FT LIVE

THE BATTLE FOR BIG SPENDERS

Strategies for the global luxury slowdown

An FT Live report

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1 MARKET DYNAMICS

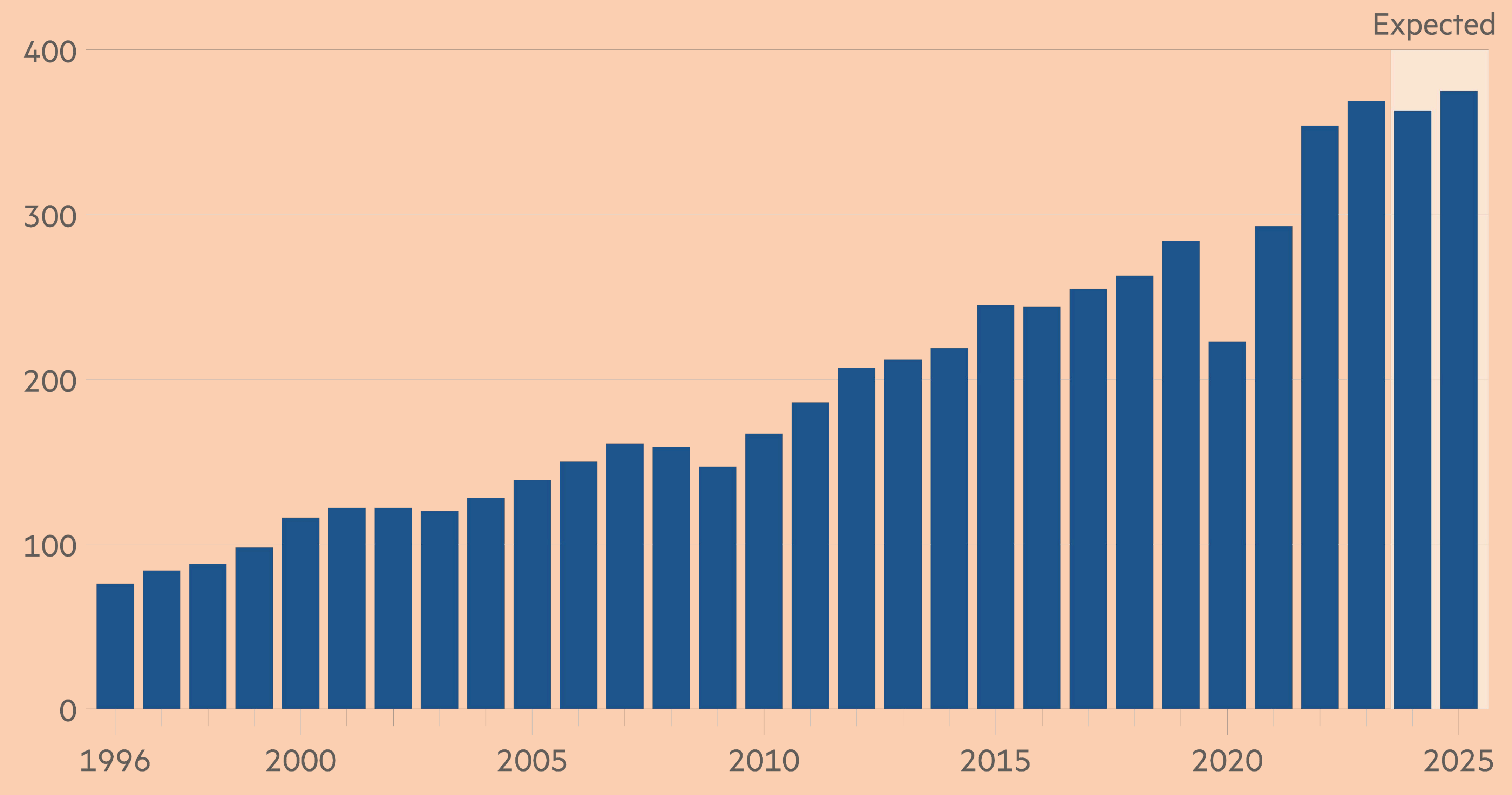
Financial results from the world's leading luxury groups in 2024 have revealed a downturn for the sector. This marks the first decline in global sales of personal luxury goods since 2008, excluding the year of the pandemic. According to analysis from Bain & Company, sales are set to fall by 2 per cent to €363bn, signalling a broader slowdown after years of post-pandemic expansion.

