



The market of luxury goods



#FutureofConsumerGoods

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Foreword

The luxury goods market emerges as a resilient segment of the economy, demonstrating a remarkable performance, even in the aftermath of economic downturns.

Through the years, luxury goods have evolved from a purchase preference based on functional and social value, to a lifestyle choice that spans from the way consumers self-identify to the utilisation of these goods as an investment opportunity.

Nowadays, consumers express their awareness towards environmental issues through their requirements from luxury brands. They demand brands to embrace sustainable practices, adopt the notion of circular economy and guide the rest of the brands to that direction.

Additionally, technology is set to drastically change the personal luxury goods market by introducing novel applications and sources of value connected to the luxury audience. As NFTs, generative AI and multimodal AI start to become part of the luxury consumers' life, brands that fail to keep up with new developments will lose the younger customer base and thus, the possibility of leading the market in the future.

We anticipate the personal luxury goods market flourishing in Greece. International brands have been increasingly enhancing their physical presence with new store openings, both on the mainland and popular islands. The traditional affection of the Greek consumer to luxury goods, coupled with the increasing volume of tourist flows, ensure the continuous growth of the Greek personal luxury goods market in the foreseeable future.



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Key Findings

- 1** The outlook of the global personal luxury goods market remains optimistic, despite economic challenges. Broken down by region, Asia holds the largest share of personal luxury goods at 38 percent, followed by the Americas with a 32 percent share, Europe with 27 percent, and the rest of the world with 4 percent.
- 2** The Greek high-end personal luxury goods market continued its growth in 2022, boosted by the elevated tourism volume and new retail openings. Athens and Mykonos are key shopping destinations, with a range of different distribution models adopted by the brands.
- 3** Gen Z's push for sustainability is redefining luxury, while brands target younger generations at the channel where they are most engaged – on social media.
- 4** Luxury brands globally are engaging in sustainable practices, focusing on ethical sourcing, responsible supply chains, energy efficiency, circularity, and fair labour.
- 5** The luxury goods pre-owned market is gaining traction, with leading brands investing directly in this market or through partnerships with existing resale platforms.
- 6** Technological advancements are challenging luxury brands to integrate digital innovations while maintaining their heritage. They are adopting digital strategies and tools, including NFTs, generative AI and multimodal AI, to enhance customer engagement and appeal to the tech-savvy youth.

Quick statistics

Global personal luxury goods sales are expected to increase over the coming years, mainly due to the increase in disposable income, the evolving consumer preferences toward luxury goods, the technological advancements employed by luxury brands, and the elevated brand awareness.

€234.4B

Net sales of global personal luxury goods companies in 2022¹

+2.3%

CAGR of sales between 2018 and 2022¹

+3.2%

CAGR projections of global sales between 2023 and 2028¹

~80%

of the personal luxury goods sales are generated by the top 10 global personal luxury goods companies

42.4%

is LVMH's share within the sales of the top 10 global personal luxury goods companies in 2022, positioning it as the leader in the personal luxury goods segment

Greece has become a promising market for personal luxury goods. The potential of the Greek market is evident in the consistent sales growth over the past five years, as well as in the trust placed by both domestic and international luxury brands in the market, demonstrated with new store openings across Greece.

€509.8M

Net sales of the companies offering personal luxury goods in 2022 in Greece

+13.2%

CAGR of luxury goods sales between 2018 and 2022

+36.1%

Year-on-year growth of luxury goods sales between 2021 and 2022 in Greece

18%

EBITDA margin of personal luxury goods companies in 2022

Sources: Companies' Financial Statements; KPMG in Greece analysis



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Introduction



The luxury goods universe and our focus on personal luxury goods

Luxury goods are a segment of products and services across multiple sectors of the economy, often characterised by an above-average price, among other features.

The luxury goods market – as a cross-sector segment – consists of several sub-segments: the personal luxury goods, the luxury hotels & real estate, the luxury automobiles, fine dining, high-end furniture & houseware and fine art.

This survey focuses on both the Greek and global market of the high-end personal luxury goods sub-segment. This includes globally renowned brands, as well as established domestic brands. The companies that constitute the universe of this research offer ultra-premium products, available at brick-and-mortar stores across the country.

Our survey comprises several types of high-end luxury retail models, including: mono-brand stores of well-known fashion houses, multi-brand stores, which in some cases may hold exclusive partnerships with brands, corners in malls with distinct TINs, as well as seasonal pop-up boutiques.

In 2022, the personal luxury goods generated sales of approximately €510M in Greece, achieving an increase of more than 35 percent compared to 2021. Globally, the personal luxury goods is the second largest sub-segment of luxury goods², with sales of €332B.

The personal luxury goods market includes high-end apparel, footwear & bags, fine jewellery & watches, luxury eyewear, premium personal care and beauty products, as well as stationary.



Luxury automobiles



Luxury hotels & real estate



Our focus:
Personal luxury goods

Luxury goods universe



High-end furniture & houseware



Fine dining



Fine art



Key market trends in the luxury goods world

The global marketplace of personal luxury goods is a dynamic and ever-evolving sub-segment, continuously adapting to the changing preferences and values of customers. The new era in the global market is marked by unprecedented technological advancements, shifting socio-cultural landscapes and heightened environmental consciousness. The trends shaping the luxury market are more intriguing and transformative than ever before.

The main trends shaping the luxury goods market include:

Luxury brands intensify sustainability strategies

Companies are driving their sustainability targets through brand innovations. Most of their initiatives are targeted towards reducing plastic pollution, making packaging recyclable, decreasing carbon footprint and introducing eco-friendly products. Conscious consumption is gaining prominence and brands align their values respectively, with consumers valuing products that are developed under fair labour conditions and sustainable sourcing of materials.

The pre-owned market gains significance

The pre-owned market in luxury has redefined the way consumers perceive and access high-end goods. Consumers seek high-quality, second-hand luxury items as a means of reducing environmental impact, promoting longevity in product lifecycles, and accessing coveted brands at a fraction of the original cost or delivery time. Luxury firms have started to consider the pre-owned market as an alternative distribution channel, investing in resale platforms, conducting partnerships or creating their in-house resale strategy.

Experimentation with the latest technologies

While striving to remain loyal to their great heritage, luxury brands have been experimenting intensively with the new technologies, such as NFTs, generative AI and multimodal AI. Generative AI has the potential to enhance luxury brands' operations and efficiency along the value chain as an assistive tool for various professions. NFTs can function both as the digital identity of a product and as an engagement tool for digital-savvy customers and younger generations.



An overview of the global personal luxury goods market



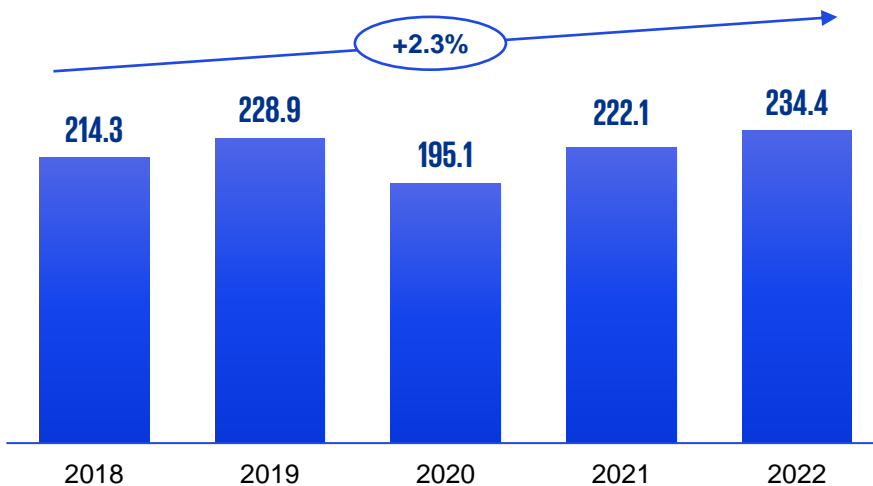
The global market of personal luxury goods reached a five-year maximum in 2022

In 2022, macroeconomic challenges, such as the energy crisis, the war in Ukraine, the struggle of the Chinese economy and the global inflation, put extra pressure on costs and created supply chain disruptions, causing notable downturns in the global markets. However, the consumption of luxury goods remained resilient.

The global market of personal luxury goods fully recovered in 2022¹. After 2020, the market has been continuously growing, and in combination with the increasing adoption of growth strategies by global key players, the global personal luxury goods revenue reached new heights.

In detail, the revenue in 2022 has reached €234.4B – a five-year maximum that exceeded 2018 levels by 9.4 percent – with a revenue CAGR of 2.3 percent between 2018 and 2022. It is evident that the five-year period can be divided into two groups: the pre- and post-pandemic eras, when personal luxury goods market was increasing, and 2020 – the pandemic year – when personal luxury goods market recorded a noticeable decline.

Global revenue of personal luxury goods during 2018-22 (Billion €)



Notes: Cosmetics and Fragrances revenue's are excluded; Financial data calculations based on 31/12/2022 exchange rates; CAGR: Compounded Annual Growth Rate

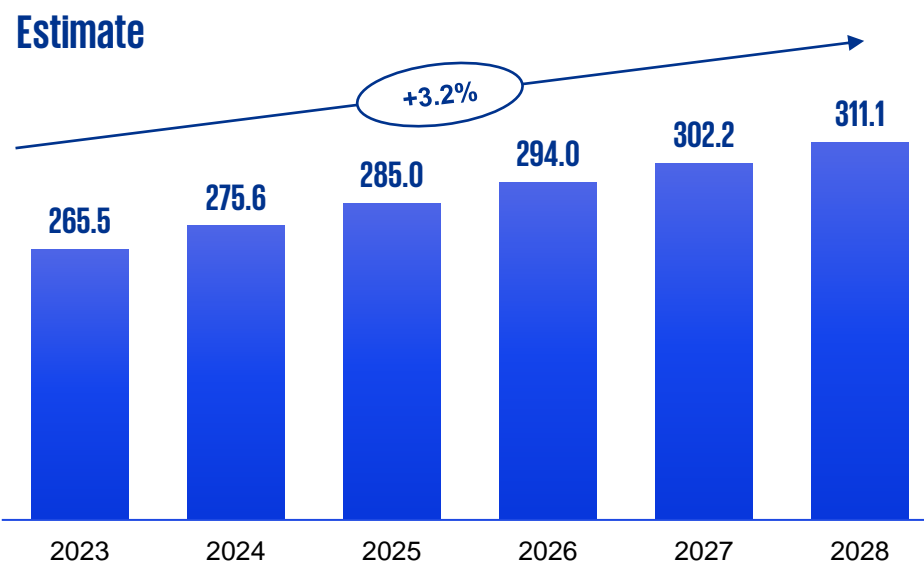


Projections suggest a steady rise in the revenue sales of personal luxury goods worldwide

The global market of personal luxury goods is expected to grow at a constant rate with a revenue CAGR of 3.2 percent for the period 2023-28¹. If personal luxury goods forecasts hold, then the expected size of the market worldwide will reach €311.1B in 2028.

This increase in the market value is anticipated to be driven by several key factors reflecting the evolving consumer preferences and foreseen economic trends. More specifically, an expected rise in disposable income across different demographic segments will most probably increase the appetite for luxury items. In addition, technological advancements and the continuous rise of online channels are likely to contribute to greater accessibility, expanding the customer base. Finally, the rise of brand awareness through marketing strategies in social media and promotions will continue to be a considerable factor, contributing to increased sales³.

Projection of global revenue of personal luxury goods during 2023-28 (Billion €)



Notes: Cosmetics and Fragrances revenue's are excluded; Financial data calculations based on 31/12/2022 exchange rate; CAGR: Compounded Annual Growth Rate



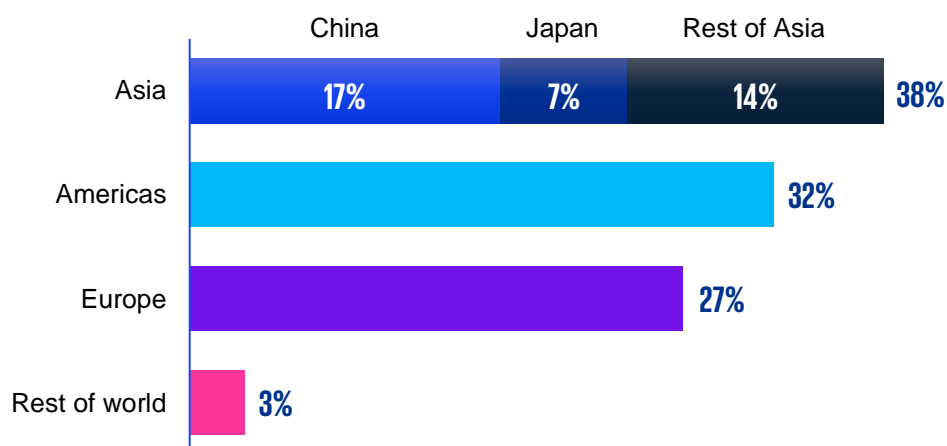
Share of personal luxury goods market by region

In 2022, Asia tops the list of global personal luxury goods share

The global share of Asia in the personal luxury goods market has reached 38 percent. China contributes the largest share with 17 percent, Japan adds another 7 percent, and the other Asian countries contribute the remaining 14 percent. America follows in the second place with a share of 32 percent. Europe has a market share of 27 percent, while the rest of the world is responsible for the remaining 3 percent of the market.

Among other factors, tourism is contributing significantly to increased sales across regions. In detail, the Asian market is booming due to the increased domestic travelling of Asian consumers, the elevated Russian tourist spending and the increased demand for jewellery and watches. Americas' share is made up of luxury consumers' spending on personal luxury goods, while it is influenced by the fact that a variety of US consumers tend to purchase personal luxury goods from abroad due to price differentials. The European market share is shaped by the lift of travel restrictions, the tourist flows from the US and the Middle East reaching new heights, as well as the rise in domestic consumption.

