

STATE OF LUXURY 2020

The Luxury Consumer View

WITH COVID-19 ADDENDUM

March 2020

In January, Altiant & LuxuryDaily® unveiled The State of Luxury 2020, a revealing piece of research covering Affluent and High Net Worth Individuals in key markets. The collected data from US, UK and Chinese wealthy consumers was meant to ascertain key luxury projections and behaviours for the year ahead. However, the health crisis brought by the **Covid-19 outbreak** has had extreme effects on nearly all luxury sectors.

With large sets of strong data at hand, we have revisited some of the most relevant insights to help industry professionals cope with the changes unfolding before our eyes.

Only few months ago, consumer confidence was at a high level as **three in five** affluent and HNW individuals expected to increase their luxury spending in the year ahead. The uncertainty of the current situation, likely to lead to a U-shaped recession, will be shifting the position of many. Prognostications over the upcoming spend will certainly depend on how strong the overall damage will be. At Altiant, we are monitoring Covid-19's impacts on the wealthy population's finances with regular notifications and updates as the environment evolves – see [Covid19 & The Top 5% Pulse](#).

What else can we learn from **The State of the Luxury Consumer 2020**?

1- Unique experience on all possible channels, an unchanging expectation of the wealthy consumer

More than ever, the demand for luxury brands to provide high quality, bespoke customer experiences should be considered whether in-person or on-line. Indeed, poor customer service is the leading deterrent when buying luxury goods/services (**53%**), meaning that luxury brands have to create memorable interactions with consumers in difficult times maybe through phone interactions or video chats.

In this State of Luxury 2020, we collected [hundreds of quotes describing what a great luxury customer experience](#) looks like for this affluent population.

2- In times of Restricted Movements: Family & Friends as First Source of Influence for Luxury Purchases

When asked about the sources of influence for luxury purchase decisions, the panel of **450+ luxury buyers** ranked first their family and friends as the first sources of influence then 'Brand posts on social media' at the same level as 'Sustainability/Ethics of the company' (**44%**).

Marketers need to ensure that their claims truly reflect the ethos of the brand. In a world of lockdowns and confinement, family & friends will become even more important and the winning brands could be those cutting through the online noise.

An interesting point that might have seemed counter-intuitive to marketers at the time was the low performance of influencers in the wealthy consumer's purchase decision. **Only 26%** of the wealthy respondents over these markets consider online influencers as an influencing force, much lower than the Brands' own posts.

3- The Case for Luxury Travel

Luxury travel was very well placed to continue growing as **52%** of the wealthy population said that they expected to spend more on holidays in 2020. Inevitably, growing limitations and bans on people's movements have put a serious pause to this trend, putting an entire industry down to immobility. However, one of the key highlights not to be ignored is the strong and growing appetite for wellness travel. Wellness & wellbeing remains a strong demand from the affluent consumer, innovative ways to reach out to the travel minded consumer will be key through the wide world of IoT, VR and other AI powered connections.

On the other hand, some trends observed before Covid-19 are likely to strengthen such as the social phenomenon of flight-shaming let by environmental activists which could now be joined for other motivations such as tampering spreads of viruses. The travel industry will certainly need to show its resilience and innovative power of adaptation. Additionally, with taxpayer bailouts likely for many airlines and hotels around the world, hospitality marketers should show genuine appreciation to the customers when they return as this will help to reconnect consumers to the sector.

4- The Case for Rental & Second-hand

The destigmatized luxury rental and resale markets, ramping stars in the luxury fashion industry (see key data points in our previous report dedicated to these [new models of ownership](#)) were showing ongoing growth in popularity. In a new world threatened by a viral pandemic and with a society just starting to understand the infectiousness of the disease on surface and textile, the rental and secondhand markets' growth are likely to drop in comparison to more traditional models.

Uncertain times equates to uncertain measures, there is no magic formula in this unprecedented and fast changing environment, but a lot can be limited to a basic rule: an integrated marketing strategy based on authenticity with a substantiated and trustworthy content, especially when expressing claims related to company's ethics & responsibility or sustainability. This is particularly true today.

Consistency in communicating brand values, agility through key data & insights are required to build, leverage and maintain true connections with the luxury consumer.