

Luxury Brands Not Breaking Out in 2014, Need Focus on Ultra-Rich

Companies: BIT:SFER, COH, COTY, EPA:KER, EPA:MC/LVMUY, EPA:RMS, FNP, HKG:1913, KORS,
LON:BRBY/BURBY, RL, SIG, TIF, VTX:CFR, VTX:UHR, ZLC

February 13, 2014

Research Question:

Are luxury brands expecting and prepared for a breakout year in 2014?

Summary of Findings

- The global luxury market will not have a breakout year in 2014. Instead, sales will be on par with or below 2013 levels, according to 16 of 27 sources. Eleven others expect 2014 to see growth of 5% to 20%.
- Sources' hesitation on a breakout in 2014 comes after a strong 2013, the crackdown on corruption and gift-giving in China, and mass luxury spending by Americans that is not coming back in anything other than fits and starts.
- For success in 2014 and beyond, luxury brands will cater to ultra-rich global consumers. This move to the ultra-exclusive is best exemplified by small private companies that may become acquisition targets for larger luxury groups.
- Luxury tourism is the biggest structural shift, with Chinese consumers now accounting for nearly 30% of luxury sales, despite only 7% coming from mainland China.
- Key global trends in luxury markets include a move to more exclusive products with limited supply, fewer logos and very high price points, sophisticated digital strategies, and awareness of corporate social responsibility.
- Companies well placed for these trends include [LVMH Moët Hennessy Louis Vuitton S.A.](#) (EPA:MC/LVMUY), [Hermès International SCA](#) (EPA:RMS), Prada S.p.A. (HKG:1913), [Tiffany & Co.](#) (TIF), and Kering S.A.'s (EPA:KER) [Bottega Veneta](#).
- In China, The Swatch Group Ltd.'s (VTX:UHR) luxury lines—[Longines](#), [Omega](#) and [Tissot](#)—are thriving, but [Compagnie Financière Richemont S.A.](#) (VTX:CFR) brands—[Cartier](#), [Piaget](#) and [Montblanc](#)—struggle because of their higher prices and a drop in gift-giving.
- [Michael Kors Holdings Ltd.](#) (KORS) received the most positive recognition among U.S. retail and department store sources, who expect the brand to continue its impressive growth. Coty Inc.'s (COTY) [Marc Jacobs](#), [Tory Burch LLC](#) and Fifth & Pacific Cos. Inc.'s (FNP) [Kate Spade](#) also are strong U.S. sellers.
- [Coach Inc.](#) (COH) was deemed as too common and criticized for its failed expansion in China. [Burberry Group PLC](#) (LON:BRBY/BURBY) and [Ralph Lauren Corp.](#) (RL) also have lost some luster.
- Africa is an emerging market for luxury brand sales.

Silo Summaries

1) Brand Executives

All three sources said Asia, China in particular, is driving the luxury market in 2013 and 2014. Customers are also traveling to Europe and the United States to make their purchases. One source estimates the domestic Asia Pacific market will grow 5% to 10% in 2014, while another is opening stores in Asia. **One source said mass luxury spending by Americans is not coming back in anything other than fits and starts.**

2) Supply Chain

Both sources expect luxury brand orders to increase in 2014, with one estimating a 10% to 20% increase for the year compared to 2013. They both cite the recovering U.S. economy as an important catalyst in the expected growth.

3) Luxury Goods Retailers in the U.S.

Six of 10 sources expect luxury brand sales in 2014 to be on par with sales in 2013 and four expect to see increased sales activity in the sector, with stated estimates between 5% and 20%. None expect 2014 to be a breakout year for luxury brands. Michael Kors is the leading luxury brand among sources. Ralph Lauren was noted by two sources as losing appeal and sales, while Coach was highlighted as strong and weak by various sources.

4) Luxury Goods Retailers in China

Three of four sources said luxury brand sales in China decreased in 2013 and are on pace for another disappointing year in 2014 with lower sales than 2013. Lower than expected income, crackdowns on corruption and gift-giving, and increasing e-commerce use are all factors of the slowdown in sales. A high-end department store chain source said sales are up 10% and are expected to stay that way through 2014.

