

REPORT

Global Luxury Fashion Report 2020:

Maximize the festive season

criteol.



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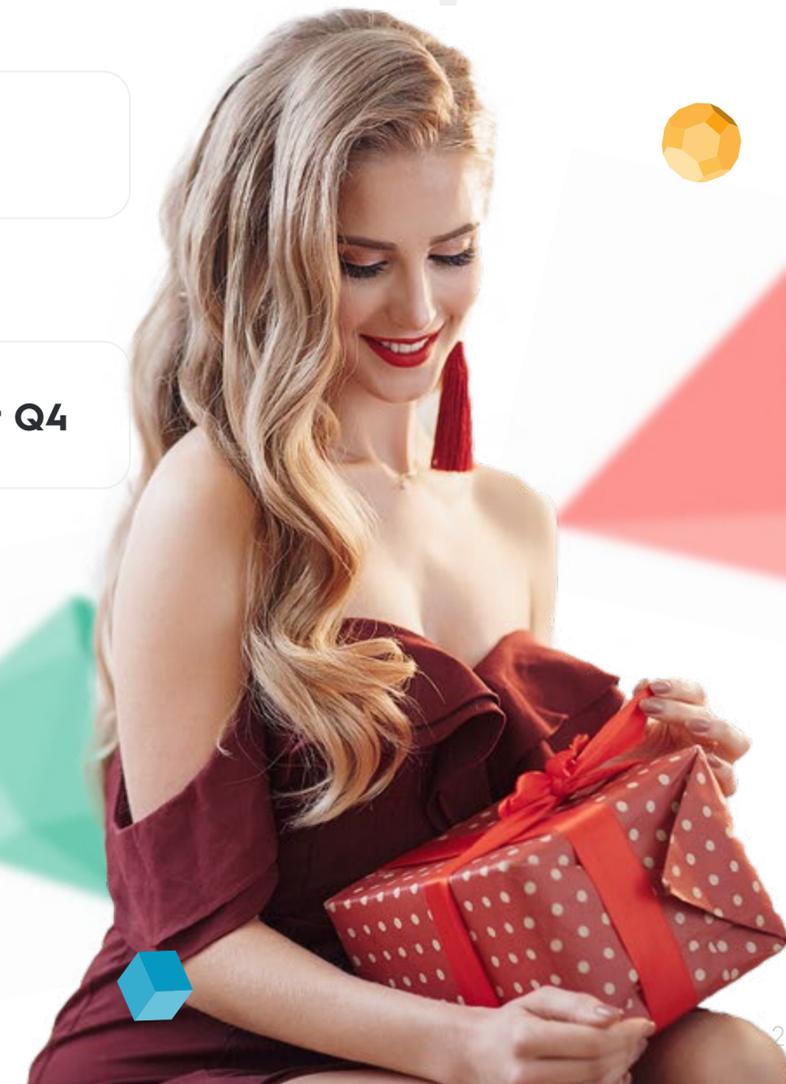
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EXECUTIVE SUMMARY

Navigating the Quality Quarter

Shruthi Chindalur

EMEA Executive Managing Director

The Luxury Fashion sector is resilient by nature, whether leading by example or finding new ways to innovate. By building their reputation on craftsmanship and using top quality materials, luxury brands appeal to customers who are selective by nature. However, as we have seen with the recent COVID-19 pandemic, even the shopping habits and behaviors of Luxury Fashion consumers can be disrupted by particular events.

However, disruption can often be the catalyst for change and the festive period presents the Luxury Fashion industry with a golden opportunity to now change its mindset and fully push the button on digitalization.

While Q4 has always been important to Luxury Fashion, the arrival of COVID-19 and social distancing measures is pushing even more consumers online. It makes this year's Q4 a potential gamechanger, as the shift from offline to online gathers momentum.

Indeed, as we head towards Q4 our analysis shows that Luxury Fashion has strong Q4 seasonality and this dependency on Q4 has been increasing, with customers now generally showing more brand loyalty in Q4 than in Q3.

In particular, the importance of Q4 is now very much related to key sales opportunities linked to events such as **Singles Day, Black Friday, Cyber Monday** and **Christmas**. Although, depending on the region or country, certain Q4 events present stronger sales opportunities than others.

Some of the main drivers of this growing reliance on Q4 events are the Gen Z and Millennial generations, as well as the purchasing power of new consumer groups. Yet with each generation exhibiting different consumer shopping patterns and more complex purchasing choices available, a 'one size fits all' approach is no longer an option for the Luxury Fashion sector.

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EXECUTIVE SUMMARY

Navigating the Quality Quarter

Shruthi Chindalur

EMEA Executive Managing Director

As the growth in online shopping continues, the sector needs to employ technology and data in a way that gives Luxury Fashion brands a deeper understanding of their customers on a global scale to create and improve brand value.

Our report shows that Q4 offers a huge opportunity for brands to capitalize on the growing appetite for Luxury fashion consumers to engage with brands online. For our part, this report focuses on the data, analysis and research that brands now require in order to strengthen omnichannel strategies and truly make Q4 their best quarter ever!

We look forward to sharing this report with you and hope our findings inspire and encourage the Luxury Fashion sector to map and navigate a successful Quality Quarter!



Luxury Fashion is exhibiting strong Q4 seasonality and it's increasing!



Evidence that **Singles Day, Black Friday, Cyber Monday and Christmas** of growing importance but regional and country differences exist.



Brand loyalty stronger in Q4 than in Q3.



Younger generations are future key growth drivers.



Growth in online shopping beginning to transform Brand strategies.



Luxury Fashion brands must be able to digitize the multi-sensory experience of the store visit to optimize Q4.



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ABOUT THE REPORT

As we head towards Q4...

Having a better idea of how consumers behave in this important shopping quarter can help give a greater understanding of the key shopping events that can help drive sales. By analyzing Criteo's proprietary data, the report looks at how the seasonality of Q4 shopping events specifically influence global Luxury fashion sales, as well as measuring consumer reaction. It also analyses CPM trends, brand loyalty and order values.

To understand the demands ahead for this dynamic sector, the report identifies **five key challenges**, taking into account the effects of the pandemic. In Section 5 of the report we also feature views from industry experts in the Luxury Fashion industry on the changes they are witnessing.

Finally, we paint a picture of the key trends set to shape the Luxury Fashion industry going forward.

Methodology: The data for this report was compiled by first defining Luxury Fashion. Our starting point was selecting partners within the fashion vertical selling more than 50% of products in fashion categories (according to Google taxonomy). Our final selection was based on fashion advertisers with an Average Order Value higher than US300\$. This selection criteria excluded fast, mass-produced fashion which we define as Normal Fashion for the purposes of this report. **source: Criteo Shopper Graph**



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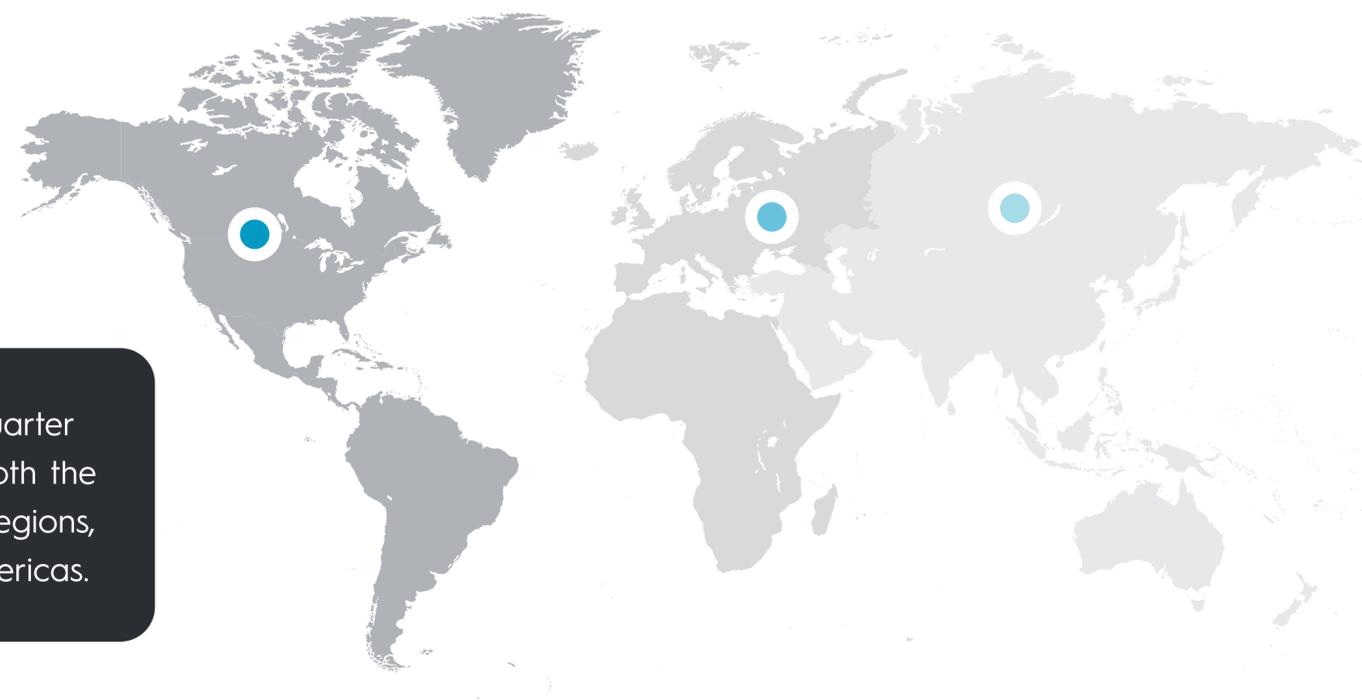
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THE DATA REVEALED

An evolving picture

In terms of the Luxury Fashion sector, we define seasonality as key shopping events which take place in the main festive periods in and around Q4. By comparing data on fast, mass-produced Normal Fashion versus Luxury Fashion across sales and events, we can see a number of trends.



Q4 is the strongest quarter for Luxury Fashion in both the **Americas** and **EMEA** regions, but particularly the Americas.

The **APAC** region is not following this trend with Q1 its biggest quarter of the year.

Luxury Fashion is exhibiting stronger fluctuation than Normal Fashion over most quarters with more noticeable positive and negative spikes in Q4.

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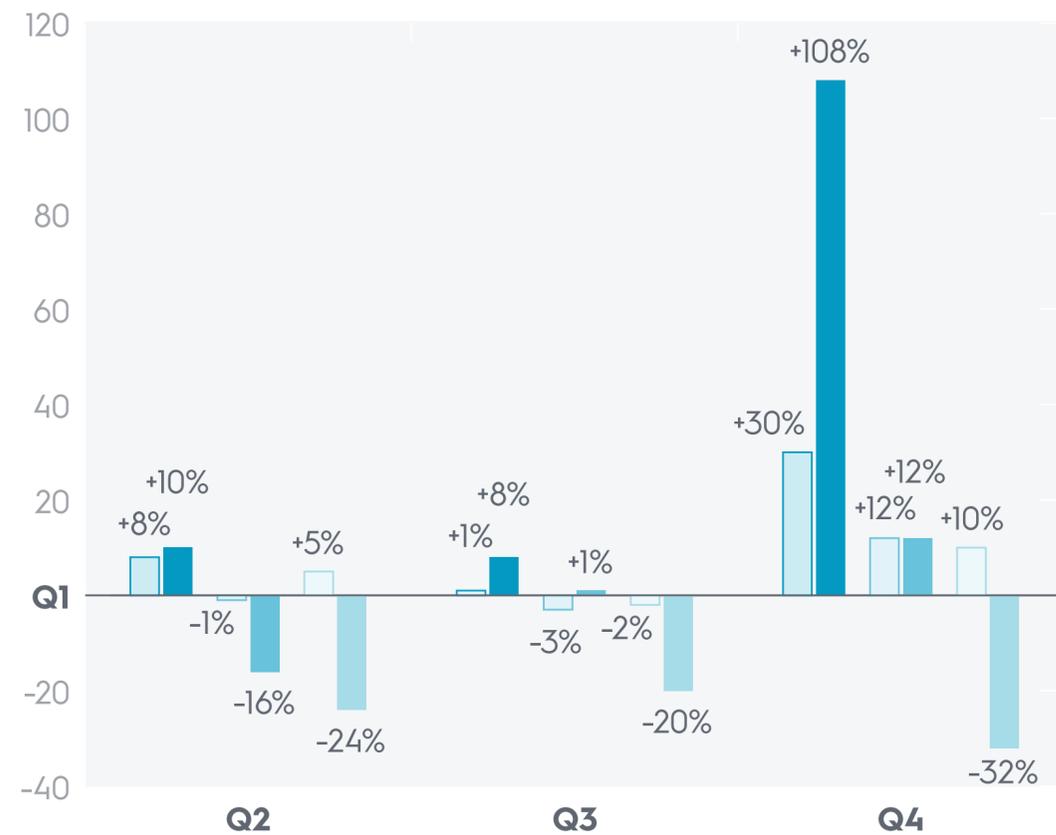
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THE DATA REVEALED

