

# PwC Luxury Market Insight

Challenges and opportunities in the new luxury world: winners e strategic drivers

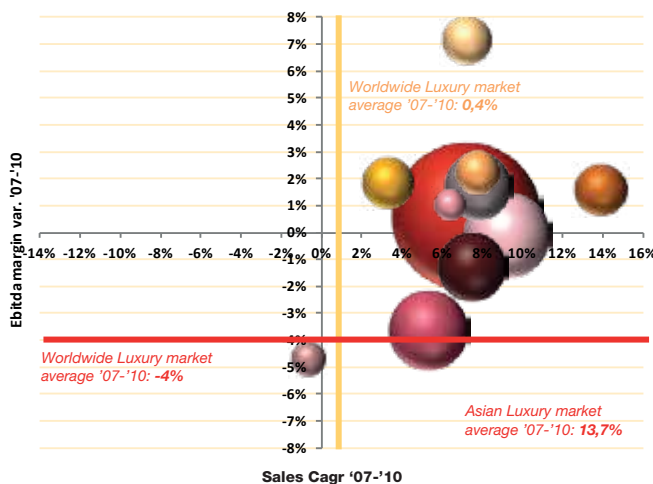
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## Big international listed groups are confirmed as winners in the luxury global competition

Performance in terms of revenue growth and EBITDA Margin 2007-2010 of international listed luxury companies



Legend:  
Sales 2010 = € 2 billions

Company	Sales CAGR '07-'10	Ebitda Margin 2010	Ebitda Margin var. '07-'10
LVMH	7,2%	25,1%	0,6%
Richemont	9,2%	24,4%	-0,1%
Luxottica	5,3%	17,8%	-3,6%
Ralph Lauren	7,5%	18,4%	-1,3%
Gucci Group	7,8%	26,3%	1,7%
Hermes	13,9%	32,0%	1,6%
Tiffany	3,3%	24,1%	1,9%
Prada	7,2%	26,2%	7,2%
Burberry	7,8%	24,2%	2,3%
Bulgari	-0,7%	14,6%	-4,7%
Tod's	6,4%	23,8%	1,0%
<b>Main listed luxury Group</b>	<b>7,2%</b>	<b>23,8%</b>	<b>0,4%</b>

- The worldwide luxury goods market went through a significant crisis from the second half of 2008 until the fourth quarter of 2009.
- 2010 confirmed expectations, recovering pre-crisis values and recording a recovery in almost every market, except from Japan. South-East Asia, and especially China, are considered the key markets, registering double digit growth both in 2009 and 2010.
- Big international listed Groups perform above the worldwide market average, focusing on emerging markets growth strategies and development of a retail network.

## Market drivers of post-crisis success stories

### Traditional markets

Traditional markets show maturity with opportunities for growth that, though positive, are not likely to return to the pre-crisis rate. Western consumers express new consumption models, based on quality, service level and “shopping-experience”.

### Emerging markets

Luxury consumption records double-digit growth in Asia. Understanding consumption models and satisfying its specific needs, represent the main challenges for companies that want to operate in emerging markets.

### Retail & digitalisation

The affirmation of new consumption models and the development of emerging markets, forces international luxury operators to focus their channel strategy on: (i) **retail network development** to enhance the “brand identity” and to gain better control over customers; (ii) **development of the opportunities arising through the internet** and research of **one-to-one interaction with customers**.

### Portfolio brand/product

In a increasingly global and complex market, companies **with a wide brand/product portfolio** diversify the risk, managing both “rising stars” and “declining brands”: this portfolio nevertheless requires an accurate management of the complexities.

### Hard & Soft luxury

**Hard-luxury** has been most affected by the economic downturn, but has recorded a strong “rebound” during 2010. **Soft-luxury** has suffered by the down-trading to “premium brands” and “fast-fashion”, especially in the “apparel” segment.

### M&A

The trend of mergers and acquisition amongst the big players in luxury, that we have seen during the last few years, is continuing.

## How to compete successfully

### PwC questions to ask yourself

#### Driving Performance

- Which is the “strategic ambition” that can be implemented considering our track record, our competition and the expectations of our shareholders/stakeholders?
- How can I successfully deliver my “strategic ambition” both in the short and medium term?
- Which competitive strategies should I adopt in terms of product/channel/brand/communication, in order to respond successfully to the evolution of consumer behaviour?

#### Getting ahead of changes in the market

- How can I attract new customers? How can I better serve, retain, and develop existing customers? Which actions/commercial initiatives should I put in place?
- Which are the main “strategic rational” that drive the economic-financial performance of my company? How does this result compare with that of our main competitors?
- Which are the most attractive markets considering my company’s product/service offerings? Which are the main risks to manage and the main opportunities to seize?
- Which entry strategy should I adopt in attractive markets? Which assets/skills should I leverage in order to be successful in new markets?

#### Navigating changes in the organisation

- How do I manage changes in my cost structure? Which actions are necessary to optimise it to increase flexibility?
- How should I improve the organisation to achieve the strategic ambition?
- What synergies can I take advantage of across businesses or across business segments or channels?

## PwC’s possible solutions

### How we can help

