentiate them from their competitors.

In this report, we explore the top four trends set to impact the luxury retail industry in 2025.

1 SUBTLE STATEMENT DRESSING AND INVESTMENT PIECES

2 INCREASING TRANSPARENCY IN WAKE OF PRICE FLUCTUATIONS

3 REDEFINING EXCLUSIVITY TO EXPAND RETAILERS' CUSTOMER BASE

4 TAKING A NEW APPROACH TO CUSTOMER INTIMACY WITH TECHNOLOGICAL INNOVATIONS

1 SUBTLE STATEMENT DRESSING AND INVESTMENT PIECES

Perhaps due to economic hardships in 2024, discretionary spending in luxury was limited and highly directed towards products with long-staying value, such as jewelry and handbags. The RealReal, a luxury online resale platform, reported fine jewelry saw the biggest growth of any category, with sales up 22% for pieces valued at $5,000 and above. Luxury handbags were also popular, seeing a spike in buyer growth at 13% YOY. This suggests that consumers were investing in pieces that will stay relevant past one season and continue to hold their value.

Furthermore, 2024 introduced the trend of "quiet luxury" - Harper's Bazaar defines quiet luxury as the "aesthetic of secret wealth," where luxury is signaled via high quality, materials, and craftsmanship. As opposed to highly branded items that were popular in the 2010s, quiet luxury takes away the logoed elements, leaving the quality and craftmanship of a product to stand out Looking at 2024's most popular luxury items, the trend of timeless, quality items is evident. Quiet luxury offered consumers an avenue to reset their wardrobe, paving the way for "subtle statement" dressing in 2025, where shoppers will continue to bolster their wardrobe with personal investment pieces like jewelry.

Rati Sahi Leveque, President and Chief Operating Officer of The RealReal, suggests this pull away from highly labeled goods is due to a larger shift in fashion. She states, "*Fashion is undergoing a seismic shift. Trends less frequently flow from the top (runways) and are now emerging from the ground up... This unprecedented collision of fashion and culture is empowering consumers to shape trends themselves, driving demand for unique, high-value items that reflect their personal style.*" This suggests that this shift is more than a passing trend– it's here to stay. Consumers are increasingly buying to reflect their personal style rather than "hot" items, meaning luxury companies must invest in fine goods and craftsmanship to appeal to smart consumers.

Looking to 2025, luxury brands are presented with an intriguing challenge. Whether due to economic uncertainty or a larger shift in fashion, it's evident that consumers will continue to look towards investment pieces, often shying away from "hot items" in favor of personal purchases. This puts immense pressure on luxury goods companies as they no longer dictate trend cycles but are subject to consumer's preferences. Companies that will be competitive in 2025 must spend less time focusing on trends, and far more efforts into their quality, craftsmanship, and materials to appeal to individual consumer preference.

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- SOURCE

2 INCREASING TRANSPARENCY IN WAKE OF PRICE FLUCTUATIONS

2024 was also marked by high price fluctuations, with some brands, such as Chanel, Hermès, Gucci, and Prada, increasing prices due to inflation and rising demand, while others, like Burberry and YSL, cut prices to appeal to a larger customer base. Customers are becoming more demanding of the quality they are paying for, leading to an increase in price transparency across the luxury sector that will mark 2025.

Several brands increased pricing throughout 2024: Chanel increased bag prices by 6-8%, Louis Vuitton increased prices by 1-4%, and Hermès increased prices by 6.40%. These brands are pointing to inflation as the reasoning behind the price increase, along with the rising demand for luxury goods. Additionally, due to growing consumer demand and regulatory changes, many brands are investing in sustainable and traceable raw materials, which drive up price points. Many brands also continue to invest in diversifying their supply chains after the pandemic exposed how vulnerable they previously were.