Share of global personal luxury goods market by region in 2022⁴ (%)





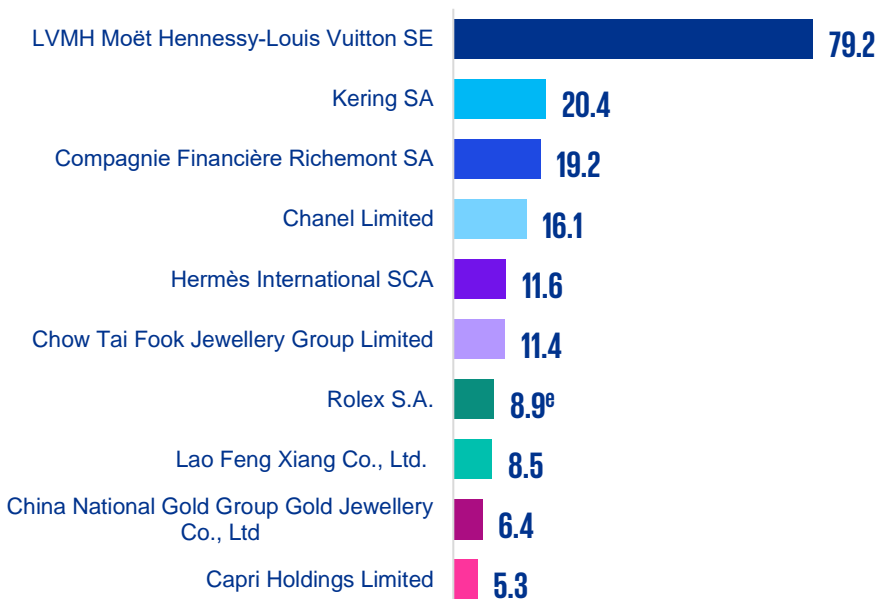
Global leaders in personal luxury goods

LVMH dominates the personal luxury goods market worldwide

In 2022, following the Covid-19 era, the market started to recover with companies – including the personal luxury goods firms – increasing their revenues. Among them, LVMH had the highest revenue for 2022 with €79.2B. Based solely on revenue, it is evident that LVMH stands in a league of its own, with a revenue three times greater than that of the second-ranked firm, Kering, which amounted to €20.4B.

The revenue differences among the rest personal luxury goods companies are smaller. Richemont in the third place reached €19.2B revenue, while Chanel achieved a revenue of €16.1B. Hermès and Chow Tai Fook Jewellery Group* closed the year with revenues of €11.6B and €11.4B, respectively. The list of the top 10 global personal luxury goods companies also includes companies, such as Rolex^e, Lao Feng Xiang, China National Gold Group Gold Jewellery and Capri Holdings*.

Top 10 Global personal luxury goods companies' revenue in 2022 (Billion €)



Sources: Companies' Financial Statements; KPMG in Greece analysis

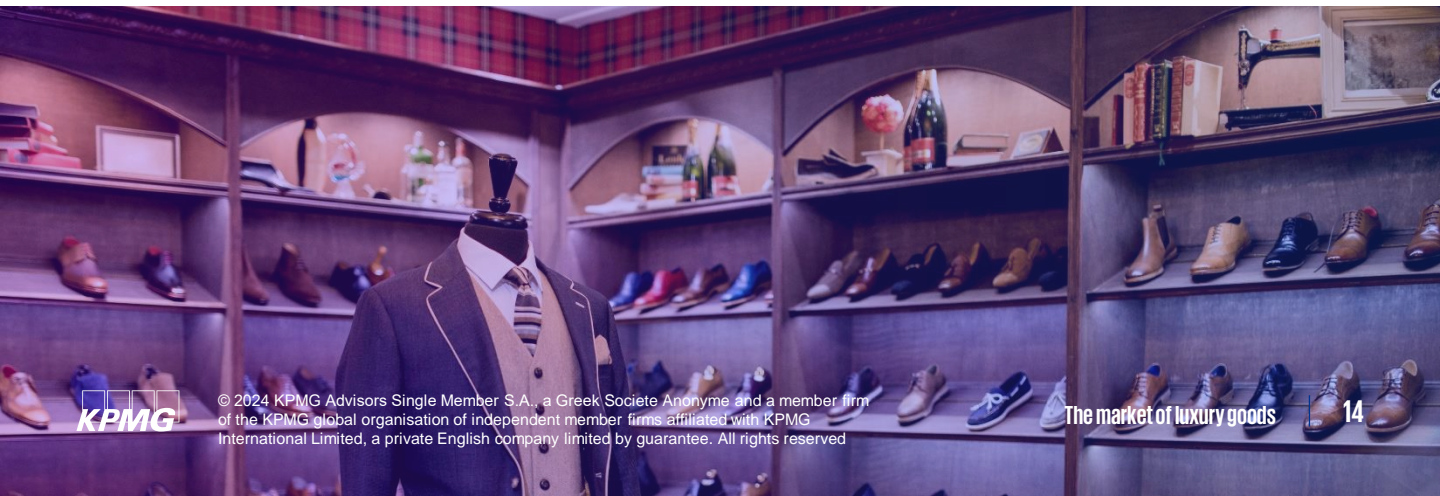
Notes: Financial data calculations based on 31/12/2022 exchange rate; e: Estimation; Companies related to Cosmetics are excluded from the sample; * FY2023 ends on 31st of March 2023 and on 1st of April 2023



Driving forces behind global luxury goods market

In an ever-evolving world defined by technological advancements, shifting socio-economic landscapes, and changing consumer behaviours, the dynamics of society are constantly in flux. All these factors have an impact on the evolution of the global luxury market. The main forces of demand in the luxury goods market globally are the following:

- 1 Stable growth and rapid recovery after economic downturns**
The market of luxury goods recovers quickly after economic downturns. This characteristic is evident in the post-pandemic era, when luxury goods sales rebounded and even surpassed the pre-pandemic levels. Additionally, during the crisis of 2008-09, the value of the luxury goods market decreased by 9 percent, however the market quickly recovered⁵. This swift recovery can be attributed, in part, to high-net-worth individuals who, being less affected by economic downturns, maintain their purchasing patterns over time.
- 2 Inelastic demand** Inflation and increase in interest rates drive up the prices of goods, however demand for luxury goods appears intact. In the luxury goods world, high prices are expected. Given that the audience of luxury brands comprises mostly of loyal customers, increased prices affect the demand for such products to a small degree.
- 3 Accumulation of savings during the pandemic** The pandemic prompted consumers to restrict their spending, resulting in an accumulation of savings, prompting a reassessment of perspectives on life and its meaning. As restrictions were lifted, many sought fulfilling experiences, contributing to the increased sales of luxury goods.
- 4 Growing affluent middleclass** The growth of the affluent middle class worldwide has marked a transformative era for the luxury goods market. As disposable income rises and purchasing power increases, more people desire a lifestyle that reflects their new-found affluence, turning to luxury goods as a means of self-expression and social status.





5

The Chinese consumer The expansion of the middle class in emerging markets, such as China, has created a larger customer base for luxury goods. In addition, before the pandemic, Chinese consumers tended to purchase luxury goods abroad due to the rich heritage and authenticity of western luxury brands, better prices and tax-free shopping. However, in the last years, the game has changed. More and more Chinese prefer to shop within the country, taking advantage of the ease of in-country shopping, better services, connection with staff for more favourable advice, as well as the enhanced presence of global luxury brands with new store openings⁶.

6

Gen Z Gen Z constitutes a significant percentage of luxury brands' shoppers and, together with Gen Y and Gen A, are expected to make up a huge portion of luxury purchases by 2030. Gen Z consumers are reshaping the way luxury brands engage with their audience, they are more tech-savvy and embrace values of authenticity, individuality and sustainability, shifting luxury consumption patterns.

7

Influencer and celebrity endorsement In the digital age, social media platforms serve as a direct and interactive channel for brands to engage with their audience. Numerous luxury brands collaborate with influencers, celebrities and online content creators to promote their products to a broader audience. Companies find ways to invest in this type of collaborations, in order to promote their products and increase their customer base.



The rebound of the Chinese market

The reopening of China's borders after the pandemic created a significant opportunity for luxury brands.

In the previous decade, Chinese consumers emerged as the largest buyers of luxury goods, accounting for one-third (€93B) of global sales. Two-thirds of those sales occurred during overseas trips, particularly in Europe, while the remaining third took place in mainland China⁷. Currently, the share of luxury goods - personal luxury goods included - attributed to Chinese consumers has dropped to 25 percent, but it is forecasted to reach 40 percent of the market by 2030⁸.

During the pandemic, travel restrictions compelled Chinese consumers to stay within their country, denting consumer confidence. Purchasing behaviour changed and individuals started to reconsider their approach to consumerism. Personal luxury goods sales in China⁹ declined during that period, reaching approximately €38B in 2020. After two years of restrictions, sales rebounded, reaching almost €46B in 2022. China is expected to surpass the US and emerge as the global leader in the luxury market by 2025¹⁰, should Chinese consumers continue to purchase luxury goods domestically.

The main driving forces behind China's luxury market expansion are the country's rapidly increasing income levels¹¹ and middle-class consumption. According to the World Bank, it is estimated that by 2030, the middle class of China could consist nearly 70 percent of its population, and consume goods and services worth nearly €9.4T (out of the expected global middle-class consumption of €60T)¹². This implies that an increasing number of people will have disposable income to spend on items, such as luxury goods.

China has long served as the primary growth market for numerous luxury brands. The rapid economic development has also elevated the sophistication levels of consumers. Consequently, international brands must grasp the evolution of Chinese consumer preferences and actively work towards providing an enhanced customer experience for sustainable growth in the market.

Notes: Financial data calculations based on 31/12/2022 exchange rate



“Daigou” continues to rise in China

According to Cambridge dictionary¹³, “Daigou” refers to someone, who is outside of China and buys goods for someone living in China. It typically describes a gray marketplace where purchases and sales of goods and services take place through a distribution channel that is not authorised.

These practices started almost a decade ago, when luxury brands priced their wares as much as 80 percent higher in China than in Europe¹⁴. According to Re-Hub report “The Daigou Index 2.0” in September 2023, the size of the gray market in China was estimated at €76B, reflecting a growth of over 40 percent since 2019¹⁵. In response, government officials have imposed tighter border controls, while brands have harmonised retail prices globally and expanded their offline and online presence in China¹⁶.

Typically, a Daigou works for a Chinese, and acts as a personal shopper who buys luxury goods from global markets, in order to find products that are either lower-priced or unavailable in China. Another reason for the popularity of Daigou is the trust towards these individuals. They have established their reputation by consistently providing authentic luxury goods to their “clients”, alleviating concerns about counterfeit products. In addition, there are several platforms supporting this growing market, gaining significant buying power and leading to a boost in sales of brands in non-Chinese markets¹⁵.

Brands can take measures against Daigou sales to eliminate the phenomenon and protect the cannibalisation of revenue in the Chinese market. These measures may include requesting audited monthly sales reports from wholesale partners to deter mass resales, and implementing quota systems in boutiques to monitor sales¹⁵.

Notes: Financial data calculations based on 31/12/2022 exchange rate



The growing personal luxury goods market of Greece

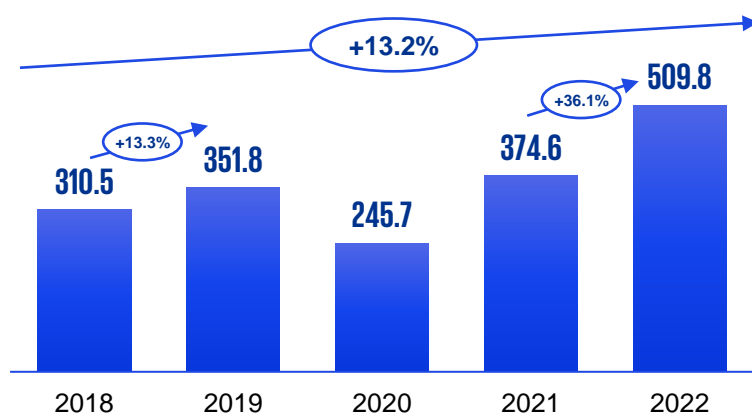
The demand for high-end personal luxury goods has been rapidly increasing over the last few years

Greece has emerged as a promising market for personal luxury goods, experiencing a notable increase in sales mainly attributed to tourism and new store openings. More specifically, in 2022, sales of high-end personal luxury goods reached €509.8M, achieving a 36.1 percent YoY growth compared to 2021.

The potential of the Greek market in personal luxury goods is evident in the substantial climb in net sales in 2022 compared to previous years. In similar fashion, the five-year net sales CAGR of the companies offering personal luxury goods is shaped at 13.2 percent.

Similar to the global trend of personal luxury goods sales, Greece experienced a significant downturn in 2020, with sales plummeting to €245.7M, a value less than half of the 2022 sales. This decline was anticipated due to the impact of the Covid-19 outbreak, resulting in store closures and quarantine measures.

