

Bain-Survey: Luxury Goods Sector Recovers in 2010 after Big Loss in Sales in 2009

BAIN & COMPANY Sales in the international luxury goods sector will probably go up in all areas by 4% to altogether 158 Bill EUR this year compared to the previous year. This was predicted by a current study by Bain & Company (www.bain.de) and the Fondazione Altagamma with the headline "Luxury Goods Worldwide Market Study: Spring 2010 Update".



In 2009 the global sales amounted to 153 Bill EUR against still 166 Bill EUR in 2008 and 170 Bill EUR in 2007. For sales of clothing as well as watches and jewellery the survey prognosticates for 2010 a growth of 4% against 2009, while accessories, shoes and leather goods are supposed to go up by 5% even. Perfume and cosmetics should grow by 2%. "The temporary phenomenon of "luxury guilt" fades in the mature markets. At the same time the attraction of luxury brands is coming back", commented Dr. Rudolf Pritzl, partner and consumer goods expert at Bain & Company.



The growth is speeded up by the growing spending power of the consumers in the Asian countries, above all China, where they assume a two-digit growth. As positive factors for a push upwards several indicators are listed: a strong area-adjusted sales rise in the retail trade for luxury products of 15 to 20%, a globally stronger growth of the gross domestic product (GDP), a revitalization of the

worldwide travel tourism and a reactivation of the consumer confidence.

According to the Bain-study there are China and total Asia with growth rates of 15% and 10% the growth drives in the area of luxury goods. Only for Japan they are expecting against 2009 a repeated decrease by 3%.

The growth estimates for North- and South America are assessed for 2010 at 4% and for Europe at 3%." The prog-



nos for the luxury goods market are very encouraging", stated Santo Versace, chairman of the Fondazione Altagamma. "In the middle of the worst crisis, that ever hit this economic branch – sales losses of 8% last year – the producers of luxury brands have demonstrated an exceptional capacity of reaction and rebounded faster and better than many other branches. Driven by the economic challenges in the recession many luxury brand producers have started to care more for their customers again and especially focussed on the core business for their activities. At the same time they invested massively into their product design and their innovative power."

The big luxury brands have mastered the economy- and finance crisis best. "After three painful quarters the customers slowly start buying again", added Bain-expert Pritzl. "This permits the retailers to again reduce their stocks. The luxury goods market begins to prepare for a new growth phase." This is also

shown by the trim business results of LVMH, Dior Couture and Tiffany in the first months of this year. The luxury retail department



stores have been able to grow by 15 to 20%. The US-department stores gained in January about 8%, in February about 6% and in March around 13%.

According to OSEC Business Network Switzerland has China in 2009 worked their way up to be the second-biggest market for luxury products. Not later than 2015 this Asian country with yearly growth rates of about 10% could have overtaken Japan as #1. Currently the Middle Kingdom counts 18,000 billionaires and 440,000 multimillionaires, which live mostly in the economic centers Beijing, Shanghai, Guangzhou and Hangzhou. Additionally there are more than

200 Mill consumers of a yearly growing middle class. Last year luxury products for altogether 9.4 Bill USD have been sold in China – around 27.5% of the global sales. Until 2015 the luxury goods market is according to



experts supposed to rise to annually 14.5 Bill USD. In contrast to Japan are the millionaires

there – according to a report of "Asia Pacific Wealth Report" – relatively young and open to Western fashion drifts. 41% of the millionaires of Japan are older than 66, in China,

however, only 2%. 47% of them are between 45 and 55 years of age.

Even German fashion groups want to mix with them. The boss of Hugo Boss, Claus-Dietrich Lahrs told "Financial Times Deutschland" and "Capital" that to the currently 90 shops in China 20 to 30 new ones are going to be added each year.

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Translation Dr. H. Arndt*