5) Industry Specialists in the U.S. and Europe

Five of seven sources said luxury brands must cater and market more to the ultra-rich than to the mainstream luxury consumer to ensure future success. Only two of the seven sources believe luxury brands will experience sales growth in 2014 that outpaces 2013, while others expect results on par with last year, or even slightly below 2013.

6) Industry Specialists in China

This media source expects 2014 luxury brand sales to be on par with 2013. **With younger consumers representing an important demographic for luxury brands, advertising budgets are shifting to digital ads.**

Luxury Brands in 2014

	Current Luxury Brand Trend	Luxury Brands In 2014	2014 Breakout Likely
Brand Executives	↑	↑	↓
Supply Chain	→	↑	↓
Luxury Retailers in U.S.	→	→	↓
Luxury Retailers in China	↓	↓	↓
Specialists in U.S., Europe	N/A	→	↓
Specialists in China	→	→	↓

Background

An upswing in disposable income spending and demand for luxury cruises was detailed in Blueshift's [January 2014 Wave Season report](#), which found rising bookings for 2014's wave season, with four of six travel agents reporting year-to-year booking increases ranging from 10% to 25%. Specifically, the luxury cruise market has been an area of particular strength.

The wealthy are gaining income as the economy improves. For example, the number of New Jersey's wealthiest households has [doubled](#) over the last decade and the households with an income over \$200,000 have increased 12% when comparing 2007-2009 to 2010-2012.

Strong [online](#) high-end luxury goods sales are primed to carry the luxury market in 2014. This online push is [coming to fruition](#), helping Burberry see revenues rise 14% for its Q3. Tiffany is also benefitting from the increased U.S. spending, seeing revenues increase 6% in the United States. Michael Kors grew an astounding 59% in Q3, reaching the \$1 billion mark in sales for the first time in its history and blowing past analysts' expectations. Conversely, Coach suffered lower revenue in its Q2 and a 9% drop in North American earnings, based on weak women's bag and accessories sales compared to a year ago.

Blueshift's [Feb. 2012 report](#) on Michael Kors showed it gaining popularity while taking share from Coach. Our [Oct. 2012 report](#) showed Coach's success at its factory outlet stores driven by discounts and daily promotions, lessening the brand's exclusivity and placing it firmly behind Michael Kors in quality and reputation.

China, once a robust market for luxury goods, saw its wealthy citizens [cut spending](#) by 15% during 2013. This diminished spending is attributed to the government's crackdown on corruption and gifting, and high taxes on luxury goods, which has affected sales of luxury goods in one of the world's largest markets.

Current Research

Blueshift Research assessed whether the luxury brands market is due for a breakout year in 2014 and if the companies are ready to capitalize. We employed our pattern mining approach to establish and interview sources in seven independent silos:

- 1) Brand executives (3)
- 2) Supply chain (2)
- 3) Luxury goods retailers in the United States (10)

Luxury Brands in 2014

- 4) Luxury goods retailers in China (4)
- 5) Industry specialists in the United States and Europe (7)
- 6) Industry specialists in China (1)
- 7) Secondary sources (8)

We interviewed 27 primary sources and identified eight of the most relevant secondary sources focused on overall sales in the luxury goods market, key emerging markets, China cutting back on luxury goods spending, Americans increasing their luxury goods spending, and brands like Michael Kors, Louis Vuitton, [Tiffany & Co.](#) (TIF), and [Zale Corp.](#) (ZLC) experiencing sales growth during the holidays while Coach and [Signet Jewelers Ltd.](#) (SIG) stumbled.

Next Steps

Blueshift's next report will assess how these luxury brands are marketing to the ultra-rich, both domestic and tourist. We will determine which brands can do this the quickest, while at the same time positioning themselves for mass luxury spending in emerging economies like Africa and Brazil.