Several factors are driving the decline. China, once the engine of luxury growth, has seen sales contract by 20 per cent year-on-year on a constant basis. Meanwhile, inflationary pressures and a deepening cost-of-living crisis in Western markets are weighing on discretionary consumer spending, further dampening demand.

> *There has been a jump in wealth creation — and one only needs to look at the tech sector, where billionaires are now common.*
> **Dominic Volek, group head of private clients, Henley & Partners**

Luxury goods market poised for slight growth in 2025

Global sales of personal luxury goods ($bn)

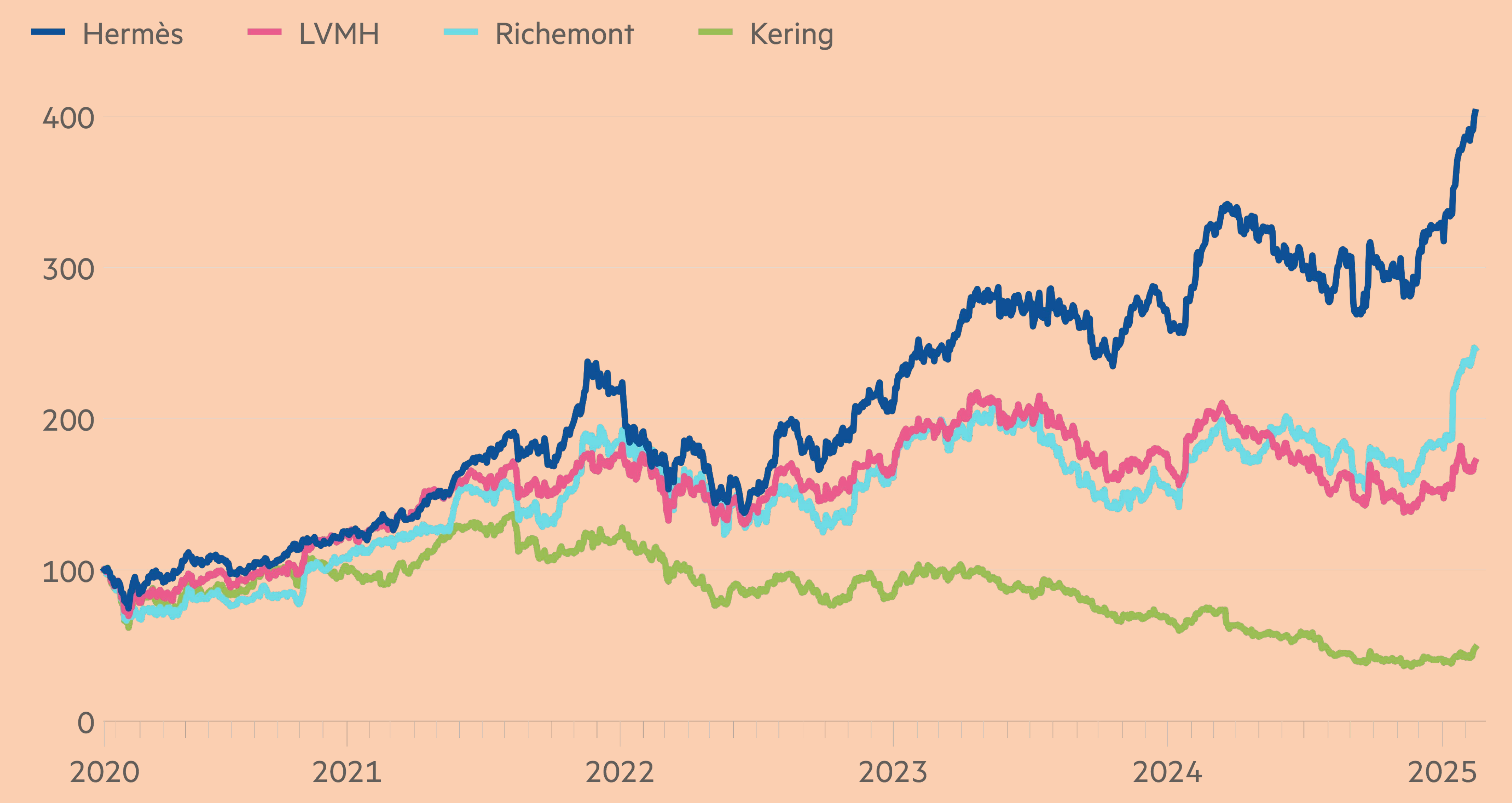


Source: Bain-Altagamma Luxury Study

While the outlook for the wider luxury market remains subdued, ultra-luxury brands have shown greater resilience. Financial results from 2024 illustrate this divergence. Hermès reported a record-breaking fourth quarter, with revenues exceeding €4bn. Moncler Group also recorded 7 per cent growth, highlighting the ability of high-end brands to weather economic pressures more effectively than their mass-market counterparts. As such, luxury brands are increasingly shifting their focus towards ultra-high-net-worth individuals as a key growth strategy.

Hermès shares outperform luxury rivals

Share prices rebased in € terms



Source: LSEG via markets.ft.com

An Altagamma report highlights the growing importance of UHNW individuals in the luxury market. Consumers who spend more than €50,000 annually on luxury goods account for 21 per cent of total sector spending, despite representing less than 1 per cent of all luxury buyers. This consumer