Net sales of personal luxury goods in 2018-22 in Greece (Million €)



Sources: Financial information from the General Commercial Register (G.E.M.I.) for companies based in Greece; KPMG in Greece analysis

€509.8M

Net sales of the companies offering personal luxury goods in 2022 in Greece

+13.2%

CAGR of net sales between 2018 and 2022

+36.1%

Year-on-year growth of net sales between 2021 and 2022

+13.3%

Year-on-year growth of net sales between 2018 and 2019

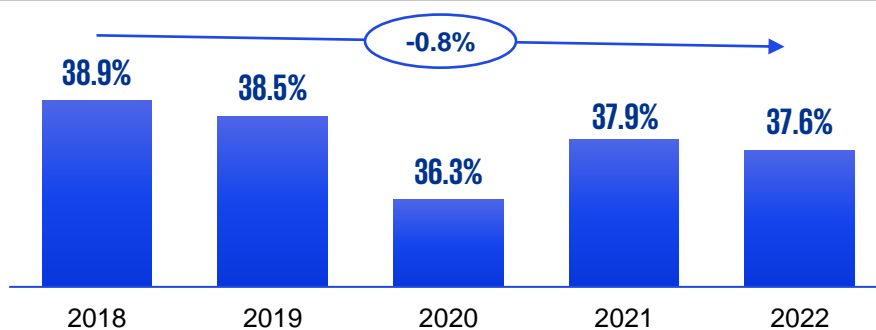
Positive outlook and improving financial performance for high-end personal luxury goods

The financial performance of the Greek high-end personal luxury goods market can be assessed through profitability and resilience measures. In terms of profitability, we employ the Gross profit margin (GPM), the EBITDA margin, and the Return on capital employed (ROCE), while resilience is evaluated through the Net debt over EBITDA.

Gross profit margin (GPM) serves as a crucial profitability indicator, representing the percentage of revenue that can be used to cover other expenses and generate profit.

The ultra-luxury personal goods market has maintained a relatively stable gross profit margin during the period from 2018 to 2022, with a CAGR of -0.8 percent. While the gross profit margin has increased over the last two years compared to that of 2020, it has exhibited a gradual decline when compared to the figures of 2018 and 2019.

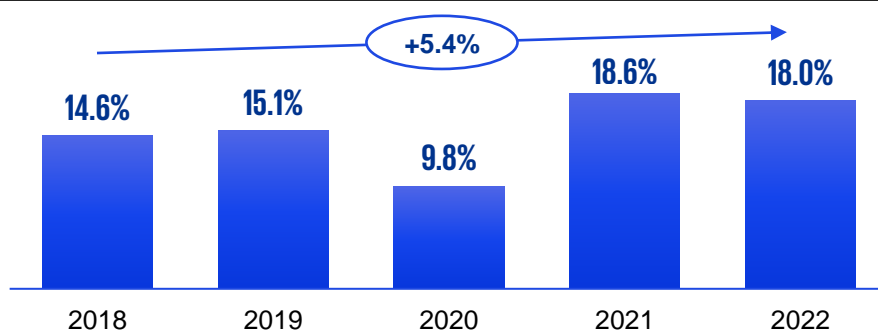
Gross profit margin (GPM) of companies offering personal luxury goods in Greece in 2018-22



EBITDA margin measures a company's operating profitability, showcasing its ability to generate cash flow independently of its capital structure or tax implications.

Personal luxury goods companies have experienced an overall increase in their EBITDA margin with a CAGR of 5.4 percent between 2018-22. Over the five-year period, the EBITDA margin of the market reached its peak in the last two years, achieving 18.6 percent and 18 percent in 2021 and 2022 respectively, reflecting the market's increasing profitability levels in the country.

EBITDA margin of companies offering personal luxury goods in Greece in 2018-22

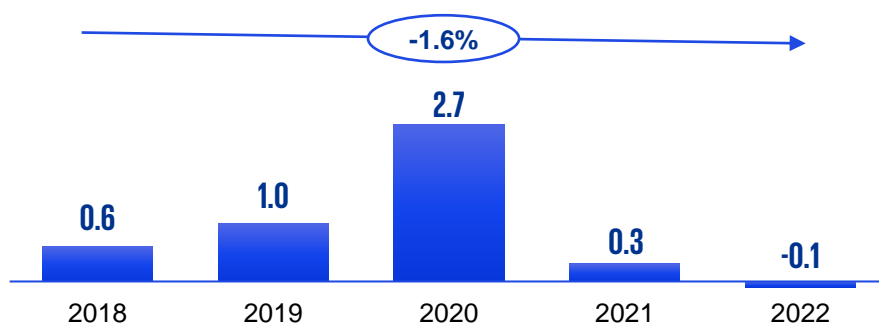


Sources: Financial information from the General Commercial Register (G.E.M.I.) for companies based in Greece; KPMG in Greece analysis

Net debt to EBITDA ratio assesses a company's ability to settle its liabilities, indicating the number of years required to repay its debt.

The Net debt to EBITDA ratio has been relatively low, showcasing that ultra-luxury brands are successfully handling their debt levels, consistently maintaining them below their earnings. More specifically, in the last two years the Net debt to EBITDA ratio of the personal luxury goods segment reached its five-year lowest values, with the figure for 2022 being marginally negative.

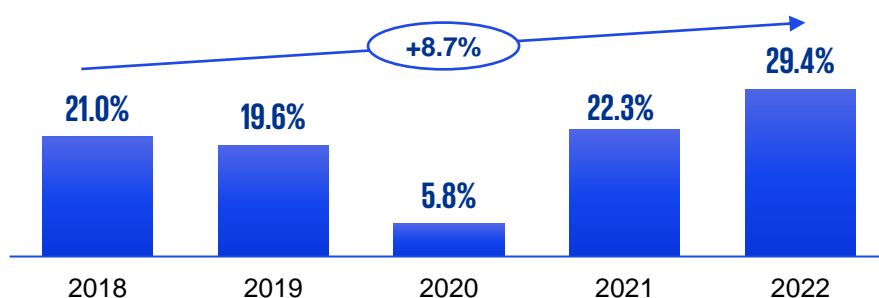
Net debt to EBITDA ratio of companies offering personal luxury goods in Greece in 2018-22



Return on Capital Employed (ROCE) measures a company's efficiency in generating profits from its invested capital, indicating the percentage return on capital investment.

The ROCE of the Greek personal luxury goods market has been increasing, with a CAGR of 8.7 percent over the last five years. In 2022, ROCE reached its highest value with 29.4 percent, achieving a noteworthy 32 percent YoY growth between 2021 and 2022. ROCE's performance demonstrates the increasing effectiveness in leveraging invested capital by luxury goods brands in Greece.

Return on capital employed (ROCE) of companies offering personal luxury goods in Greece in 2018-22



Sources: Financial information from the General Commercial Register (G.E.M.I.) for companies based in Greece; KPMG in Greece analysis

Dominant destinations for personal luxury goods across Greece

Thessaloniki

As the second largest city in Greece, Thessaloniki hosts a number of multi-brand stores, as well as some mono-brand boutiques that offer personal luxury goods.

Sani Resort, Halkidiki

The awarded luxurious beach resort, Sani Resort, hosts boutiques of international luxury brands, as well as branches of established local multi-brand stores.

Athens

Being the capital of Greece and a historic city, Athens includes some of the country's most upscale neighbourhoods, such as Kolonaki, Kifissia, Glyfada, Psychiko etc., which host flagship stores and boutiques of international and local high-end luxury brands, as well as multi-brand retailers selling these brands. Furthermore, department stores, such as Golden Hall and Attica Department Stores serve as destination hotspots, attracting customers from all over Attica.

Mykonos

The world-renowned destination of the international jet set, Mykonos is home to plenty of international and local top-tier luxury brands. Nammos Village, the 12,000 square meter ultra luxury shopping centre¹⁷ in down-town Mykonos, as well as the Cavo Tagoo 5-star luxury hotel, are some of the locations that top-tier luxury brands have chosen and continue to choose as their boutique locations.

Santorini

The picturesque island of Santorini is a global destination of high-end tourists and has developed its own ultra luxury market. Luxury apparel, footwear and bags are offered through multi-brand boutiques, while fine jewellery and watches are offered through official boutiques of leading national and international brands.

Costa Navarino, Messinia

Hosting a number of luxury and ultra-luxury resorts, Costa Navarino is a hotspot for high-end tourism. Among others, it offers its guests personal luxury goods shopping options mainly through multi-brand stores, as well as via some mono-brand boutiques.

Note: KPMG in Greece research

The retail distribution models of international personal luxury brands in Greece

Degrees of brands' footprint strength in a market



International luxury brands establish their physical presence in countries employing different retail distribution models, such as directly operated stores – branches of the group or via partnerships with local luxury retailers who operate either mono-brand boutiques or multi-brand stores. The majority of the leading high-end luxury goods players in Greece directly operate their stores, having increased control over distribution, financials and brand image, as well as greater proximity to the customer and ability to create enhanced experiences for them.

In Greece, leading luxury goods houses, such as Louis Vuitton, Hermès and Prada, have physical presence mainly through directly operated mono-brand stores and boutiques. Some of these brands may also selectively offer products through other retailers. Other brands do not operate local boutiques directly, but instead engage in partnerships with local luxury retailers that may offer the products through their multi-brand stores or operate mono-brand boutiques as franchisees. Notably, some retailing partnerships are exclusive, as exemplified by the longstanding 30-year collaboration between Chanel and their Greek operator, showcased through the Greek retailer's multi-brand store



named "Linea Piu", which, in 2023, evolved into the first Chanel boutique in the country¹⁸.

Some luxury brands operate in multiple locations, holding a flagship store in a city center - usually in Athens - and additional pop-up boutiques in popular islands. This trend is particularly evident among fine jewellery and watch brands, which often establish standalone stores or boutiques in islands and within luxury resorts across the country. In other cases, local franchisees may operate stores in city centers, while the brands themselves directly operate seasonal pop-up boutiques. Notably, over the last two years, certain international luxury goods brands have established temporary boutiques for the summer season in islands or beach resorts, even without having a permanent store elsewhere in the country.

Sources: Companies' websites

Greece confirming the resilience of brick 'n mortar luxury retailing

Greece, and especially Athens, is a significant location for several top-tier players in the personal luxury goods market, having become an investment destination of high-end luxury brands for physical retailing through new store openings, redevelopment and upsizing of existing stores¹⁹. The focus remains traditionally on the prestigious area of Kolonaki, and lately has been expanding in the nearby neighbourhoods closer to Syntagma square, as well. Noteworthy, since 2021, upscaling real estate moves by renowned brands have been recorded, following the easing of strict pandemic measures.

In 2021 alone, Athens experienced a surge in store re-openings, relocations, as well as property acquisitions by high-end luxury brands. Indicatively, the Gucci boutique re-opened in Panepistimiou avenue, Athens, operated directly by the brand²⁰. Moreover, the Tod's boutique, operated by the Fais Group, was relocated to the same street with a newly designed top-class boutique²¹. Additionally, Prada demonstrated a significant commitment to physical retailing in Greece in 2021 by acquiring for €19M the store they had operated in Kolonaki since 2008, and subsequently renovating it in 2022²².

High-end luxury brands continue to express keen interest in operating in Athens city centre and more specifically in the prestigious Kolonaki area. These central locations are attractive not only due to their proximity to landmarks and their high traffic, but also because of their established high profile. In 2023, the first Chanel boutique in the country opened in Kolonaki near the Louis Vuitton, Prada and Dior boutiques¹⁸. The choice of the location is influenced not only by the prominence of neighboring brands, but also by the significance of the buildings and their architecture. Earlier in 2023, Montblanc relocated to a renovated neoclassical building in the city centre²³. Furthermore, the spacious and luxurious Greek boutiques are designed by specialised architects and interior designers appointed by the brands, in order to reflect the brand's identity and ensure an unparalleled customer experience.



The rise of luxury watch boutiques

Before the Covid-19 outbreak, international watch brands had started to increase the number of their physical stores internationally. The pandemic postponed their expansion plans and also triggered a shift in the consumer patterns towards localisation.

This change reinforced watchmakers' decision to continue the new store openings. Today, many brands have already multiplied the number of their physical stores internationally, targeting not only the top commercial cities, but other locations as well. Furthermore, there is an increasing trend of high-end watch brands to invest in launching their own boutiques instead of relying on local retailers, taking more control over the supply of their products in the local markets²⁴.

Fine jewellery & watches are strengthening their position in the Greek market

Leading international fine jewellery and watch brands have been strengthening their presence in the Greek market over the last five years. Some of these brands already offering their products via authorised multi-brand retailers, opened recently their mono-brand boutiques. At the same time, other brands already operating mono-brand stores have expanded their network, establishing additional boutiques in new prestigious locations.

These fine jewellery and watch brands have expanded their presence in Greece either through directly owned stores or in partnerships with well-established retailers, while in some cases they have partnered with top Greek jewellers. Indicative partnerships include Hublot with Gofas and Bvlgari with Kessaridis.

In geographical terms, there are brands – Hublot, for instance – that have commenced their journey in Greece by opening their first boutique in Athens, before extending their presence in islands, such as Mykonos and Santorini. Other brands, such as Bvlgari and Panerai, firstly tested the waters in popular islands, and then established their presence in the mainland by opening a boutique in the so-called “Road of watches”, i.e. Voukourestiou street, in Athens.

Fine jewellery and watches: New store openings in 2019-23

2019

Bvlgari pop-up store
Mykonos, Nammos Village
Hublot boutique
Athens

2021

IWC Schaffhausen boutique
Athens
Hublot boutique
Mykonos
Breitling flagship store
Athens

2023

Hublot boutique
Santorini
Panerai boutique
Athens

2020

Launch of Lalaounis
e-shop

2022

Bvlgari boutique
Athens
Cartier boutique
Mykonos, Nammos Village
Panerai boutique
Santorini

Note: KPMG in Greece research



The impact of tourism on the Greek luxury market

Greece is listed among the top luxury destinations in Europe. Athens and the renowned islands of Cyclades, particularly Mykonos and Santorini, belong among the top global destinations for affluent visitors. Hence, high-end luxury brands' expansion in Greece, as well as their improved financial results over the last two years are attributed partially to the increased number of visitors and their willingness to spend on luxury items.