Silos

1) Brand Executives

All three sources said Asia, China in particular, is driving the luxury market in 2013 and 2014. Customers are traveling to Europe and the United States to make their purchases, and do not appear to be slowing down. One source estimates the domestic Asia Pacific market will grow 5% to 10% in 2014, while another is opening stores in Asia as these vital consumers become a growing focus for luxury brand companies. One source said luxury clientele are becoming more sophisticated and discerning with high expectations for quality without overpaying. Another source said ultra-high net worth spending is increasing, driven by the emerging wealth in China and Brazil, but they are not loyal to particular brands, instead searching for exclusivity even if it means parting from standbys like Louis Vuitton. This same source said mass luxury spending by Americans is not coming back in anything other than fits and starts, resulting in a new focus by luxury brands on the ultra-high-end consumer, both domestic and tourist, but especially tourist. As for U.S. focused brands, Coach was described as not being a true luxury brand and was further criticized for its unsuccessful bid to establish a physical presence in China.

KEY SILO FINDINGS

Current Sales Trends

- 3 of 3: Asia/China becoming central to luxury brands market.
- 3: Chinese traveling abroad for luxury purchases.
- 1: 40% to 45% of revenue coming from Chinese, Russian and Arabs.
- 1: 2013 overall revenue up 15%; clientele becoming more sophisticated.
- 1: mass luxury market not coming back altogether to pre-2007 levels; less loyalty, more searching for exclusivity.

Expectations for 2014

- 1: substantial growth in 2014, opening stores in Asia.
- 1: estimates sales in Asia Pacific will grow 5% to 10% in 2014.

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1. Executive overseeing Asia Pacific for a European luxury apparel and accessories brand

Asia Pacific is the most important region for luxury brand consumption, and customers are a prime target for these brands there as well as in the United States and Europe, which is where Chinese customers in particular travel for luxury shopping excursions. As much as 45% of his company's revenue comes from Chinese, Russian and Arab customers. He expects substantial growth over the next few years and his company is opening stores in Asia to tap into the growing luxury market. This source also noted that Coach is not considered a luxury brand and was not successful in its foray into China with a flagship store.

Current Sales Trends

- "Asians, particularly the Chinese, represent the most important force in luxury retailing today. If they like the brand, they spend and spend a lot. That's true not only in Asia but when they travel to Milan or Paris or London."
- "We track globally the top 20 retail tickets every day. Seven, eight, nine of these tickets are done by Asian customers, mainly Chinese, but also from Southeast Asia."
- "The Chinese government's announced crackdown on corruption may affect the jewelry and watch markets, but other channels won't be affected."
- "The luxury consumer has changed passports. Twenty years ago, the biggest consumers of luxury products were the Japanese. Now, even in Europe, the biggest consumers are the Chinese, the Russians and the Arabs. I estimate 40% to 45% of our company revenue now comes from these nationalities. Even in Italy our customers aren't really Italians. Our main customers in Milan are Chinese, Russians and Arabs."
- "The interest in luxury brands is higher in Asia than in any other part of the world. There's a cultural, social appeal of [luxury goods] not only a money appeal. There's much more a brand mentality than [Europeans] have. There's a stronger sense of brand."
- "Japanese are familiar with American luxury brands, but the Chinese and the rest of Asians see luxury brands much more as a European domain. When the Chinese became free to choose, they went to true luxury, not made in China. The feeling is that it is Italian so it must be good."
- "Coach got burned by this in two ways. First, it's perceived as an American brand, so the luxury quotient is diminished from the get-go. Secondly, it decided to manufacture in China and was very public about it, building a whole marketing campaign. It was an amazing strategy. The problem is that the Chinese didn't buy it. [Coach's large investment in a Hong Kong flagship] worked at first, but eventually the store became pretty much empty."
- "Competition among luxury brands is becoming fiercer in Asia, especially when it comes to accessories, which are the first types of luxury goods people tend to buy. The danger for some luxury brands such as [\[Giorgio Armani S.p.A.\]](#) or [\[Salvatore Ferragamo Italia S.p.A./BIT:SFER\]](#) is over-colonizing the market."
- "Hong Kong was in the past a popular destination for Chinese shopping for luxury brands. Now, Chinese are flying directly to the U.S. or Europe to do their shopping."
- "These new luxury consumers are starting to develop their own tastes. If they perceive a brand that is something new, something exclusive, they are willing to pay for it. For our more exclusive prints or items, we don't have problems selling. In general, it's a very good year for everything."
- "We follow what I call the golden rule of fashion retailing. Twenty percent of the collection accounts for 80% of the value. The top seller in Europe is the top seller in Asia."