Fashion Luxury has strong Q4 seasonality

Sales Evolution 2019

Average sales change compared to Q1



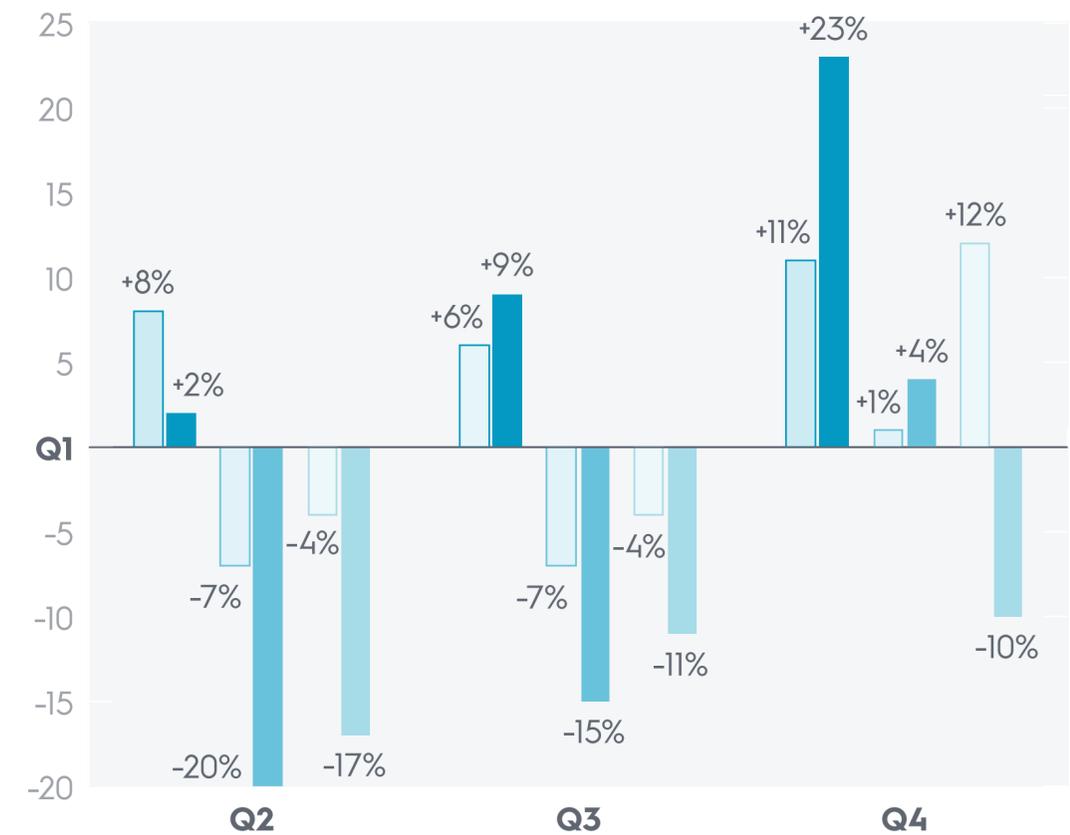
Americas ● General Fashion ● Luxury Fashion

EMEA ● General ● Luxury

APAC ● General ● Luxury

Events Evolution 2019

Average events change compared to Q1



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THE DATA REVEALED

Deep dive into Q4

If we zoom in on Q4 we can see that certain events are more important than others at regional level. Despite ongoing speculation over the relevance of Black Friday for the fashion industry, it continues to provide an important sales boost for the Luxury Fashion sector in all regions.

However, there are certainly regional trends emerging.



Cyber Monday

In **America** even more important than Black Friday



Singles Day

Very Important in the **APAC** region



Boxing Day

Driving very good results in **EMEA**

We analyze this more closely in [Country Trends...](#)



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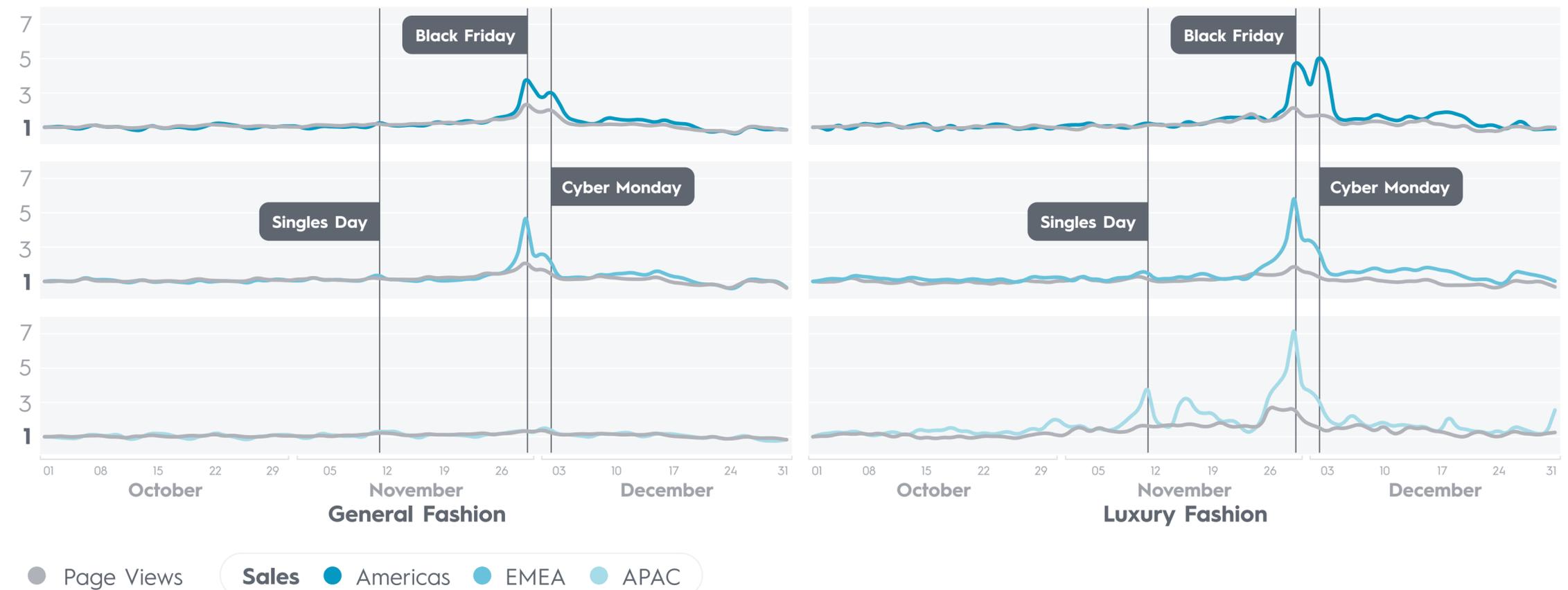
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THE DATA REVEALED

Seasonality is becoming much more important for the Luxury Fashion sector

Event Evolution Q4 2019

Events indexed



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Trend or anomaly?

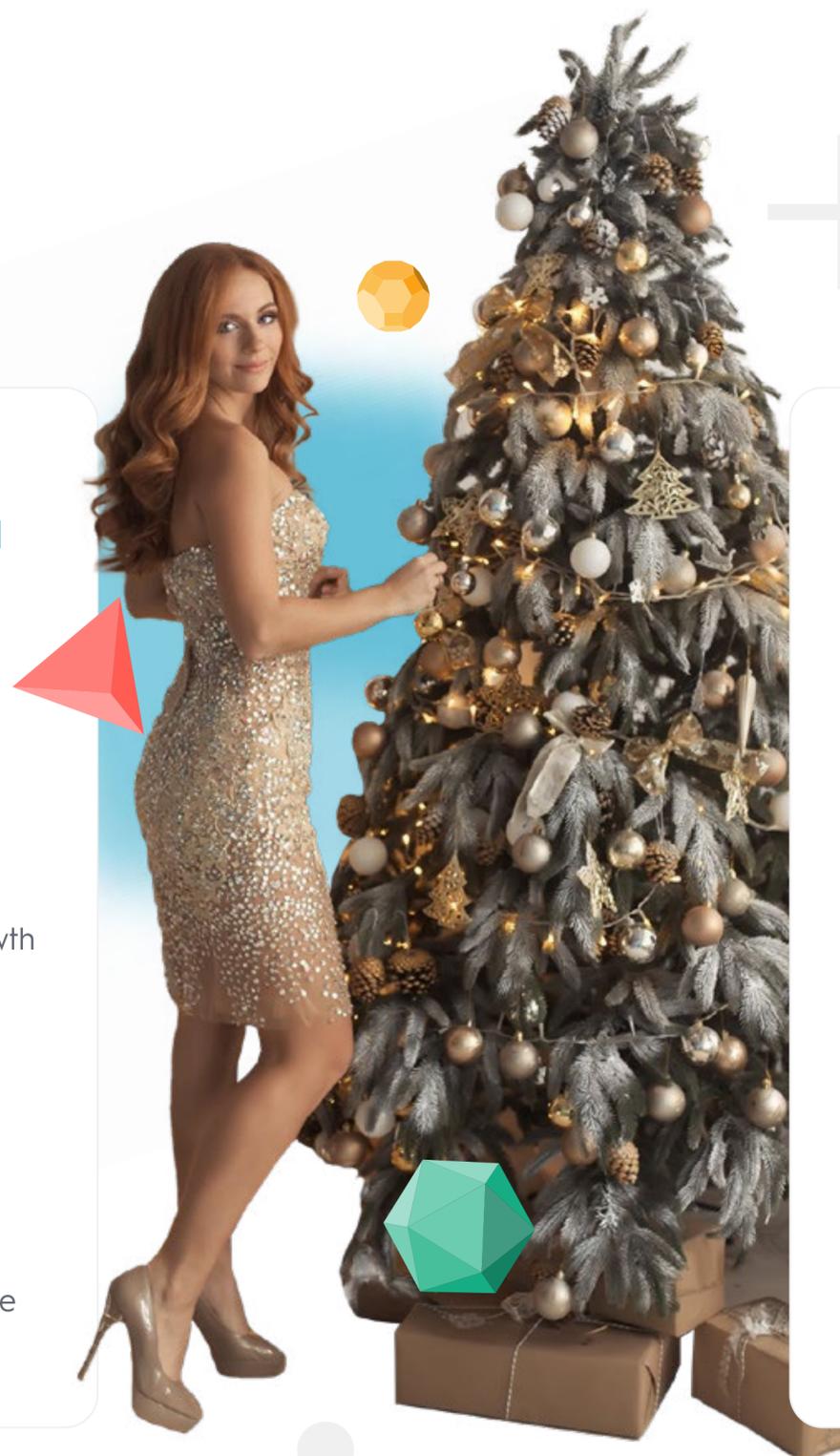
Luxury Fashion sales in Q4 2019 have increased both at global and regional levels in comparison with Q4 2018.

+47%

The **Americas** is leading the pack with growth in sales in 2019 compared with 2018.

+20%

The **EMEA** region is showing sales growth over the same period, whereas growth in the **APAC** region is flat.



In 2018 Black Friday was a sales winner in both the **Americas** and **EMEA**, but in 2019 Cyber Monday achieved greater sales in both regions.

Black Friday continues to retain slightly more importance than Cyber Monday in the **APAC** region.

Singles Day at the beginning of November shows slightly greater growth in 2019 compared with 2018, once again highlighting the growing importance of Singles Day in the **APAC** region.