Indices of inbound tourism in Greece showed significant increase between 2021 and 2022. Specifically, total arrivals in 2022 almost doubled compared to 2021 – an 89.3 percent increase – approaching the 2019 levels. Moreover, tourism receipts in 2022 reached €17.3B, rising by 67 percent compared to 2021, and falling only 2 percent short of 2019 levels²⁵.

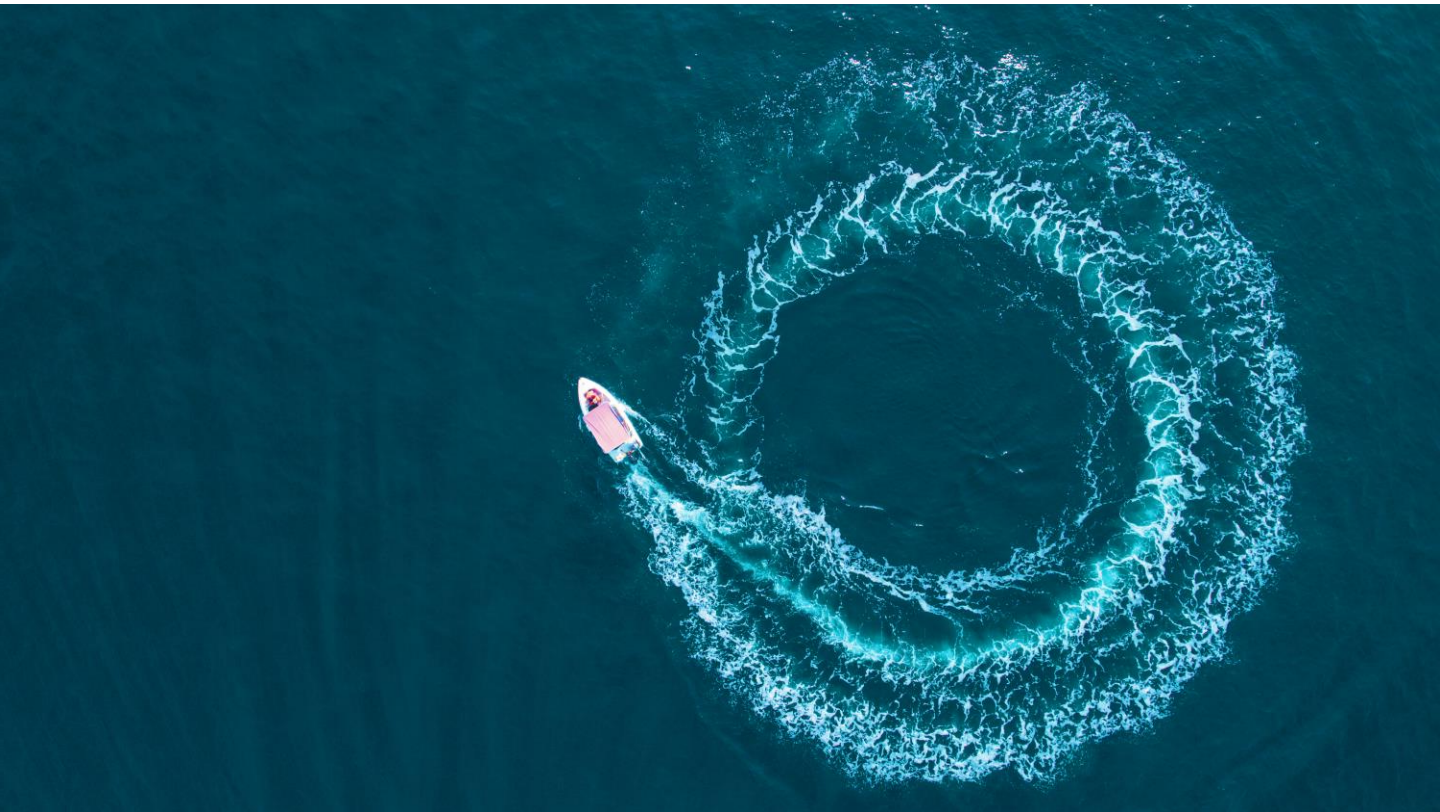
The newly-built Astir Marina Vouliagmeni, which has already attracted leading houses LVMH and Kering, serves as further confirmation and enhancement of Greece's position among the top international luxury destinations²⁶. Similarly, the statement by the CEO of Bvlgari, expressing that Athens already meets certain requirements to be considered one of the next locations for the brand's hotel chain, reinforces the city's allure in the luxury segment²⁷.

The influx of visitors from the USA and China strengthened Chanel's boutique sales in Athens, especially those of apparel and footwear²⁸. International and local fine jewellery and watch brands, such as Rolex and Lalaounis, have also experienced improved sales in the post-pandemic years. This surge

in sales can be attributed not only to the lifting of global travel restrictions, but also to the heightened tourist traffic in general^{28,29}.

Mykonos attracts affluent visitors from around the globe in the summer season. In 2022 and 2023, several high-end luxury brands, such as Fendi, Valentino and Loewe, that hadn't owned a dedicated boutique, launched seasonal pop-up stores in the island. Furthermore, during the last five years, elite luxury brands with established presence in Greece, specifically in Mykonos, have strengthened their physical presence and image on the island by opening additional pop-up boutiques and launching their so-called "events"¹⁸. Indicatively, in 2023, Chanel opened a second smaller pop-up boutique in Nammos Village to host its first Fragrance and Beauty event, while on parallel operated its seasonal 140-square-metre boutique at the same place¹⁸. Additionally, Louis Vuitton, already located in both downtown Mykonos and Nammos Village, expanded its presence by opening a pop-up boutique at Zuma restaurant, a fine dining destination³⁰.

Note: KPMG in Greece research



High-end personal luxury goods in the expanding luxury resort market

The international effort of ultra-luxury personal goods brands to approach more customers has led them to follow the global expansion of high-end luxury hotels. As a result, there is a worldwide trend for new store openings within upscale hotels and resorts¹⁹. Greece is not an exception. Moschino's first pop-up boutique opening in Cavo Tagoo Mykonos³¹ and Kiton's arrival in Sani Resort in 2023³² are among the most recent examples. Established stores of luxury brands can already be found in several leisure and resort destinations across Greece, including Four Seasons Hotel in Athens, Costa Navarino resort in Messinia, Sani Resort in Halkidiki and Cavo Tagoo in Mykonos.

Given the development of local luxury markets in Greek islands and within beach resorts, the small yet significant and growing sub-segment of luxury resort-wear, beachwear and swimwear, is well-represented in Greece. With their focus on this sub-segment, international brands, such as Poupette Saint Barth and Vilebrequin, as well as local multi-brand retailers, such as Salt Water, have opened their stores in prominent Greek islands and luxury beach resorts. Moreover, luxury brands include relevant collections in their seasonal pop-up boutiques, customising in many occasions their collections to the destination. For instance, Moschino's boutique in Mykonos, a recent addition to the Greek market, featured a limited-edition summer collection inspired by the island's colours and unique characteristics³¹.

Note: KPMG in Greece research



A close-up photograph of a person's hand holding several shopping bags. The person is wearing a silver metal bracelet and a brown, draped garment. The background is a soft, out-of-focus purple and blue gradient. The text is overlaid on the left side of the image.

Understanding and attracting today's luxury consumer



Defining the luxury consumer

The evolution of the luxury consumer

In the past, luxury was a rare taste reserved for an elite, a trend which over the years has changed and now is enjoyed by a wider audience. The concept of the luxury consumer has evolved significantly over the years, reflecting the changes in society, culture and consumer behaviour.

Gone are the days when the customer base of luxury goods products primarily comprised of older and wealthier consumers, or when such products were far more exclusive. Today, the market is booming and the consumer profile has changed, including younger generations who are more digitally savvy, environmentally and socially conscious, and diverse than their predecessors³³. The main age groups of consumers that make up the luxury market today are younger generations, with representatives mainly from the Millennials and Gen Z.

Luxury consumption signifies a type of behaviour characterised by the acquisition of high-end, exclusive, prestigious goods and services that are perceived to be of superior quality and value. For many luxury consumers, purchasing these goods signifies something beyond mere ownership – it holds deeper meaning.

Key characteristics of luxury goods consumers

High income and affluence

Possess high disposable income and are less price sensitive.

High importance on quality

Seek high quality products that cover their needs, are valuable, last and made of exceptional materials.

Highly educated

Are people with advanced education and intellectual knowledge to appreciate the craftsmanship of products.

Feel special and unique

Seek purchases to reflect their uniqueness and personality.

Brand consciousness

Display a strong brand consciousness and tend to exhibit loyalty towards renowned brands celebrated for their prestige, heritage, and reputation.



How do customers perceive luxury

Luxury goods, including personal luxury items, are defined by the perceived intrinsic value they possess. This value can be distinguished into four dimensions: financial, functional, social and individual.

Despite the fact that a luxury product is often associated with multiple value dimensions, a customer may be inclined to make a purchase if they believe that the product strongly aligns with a specific value characteristic they are seeking.

The financial value encompasses the

perception of high price of luxury goods, while the functional value includes the high usability, high quality and uniqueness. The individual value encapsulates the notions of self-identity, materialism and hedonism, and finally, the social value incorporates perceptions of prestige and conspicuousness.

While these value dimensions function separately, they interconnect and influence personal perceptions and behaviours related to luxury³⁴.

Financial value

- High price

Functional value

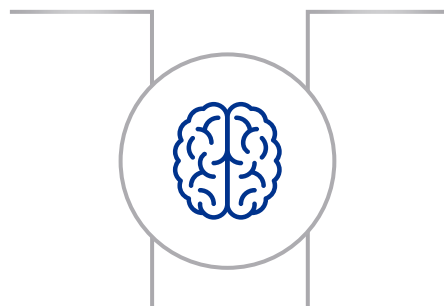
- High usability
- High quality
- Uniqueness

Social value

- Prestige
- Conspicuousness

Individual value

- Self-identity
- Materialism
- Hedonism





How do luxury brands attract consumers?

Attracting and retaining consumers is essential for luxury brands. They focus on understanding the desires and motivations of their customers, creating an alluring brand narrative and delivering on the promise of luxury. In order to thrive, brands adopt specific strategies which include:

Experiential retail

Experiential retail is a way of product acquisition associated with an experience of a memorable journey. Experiential retail has emerged as a transformative trend in the luxury goods industry, reshaping the way high-end products are showcased and sold. It creates brand connections, while providing an opportunity for consumers to fully appreciate the craftsmanship, heritage, and story behind each luxury item. In an era dominated by online shopping, experiential retail serves as a strategic differentiator, reinforcing the notion that luxury is not only about owning a product, but also indulging in a rich and memorable journey.

Personalisation

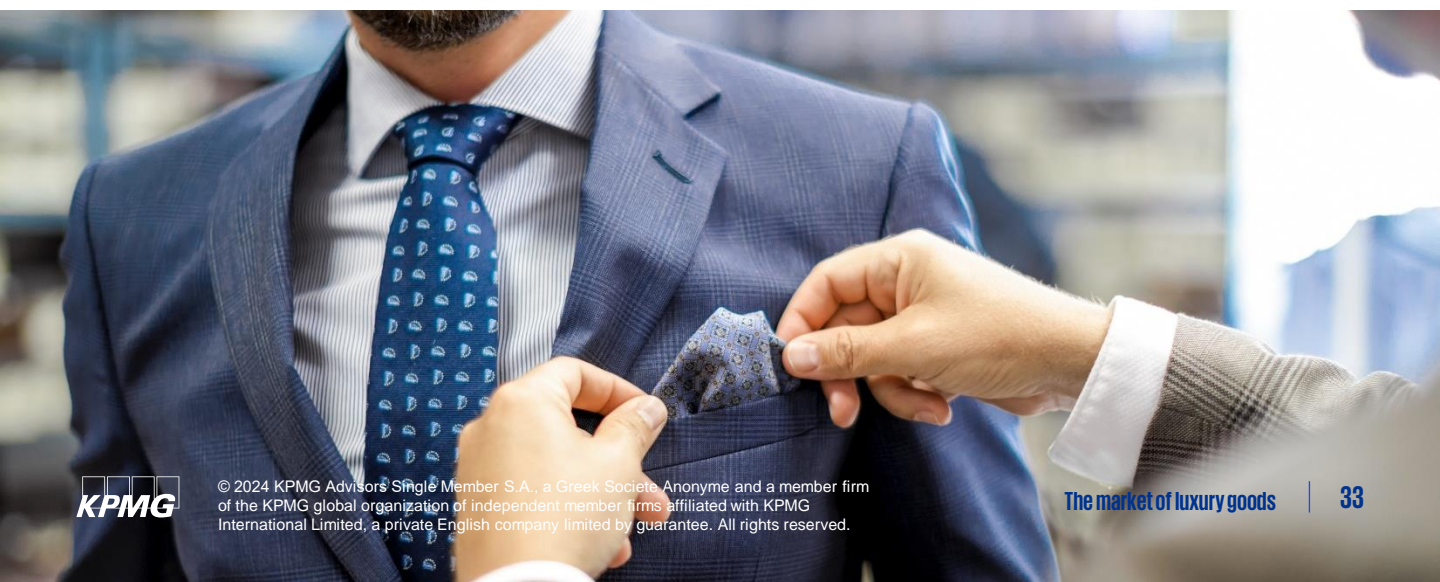
Customers seek more individualised and customised solutions, prompting companies to tailor their offerings to match the unique tastes and desires of each customer. This trend fosters customer loyalty and enhances the perceived value of luxury products.