group has proven uniquely resilient to economic fluctuations and far outspends the average luxury consumer. According to the report, each ultra-wealthy shopper is worth 230 times more than an aspirational buyer, which illustrates their growing importance for luxury brands' strategies.

The ranks of the ultra-wealthy are growing, and their fortunes are also steadily increasing. According to Capgemini, the number of individuals with a net worth exceeding $30mn rose from 157,000 in 2016 to 220,000 in 2023, fuelled by surging wealth creation in technology and entrepreneurship. Simultaneously, the financial threshold for UHNW status is rising. Inflation in luxury assets—including property, fine art, and collectibles—has increased the cost of maintaining a super-rich lifestyle. In response, luxury brands are reconsidering their pricing and marketing strategies to cater to this consumer base.

Attracting the UHNW individuals requires a markedly different approach to the broader market. They receive a level of service that goes far beyond traditional retail, with hyper-personalised experiences and a host of exclusive lifestyle perks. As these consumers become increasingly discerning, pressure is mounting on luxury houses to deliver greater value through refined product offerings, enhanced bespoke services and unique marketing strategies.

> *The $30mn threshold . . . doesn't carry the same weight or exclusivity it once did. In today's world, $30mn might secure you a luxurious lifestyle but, in the realms of the ultra-rich, it's increasingly viewed as just the starting point*
>
> **David Gibson-Moore, president, Gulf Analytica**