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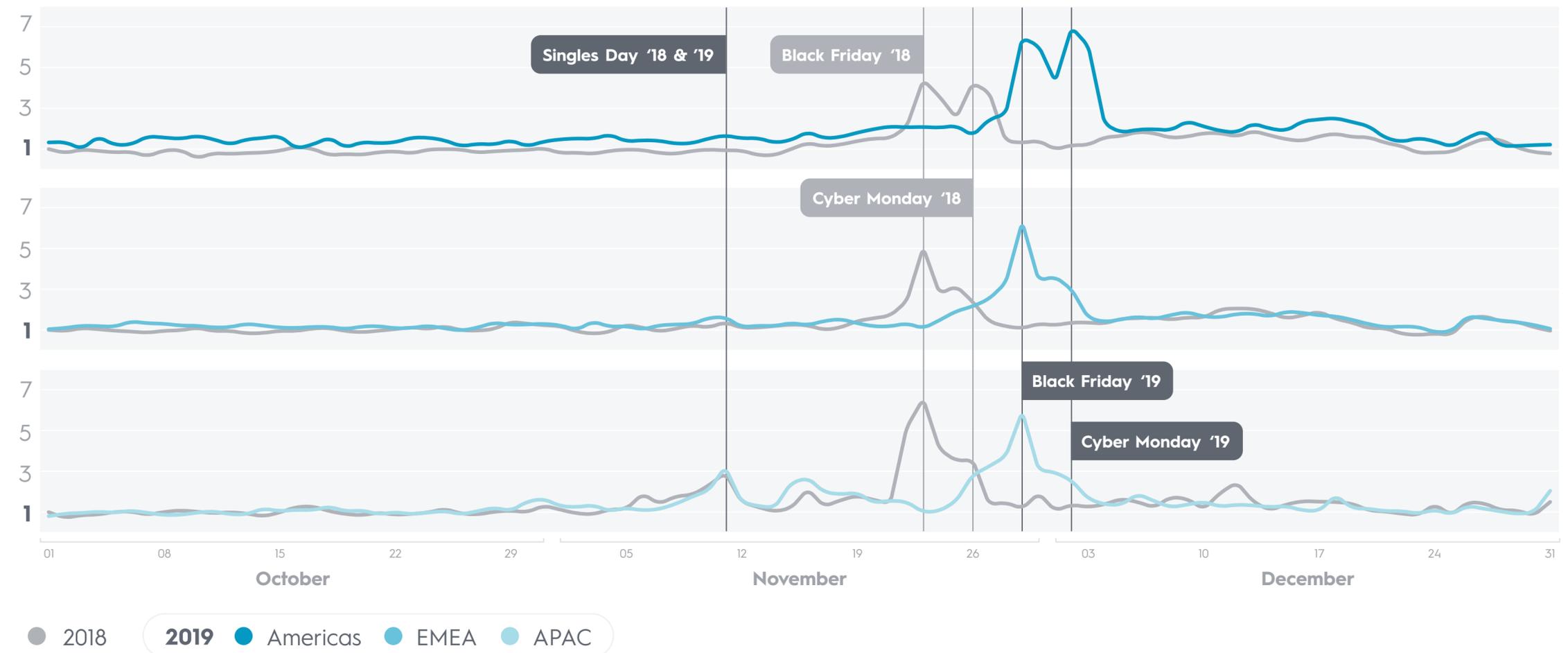
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THE DATA REVEALED

Sales winners

Given that Q4 is the most important quarter for luxury - has this importance been growing over the years?

Events indexed



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THE DATA REVEALED

Country trends

For EMEA...

the CPM trends in the UK, Italy, France and Germany are very similar. **Black Friday** is very popular in the UK and Italy.

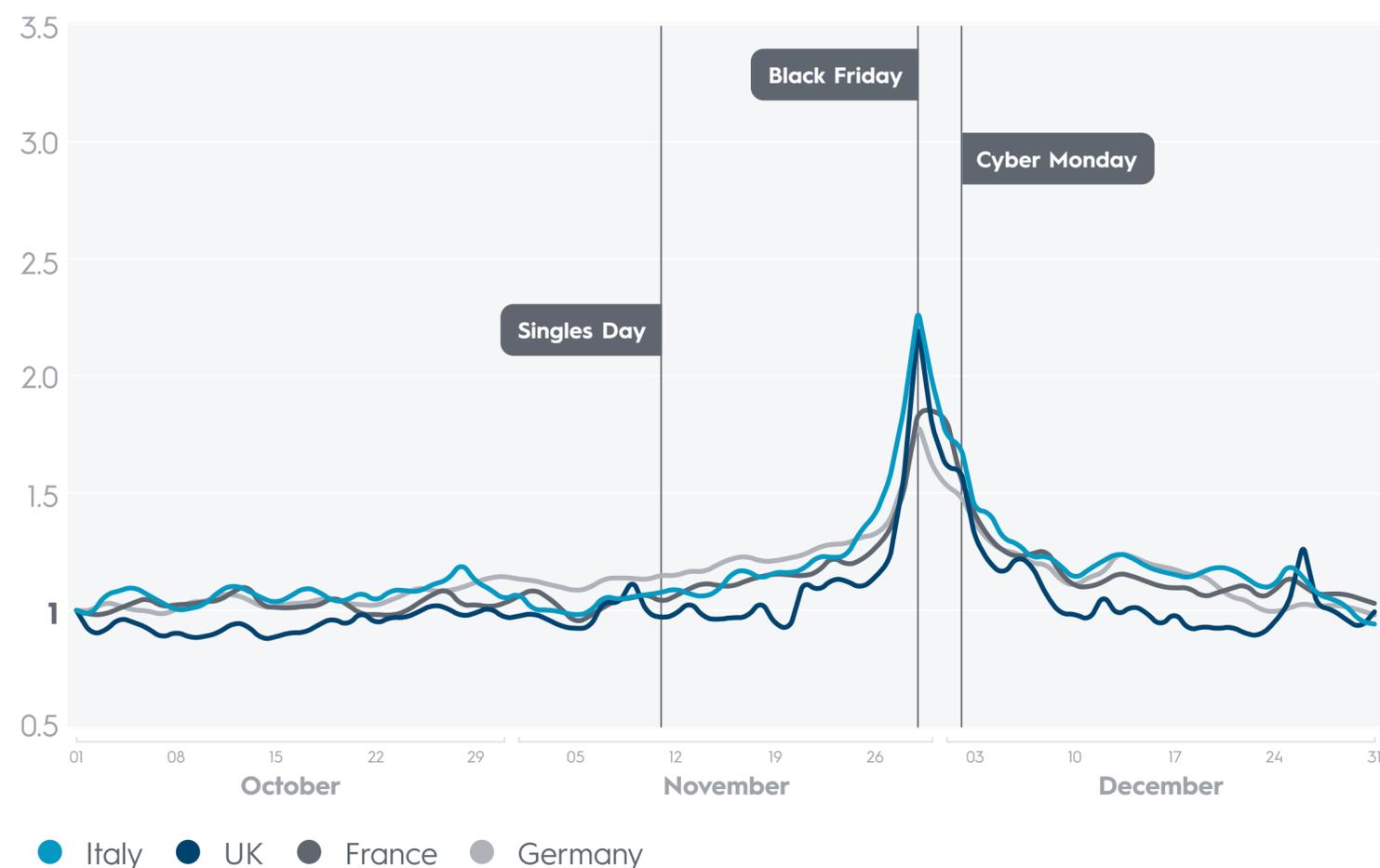
While Black Friday is also popular in France and Germany, CPMs are only 1.8 times higher than at the beginning of the quarter, compared with CPMs of **over 2.2** for UK and Italy.

Cyber Monday is, however, the sales sweet spot for all major markets in the EMEA, where we can see CPMs are decreasing.

In the UK there is a huge spike on **Boxing Day** which underlines the specific importance of this as a sales event to British consumers.

Great competition for Black Friday; Cyber Monday is the sweet spot

CPM indexed



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Country trends

For the Americas...

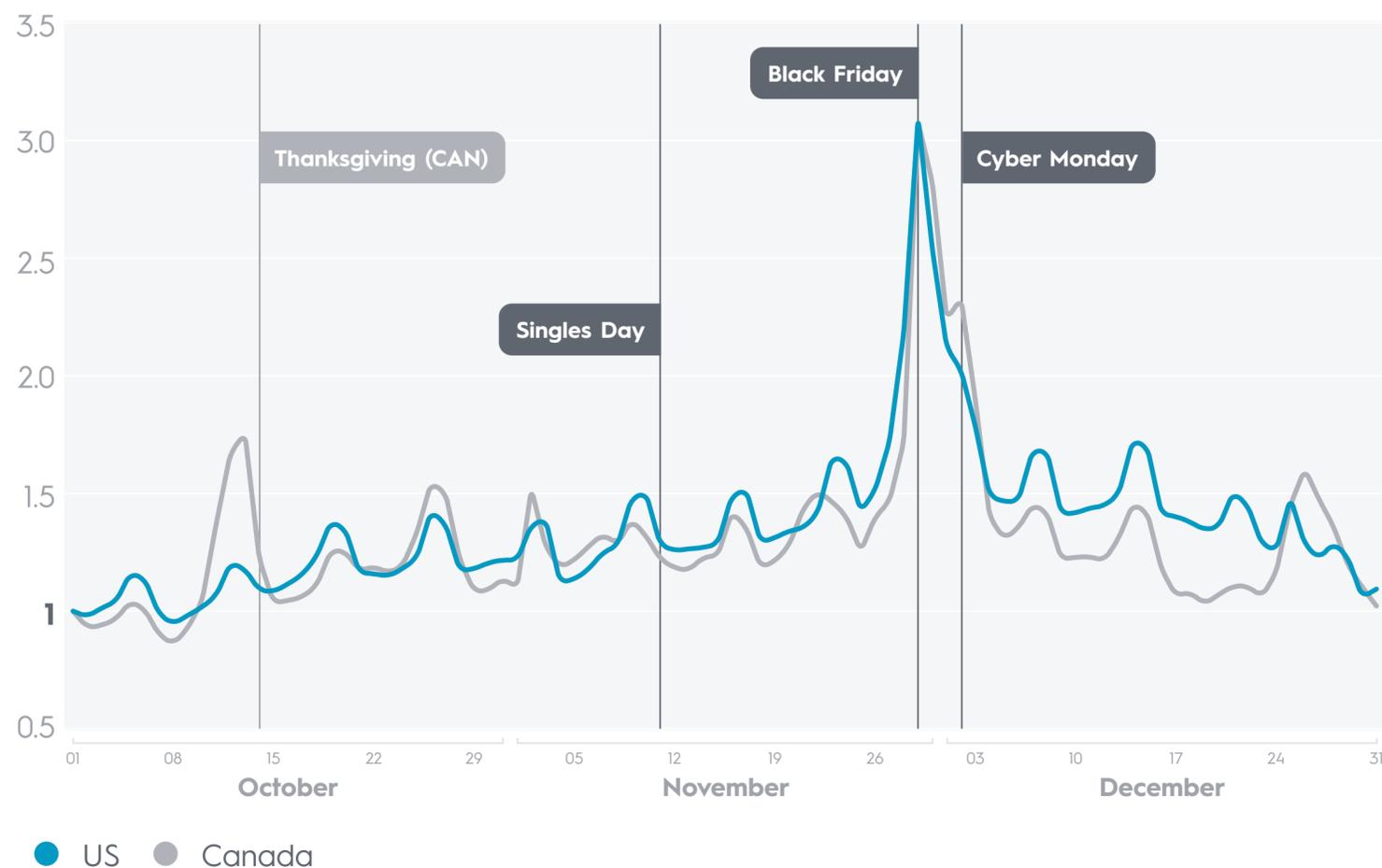
Black Friday remains important but **Cyber Monday** takes the sales lead in both the United States and Canada, with CPMs spiking **three times higher** than at the beginning of Q4.

However, if we dig deeper, we can see significant differences at the beginning and end of Q4 between the United States and Canada. Early to mid-October is particularly important for sales in Canada due to Thanksgiving which is showing a **CPM spike of 1.8**.

Whereas pre-Christmas sales are depressed compared with the United States.

Biggest competition starting in the months before Black Friday

CPM indexed



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Country trends

In the APAC region...