Brand storytelling

Companies create content about their brands and their activities, in order to capture younger generations' preferences. Luxury brands recognise the power of storytelling to connect with consumers on a deeper emotional level, thereby fostering increased customer retention.

Social consciousness

Brands understand that in today's world, expressing social consciousness is crucial for attracting and retaining customers. To align with this awareness, brands can take action by implementing strategies and taking measures to enhance sustainable operation of their businesses and promote more sustainable offerings.





Luxury consumer segmentation

Understanding the global luxury consumer

When analysing consumer preferences and behaviours in the global luxury market, it becomes clear that large groups of consumers share common characteristics, regardless of their geographical location. Consumers undergo a dynamic evolution in their purchasing mindsets, advancing through a series of recognisable clusters.

Characteristics, drivers and demographics of luxury consumer clusters³⁵

	Going global	Look at me	Fitting in	Quality first	Better good
Motivation	Preference for international brands	Prioritising social status	Motivated by trends and a sense of belonging	Focused on improving own life quality, influenced by personal beliefs	Purpose and values-driven consumers
Profile	Luxury newcomers	Status reflectors	Community approval seekers	Luxury investors	“New luxury” pioneers
Values	Value brand name and origin	Value conspicuous luxury	Value quality of life	Value sophistication	Value the “greater good”
Reasoning	Low understanding of brand nuance	Buy luxury products to display status	Share experiences on social media	Appreciate brand heritage, fabric and manufacturing	Choose companies that are sustainable and inclusive
Age	Most prevalent among 45+ years old	Most prevalent among 25 – 34 years old	Most prevalent among 25 – 34 years old	Most prevalent among 45+ years old	Most prevalent among 18 – 24 years old



Exploring the luxury consumer profile

Luxury goods consumers worldwide can be categorised into 5 dominant groups with distinct characteristics based on what motivates them, their profiles, what they value most in luxury items, the reasoning behind their purchases and their age groups³⁵.

Going global: Preference for international brands

Consumers in this group, due to their limited familiarity with the core values embodied by each brand, are influenced by their social connections and peers. As a result, they tend to view owning products from international brands as a way to elevate their social standing.

Look at me: Prioritising social status

As some consumers advance economically, their inclination to purchase luxury items increases, often influenced by digital marketing, as a means to signify their wealth and status within their social circles.

Fitting in: Motivated by trends and a sense of belonging

This consumer group equates quality of life with higher-end purchases to reflect personal growth and status. These acquisitions serve to reinforce social identity and belonging, often showcased on social media platforms to affirm their elevated status.

Quality first: Focused on improving own life quality, influenced by personal beliefs

Educated consumers prioritise craftsmanship and uniqueness in luxury items, making deliberate choices based on personal identity, independent research, and peer recommendations, rather than brand prestige.

Better good: Purpose and values-driven consumers

Consumers who are environmentally and socially conscious increasingly demand luxury products that align with their values, favouring sustainable, inclusive brands with ethical credentials, a trend amplified by the Covid-19 pandemic.



Gen Z redefines luxury, placing athleisure at the forefront of evolving brand preferences

Generation Z refers to the demographic cohort born approximately between 1997 and 2012.

This generation is characterised by a profound connectivity to the digital world and tech-savviness, having grown up with the internet and social media as integral parts of their lives. They are known for their diversity, and progressive values³⁶.

They value authenticity, creativity, and individual expression, often seeking uniqueness in their consumer choices³⁷. As this generation enters adulthood and strengthens its purchasing power, its influence is progressively shaping various industries, ranging from technology to fashion³⁸.

The luxury market is currently transforming to cater for Generation Z, whose values demand a shift from traditional luxury concepts towards inclusivity, sustainability, and innovation.

This shift is evident in strategic partnerships between luxury and high-street brands, aligning with cultural trends and the generation's ethical expectations.

Luxury brands enter into these collaborations to ensure they enhance, rather than weaken, their brand identity and heritage, balancing the allure of luxury with the preferences of an emerging consumer base³⁹.

Notable collaborations of luxury goods brands

Tiffany & Co x Nike

Adidas x Gucci

Mugler x HM

Dior x Birkenstock

Burberry x Supreme



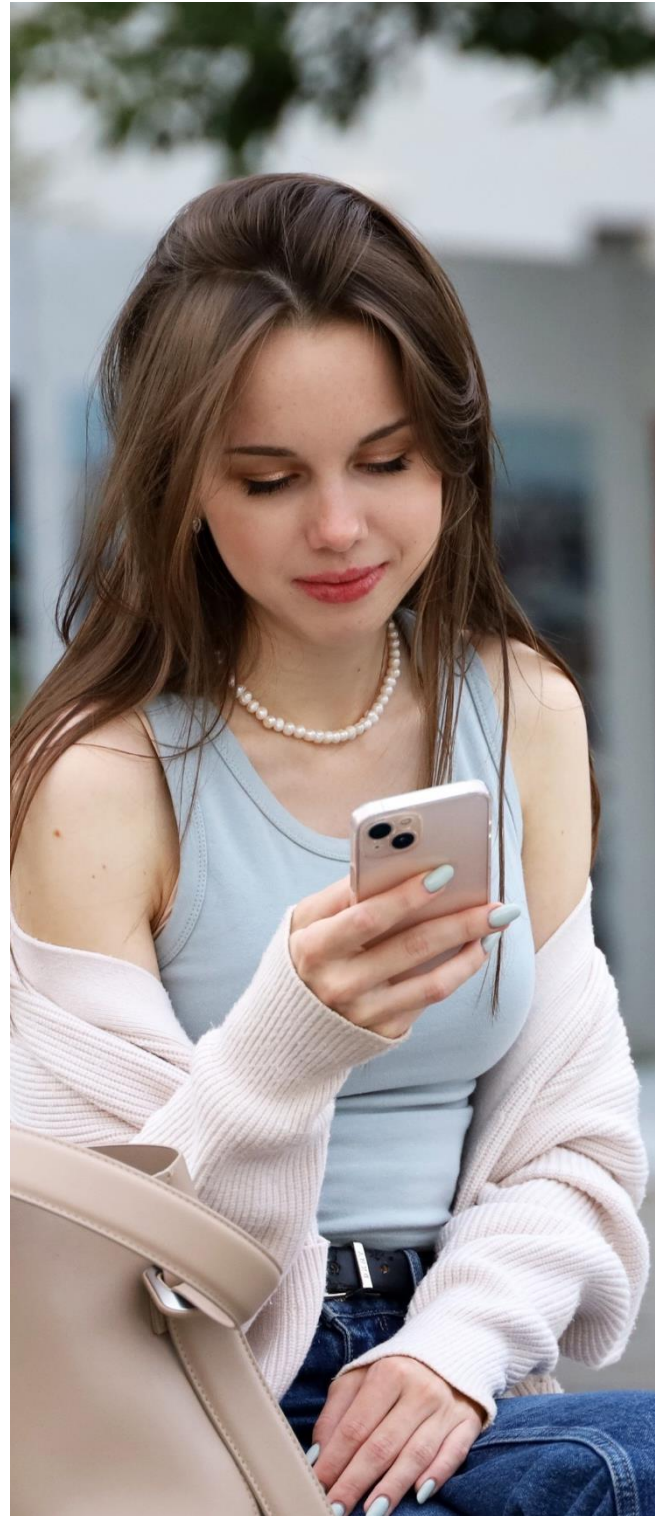
Social media and influencer marketing

Social media has emerged as pivotal in shaping the perception of luxury brands among the younger, digitally-native generations. The recent shift in luxury brands marketing recognises that Gen Z consumers place great value on authenticity and social proof derived from peer recommendations³⁶. Studies underscore the significant influence of social media marketing on the online purchasing intentions of consumers, where a brand's engagement on social platforms can make or break its appeal⁴⁰. Luxury brands that adeptly navigate these digital channels, crafting campaigns that resonate with the values and social consciousness of this audience, find themselves well-positioned to convert online buzz into tangible sales.

The case of Bottega Veneta quitting social media

In an unconventional move in 2021, Bottega Veneta chose to withdraw from social media, opting to engage with its audience through alternative channels, such as a dedicated app and traditional press. However, recognising the unique dynamics of the Chinese market, the fashion house has recently made a return to digital platforms by resuming activity on Sina Weibo⁴¹.

Despite not resurfacing on western social platforms such as Instagram or X, Bottega Veneta's teasers for its Fall / Winter 2023 show have attracted significant attention on Weibo. This strategic and market-specific re-engagement with social media reflects the brand's efforts to maintain its allure and reconnect with the digitally engaged luxury consumer.





The luxury goods customer journey

In the context of consumer behaviour, the process of purchasing luxury goods differs significantly from that of routine purchases. In contrast to the practicality of everyday shopping, shopping for luxury items offers a unique experience. It involves emotional bonding, the cultivation of a sense of high status and an aspiration for something special. The customer journey for luxury goods is an immersive experience, characterised by exclusivity, personalisation and exceptional customer service.

1 Awareness

Consumers of luxury goods frequently come across products through influencers and content creators on social media or by noticing strangers with items they might find appealing. Others may seek inspiration by observing the fashion choices of celebrities at events or in their daily lives. Window shopping and the chance of spotting an item they fancy in store displays, also contribute to this exploration. Additionally, keeping up with the latest collections from designers and discovering items showcased on the runway are a prevalent practices among those with an interest in luxury clothing.

In Greece, luxury brands consistently update their social media content to increase customer awareness, providing customers with the latest collections available in-store. Furthermore, several brands host events to introduce and familiarise consumers with new products.

During the summer of 2023, Dior, in collaboration with Vogue Greece, organised an exclusive sunset event in Athens, Greece, unveiling the new fragrance, Dioriviera, to their esteemed guests⁴². In another example of awareness creation, in 2021, Dior unveiled its "Cruise 2022" collection at the historic Panathenaic Stadium in Athens, underscoring a strong commitment to the Greek market⁴³. Louis Vuitton is yet another brand that has taken actions to increase awareness among Greek consumers. Notably, in June 2023, the brand unveiled its latest High Jewellery Collection, "Deep Time", by hosting an event at the Odeon of Herodes Atticus, accompanied by a mesmerising choreographic performance⁴⁴.

In addition to individual brand initiatives, customer awareness is also generated from major events, such as the Athens Xclusive Designers Week (AXDW), which stands as the premier international fashion event in Greece, showcasing the latest trends and innovations in the fashion industry. Held biannually at the iconic Zappeion Hall, this esteemed platform spotlights avant-garde creations from Greek designers alongside leading international fashion figures and renowned fashion houses⁴⁵.



2

Consideration

During the consideration phase of luxury shopping, consumers engage in extensive research, exploring department stores, luxury brands' websites and other platforms to gather information about the products, and read relevant reviews. This phase, often the longest in the luxury goods journey, involves careful consideration, comparison and a desire to explore all possible options thoroughly.

The consideration phase holds immense significance for brands, as it is a pivotal opportunity to persuade consumers towards conversion. To succeed in this phase, brands should prioritise impeccable customer service across all channels, fostering an omnichannel experience. Providing consumers with the chance to engage with knowledgeable representatives who can address queries and concerns, enhances the sense of exclusivity and exceptional treatment, crucial elements in influencing purchasing decisions and securing customer loyalty.

A prime illustration of an effective omnichannel experience is exemplified by Gucci, which, during the Covid-19 pandemic, introduced a service allowing customers to engage in live showings online or to schedule virtual personalised appointments with dedicated client advisors. This service facilitates in-depth product exploration and expert guidance during the consideration phase, being available for customers to this day⁴⁶.

3

Purchase

The purchase phase signifies the apex of the customer journey, particularly when purposefully visiting a store for a specific product. It serves as the critical factor that largely distinguishes the customer journey between luxury and non-luxury brands, emphasising the significance of the in-store experience. This is the phase where customers experience immense joy and feel valued by the sales representatives they meet.

Moreover, brands provide their customers with the opportunity to add a unique and personalised touch to their products, offering a spectrum of methods and choices for customisations. For instance, customers of Louis Vuitton can choose to add personal initials, a signature, an engraved message, classic stripes or travel sticker-style designs to a selection of goods⁴⁷.

When it comes to online purchasers, the at-home unboxing holds equal significance as the in-store visit in shaping the overall perception of the brand. Brands need to carefully avoid mishaps with delivery services, while offering a meticulous packaging design to ensure a consistently exceptional customer journey, whether in-store or online.



4

Post-purchase

In the world of luxury goods, the post-purchase phase is a pivotal stage that extends far beyond the mere acquisition of a product. During this phase, customers experience satisfaction from both the quality and craftsmanship of the product, as well as the pride of being part of a community that appreciates and understands the intrinsic value of these items. The recognition and status associated with luxury products contribute to a feeling of exclusivity and prestige, fostering a sense of fulfilment.

Post-purchase phase becomes a catalyst for brand advocacy through word-of-mouth (WoM) and its digital counterpart, electronic word-of-mouth (eWoM). The exclusivity and prestige linked to luxury items often prompt customers to share their experiences within their communities, both offline and online. Social media platforms become virtual showcases for these cherished possessions, allowing customers to upload content, share anecdotes and showcase their personal style. This amplification of the post-purchase experience contributes to the brand's online visibility and also serves as a testament to the genuine enthusiasm and satisfaction of the customer.

The cultivation of brand loyalty and promotion is an integral part of this phase. Brands understand the profound impact of addressing customer concerns and providing exceptional after-sales service in creating a lasting connection with their customers. Initiatives like the “Chanel et moi” program, offering a 5-year warranty and restoration services, not only address concerns about the long-term durability of luxury items, but also enhance the status of the brand in the eyes of its patrons⁴⁸. Such programs emphasise that luxury is not just a transaction, but a commitment to a lifestyle of enduring quality and sophistication.