2 PRICING AND PERFORMANCE

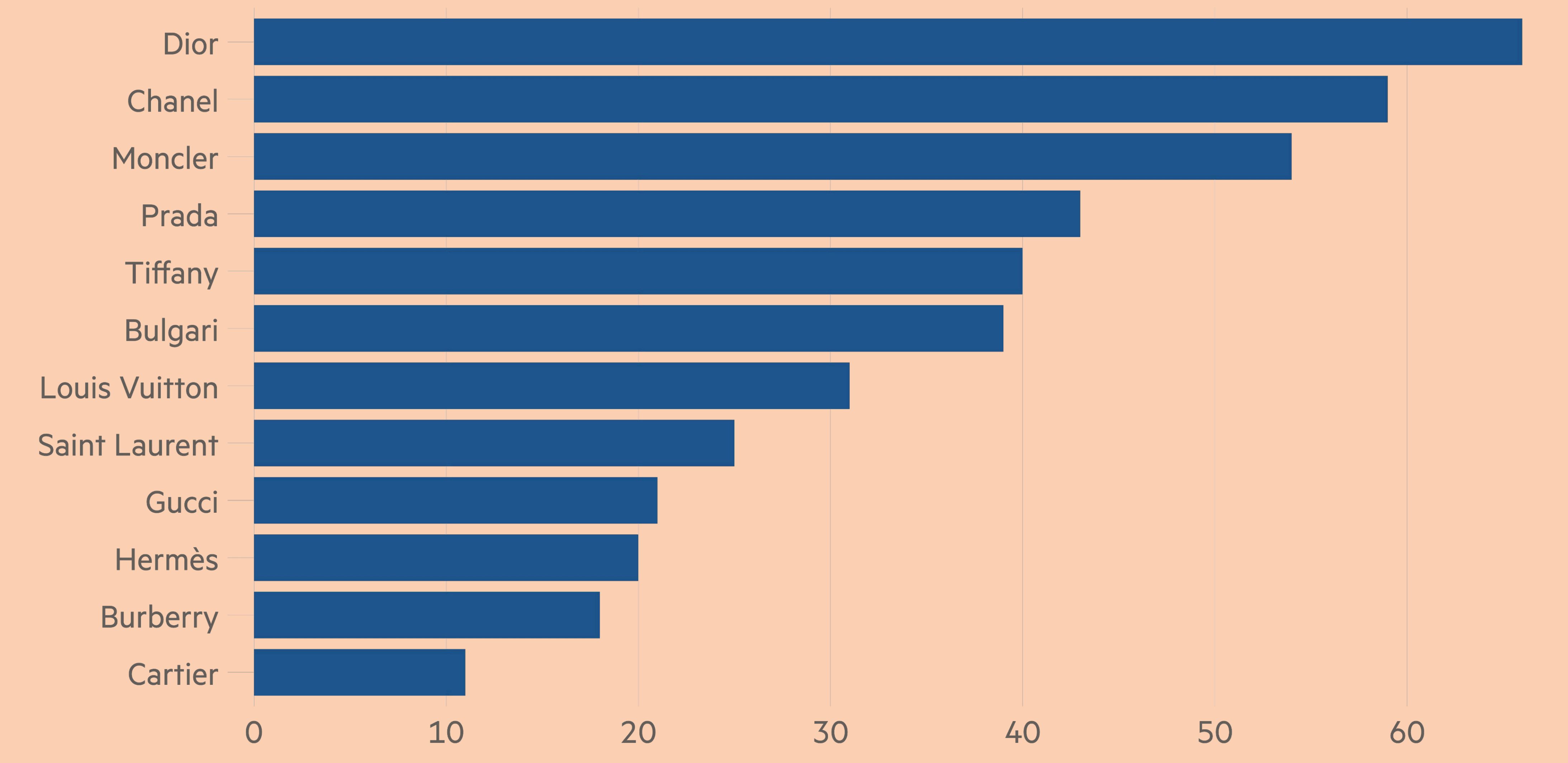
Post-pandemic growth in the luxury sector has been largely fuelled by price increases rather than volume expansion. HSBC analysis shows that luxury goods prices in Europe have risen by at least 52 per cent since 2019, reflecting a significant shift in pricing strategy across the industry. For example, Bernstein analysis found that between 2020 and 2023, global like-for-like prices on a selection of Dior's "evergreen" products climbed 66 per cent.

For some, the high prices have resulted in poor performance as macroeconomic pressures dampen consumer spending. Brands such as Burberry and Mulberry have faced profit warnings and declining sales after pushing upmarket at an inopportune time. Gucci has also seen a sharp downturn. Since the arrival of creative director Sabato De Sarno, sales have slumped, with Visible Alpha consensus estimates projecting a 47 per cent drop in group operating income to €2.5bn.

> *The industry got pricing wrong in the last couple of seasons and will have to do some corrections on that.*
> **Achim Berg, independent luxury adviser**

Luxury companies have pushed through price rises

Increase in like-for-like products, 2020-23 (%)



Source: Bernstein

This divergence in performance reflects the strength of the brands' respective value proposition. While LVMH and Kering have faced sluggish sales, Moncler and Hermès have continued to thrive due to their strong brand image rooted in the narrative of tradition and exclusivity — attributes that continue to attract buyers regardless of macroeconomic conditions. Brands must therefore focus on enhancing their value proposition, even among UHNW individuals.

> *Clients aren't stupid, they know exactly what value for money looks like.*
>
> **Jean-Philippe Bertschy, managing director, Vontobel**

3 BRAND EXPERIENCE

Luxury brands are looking to sharpen their focus on quality and exclusivity to attract top spenders. This has become particularly pressing as even UHNW individuals scale back their luxury spending, with top customers voicing concerns that VIP experiences are becoming increasingly homogenised.