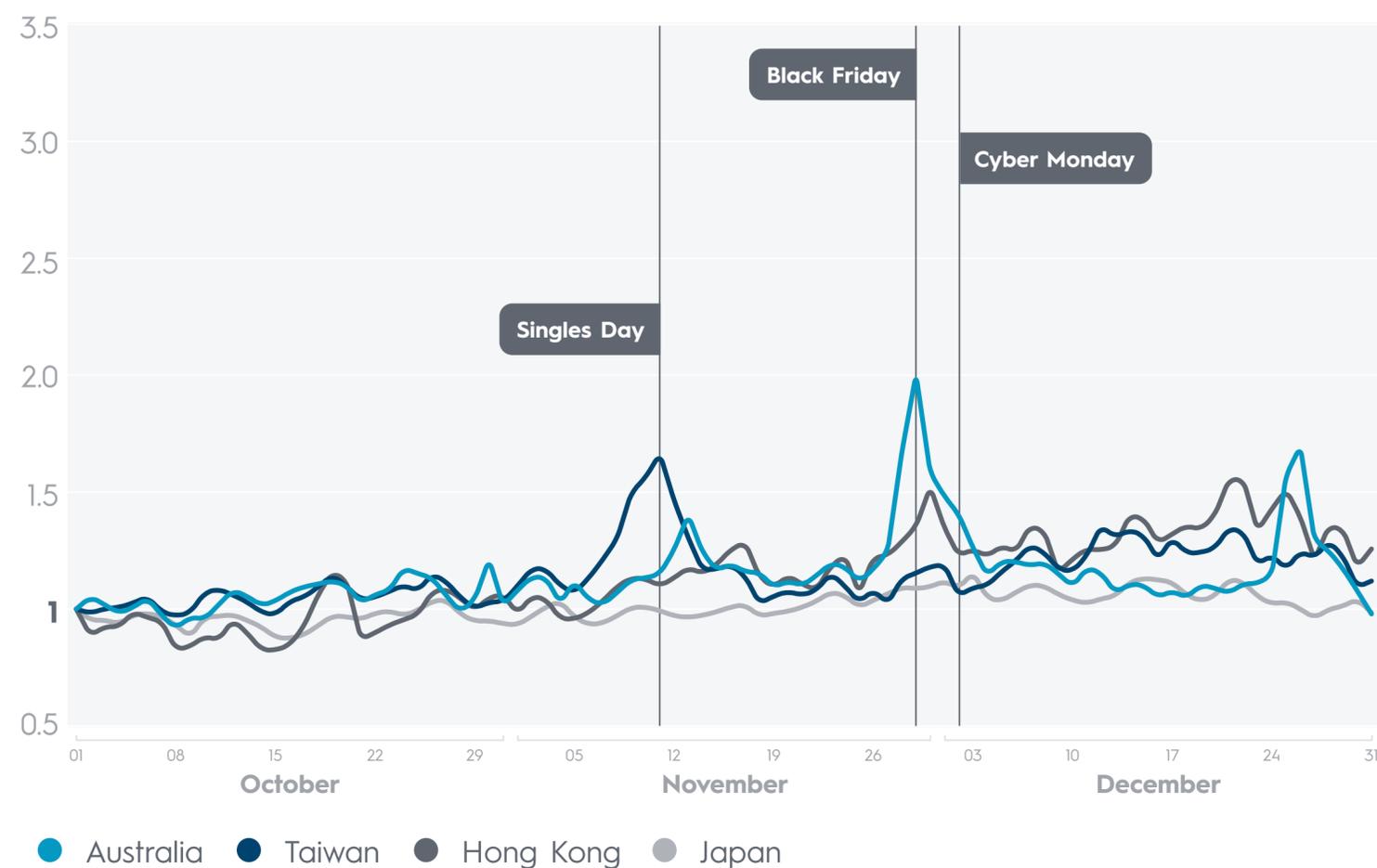
Q4 sales are more fragmented.

In Hong Kong, **Singles Day** is the strongest sales opportunity; Australia is very competitive on **Black Friday** and **Boxing Day**; and in Taiwan **Christmas week** is also a very competitive period.

In comparison, Japan is almost flat during the whole of the quarter.

A more fragmented approach to events

CPM indexed



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THE DATA REVEALED

Customer and brand loyalty explored

After analyzing the importance and competition between seasonal events at regional and country level in Q4, we set out to explore whether Q4 is the right time of year to win new customers. If we focus on customer loyalty (expressed as percentage of users buying) we can determine the impact of customer loyalty in Q4, and whether more customers prefer to buy more often during this important seasonal event period.

Purchasing behavior in numbers

-3%

APAC & EMEA

The percentage of customers buying for the first time decreases in Q4 vs Q3.

In the **APAC** region, analysis shows that loyalty is less important with customers not only more willing to buy for the first time during Q4 but the percentage of consumers making multiple purchases decreasing between Q3 and Q4.

+18%

Americas

The percentage of customers making more than four purchases increases in Q4.

+21%

EMEA



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THE DATA REVEALED

Customer and brand loyalty explored

Are luxury customers more likely to switch brands in this season or they are more loyal to their favored brand? If we analyze data on the level of browsing and number of retailers visited, we can detect that **customers generally show more brand loyalty in Q4 than in Q3.**

+0.54% **+5.19%**
Americas **EMEA**

The share of users visiting only one brand before a conversion is increasing quarter on quarter.

-5.95% **-3.42%**
Americas **EMEA**

The percentage of users visiting three or more brands before making a purchase is decreasing during Q4.

+12.28%
APAC

The APAC region is the exception where customers are showing less loyalty to brands. In fact, there was an increase in users visiting more than three brands in Q4 before making a purchase.

Luxury Fashion	No. partners visited per user	Change
Americas		0.54%
		-4.92%
		-5.95%
EMEA		5.19%
		-23.30%
		-3.42%
APAC		-1.15%
		15.54%
		12.28%

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THE DATA REVEALED

More brand loyalty in Q4

If we take the buying frequency of Luxury Fashion customers across all the regions, we can see there is an increase in Q4 versus a general flatness in buying frequency among Normal Fashion customers.

The buying frequency of Luxury users is increasing in all regions in Q4

Americas

+3.03%

Luxury Fashion

-0.45%

Normal Fashion

The buying frequency of Luxury Fashion customers in Q4 increased by 3.03%, compared to a -0.45% fall among Normal Fashion customers during the same period.

EMEA

+0.35%

Luxury Fashion

-0.06%

Normal Fashion

Less variation with a Luxury Fashion buying frequency increase of 0.35% in Q4 against a -0.06% fall in Normal Fashion.

APAC

+2.61%

Luxury Fashion

-0.25%

Normal Fashion

Luxury Fashion saw a 2.61% increase in buying frequency versus a -0.25% fall in Normal Fashion in Q4.

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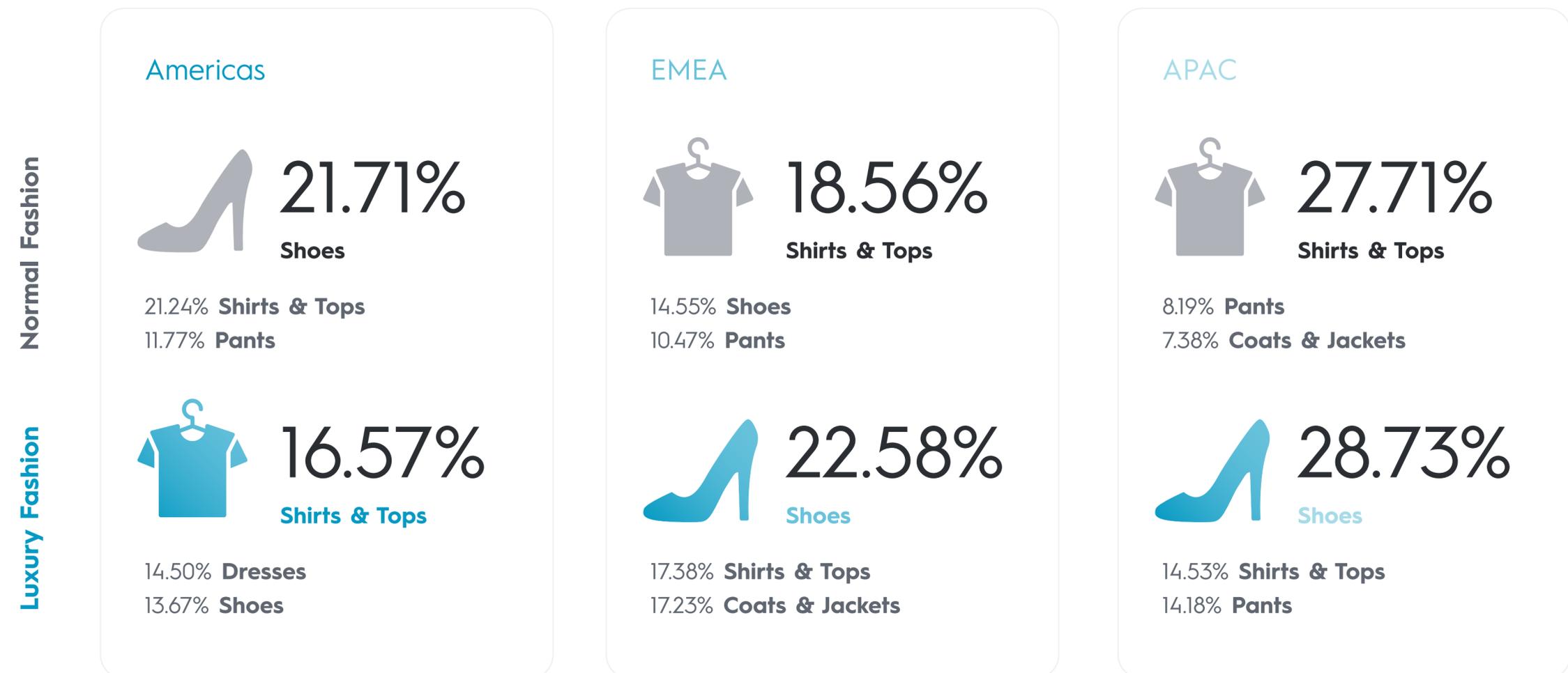
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Which product is most popular in Q4?

However, in terms of product categories, there are some interesting differences. If we compare the top product categories across both Normal and Luxury Fashion verticals in Q4 in all three regions analyzed, we can see that..



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THE DATA REVEALED

Order values in Q4

We also wanted to see if the Order Value in Luxury Fashion is higher during Q4 vs other quarters and whether single Luxury Fashion pieces bought tended to be more expensive during this period of the year.

Based on previous analysis discussed and talking to our clients, our hypothesis would be that both Order Value and average cost of item would increase in Q4. And this is indeed the case, with a general increase in Order Value generated during Q4 together with a higher average item price.

In Q4, users are buying more, and they are also buying more expensive items.