Oscar de la Renta’s “Encore” program is another example of the lasting relationship between the brand and its customers. Operating through various channels, the house accepts high-quality pre-owned items, that are meticulously restored and are then available for purchase⁴⁹. This innovative approach, transforms the post-purchase phase into a dynamic exchange, fostering a sense of exclusivity and shared values within the brand's community.

The customer journey for luxury goods is characterised by emotional engagement and high aspirations. Starting from the initial stages of awareness and thoughtful consideration, all the way to the tangible act of purchase, each phase contributes to a narrative of sophistication. The post-purchase stage, marked by exceptional services and community involvement, further fortifies the customer's bond with the brand, fostering a continuous sense of exclusivity and recognition.



The D2C model in luxury goods

The direct-to-consumer (D2C) model has seen significant growth in recent years, driven in part by the remarkable growth of e-commerce. This trend reflects a broader digital transformation that has reshaped consumer habits⁵⁰. At the same time, the D2C model has also started making its way into the physical realm, with brands owning retail stores without intermediaries or department stores. However, what might the D2C model look like for luxury brands, and is it worth pursuing?

Luxury brands are increasingly embracing the D2C approach, recognising its potential to

create a more personalised and immersive experience for consumers. Nevertheless, the adoption of the D2C model by luxury brands presents unique challenges and opportunities.

Traditionally, luxury brands have relied on a network of third-party retailers, such as department stores and specialty boutiques, to reach consumers. This approach has enabled brands to expand their reach and build brand awareness, while minimising the upfront investment needed to establish their own retail infrastructure.





The rise of e-commerce and the changing preferences of luxury consumers have challenged the traditional retail model. Younger generations, particularly Gen Z, are more inclined to make online purchases and seek more personalised and immersive shopping experiences⁵¹. This shift has prompted luxury brands to re-evaluate their distribution strategies and explore D2C options.

D2C allows luxury brands to directly collect valuable customer data, enabling them to tailor marketing campaigns, product offerings, and customer service experiences to specific customer preferences. Technologies, such as artificial intelligence (AI), augmented reality (AR), and virtual reality (VR) can further enhance the customer experience, creating virtual showrooms, personalised product recommendations and immersive brand storytelling.

While the digital realm offers significant opportunities, physical stores continue to play a crucial role in the luxury market. Luxury brands can leverage technology to integrate physical and digital channels seamlessly, providing a cohesive omnichannel experience that transcends the boundaries of online and offline interactions.

However, the adoption of D2C by luxury brands comes with its challenges. Profitability, narrowing assortments, and escalating digital marketing costs often become hurdles. Additionally, maintaining exclusivity and ensuring consistent brand messaging across multiple channels can be complex.

Luxury brands that have successfully embraced the D2C model have implemented innovative strategies to address these challenges. LVMH and Prada, for instance, are leveraging blockchain technology to enhance product authenticity and traceability, fostering trust and

loyalty among discerning consumers. Other brands are expected to follow suit⁵². Chanel has also demonstrated the strategic value of the D2C approach. The brand's direct-to-consumer sales have surged during the pandemic, highlighting the importance of personalised interactions and brand control in the luxury market. Chanel's D2C approach, which accounts for around one-third of its total net sales, underscores the growing demand for digitally enhanced experiences and the ability to connect with consumers on a deeper level⁵³.

The future of D2C for luxury brands lies in a diversified channel strategy that balances the power of technology with the enduring appeal of physical retail. As e-commerce stabilises and brick-and-mortar chains adapt, luxury brands must seamlessly integrate digital elements into their physical stores, creating immersive omnichannel experiences that cater for the evolving expectations of luxury consumers.

The D2C model presents a compelling opportunity for luxury brands to strongly connect with consumers, personalise experiences and foster brand loyalty. By leveraging technology, embracing omnichannel strategies, and adapting to evolving consumer preferences, luxury brands can harness the power of D2C to thrive in the digital era, while maintaining the exclusivity and prestige that define their brands.

Special focus on key trends



Comune di Milano
In questo luogo l'8 luglio 1919
ASSOCIAZIONE NAZIONALE ALPINI
"Per non dimenticare"
Milano, 8 luglio 2019
In occasione della celebrazione del Centenario



Luxury brands embracing sustainability



Sustainability in luxury goods

Luxury brands have always reflected what society considers aspirational. They view sustainability as an opportunity and put social responsibility at the core of their business. Now, ESG strategy and business strategy are intertwined. Companies try to create products that are more sustainable and friendly to the environment. Sustainable products share some common characteristics with luxury goods, which include:

Exceptional materials

Raw materials used for product design, production and packaging are sustainable, innovative, organic and alternative to the conventional ones. Products are transformed into high-end, one-of-a-kind pieces, showcasing the beauty found in the unexpected.

Extraordinary creativity and design

Sustainable products are not just ordinary, they're meticulously crafted to be both environmentally responsible and aesthetically appealing. This creative approach is vital, because it leads to unique, eye-catching, and desirable products that resonate with consumers.

High quality

Products are designed and manufactured with a focus on quality, meeting the standards of durability, performance and longevity. They follow the principle of sustainability by offering consumers lasting value, while reducing the overall environmental impact associated with disposable or lower-quality goods.

Durable and timeless

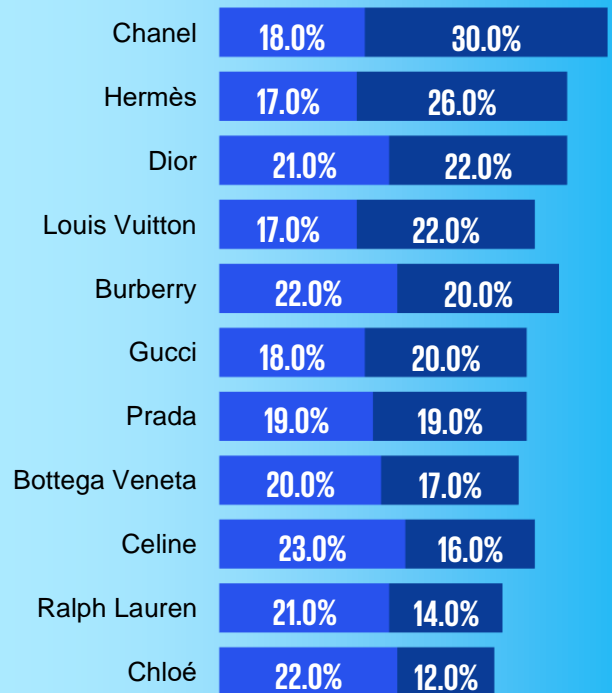
Products stand the test of time, both in terms of quality and enduring style. They are built to last, resisting wear and tear, thereby reducing the need for frequent replacements.

Consumer perception of sustainability in luxury brands

According to a global consumer survey⁵⁴, only a small portion of global luxury brands are perceived to prioritise sustainability in their practices. Thirty percent of consumers consider Chanel as the leader of sustainable luxury fashion, while Chloé is perceived to lag behind other brands, being recognised as a leader only by 12 percent.

In terms of perception of a sustainable brand, consumers believe that Celine is the most sustainable (23 percent), while Hermès and Louis Vuitton score the lowest (17 percent) among them.

Luxury brands consumer's view as sustainable worldwide (%), July 2022



■ Is a sustainable brand

■ Is a leader in sustainability



Sustainability challenges for luxury goods brands

Environmental challenges have prompted both industry and society to increase awareness on sustainability issues. Sustainable development has evolved from a choice to a necessity in preserving our planet, ensuring a habitable future for generations to come. In that regard, governments take several measures to tackle the issue and force companies to comply.

The main challenges the luxury goods segment faces regarding sustainability issues include:

CO₂ and chemical releases into the environment

Luxury fashion products, crafted from high-quality materials, do not necessarily equate to sustainability. Luxury products, which often prioritise quality and craftsmanship, may involve energy-intensive production methods and the use of resource-intensive materials. For example, the production of leather goods requires cattle ranching, contributing to increased emissions, raising awareness about animal welfare.

Supply chain complexity

Luxury goods brands often have complex global supply chains, making it challenging to trace the origin and ensure the sustainability of raw materials. In addition, brands need to comply with different legal frameworks and regulations for sustainability imposed in the different regions, from which their raw materials are sourced.

Limited consumer awareness

Luxury goods consumers may not always prioritise sustainability, posing a challenge for brands' attempts to implement eco-friendly practices. In addition, some luxury consumers may view sustainability as inconsistent with the idea of excess and opulence, often associated with luxury goods. For this reason, companies should adopt a sustainability strategy, in order to minimise the risks and impact associated with this group of customers, educating them about sustainable ways of using their products.



Luxury goods brands' initiatives towards a sustainable future

Luxury goods brands have taken action to actively support sustainability, adopting several practices to limit and reduce negative impacts. Some of them include:

Sustainable sourcing

In recent years, luxury goods brands have made concerted efforts to ensure their products and operations are more sustainable. They prioritise the use of eco-friendly and ethically harvested materials, such as organic cotton, responsibly-sourced exotic leathers, and conflict-free gemstones. Some houses have stopped the use of real fur in their creations, while many luxury brands cooperate with innovative producers of new materials to create bio-textile alternatives.

However, the shift to sustainable sourcing can have repercussions to local economies. For example, in Greece, the change in the consumption model of fur has negatively impacted the companies of mink breeding and their respective communities. Big brands have stopped using mink furs in the manufacturing of their products.

Responsible supply chain

Companies are investigating the conditions under which products are manufactured and are exploring ways to reduce the environmental impact of their supply chain. They invest in transparency and traceability to provide consumers with visibility. An example is the digital passport, a digital tool that verifies the origin of luxury goods. This encompasses details about the product, ranging from material composition and recyclability, to production processes and transportation routes.

In addition, some luxury brands have started indicating the country of origin for some products produced in developing countries. Hermès and Balmain include labels, such as “made in India”, to indicate the country of origin, acknowledging and recognising the highly-skilled craftsmen in Mumbai and their suppliers in other parts of the world for their skills and expertise in product development⁵⁵.



Reduction of energy consumption and greenhouse gas emissions

Several luxury brands have adopted innovative practices to reduce energy consumption and greenhouse gas emissions along their entire value chain – from manufacturing to sales. For instance, many luxury fashion houses invest in energy-efficient production processes and facilities, utilising renewable energy sources, such as solar power and wind turbines. In addition, they optimise transportation logistics to reduce their carbon footprint using hybrid or electric vehicles.

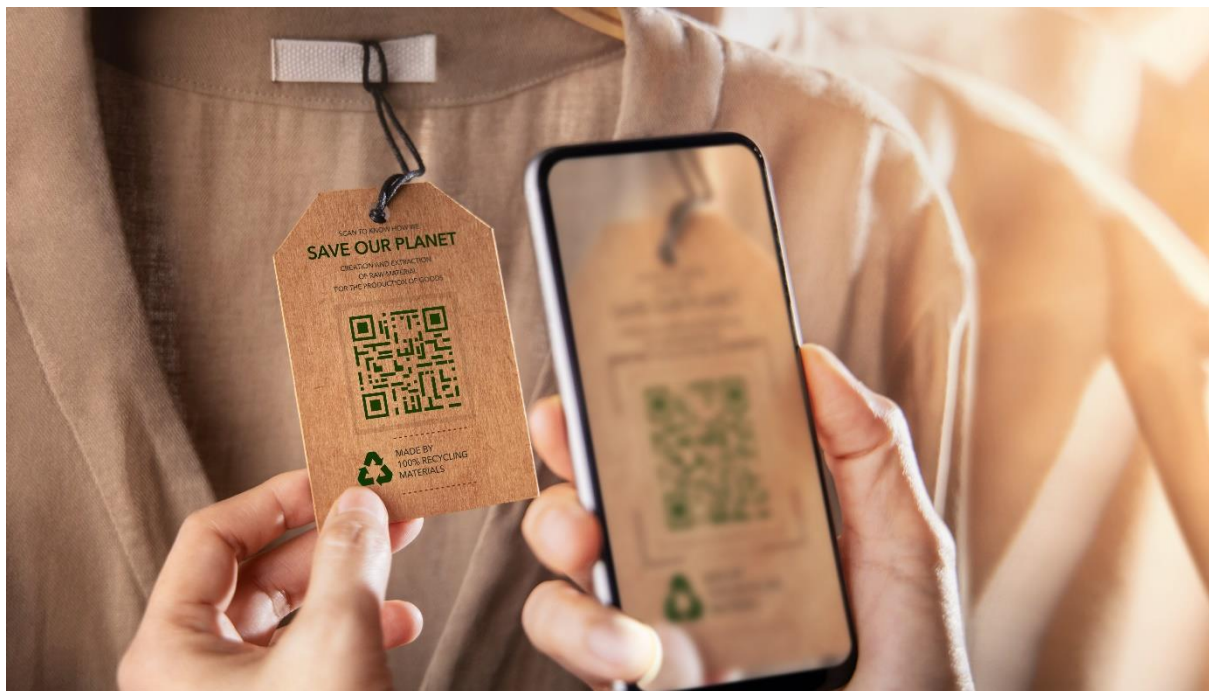
Circular economy

Luxury brands promote circular economy aiming to minimise waste and maximise resource efficiency. Products are created to be durable and designed to last, thus extending their lifespan and reducing the need for new production. As a result, resources are conserved and waste is minimised. Other practices, such as refurbishment, resale and upcycling, are also gaining popularity among luxury products.

Fair and equal labour standards

The industry is dedicated to upholding human rights along its entire value chain and to actively promote equality, diversity, and inclusion in collaboration with its suppliers. Moreover, it has taken a leading role in advocating for diversity and inclusivity within consumer culture. As such, a frequent manifestation of luxury brands' support on DEI principles often takes the form of a mindset that embraces individual gender expression.