Due to pushback accompanied by price increases, there is a notable trend moving into 2025 of transparent and traceable supply chains. Chanel, for example, introduced a QR system where buyers can trace the bag's manufacturing process from start to finish. Similarly, Patek Philippe's Traceable Time collection allows buyers to track the origin of every component of their luxury watch from diamonds to gold. The rise of transparency could be due to the rise in prices as well as to prevent product dupes – luxury brands are demonstrating to customers both the authenticity and quality of the pieces they're investing in. This is likely to continue to build across the luxury sector as supply chains face increasing scrutiny for environmental, social, and governance aspects.

As shoppers demand transparency as consumers demand transparency for prices, some luxury brands are walking back price increases of the past few years. Burberry reduced pricing on their Knight bag by 22% and decreased overall bag prices by 5% in 2024, while YSL reduced the price of their popular LouLou bag in the US by 10%. However, these price decreases are hardly meaningful when looking at how the brands have shifted pricing over time. Burberry had previously increased prices by 58% in an attempt to raise brand value in 2022, and YSL's new reduced price tag of $2,650 is still far above the price tag of $2,050 at the end of 2020. Both brands' struggling sales after their price hikes demonstrate that consumers are becoming more critical when it comes to pricing.

In 2025, it's likely more luxury brands will introduce pricing transparency to consumers through traceable supply chains. Other brands, like Telfar, are becoming more creative with their pricing models. They have introduced a "live pricing" model, where customer demand determines price. After a given collection drops, pricing will begin at wholesale price and rise until it hits traditional retail markup. From that point on, the item will remain at that given price. Not only does this eliminate barriers to luxury that exist for many other brands, but it also increases transparency into how much an item costs. It is likely more brands will take note from Telfar and introduce more transparent pricing models in 2025 and beyond.

3 REDEFINING EXCLUSIVITY TO EXPAND RETAILERS' CUSTOMER BASE

With brands decreasing their price point and the increasing popularity of resale sites, the luxury consumer base has never been larger – or younger. Customers under 40 now represent 40% of the luxury consumer base. Over the past year, new, younger consumers entered the luxury space through "little luxuries." Whether eyeglasses, scarves, or hair clips, these small, branded accessories present ways for luxury newcomers to enter the space.

However, in the face of a growing customer base and price decreases, many luxury brands will need to look to redefine exclusivity. Exclusivity is the backbone of luxury, and while traditionally it has been tied to the price point of luxury goods, this is no longer the case. In turn, luxury brands are redefining luxury via hyper-exclusive membership programs, including augmented reality (AR) or curated experiences.

For one, many luxury brands are experimenting with technology advancements like AR and NFTs as special offerings. Louis Vuitton, for example, released a limited-edition collection called VIA Treasure Trunks, priced at €39,000 (around $41,600). Interested parties were invited to register via waiting list, and then selected parties were able to explore LV's private website. A few days later, they were able to purchase the NFT trunks, or "VIA Treasure Trunk." This level of exclusivity is not only about the price point, but also building lasting relationships with high-value customers.

Louis Vuitton is not the only luxury brand defining exclusivity through digital innovation. Swiss luxury watchmaker IWC Schaffhausen has introduced the Diamond Hand Club, an ultra-exclusive community joined via the purchase of a digital token. Not only are members able to enjoy digital benefits like access to exclusive collections, but they are also able to enjoy benefits like private concerts, meet and greets with celebrities, and sponsored brand trips. Again, purchases of IWC products are not enough to grant access to this exclusive club, but rather the invitation to purchase a digital token.

Similarly to Louis Vuitton, Prada launched its NFT Timecapsule Collection. Originally introduced in December of 2019, Prada Timecapsule presents a new item on the first Thursday of every month – an online exclusive available for purchase for only 24 hours. Buyers join the crypted community and are not only able to access the NFTs, but they are also able to access brand experiences such as trips to fashion week in Milan. These experiences offer a new level of exclusivity for VIP customers and create an added layer of intimacy between the brand and client. It's likely that more and more luxury brands will turn to digital innovation to cultivate a sense of exclusivity in 2025.