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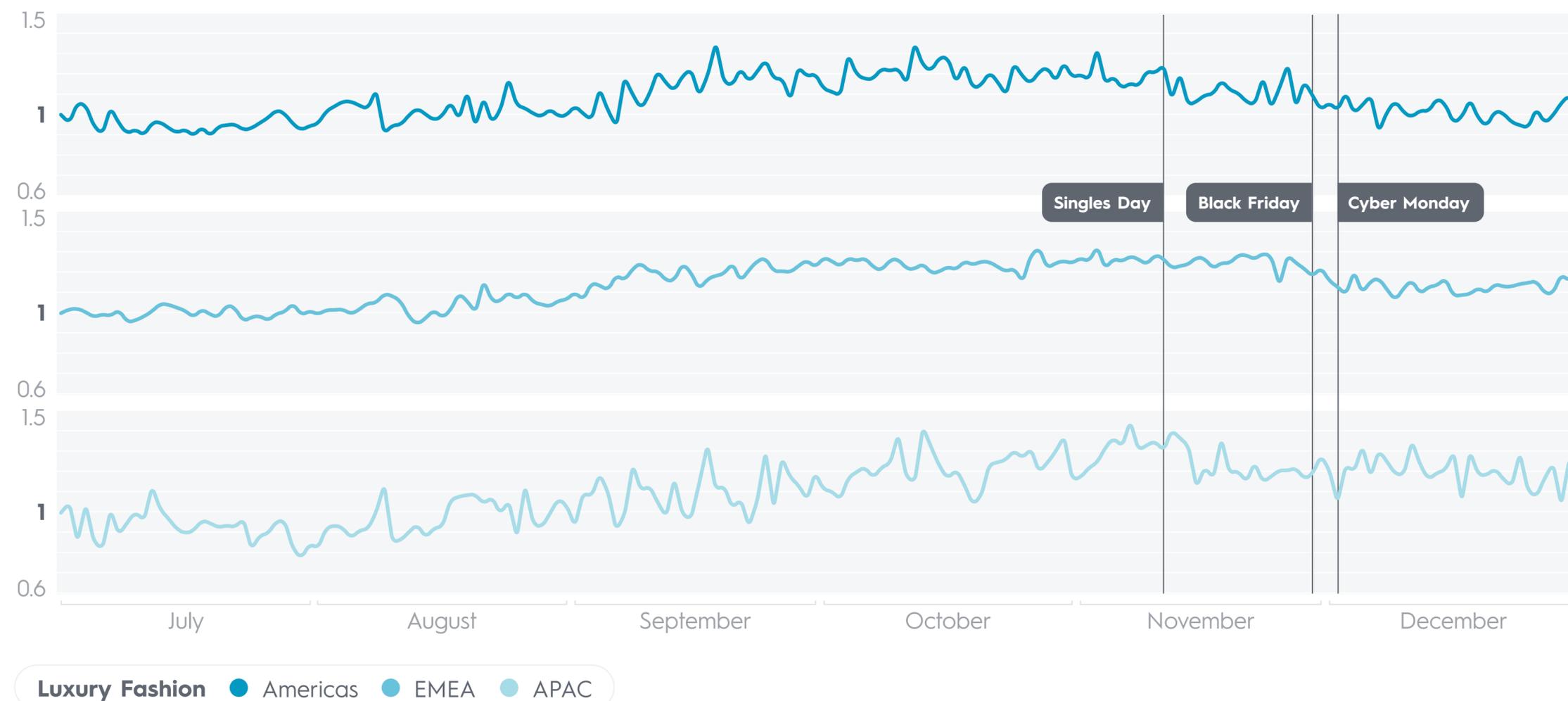
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Evolution of the indexed average order value over Q3/Q4 2019

Average Order Value Indexed



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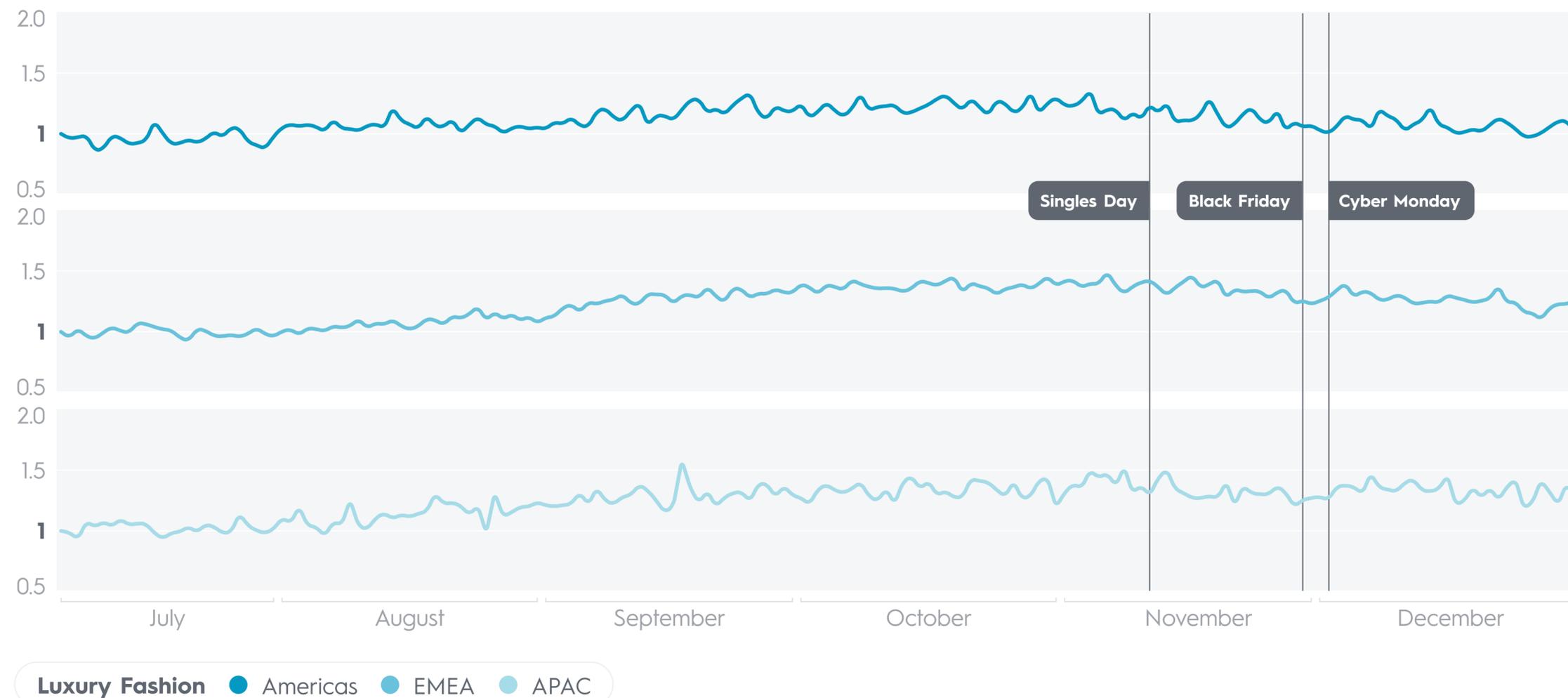
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Evolution of the indexed average item price over Q3/Q4 2019

Average Price Indexed



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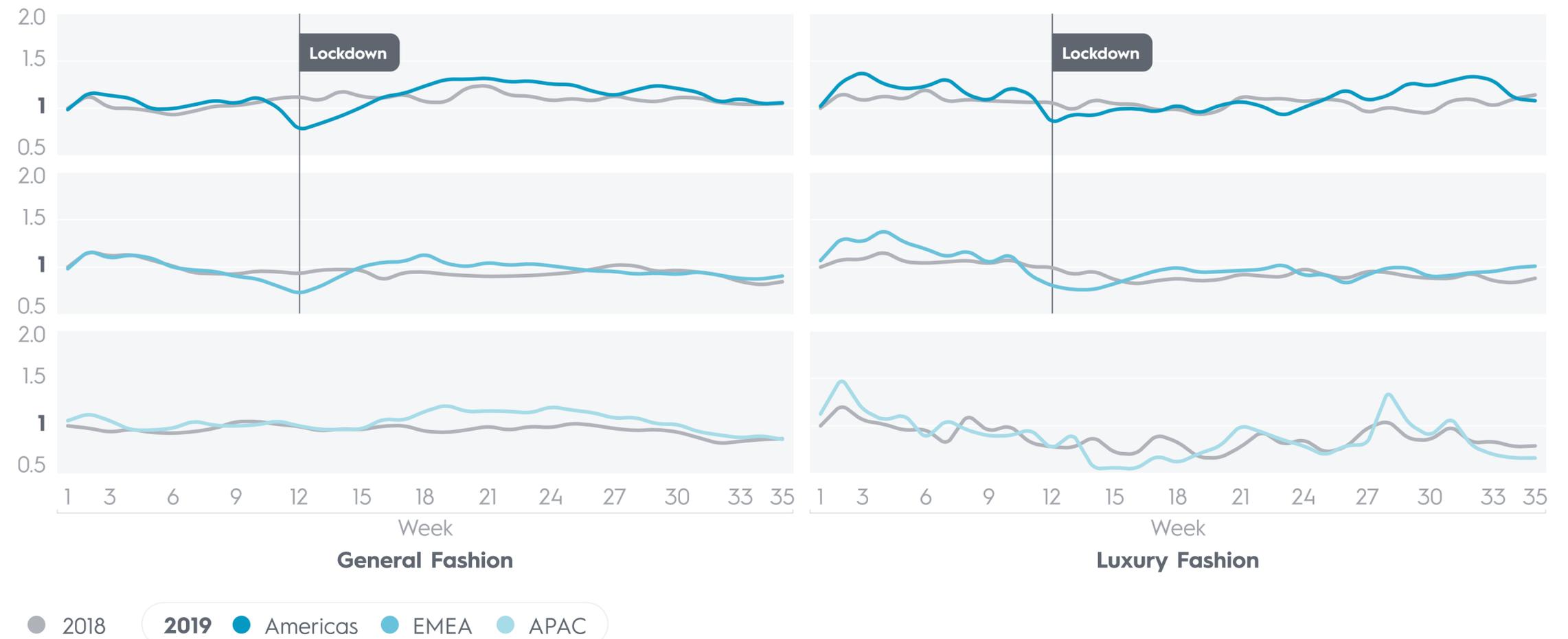
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The bounce back!

Events evolution YTD

Events indexed



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THE DATA REVEALED

While Luxury was hit harder than Normal Fashion, it's recovering better!

Americas

The current level of events is higher than at the beginning of the year, indicating a positive bounce back trend after COVID-19.

EMEA

The bounce back in Luxury Fashion seems to be complete as figures are way above 2019. They haven't yet reached the pre-COVID levels, but the trend seems really promising.

APAC

Here we can see a lot of fluctuation YTD, mainly driven by specific commercial calendars. However, the comparison between 2019 and 2020 seems to be aligned.

In all regions, the Luxury Fashion trends are promising and showing good post-COVID recovery. The EMEA is leading the scene with a strong increase YoY. Also, the Americas has shown some remarkable results in July and August.

Luxury Fashion shows good post-COVID recovery



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THE DATA REVEALED

Online holiday season shopping trends explored

In this final part of exploring the data we set out to see whether international shoppers feel more comfortable buying online this year than they did last year.

By surveying shoppers in Australia, Brazil, France, Germany, India, Italy, Japan, Russia, South Africa, South Korea, Spain, United Kingdom and United States, Criteo analysis shows that, out of shoppers planning to increase their spend on Luxury brands:



said they would be more willing to buy online this year



said they would be more willing to buy in store this year



said they are likely to buy "equally" offline and online

While the results are not surprising considering the pandemic restrictions, it certainly highlights the growing importance of online shopping for Luxury brands.

As we know, the 'in store experience' is important for Luxury brand shoppers, so the ability to deliver the same unique and special experience online should now be a strong focus for Luxury brands:

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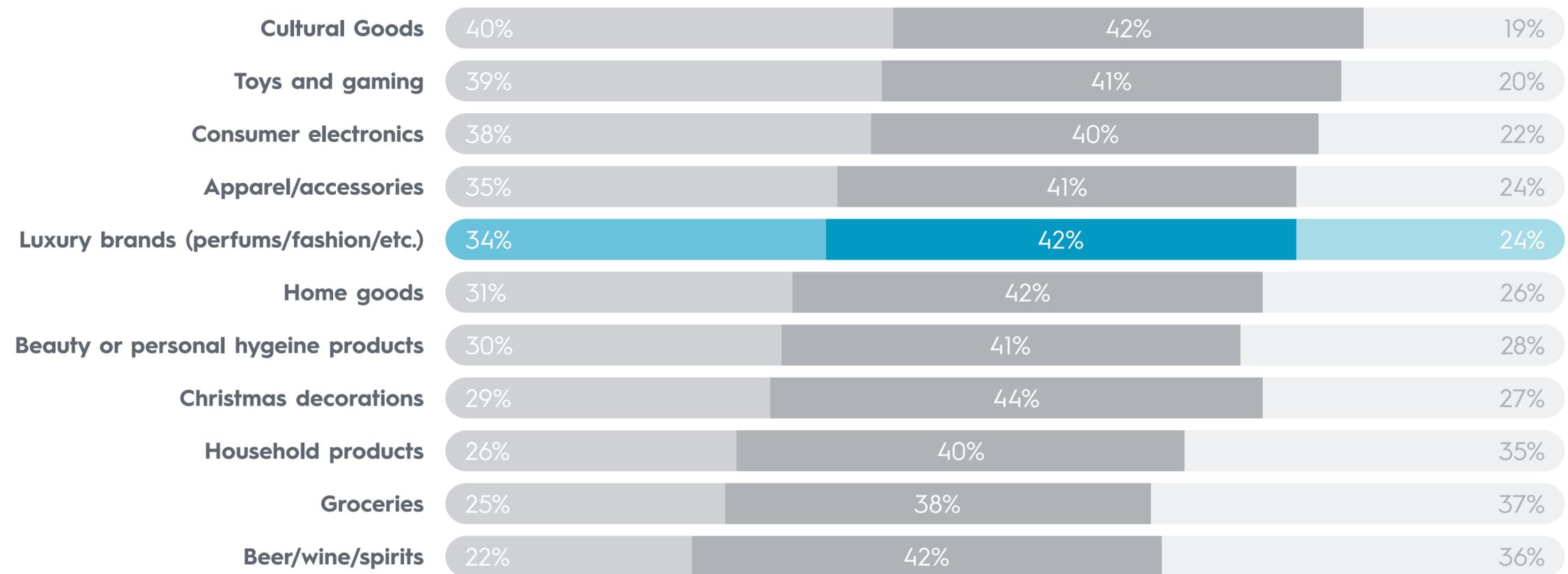
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THE DATA REVEALED

Online holiday season shopping trends explored

For the holiday season, compared with last year would you say you plan to purchase the following product categories...