Sustainable practices of Greek luxury retailing



In Greece, the majority of personal luxury goods retail stores are making efforts to improve their environmental policy, demonstrating a growing awareness and commitment to address environmental concerns and adopt sustainable practices. Retailers tend to comply with the existing legislation and implement practices for energy efficiency, waste management, recycling and education of employees on sustainability issues. Key initiatives include the continuous monitoring of electricity consumption, the use of eco-friendly packaging materials, the replacement of incandescent lamps with new LED lamps, as well as the recycling of materials and consumables. While retail stores inherently have lower energy consumption and emissions compared to production facilities, brands try to improve their environmental footprint in stores, contributing to sustainability in the best way possible.

In addition, retailers, through established procedures for ethical working conditions, prioritise the rights of their employees in accordance with International Human Rights Principles. These principles include equal treatment, diversity, equal opportunities for all, and the prevention of child or forced labour. Moreover, brands take measures to comply with health and safety standards, as well as launch related programs to educate their employees accordingly, ensuring a safer work environment.

Sources: Companies' Financial Statements; KPMG in Greece analysis



Circular economy can benefit luxury brands in achieving better business outcomes

As defined by the European Parliament, circular economy is a model of production and consumption, which involves sharing, leasing, reusing, repairing, refurbishing and recycling existing materials and products as long as possible, extending the life cycle of products⁵⁶.

Luxury brands are increasingly adopting circular economy practices in their commercial models, a strategic decision that can benefit them in multiple ways:

Cost reduction

Embracing circular economy models enables brands achieve cost reduction through streamlined operational processes, optimising resource utilisation, leading to a reduction in material and waste costs. Additional savings can also be achieved by adopting upcycling practices, which transform discarded materials into valuable products.

Sustainability and environmental impact reduction

The implementation of a circular economy model can enhance brands' initiatives for sustainability and reduce their environmental impact.

Particularly, companies can minimise their environmental footprint by promoting the reuse, refurbishment, and recycling of their products. This practice not only reduces energy consumption and greenhouse gas emissions, but also limits the extraction of raw materials.

Brand image

Consumers today are more environmentally conscious and prefer brands that adopt sustainable practices. Adhering to circular economy principles strengthens a brand's image and reputation.

Competitive advantage

Circular economy initiatives differentiate companies from their competitors and attract a new segment of environmentally conscious consumers. By doing so, brands expand their customer base, securing future market share. A business model based on circularity can also bring an elevated market potential, including new materials, eco-friendly products and sustainable income flows.

Regulatory compliance

Governments worldwide impose stricter environmental regulations, making it imperative for companies to ensure compliance with their operations. Companies that adopt circular economy practices though, find it easier to meet environmental regulations, thereby avoiding potential fines and penalties.

Financing

Many financing institutions and investors are highly interested in supporting sustainable businesses. Companies that adopt circular economy practices may find it easier to secure financial support for their activities. "Green" financing options for example, such as "green" bonds and loans, offer favourable terms and lower interest rates.



Sustainability case studies of luxury brands

The world of luxury goods embraces sustainability as a core value, not only setting new standards for quality and craftsmanship, but also pioneering innovative approaches to minimise their environmental footprint. Indicative examples of such initiatives from some major players include:

Hermès

Hermès has committed to contributing to the reduction of global warming, aligning with the goals set by the Paris Agreement. In this direction, Hermès has invested in Mycoworcs, an American startup that produces alternative materials, replacing leather with mycelium – a material made from mushrooms.

LVMH

LVMH has established a new bioclimatic factory in the French town of Vendôme as part of the company's effort to reduce its environmental footprint throughout its supply chain. Due to the construction of the new building, both the overall energy consumption and the greenhouse gas emissions have been reduced to half.

Gucci and Kering

Gucci and its parent company Kering have launched the Circular Hub, an open innovation platform for the design and manufacturing of circular products and for researching new solutions. The main goal of the initiative is to positively impact the luxury fashion industry by redefining the entire value chain, from raw materials and design, through to production optimisation and logistics.

Cartier

Cartier has introduced Watch & Jewellery Initiative 2030 to create an entirely sustainable watch and jewellery segment by building climate resilience, preserving resources and fostering inclusiveness.

Sources: Companies' website; KPMG in Greece analysis



The growing significance of the pre-owned market of luxury goods



Drivers of the pre-owned market

The pre-owned market for luxury goods encompasses the buying and selling of previously owned or used goods, including designer fashion items, accessories, watches, jewellery, and luxury handbags. Participants in this market seek to acquire, sell, or exchange items with a history of previous ownership.

It is estimated⁵⁷ that the global second-hand luxury market will reach almost €73B by 2031, having achieved a CAGR of 11.5 percent during the forecasted period. Due to the size of the market, luxury firms consider how consumers use their products throughout their life cycle and try to find ways to benefit from this trend.

The drivers fueling the growth of pre-owned luxury market are:

Affordability

Luxury resale gives shoppers the ability to acquire luxury items at reduced prices. Buyers who cannot afford new luxury products, can gain access in a unique range of goods, while sellers have the opportunity to earn extra income. However, some pre-owned goods are more expensive than the new ones, such as luxury handbags and watches. This is often observed in items sold above the original retail price, particularly due to their high demand and long waiting lists in traditional retail channels.

Sustainability

Consumers have become more socially and environmentally aware and may opt for more sustainable consumption patterns. Purchasing a pre-owned luxury item can be a more sustainable option compared to buying a new one, as it extends the product's lifecycle and reduces waste.

Collectability

Some luxury brands are known for their timeless and durable products that retain their value over time. Shoppers can take advantage of luxury resales, acquiring unique limited-edition products, whose first launch they missed.

Digital platforms

Online shopping platforms that offer a wide range of products, authentication services, and buyer protections, are transforming the pre-owned market. They enhance user experience and increase consumer confidence in online purchases of luxury items.

Changing consumer attitudes

Consumer attitudes change over time. Many people, particularly younger generations, are less interested in owning products, focusing more on experiences. Renting or buying pre-owned luxury items aligns with their mindset.



Luxury goods companies' investment opportunities and challenges on pre-owned market

Together with the general growth of sensitivity in sustainability issues, luxury companies are increasingly adopting resale as a strategy to limit the negative environmental impact. Furthermore, they have begun to reduce overproduction and overconsumption of products, promoting circularity.

Participation in the pre-owned market can take various forms, with three main engagement models. The selection of the most appropriate model is based on multiple factors such as the brand's status, core values, historical heritage and benefits that each brand hopes to derive.

Engagement models

Partnership

Luxury brands are partnering with existing resale platforms, offering unsold merchandise. Burberry has teamed up with the resale website TheRealReal, selling its products and providing perks to customers for personalised shopping experiences.

Investment in platforms

Other brands have chosen to invest in or acquire second-hand platforms in order to drive change toward a more sustainable future. For example, Kering financed Vestiaire Collective, a leading global platform for desirable second-hand luxury products, allowing Kering to have control over and approve the items being sold.

In-house development

In-house development of resale services allow companies greater control over prices, availability, authentication and brand positioning. Thus, brands expand their offerings and build trust in secondhand products. Oscar De La Renta operates its own site, selling clothes authenticated by its archivists and reconditioned by hand in the atelier.

Sources: Companies' website; KPMG in Greece analysis

Pitfalls of the pre-owned market

Luxury goods brands have started to invest in the resale market, reshaping the traditional landscape. However, there are some challenges companies should strive to avoid:

Brand image and authenticity

Companies investing in the resale market showcase their commitment to meet the emerging customer expectations and control their brands' image. However, they need to foster and maintain customers' perception and emotions about the authenticity and uniqueness of the brand, making the distinctions between the first and pre-owned market as clear as possible.

Cannibalisation of sales

The rising sales in the pre-owned market can potentially damage the sales of first-hand products. To prevent sales cannibalisation, companies should adopt a multifaceted strategy involving distinct positioning and branding of products. Additionally, establishing separate distribution channels is equally crucial in ensuring that pre-owned items complement rather than detract customers from the primary products.

Counterfeited goods

Counterfeit products can be promoted in the resale market, harming a brand's reputation. To mitigate this risk, companies should invest in solutions that offer verification, such as the digital passport. This digital tool, often based on blockchain technology, verifies the origin of goods, providing useful insights about the product.



Benefits for luxury brands entering the pre-owned market

There are several reasons why luxury brands might consider entering the pre-owned market. The main factors include:

Brand protection and control

Luxury brands entering the resale market can ensure the quality of their products, verifying accurate authentication and limiting counterfeit items. Thus, they maintain control over sales and protect their image.

Sustainability

Sustainability has become an increasingly significant issue for companies, urging them to embrace more sustainable practices. Engaging in the resale market allows companies to actively demonstrate their willingness to reduce waste and minimise their environmental impact.

Customer reach

Luxury brands can reach a new customer base in the resale market – those who cannot afford their new products. These customers often belong to segments passionate about fashion, presenting an opportunity to cultivate future brand loyalty when they can afford new products.

Customer loyalty

Offering customers the opportunity to resell their luxury products through a company's official platform, not only boosts trust, but also enhances loyalty toward the brand. Brands that provide easy and trusted resale options are more likely to attract investments from customers. Given that a significant portion of secondhand buyers belong to a younger demographic, companies consider the resale option as an opportunity to cultivate loyalty within this emerging consumer group.





Is luxury an investment?

Luxury goods are considered investments, fueling the pre-owned market

Luxury goods present a unique opportunity for consumers, blending craftsmanship, exclusivity, and status – attributes that contribute to their appreciation in value over time – especially for rare or limited-edition items, such as vintage watches, designer handbags, or high-end artwork.

In addition, the trend of circularity also helps to reaffirm the idea that luxury items are an investment; they are goods that maintain their quality, tradition, and exclusivity. The value of luxury products is timeless, encouraging consumers to adopt a "buy less, but better" approach, as these items can be cherished and retained for a significant period.

Luxury watches are perceived as an investment, with investors preferring watches to diversify their portfolios. The luxury watch market is particularly attractive, demonstrating resilience in the long-term compared to traditional investments. While most products experience a decrease in price once they exit the store, luxury watches tend to follow a different trend. Resale values for sought-after models of prestigious brands often appreciate over time.

During the Covid-19 period, a shortage of luxury watches was observed in Greece for brands such as Rolex, with customers turning to the second-hand market. Second-hand watches were available at higher prices than new models, while brands were trying to cover shortages from the increased demand, a trend witnessed in other countries across the globe as well.

Recent global data suggests that the prices of pre-owned watches have eventually started to decline due to the increased supply. The Bloomberg Subdial Watch Index, which tracks the prices of the 50 most traded watches, was down by 1.7 percent in the beginning of December 2023 compared to the previous month and down by 14.9 percent compared to the last 24 months⁵⁸. In addition, global challenges such as soaring interest rates due to inflation, rising geopolitical tensions and unpredictable shifts in economic growth, have led watch collectors to limit their purchases. Nonetheless, the most in-demand watches from Rolex and Patek continue to be traded above their retail price⁵⁹.

The digital evolution of luxury brands





Luxury brands embrace the latest technological trends to increase customer engagement

The evolution of the digital landscape, the technological disruptions, and the consequent changes in consumer preferences have a significant impact on the luxury goods segment, indicating the need for it to evolve through innovation. By definition, luxury is related to strong brand heritage, exclusivity, scarcity, high quality and status. Rebalancing between safeguarding their traditional, foundational elements and embracing digital advancements poses a challenge for luxury brands.

Brands offering high-end personal luxury goods have responded to the call, embracing many of the technological developments affecting their business. From taking the first steps to enhance their digital capabilities – such as strengthening their e-commerce presence – to more technologically advanced solutions – such as issuing NFTs – luxury brands seem to keep up with technological trends and experiment with the latest technological advancements.

Furthermore, luxury brands are focusing on increasing customer engagement by further improving their online presence, enhancing their content on social media, websites and e-commerce platforms with new features. They are also actively developing digital initiatives, such as virtual makeup trial options, digitised screens, beauty apps and further personalise customer experience by investing in generative artificial intelligence (generative AI). Going even beyond these technologies, luxury brands align with the customer demographic shifts towards younger generations and expand their presence in the metaverse, offering digital products, as well as issuing non-fungible tokens (NFTs).



Generative AI: A great opportunity and a challenge

Apart from a buzzword being widely used after the release of OpenAI's ChatGPT, generative artificial intelligence (generative AI) is an advanced technology with the potential to drastically change the way business is done in various sectors. Generative AI, a subset of AI, refers to deep learning models that can generate high-quality content, such as text, images and audio, based on the data they were trained on. What distinguishes generative AI from traditional AI is its capability to create brand new, original content, taking raw data as input and reference^{60, 61}.

According to KPMG's global tech report for 2023, more than half of business leaders globally consider AI, including generative AI, and machine learning the most important technologies that will allow them to achieve their short-term objectives over the next three years⁶².

The luxury goods segment is no exception to this trend, as it is actively engaging in experiments with AI. Brands are currently testing ways to leverage its capabilities for their benefit. Leading brand LVMH, dedicated their 2023 LVMH Data AI

Summit on generative AI, recognising it as a technology with great potential, albeit associated with challenges⁶³.

Main applications of generative AI include content generating tools, such as text-to-code generation, chatbots, multilingual translation and information extracting tools⁶⁴. Generative AI allows customers and employees to execute tasks with unprecedented efficiency, while it offers automation opportunities for certain processes. Generative AI models can be applied along the value chain of personal luxury goods: from back-office operations, such as supply chain and logistics, to front-office operations, such as physical or online customer service.