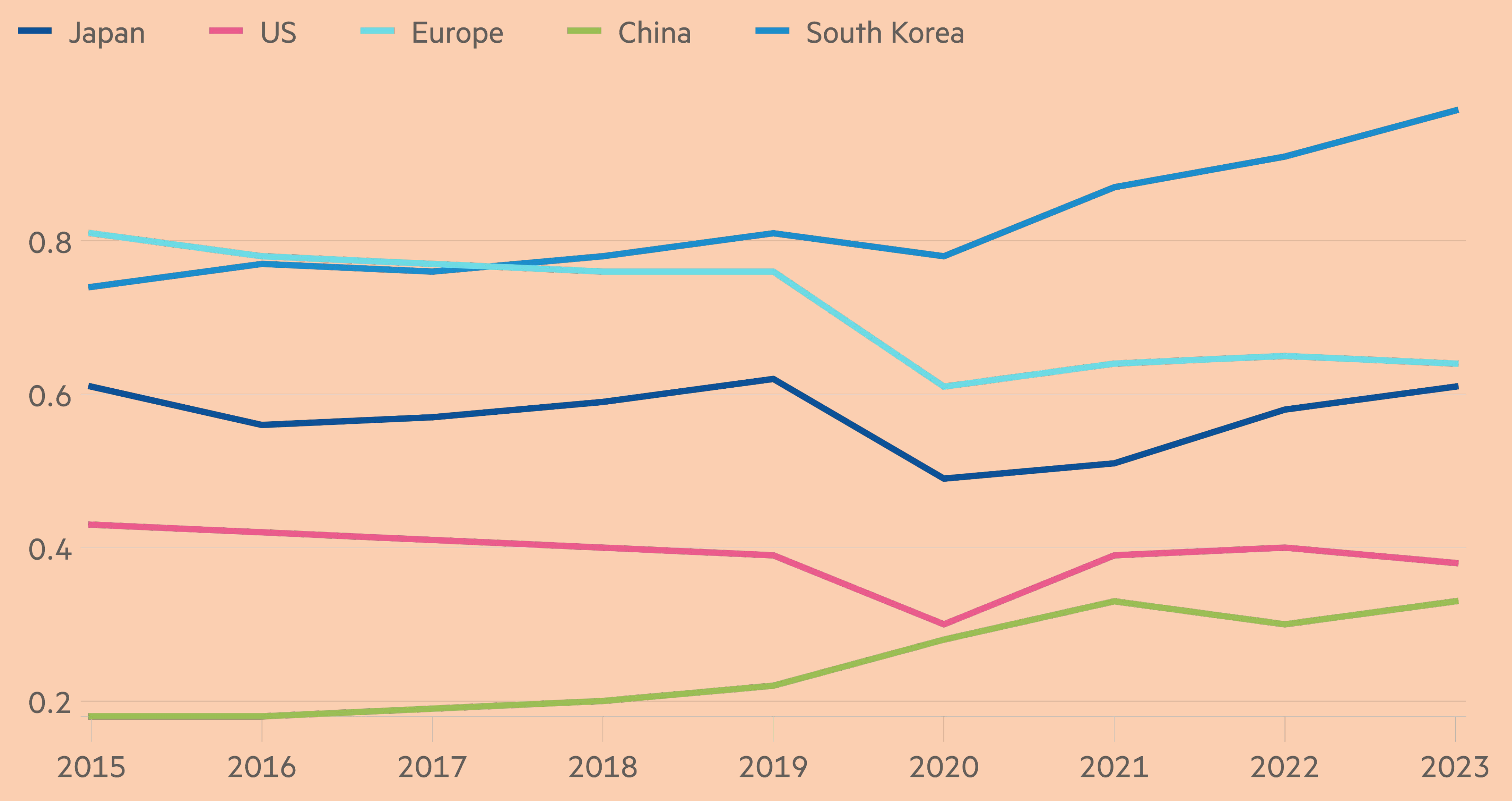
The definition of luxury itself is also evolving. According to HSBC, affluent consumers are shifting away from the mere acquisition of goods towards experiential consumption, prioritising meaningful and bespoke experiences over traditional status symbols. For brands, this means that maintaining relevance will require more than just heritage and craftsmanship—it will demand a deeper engagement with the unique personalities and demands of their most valuable clientele.

Hospitality, dining, and experiential goods are increasingly integrated into luxury brands' strategies as they seek to deepen engagement with affluent consumers. While flagship storefronts have long been central to luxury branding, many houses are now expanding into cafés, restaurants and other brand activations, blurring the line between lifestyle and product. For example, in March 2023, Prada opened a café at Harrods in London, featuring uniforms by the head designer Miuccia Prada herself.