● More online ● Equally ● More in-store

source: Festive Season Survey, Worldwide, August 2020 n=15,113

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One third of shoppers plan to buy more Luxury brands online this year!

If we break down shoppers by age we can see that of those shoppers planning to spend more on Luxury brands online this year, **40%** are Gen Z & Millennials, with older generations still (but only just!) planning to spend more on Luxury brands in store (**25%**) versus online (**21%**).

In terms of shoppers' online expectations, fast and free delivery was key to those surveyed. While this is not generally seen as a Luxury Brand customer requirement, the increase in online shopping by Gen Z and Millennials means fast and free delivery may become more important for Luxury Brands, particularly as it becomes an expected part of the unique experience customers are seeking online.

...Especially younger generations!

source: Criteo



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THE DATA REVEALED

Gen Z & Millennials more likely to shop online

While the Luxury Fashion sector is in a constant state of awareness when it comes to the challenges they face, be it digital disruption or economic change, the arrival of COVID-19 is certainly something that no one foresaw.

However, for a sector that relies on close customer contact, the pandemic provides the impetus for Luxury Fashion players to scrutinize business models and see how they can introduce the necessary flexibility required to cope at speed with such challenges in the future. Not least is the fact that such challenges have also made consumers re-evaluate their own shopping habits.

Shopping online by age group, Luxury Brands

Gen Z & Millennials



Gen X



Boomers & Silent



Grand total



● More online ● Equally ● More in-store

source: Festive Season Survey, Worldwide, August 2020 n=15,113

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RECOGNIZING THE CHALLENGES

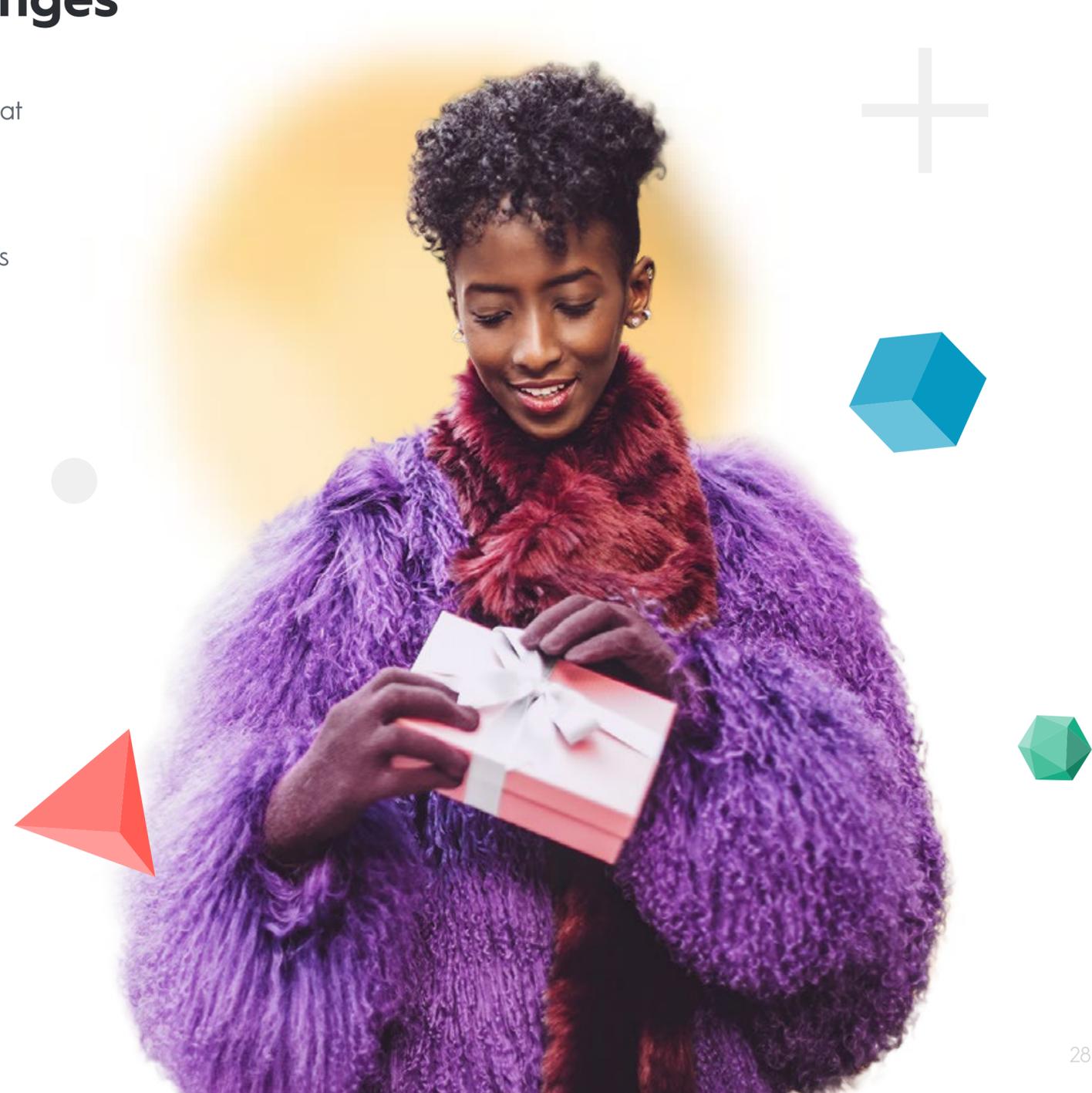
Recognizing the challenges

So, what are the key issues going forward and what tactics can the Luxury Fashion sector consider to overcome them, particularly as we head into Q4?

Here we focus on what we see as Luxury Fashion's top five challenges.

Top Trends:

- 1 Lack of Luxury Fashion tourists
- 2 Impact on demand
- 3 Conscientious consumers
- 4 Irrational behavior
- 5 Digital disruption



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RECOGNIZING THE CHALLENGES

Top Trends

1 Lack of Luxury Fashion Tourists

Fashion tourists are an important driver of luxury spending. Recent travel restrictions are a particular problem for Europe, where there is a lack of tourists from Asia who account for a large part of Luxury Fashion and accessory sales.

"20% - 30% of industry revenues are generated by consumers making luxury purchases outside their home countries."

- McKinsey April 2020

Key Takeaway: With traveling shoppers likely to take some time to return, focus on local markets and take the opportunity to strengthen multi-channel approaches.

2 Impact on demand

The luxury jewellery and watch segment has been most affected by COVID-19 due to its dependency on offline channels, whereas the luxury accessory segment's online approach has achieved sales resilience during the crisis. While the physical point of sale remains an important expectation for Luxury shoppers, increasingly in store sales are strongly influenced by a brand's digital promotion.

"80% of purchases are influenced by online channels."

- Euromonitor, Forrester, McKinsey, company annual reports

Key Takeaway: Use the right channels at the right time to support Luxury Fashion segments, smooth demand issues and to offset physical store shutdowns.

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RECOGNIZING THE CHALLENGES

Top Trends

3 Conscientious Consumers

While fashion spending in general has reduced during the Pandemic, it has highlighted the increased appetite to buy more brands that have shown themselves to be socially responsible and sustainable. This is particularly so among Gen Z consumers who are part of the future growth-engine of Luxury Fashion.

"Gen Z is emerging with distinctive consumption patterns..."

- Bain & Co 2019

Key Takeaway: Segment target markets in a more granular way looking at a wider range of metrics including age, loyalty and buying habits and adapt messaging, particularly on sustainability, accordingly.

4 Irrational behavior

While irrational behavior can also be a positive, it's important for Luxury brands to recognize periods of irrationality and use its power to drive sales. Whether in a time of crisis or a key shopping event such as Christmas, the ability to enjoy an exclusive piece of clothing or coveted accessory they don't necessarily need is an important luxury customer consideration.

"Even now, in times of crisis, we can enjoy things that we may not need rationally. That is luxury"

- Jean Pierre Wils, Academic

Key Takeaway: Focus on data that highlights which events represent the greatest opportunities for customers to indulge irrational behavior.

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RECOGNIZING THE CHALLENGES

Top Trends

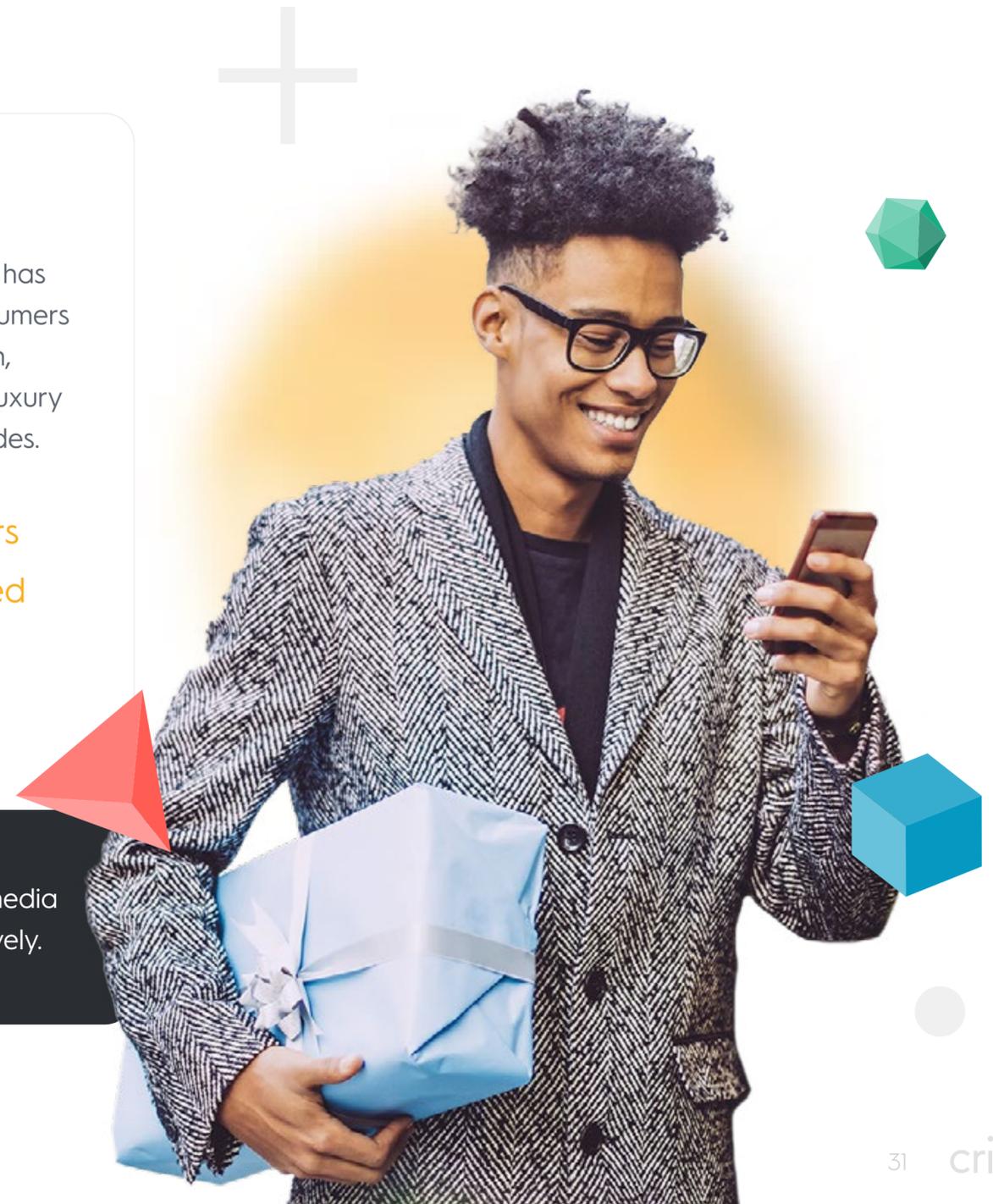
5 Digital disruption

While this is an ongoing challenge for Luxury Fashion, it is one that has gathered pace during 2020 as global lockdowns have pushed consumers online. It has highlighted that a digital presence is no longer enough, but that digital campaigns have to be tailored to different distinct Luxury Fashion buying habits based on a wider range of values and attitudes.