Brands like Chanel are also redefining exclusivity, but via physical experiences rather than digital ones. In 2024, Chanel began to offer a private Perfumer's Journey in France where clients can create their own bespoke fragrance for $50,000. Experiences like these demonstrate that luxury brands are increasingly looking for ways to appeal to exclusive customers beyond purchasing. This invites customers to not only buy into the brand but to live it as well.

As luxury becomes increasingly accessible, brands will continue to find ways to cater to their big spenders to maintain an exclusive feel in 2025. As more and more consumers enter the buying space, luxury brands will turn to more inventive and personalized experiences across digital and physical spaces. Whether through invitation-only experiences, exclusive drops, or personalized products, luxury retailers that will succeed in 2025 will understand the importance of maintaining exclusivity with their highest spending clientele.

4 TAKING A NEW APPROACH TO CUSTOMER INTIMACY WITH TECHNOLOGICAL INNOVATIONS

Finally, the luxury marketplace was defined by innovative technological applications in 2024, and we expect this trend to continue into 2025. Luxury often lags in technological adoption speed compared to traditional retail, but luxury retailers are increasingly leaning into innovative solutions to boost customer intimacy, and in turn, sales. Luxury companies are leveraging Generative AI, for instance, to enhance customer experience, whether it be through predictive analytics or personalized recommendations.

Louis Vuitton, for example, began leveraging AI to create a more personalized shopping experience via their new LV Virtual Advisor. This AI tool provides personalized recommendations according to shoppers' histories and popular items. Similarly, Gucci has turned to AI to predict upcoming trends to aid in their design process. While these are perhaps more common uses across retail, luxury companies are branching out and using digital innovations in more creative ways to connect with their customers.

Outside of AI, luxury brands are exploring other technological advancements. For instance, Ralph Lauren incorporated "smart" mirrors in their flagship store in New York in mid-2024. The mirrors recognize the items a customer has brought into the fitting room, and they show available colors and sizes for that given product, as well as product recommendations. As a result, Ralph Lauren reported seeing an engagement rate of 90%, far higher than originally anticipated.

In another case, Rebecca Minkoff added 3D modeling to the brand's website. Consumers are now able to see a 360° view of the bag down to the model, texture, and inside. They have found that customers are 44% more likely to add an item to the bag after interacting with it in 3D, and 27% more likely to place an order.

NET-A-PORTER, an online luxury retailer, has been at the front of technological advancements for years. They began using Generative AI to provide personalized recommendations in 2017, and in 2024, they rolled out their inaugural virtual try-on pilot across their permanent Mr. P collection available on MR PORTER. NET-A-PORTER states the reason behind the initiative lay with the rising consumer appetite for conscious shopping, stating 90% of their customers say they favor retailers that help them to reduce returns.

As demonstrated, luxury companies are increasingly turning to digital innovation to continue to stay relevant in an increasingly digital world. While they have previously been slow to adopt to emerging technologies, companies who will succeed in 2025 in this difficult marketplace understand the need to utilize technology to further create meaningful connections with their customer base. There will likely be further universal adoption of GenAI to create a more seamless and personalized shopping experience. Additionally, more and more luxury retailers will likely experiment with innovative technology, like virtual reality (VR) and "smart" mirrors, to further distinguish themselves from competition.

LOOKING AHEAD

As luxury struggled to gain traction in 2024, brands that succeed in 2025 will understand the need for innovation, whether in experiences, products, or customer relations. More customers than ever are entering the luxury space, but they are not the consumers the industry is used to – they are conscious shoppers, aware of both the brand and value of the items they are buying. To continue to grow, luxury brands must demonstrate their value to their consumer base through innovative experiences, blockchain transparency, technological advancements, and cultivating intimacy with the customer.

For additional guidance on the state of the luxury retail industry in 2025, connect with our experts directly.

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