> *More commonly, perks include invitations to concerts, meetings with celebrities [and] successful figures as well as economic leaders . . . This is a form of marketing, and these costs are often reflected in the prices being charged*
>
> **Samuel Wu, chief investment officer, Tridel Capital and co-founder, Chartwell Family Partners**

Americans spend less of their income on luxury

Luxury spend/GDP (%)



Source: Bernstein Research

Many brands are turning to partnerships in film, art, and music to embed themselves more deeply into the cultural landscape. Prada's subsidiary Miu Miu offers an example: In June 2024, the brand launched its "Summer Reads" project, creating eight pop-up spaces worldwide where visitors received copies of three literary works personally selected by Miuccia Prada. Initiatives that aim to position brands as cultural hubs can help brands establish a cachet, and allow shoppers who associate themselves with such brands to command status. Miu Miu's efforts ultimately paid off, as it posted a staggering 105 per cent increase in sales in the first nine months of 2024, despite the global decline in luxury.

Some brands are adopting a more cautious approach, prioritising timeless aesthetics over bold creative risks. Many are leaning on iconic pieces to appeal to shoppers seeking investment-worthy products with lasting appeal. This shift has also fuelled a rise in re-editions of iconic designs, inadvertently contributing to the expansion of the second-hand luxury market.

This elevated approach is expanding to offering a comprehensive lifestyle experience, aiming to deepen engagement with UHNW individuals. Brand activations have emerged as a key strategy to reinforce exclusivity and immerse customers in a brand's world. A recent example is Four Seasons' collaboration with French fashion house Jacquemus, which in June 2024 launched an exclusive product and summer experience at the Ocean Club Bahamas resort. The activation featured bespoke merchandise and aligned with Jacquemus' signature aesthetic—scenic landscapes, playful elegance, and a sense of escapism. This illustrates the move beyond material goods to curation of in-person experiences that allow for a more intimate encounter with the brand ethos.

> *We tried to do something else with it. We were like, 'OK, let's do it like this, or let's do it like this. Let's change the darts here . . . We just ended up replicating the dress. There was no way it could be better.*
> **Demna, creative director, Balenciaga**

4 HYPER-PERSONALISATION

As consumers increasingly demand value for money and crave exclusivity, luxury brands charging premium prices must ensure they deliver products and experiences that justify the costs. Hyper-personalisation is emerging as a key strategy, as UHNW individuals are offered an expanding range of perks that go beyond conventional luxury offerings.

As such, brands are seeking to revitalise their retail presence through exclusive shops aimed at top spenders, reinforcing the high-touch customer journey characteristic of luxury retail. In February 2024, Gucci announced plans to open a series of private boutiques catering to its most affluent customers. According to Kering's chief executive François-Henri Pinault, prices at these boutiques will range from $40,000 to $3mn. Similarly, Harrods launched its first private members' club in Shanghai in 2023. These spaces allow brands to collect richer data on their top customers, helping them refine their personalisation strategies and extract greater long-term value.

Brands are also dedicating entire teams to cultivating relationships with UHWN clients. Louis Vuitton and Dior, for instance, have invested in specialised departments focused solely on their most valuable customers. This personalised approach in combination with exclusivity is increasingly critical to enduring success in luxury. Hermès has mastered this approach. For example, the Birkin bag, one of the brand's most coveted products, is not available for direct purchase in boutiques. Instead, customers must first establish a relationship with a sales associate before being offered the opportunity to buy one.

Luxury brands are increasingly catering to UHNW clients with bespoke offerings. According to research by Bain & Co, the personal luxury market, which includes handbags, shoes, watches, jewellery, and fashion, was valued at £362bn in 2023, marking a 4 per cent increase from the previous year. Rather than merely adapting standardised products, some high-end brands are providing clients with a blank slate to create unique pieces. Burberry, for instance, offers a service that allows customers to design bespoke trench coats, reflecting a broader shift towards ultra-personalised luxury.

In summary, the luxury market's trajectory will hinge on the establishment of a compelling value proposition. While pricing strategies remain a crucial lever, simply increasing prices is no longer a viable path to growth. Instead, those who can cultivate deeper relationships with their most affluent customers through personalised offerings, cultural relevance, and exclusive experiences will be best positioned to weather the slowdown.

> *This is a year of transition — starting from a tough 2024, getting to a 2026 that's more normalised. And 2025 getting us there.*
> **Enrico Massaro, head of consumer and retail investment banking for Emea, Barclays**

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