"50% of Gen Z consumers are influenced by influencers (bloggers), Instagram, YouTube or Facebook, compared to 26% of baby boomers"

- www.keylens.com

Key Takeaway: Data that highlights levels of self-expression, social media use and digital awareness in order to target campaigns more effectively.



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INDUSTRY OUTLOOK

Key industry points

To supplement our own findings on the Luxury Fashion sector as it heads towards the key sales period of Q4, **we asked a range of industry experts to give their views on the challenges the Luxury Fashion sector faces.** Below is a selection of key points made.

Q. In terms of festive periods, are there any regions that have been impacted by the crisis more than others?

A. We have seen the US rebound much slower than other markets due to the lingering social distancing restrictions, which have likely impacted consumer sentiment, and the general sociopolitical unrest related to the upcoming election and Black Lives Matter (BLM) protests. In terms of production, we have noticed an impact on delivery and production from our brand partners. Accordingly, we've had to adjust our open-to-buys.

Q. What would you say have been the three main Luxury sector buying behavior trends during the festive periods in 2020 so far?

A. The biggest shift is the acceleration towards buying online for luxury consumers. Prior to the crisis, brick-and-mortar stores played a large part in the customer journey within Luxury and now customers have been forced to purchase online. Additionally, we see the increased focus on sustainability and how purchase behaviors impact on the local communities. Customers are looking to buy more selectively and less often, with a more "conscientious consumer" mindset.

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INDUSTRY OUTLOOK

Key industry points

Q. **What do you now see as the main opportunities to re-shape the sector?**

A. One of the biggest changes within Luxury is how we can leverage this moment to reset the fashion calendar, so it is more in line with new customer expectations coming out of this crisis. Previously, our buyers were purchasing products months in advance during the fashion season. Now the Luxury sector collectively has an opportunity to reset the supply chain (from production to brands to retailers) to ensure we are providing customers with products when they are most relevant for them. We have already seen many big brands move away from the typical fashion seasons and approach fashion shows / presentations differently.



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INDUSTRY OUTLOOK

Key industry points

Q. With the COVID-19 crisis causing many stores to close and consumers in lockdown, can you see a change of mindset and push to accelerate the digitalization process within the Luxury sector happening and, if so, how?

A. COVID-19 condensed 5 years of digital growth into a few months for many Luxury brands. It forced primarily brick-and-mortar players to develop an online presence and fast. For those who were already digital players, the crisis was an opportunity to further identify ways to engage with the customer.

Q. What are your three best practice ideas for the Luxury sector during the COVID-19 crisis and Rebound phase?

A.

1. Developing digital / omnichannel capabilities.
2. Rethinking the fashion show and fashion cycle.
3. Adjusting messaging in marketing channels to meet the moment.



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INDUSTRY OUTLOOK

Survival tactics for the Luxury Fashion sector

Daniel Langer

Founder and CEO of Équité | Professor of Luxury Strategy at Pepperdine University, Malibu, California

Luxury brand expert Daniel addresses the challenges the Luxury Fashion sector faces and suggests tactics they can adopt to survive.

“ The most important challenge currently facing the Luxury sector is how to embrace the needs of Millennials and Gen Z consumers, who are the future drivers of growth. While for previous generations a brand name, style or price point were sufficient reasons to buy, today’s younger generation wants to really understand the Luxury brand; what is its inspiration? What is its purpose and what are its values?

At the same time, **more than 90%** of brands we have researched have massive problems in brand positioning and brand storytelling and those brands are rapidly losing market share.

Brand versus product

A further challenge is value creation. Most brands have zero clarity on how to create value as they are far too product focused. Yet for the Luxury sector the product only represents a very small fraction of the value, **with the vast majority (98%) of value derived from the brand**. But if you look at the structure of most Luxury groups, the majority of the talent employed is focused on the end product. As we have seen with some brands more recently, this focus on product rather than brand can result in catastrophic underperformance.

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Use AI to develop awareness

Tilting the focus to brand becomes even more relevant when we see that the customer decision-making process is done increasingly online. While previously a flagship store's location, design and product range were major factors in Luxury brand performance, now it's primarily about the quality of the digital journey. In a world where customers can now make a purchase online, 24/7, Luxury groups need to reach customers digitally to support brand awareness that translates into online and offline sales. This means having a digital infrastructure that capitalizes on technology such as Artificial Intelligence (AI) to map and measure a customer's digital journey in real time to build a complete and more accurate picture of customer needs.

Create an exceptional experience

This shift in focus gives the store a completely different meaning. As it's no longer the sole point of purchase, those customers that do make the effort to come into stores need to know they are getting the 'X factor'. A customer wants to know that their lifetime investment in a Luxury brand is appreciated. Yet we see only a handful of Luxury brands able to create an exceptional experience that genuinely makes the customer feel elated and crave more. Sadly, most brands continue to rely solely on brand loyalty as a reason for customers to return to store.

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Digital leadership not transformation

Luxury brands still talk about digital transformation when transformation should have happened five, even 10, years ago. Now it's about digital leadership. Leadership that instills a way of thinking digitally and holistically across the whole structure. Yet far too often Luxury brands talk about websites and Instagram when they think about digital but at their core are still acting as analog players. And while some see the global pandemic as a cause for failures in performance, its arrival only highlights those Luxury brands that lack a credible digital strategy. The pandemic has simply poured petrol on to a fire that was already burning.

A change of mindset needed

We often think of Luxury fashion in a certain way and ignore proxies that we can adapt and adopt. Yet the success of the Shanghai Fashion Show hosted digitally this year, giving millions of customers the chance to follow the show and buy what they saw immediately, offered a glimpse of how adapting the model can work. This is important when the ability to physically attend fashion events is not possible, as we have seen with the Pandemic restrictions, or due to a desire to reduce our carbon footprint. So long as the Luxury fashion industry offers an immersive experience that is enjoyable, then customers will be happy to accept change that is fresh and exciting. Instead of hesitating, such an outlook opens the door to new ideas that promote innovation and ultimately add value to the Luxury sector.

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Emerging trends

As people have become more comfortable with combining home life, work and exercise we can already see a shift in consumer behavior that is dictating the direction of Luxury Fashion, at least in the short term. In big cities such as Tokyo, London and New York people are now exchanging public transportation for bicycles. This is fueling the desire for Luxury versions of totes and cross-body bags, as well as more multi-functional clothing items. Plus, rather than formal work suits, more online meetings offer the ability to dress more casually for work. This is a particular trend in Asia, where the relief in not having to abide by a strict dress code for work is helping to shift attitudes in favor of casual fashion.

There will always be a demand for Luxury items. But when it comes to capitalizing on shifts in trends and consumer buying power, the industry needs to innovate not hesitate.



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INDUSTRY OUTLOOK

Survival tactics for the Luxury Fashion sector

Gareth Locke

Chief Growth Officer, Mytheresa

MYTHERESA

Criteo spoke with Gareth on his performance marketing strategy for the festive season ahead, plus his thoughts on digitalization and best practice.



How has COVID-19 impacted Mytheresa and what is your performance marketing approach for the festive season 2020?



Mytheresa is a global eCommerce company with customers based in all major regions throughout APAC, Europe and the USA. We have seen different markets getting impacted at different points in time by COVID-19. The impact in each region was very sudden but, luckily, each market has also bounced back. Looking towards the festive season, I recommend all eCommerce actors to ensure they have very flexible marketing and media plans to be able to react immediately to any further crisis. I would be very cautious booking fixed media deals several months in advance.



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INDUSTRY OUTLOOK

Survival tactics for the Luxury Fashion sector

Gareth Locke

Chief Growth Officer, Mytheresa

MYTHERESA

Q. With change often comes an opportunity to innovate. What do you now see as the main performance marketing opportunities for your company and are there any changes you are planning going forward?

A. Steep decreases, rather than increases, in media spend also provide the opportunity for extreme testing on media effectiveness. We identified regions and medias performing better at significantly different levels of investment than we have seen historically. Overall, from a performance marketing perspective, we are now back on track, but we are operating at a different mix between regions and with medias. This has enabled us to increase new customer acquisition at a reduced investment.

Q. Finally, could you please share your three best practices on how your company faced the COVID-19 crisis, as well as the re-bounce phase?

A. The three best practices I would share are:

1. **Keep your overall strategy!** Mytheresa kept to its strategy of being “the finest edit in luxury fashion” throughout the crisis and we have emerged stronger than before.
2. **Adopt a country-by-country strategy based on the regional impact of COVID-19.** Use indicators such as search volumes to measure the impact of customer sentiment.
3. **Immediately reduce media spend** when a country goes into lockdown but re-invest as quickly once customer sentiment returns.

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Trends 2020 and beyond

While there are a number of challenges ahead for the Luxury Fashion industry, it's equally important to highlight long term trends that may help visualize what the Luxury Fashion land-scape will look like beyond 2020. By doing so, players can align and modify strategies so that they are in the best position to capture and maximize future growth potential.

So, as we head towards the prime shopping quarter, based on our data, customer and desk research, as well as external interviews here are six future trends to watch out for:

1 Rise of the Asian consumer

Asian consumers continue to offer the biggest growth opportunity for the Luxury Fashion sector. In 2018, Chinese consumers took more than 150 million trips abroad. Asian shoppers buy luxury brands outside their home countries not only to benefit from lower prices in Europe, but also because shopping has become an integral part of the travel experience. Buying a brand in its country of origin comes with a sense of authenticity and excitement!

Luxury brands should look at ways they can replicate these cultural values and expectations to counteract less travel opportunities.



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2 The power of youth

HENRYs (High-Earners-Not-Rich-Yet) are beginning to shape the future of Luxury Fashion. Millennial HENRYs have an average annual spend per household of \$86K.² And while Millennials currently account for 35% of luxury goods consumption, it's the younger Generation Z that is poised to reshape the industry. By 2035 they could make up 40% of luxury purchases, up from only 4% today.³ These young consumers show an increased appetite to buy brands that have shown themselves to be socially responsible and sustainable.

Luxury brands should develop strategies that highlight their values and transmit this to consumers in a more meaningful way to tap into the buying power of youth.

3 Digital catwalks

In March 2020 Shanghai Fashion Week was the world's first at-scale fashion event to go fully digital. Opening showcases on the first day attracted 2.5 million views. By the end of the fashion week, the event achieved over 11 million views and helped generate more than \$2.82 million in gross merchandise volume. The most popular livestreams drew in 1.5 million views in a single session.⁴

Luxury brands should explore new and innovative ways to showcase their brand, particularly during the festive quarter.

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TRENDS 2020 AND BEYOND

4 Sharing economy

With a move towards fashion sustainability consumers are focusing on 'fewer and better' items.⁵ This could lead to a rise in secondhand and rental channels as a way for consumers to acquire a timeless, investment piece, particularly if it's vintage.

Luxury brands should explore avenues to participate directly in the sharing economy to maximise their brand presence and values.