Generative AI remains in the early stages of adoption by enterprises, as there are certain requirements and risks to be considered. Firms globally are reassessing their AI strategies, taking into consideration ethical and safety aspects, as well as the level of digital maturity of the organisation, since Generative AI models require well-organised and high-quality data as input, coupled with well-trained employees to realise their full potential.





Generative AI as a support tool along the value chain

Brands offering high-end personal luxury goods can benefit from the use of AI along the value chain. Some of them have already invested in generative AI, either by incorporating relevant applications in their main technology landscape or by experimenting with it in pilot projects of smaller scale.

Gucci has partnered with Salesforce to enhance the operations of their global client service centre and its seven global hubs, by utilising generative AI technology. Gucci advisors are supported with conversational responses generated by Einstein, Salesforce's platform, which combines Gucci data with AI. This tool not only allows advisors to respond quicker and with a Gucci tone to customers, but also saves them time from the required brand training and keeps them updated about new collections. On the other hand, customers receive quick, personalised, and "Guccified" responses over their preferred channel of communication⁶⁵.

Generative AI can be a useful support tool for the creation of marketing campaigns, as well. The creative images of a recent Prada's fragrance campaign on social media were the result of both a photographer and a generative AI tool, which was fed with the photographer's original photos⁶⁶. Other brands have also launched campaigns, which were products of generative AI technology. Recently, Maison Meta created AI-driven campaigns for Mugler in order to relaunch their "Angel" perfume, as well as for Moncler to launch their Genius collection^{67, 68}. Maison Meta is a New York based creative studio that produces solutions using generative AI technology⁶⁹, launching the first AI Fashion Week in spring 2023. The competition received more than 350 submissions of collections and designs created with the use of generative AI tools⁷⁰.

Kering, the Group that – among others – owns Gucci, Saint Laurent, Bottega Veneta and Boucheron, has launched Madeline in its innovative marketplace KNXT, which is the first digital personal shopper using AI technology. Madeline is trained to provide detailed information about KNXT's product offerings, and is also capable of making personalised buying suggestions to each customer⁷¹.



Generative AI at the service of clienteling

Generative AI can also enhance clienteling by serving as an assistant to employees of physical stores or serving customers directly. Clienteling or, in other words, the personalisation of the customer journey through the utilisation of data, processes and tools, not only elevates the customer experience, but also helps realise cost savings, since it allows companies to become more cost-efficient when selling to existing clients⁷². Clienteling is particularly important for the high-end luxury segment, which serves demanding high-value customers, in many cases via personal appointments, either physical or virtual. During these personal appointments, sales associates can benefit from the use of generative AI tools to quickly identify customers' profiles and proceed with informed and targeted recommendations.

To enhance both physical and digital clienteling, Zegna has partnered with Microsoft and in 2023 they launched Zegna X digital solution, which incorporates generative AI capabilities and enhances personalised shopping experience. Supported by this tool, employees can offer customers personalised recommendations and service of high quality and efficiency⁷³. Moreover, Zegna X configurator allows customers to virtually test various outfits combining different clothing pieces and to find the most suitable outfit for them⁷⁴.





Luxury brands tap into non-fungible tokens (NFTs)

Non-fungible tokens or NFTs is a technology that has been a main topic in luxury brands' agenda over the last few years. In 2023, luxury brands continued to build strategic plans and undertake actions to enter or better position themselves in the NFT market, although the adoption of the technology by customers is not always guaranteed.

Non-fungible tokens (NFTs) are unique cryptographic, blockchain-based digital items that publicly prove ownership of digital assets, such as digital art, or tokenised physical assets, such as jewellery. NFTs are characterised by unique identification codes and metadata, and are not interchangeable or replaceable. They can be compared to rare collectibles and be exchanged for other NFTs, money or physical items^{75, 76, 77}.

NFTs are mainly used as a customer loyalty and engagement tool in the luxury industry. Rarity and authenticity are considered to be some of the key success criteria for NFTs, as well as a meeting point with the luxury world. Furthermore, NFTs allow brands to reach, and potentially gain as customers, younger generations that prefer digital channels and have not been luxury consumers previously. Experimentation with NFTs indirectly strengthens luxury brands' image, as well as enhances the D2C (direct to customer) approach and the customers' relationship with the brand.

Case Study: Aura Blockchain Consortium

Luxury brands have recognised the power of advanced technologies and have been investing in them over the last years. A prominent example is the foundation of the Aura Blockchain Consortium in 2021 by top luxury brands LVMH, Mercedes-Benz, OTB, PRADA Group, and Richemont. The Aura Blockchain Consortium develops blockchain-related technologies that enhance transparency, traceability, and eventually customer experience. The consortium is open to all luxury brands across the globe and aims at offering a single blockchain and off-the-shelf solution for the luxury segment⁷⁸. The Aura blockchain technology enables the matching of the product and the customer ID, and allows the product owner to have visibility to the entire product lifecycle, from the material sourcing to its potential resale in the pre-owned market⁵².



An NFT can represent the unique digital identity of a physical personal luxury good, confirming its authenticity and ownership. All consumers, and particularly those investing in luxury goods of high value, are concerned about the authenticity of the products, as well as the transparency of the brands. Blockchain technology and NFTs, functioning as unique digital IDs that cannot be tempered with or replicated, inspire trust towards the brand. From the moment the luxury good becomes “tokenised”, the consumer can find detailed information about the product, including materials used, and have the ability to add blocks of information, such as servicing history⁷⁹. This is of increased importance during the current period where the pre-owned luxury market is gaining ground, since it can render transactions more efficient and secure. Similarly, NFTs can become a tool against counterfeit products and the grey market – some of the long-standing concerns of the luxury segment.

Apart from utilising NFTs as digital IDs of physical assets, luxury brands have been experimenting with them in other ways, as well. Aiming at creating a seamless connection between the physical and digital world, Bvlgari complemented the purchase of necklaces from one of its 2022 fine jewellery collections with digital art pieces inspired by the jewellery in the form of exclusive NFTs⁸⁰. On the other hand, Tiffany & Co launched a limited number of NFTs representing newly-designed pendants of the brand and rewarded their buyers with physical duplicates of the pendant⁸¹. Similarly, Gucci rewarded Material NFT holders by giving them the ability to exchange their NFTs with a wallet or a bag co-branded with the virtual shop of the artist who created the NFTs⁸². Other brands have chosen to reward NFT ownership by providing their customers the chance to become part of an original brand experience in the real world. Prada offered VIP access to its fashion shows to selected NFT holders of its Timecapsule NFT collection⁸⁰.

However, NFTs are not always linked to a physical luxury good, but they are purely digital assets, such as an image, a video or intellectual property to a prototype. Regarding the fine jewellery and watch segment of personal luxury goods, the term non-fungible watch (NFW) has made its appearance with the oldest Swiss watch store – Beyer Chronometrie – introducing one of the first NFW collections in the market, tradeable in the OpenSea, the leading web3 marketplace for NFTs⁷⁹.



Multimodal AI and its transformative capabilities for luxury retail

Google Gemini, developed by Google DeepMind, is a groundbreaking multimodal AI model capable of processing and understanding diverse data types, such as text, images, audio, video, and code⁸³. Multimodal AI is a subset of generative AI models, with enhanced capabilities. Generative AI models typically focus on processing a single type of data or have less specialised capabilities across multiple data formats.

Multimodal AI's advanced capabilities in the areas – among others – of image recognition, language processing, and multimedia analysis, allow Gemini to bring significant impact on multiple industries⁸⁴, including the luxury retail.

By harnessing Gemini's powerful AI tools, the luxury retail could revolutionise its approach to personalised shopping experiences, try-ons, market trend analysis and authenticity verification, paving the way for a more sophisticated and technologically advanced luxury retail landscape.

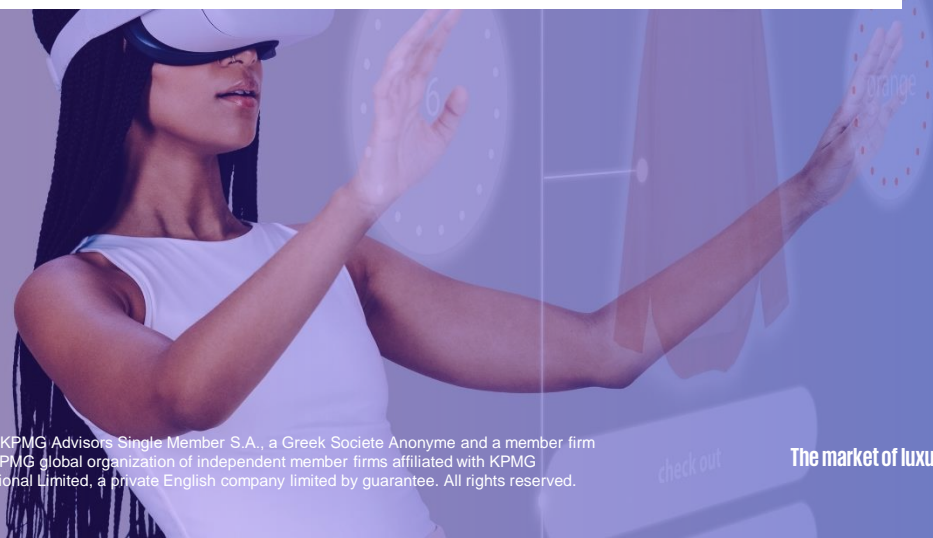
Indicative applications of the multimodal AI in luxury retail include:

Personalised shopping experiences: Multimodal AI could recommend products based on a customer's past purchases, current trends, and even visual preferences identified from uploaded images or videos.

Virtual try-ons: Using advanced image processing, Gemini can power virtual try-on applications for clothing and accessories, allowing customers to see how products would look like on them before making a purchase.

Market trend analysis: By analysing multimedia content from various sources, Gemini can help companies stay ahead of market trends. This includes processing and understanding video and audio content from fashion shows, interviews, and consumer-generated media.

Authenticity verification: Gemini's capabilities in code and image processing could be utilised for advanced product authentication, helping limit counterfeit goods, a significant concern in the luxury market.



Interview



Interview with Attica Department Stores' CEO, Dimosthenis Boumis



Interview

A view on the ever-evolving luxury goods market from Attica Department Stores' CEO.

Dimosthenis Boumis, CEO of Attica Department Stores

Interview conducted on 19th December 2023



The luxury market in Greece is thriving, fueled by key drivers including authenticity, quality, prestige, design and uniqueness. Future trends indicate sustained growth, with digitalisation and technological advancements shaping the market's trajectory.



How would you describe the current state of the luxury market in Greece, and what makes it unique compared to other luxury markets?

The demand for luxury goods and luxury services in Greece has increased at a significant rate. There has been a noticeable growth in the luxury real estate market of the country, in the affluent consumption of luxury cars, while the sub segment of luxury beauty and cosmetics shows an increasing demand as well. The new brands that have entered the Greek market are improved and differentiated enough, so as to lead the market sales.

In your experience, which are the main drivers of demand for luxury goods in the Greek market?

The main drivers of demand for luxury goods in the Greek market are authenticity, quality, prestige, design and uniqueness, which are the top five most important drivers for all age groups. For the youngest age groups, personal experience and customisation are the most relevant contributors, while craftsmanship becomes increasingly more important with age.

Other standout factors include innovation and heritage of the brand and the product. Luxury consumers demand products and services that are superior in craftsmanship, materials, and performance. They also seek brands that have a strong heritage, a clear identity, and a consistent story. The behaviour and impact of Global Business Influencers (GBI) on social media clearly contribute to demand fluctuations, being key contributors to the market.

Interview with Attica Department Stores' CEO, Dimosthenis Boumis

What future trends do you predict for the luxury market in Greece in the following years?

The revenue of the luxury goods market amounted to €1.30B* in 2023. The market is expected to grow annually by 4.23 percent. The market's largest sub-segment is the luxury fashion, with a market size of €0.53B* in 2023. In the luxury goods market, 5.4 percent of the total revenue has been generated through online sales in 2023.

Greece demonstrates an increasing propensity for luxury fashion, with our country's power of tourism being a contributing factor. It is predicted that the largest part of the revenue will still derive from fashion, with sub-segments such as leather goods and eyewear to gain ground.

The pre-owned luxury market is growing globally. Is this trend also evident in Greece, and what implications would it have for the traditional luxury retail segment?

The pre-owned and vintage markets have always been part of the retail business. Nowadays, with the shift towards sustainable and rewearable clothing, the pre-owned market shows an increase in sales. I do believe it will always be part of the business, but cannot compete with the actual retail. Allergies and other hygiene factors, durability of worn fabrics, as well as past fashion trends and designs cannot guarantee a substantial increase in the future revenue of the pre-owned market.

How sustainability and diversity are impacting the purchasing decisions of the Greek luxury consumer?

Companies increasingly allocate resources to instill environmental and social responsibility into their business practices. The actual contribution is still debatable. Goals such as reducing carbon emissions along value chains, offering fair wages and working environment to employees, and supporting diversity and inclusion are all fair and important. Nevertheless, understanding how customers respond to social and environmental claims is also important and has not been clear yet.

Technological advancements, such as Generative AI, NFTs, Blockchain etc., are increasingly adopted by luxury brands. Which technologies do you believe will ultimately shape the future of the luxury goods market?

Understanding the evolving needs and wants of luxury shoppers is critical in foreseeing the future market trends and potential growth. The rise of digitalisation and the heavy investments on the luxury eCommerce will shape the future, aiming to provide seamless omnichannel experiences, personalisation and experiential shopping, assurances of authenticity and ethical practices. Generative AI will be the enabler for the brands to offer more targeted, personalised messages and products to their target group.

*Notes: Financial data calculations based on 31/12/2022 exchange rate; Luxury Goods – Greece, Statista

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