5 AI to enhance not replace

Digital no longer means having a website or Instagram and Facebook accounts, it increasingly means having the ability to truly understand your online and offline target markets. Increasing your focus on technology does not mean replacing the skills and service that Luxury brands are renowned for, it means gathering enough customer information to enhance those skills, not replace them.

Luxury brands should refresh their technology toolkit to encompass state of the art technology. You can never have enough AI!



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TRENDS 2020 AND BEYOND

6 Emotional buy-in

The need to escape from reality has been one of the side effects of the Pandemic. While, like most industries, Luxury brands have been hit hard by falling sales certain Luxury brands, such as Chanel and Louis Vuitton, have been able to buffer performance by raising the price of certain items.⁶ For those consumers not affected by the economic crisis a price rise is not seen as a barrier to consumption.

As we move into the prime sales quarter, Luxury brands should use hyper-personalized marketing campaigns to capitalize on emotional attachment to their brand.



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Key findings

Finally, in addition to long term trends, we believe identifying the key findings contained in this report will help the Luxury Fashion sector understand today's Luxury consumer in a deeper and more meaningful way and capitalize on short to medium term shifts in consumer habits. Based on proprietary data and in-depth analysis, our recommendations for Q4 will then help brands envisage a clear pathway to better online engagement with Luxury Fashion consumers and optimize festive period sales opportunities across the Americas, EMEA and Asia.



Online sales boost

With COVID-19 contributing to less sales for Luxury Fashion in general, it's a more encouraging picture online. Our analysis shows that while 24% of online Luxury consumer plan to buy less, **34% plan to buy more**. This creates a net increase in online sales of 10%.



Digital acceleration

Digital disruption, consumer demand and one-off events, such as COVID-19, are individual gamechangers combining to accelerate the need for Luxury Fashion brands to create a strong online presence.



Age is a driving force

Age is an increasingly important metric for Luxury Fashion brands. In particular, analysis shows that Gen Z and Millennials are becoming the driving force for sales growth potential.



Signs of regional variance

Regions not only react differently to events; they can also apply different levels of importance to the same event.



Bounce back differences

Countries are exhibiting different levels of recovery following COVID-19, with the US is recovering slower than the EMEA and Asia.

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KEY FINDINGS



Consumers are more conscientious

Sustainability is an increasingly important consideration for Luxury Fashion consumers, particularly for Gen Z and Millennials who are buying less but with a more environmental mindset.



Luxury brands look to innovate

The impact of COVID-19 is causing Luxury Fashion brands to innovate and explore new approaches to the whole fashion cycle including fashion show timings, frequency and channel.



Increase in online confidence

Luxury Fashion customers are showing signs of becoming more comfortable engaging with brands online. Customers who engage online tend to stay online.



Customers expect emotional buy-in

Luxury Fashion customers are demanding a better emotional connection with the brands they buy.



Seasonality norms propelled by online activity

Despite recent disruption to Luxury Fashion sales, increased online consumer engagement has helped the sector to return to normal seasonality and 2019 levels.



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Improve customer engagement

How Luxury Fashion brands connect with customers going forward is crucial. Within this, it's important to get the right message to the right group at the right time. When improving customer engagement, consider:

Current situation

As we have seen with COVID-19, taking the current situation into account and how events impact different target groups and regions is integral to **more tailored online communication strategies**.

New user acquisition

Apply granular metrics to market the right products at the right time to attract new users. As well as considering seasonal trends, **focus on new trends** created by events such as COVID-19 which saw consumer demand for Luxury sports and casual clothing items rise rapidly.

Timing

Q4 events offer the perfect opportunity to catch the attention of new customers with relevant Luxury Fashion products perfect for the festive period.



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Focus on your backstory

To encourage brand loyalty, Luxury Fashion brands need to create a better emotional connection so customers can identify with brand values and ethos. When communicating your backstory, consider:

Storytelling

Tell stories about your brand and products **in creative and engaging ways** to reach out to culturally and geographically diverse target markets.

Connect emotionally

Focus on brand **values that resonate individually with each target market**, whether it's on environmental or sustainability issues.

Get visual

With customers generally showing more brand loyalty in Q4 than in Q3, it's the perfect time to highlight your brand story by using festive events as occasions to engage online in **more visual and engaging ways**.



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Strengthen omnichannel strategies

The Luxury Fashion sector is known for its ability to offer a unique and enjoyable in-store experience. However, having separate offline and online strategies puts downward pressure on sales as each channel competes, whereas analysis shows having one (omnichannel) strategy for both in-store and online can improve sales. When strengthening omnichannel strategies, consider:

Broader online engagement

Use online engagement to **open up a dialogue with more customers** in a wider range of target markets to improve both online and offline sales opportunities.

Target off-liners

Focus on customers who usually buy offline to **encourage them to make additional purchases online**.

Omnichannel innovation

Create new **online ways to interact with offline Luxury Fashion shoppers** to offer seamless purchasing pathways.



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Maximize online trends

As the trend for online shopping grows, it's important that Luxury Fashion brands capitalize on its sales potential to reach customers and new markets. When looking to make the most of online shopping trends, consider:

Expansion

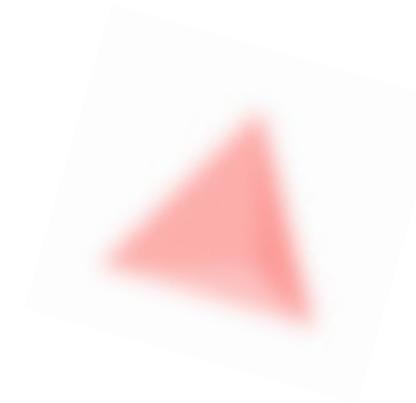
Increase the level and frequency of digital marketing campaigns to reach the maximum number of potential consumers.

Test ideas

Use the power of digital to **gather data and analyze results** in order to test new marketing campaigns.

Timing

Use periods of higher digital interaction, such as **Q4**, to grow **online presence and reach new audiences**.



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React to change

We live in world where consumers have wider choice and instant availability. At the same time, shopping habits can be impacted by economic and social change at short notice. Luxury Fashion brands need to adopt a strategy that can react to such change. Consider:

Flexibility

Digital campaigns should have an element of inbuilt versatility that **allows messaging to change quickly and easily**.

Budget allocation

Focus on **flexible campaigns that do not require advanced booking**. Allocate budgets to match periods of economic and social uncertainty more effectively.

Speed

In order to react to changes in shopping demands and habits, Luxury Fashion should focus on **digital tools and strategies that are quick and easy to employ**.



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Re-engage with customers

It's common to take your foot off the pedal once customers begin to shop online, but it's important that Luxury Fashion brands continue to keep the pressure on if they want to grow sales. When re-engaging with customers, consider:

Purchasing habits

Use data to analyze online shopping habits.

Loyalty

Specifically target loyal customers who are most likely to purchase more Luxury Fashion items.

Online stickiness

Take a digital approach that improves online 'stickiness' to **encourage more purchases from newly-acquired customers**.



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Localize campaigns

While Luxury Fashion is a global business, there is no one-size-fits-all when it comes to global consumers. When considering digital campaigns to reach target markets, consider:

Regional disparity

Campaigns should be localized to **take into account different consumer Luxury Fashion shopping habits**. For example, according to our data, Shirts and Tops were the most valued Q4 Luxury items in the Americas and APAC region, whereas EMEA Luxury customers preferred shoes.

One-off situations

How different regions reacted to the COVID-19 crisis highlights the impact such one-off situations can have and the importance of **adapting campaigns accordingly and focusing on markets where recovery is quicker**.

Event variation

Not all events are equal. Consumers react differently to shopping events such as Black Friday, Cyber Monday and Christmas depending on country and regional cultural norms. Analyze data and trends to **localize campaigns more effectively**.



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Find your sweet spots!

There is no doubt that Q4 and the festive period is of growing sales relevance to Luxury Fashion brands. The key to success during this period is finding the sweet spot in terms of sales. Consider:

Brand relevance

Assess which events present the best sales opportunities for your brand! For example, Cyber Monday is now even more important than Black Friday in America. Whereas Singles Day wins in the APAC region and Boxing Day packs a sales punch in EMEA!

CPMs

Pinpoint sales opportunities by analyzing CPMs. Analysis shows there are significant differences at the beginning and end of Q4 between the United States and Canada. Early to mid-October is particularly important for sales in Canada due to Thanksgiving which is showing a CPM spike of 1.8. Whereas pre-Christmas sales are depressed compared with the United States. **Use these sweet spots to maximize the output of your campaigns.**



Thank you!

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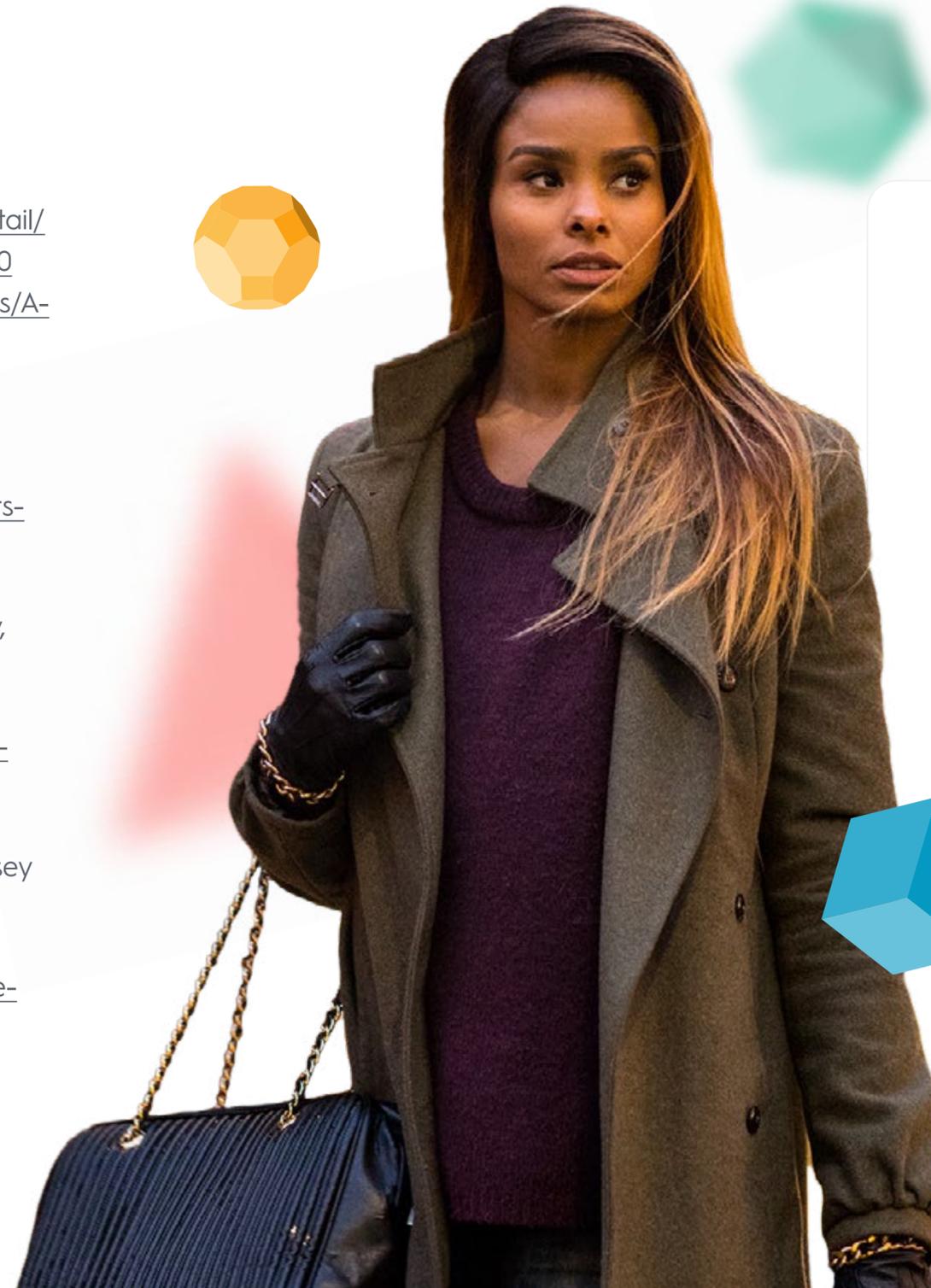
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