Expectations for 2014

- "I expect this year will see substantial growth and continuous growth in the years ahead. We are ramping up operations in Asia. We're looking to open brand stores in Southeast Asia and Macau. Our brand has huge potential in the marketplace. It's important to not just think of the Chinese market, but what is commonly termed Greater China, which includes Hong Kong, Taiwan and much of Southeast Asia."
- "Asian consumers are supporting sales in Europe and the US. I don't see economies in Asia slowing down, but rather growing in a sustainable way."

Asians, particularly the Chinese, represent the most important force in luxury retailing today. If they like the brand, they spend and spend a lot. That's true not only in Asia but when they travel to Milan or Paris or London.

Executive, Overseeing Asia Pacific for a European Luxury Apparel

[Coach's large investment in a Hong Kong flagship] worked at first, but eventually the store became pretty much empty.

Executive, Overseeing Asia Pacific for a European Luxury Apparel

Luxury Brands in 2014

- “I don’t think consumers are afraid, scared, or worried about a Chinese recession. You can’t grasp the amount of money in China. The Chinese finally have the freedom to spend and they are putting it [in these brands].”

2. Executive in Asia for a global fine arts and luxury accessories company

The luxury market is driven by Chinese customers, who are shopping at home and abroad. Revenue in 2013 was up 15%. This source expects 2014 results to be similar to what the company experienced in 2013. He has noticed an increase in the sophistication of his clients who are keenly aware of quality and price, refusing to overpay for items. He also estimates the Asian market can grow 5% to 10% in 2014.

Current Sales Trends

- “2013 was a great year for us. So far, 2014 has been pretty strong.”
- “In 2013, revenue grew globally by 15%.”
- “The global luxury trade in 2013 was saved by the Chinese. They are very active in these stores, although they’re not necessarily buying in China, but abroad.”
- “We haven’t seen a slowdown in China [based on government crackdowns], at least not yet. In 2013, we didn’t feel it at all.”
- “Our clientele is very, very sophisticated in their purchases, much more than in the past.”
- “Take diamonds, for instance. There is heightened demand for the rarest of stones. But these Chinese consumers are very careful about checking quality, demanding certifications and expert appraisals.”
- “Overall in the Asian market, we have more and more clients. Many, many new people are coming into the market.”
- “We see the same behavior among our Chinese customers as we see in our customers in Europe and the United States. They make sure they are buying quality items and they make sure they don’t overpay. I don’t think they will buy anything at any price.”
- “The booming market is driven by Greater China, which includes Hong Kong and Taiwan, as well as China.”

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*Executive in Asia
Global Fine Arts & Luxury Accessories
Company*

Expectations for 2014

- “I’m not going to speculate on global growth this year, but I believe that based on sales so far, Asia is growing between 5 and 10%.”

3. North American CEO of a major global luxury jeweler

Mass luxury spending is unlikely to come back in anything other than fits and starts in the coming year or two. Spending at the very high end—the top half of the top 1%—is happening with consumers from emerging economies like Brazil and China, much less so from citizens of the United States. But these ultra-high-net-worth “new rich” consumers are fickle, frequently abandoning established luxury brands like Louis Vuitton or Cartier to find increasingly more exclusive brands like [Goyard](#), Louis Vuitton’s [Berluti](#) and [Ulysse Nardin S.A.](#) Established luxury brands that have their distribution and marketing solidly in place are well positioned for steady growth this year.

Current Sales Trends

- “The general consensus among the [luxury jewelry] retailers is that it’s steadily improving, but very, very slowly. We’re certainly not back at the pre-2007 levels. It’s improving somewhat. People are optimistic ... but are they buying more? They’re extremely cautious because there’s been a basic shift in the price point.”
- “Before 2007, it was a daily occurrence [for a retailer] to sell \$15,000 or \$20,000 worth of fine jewelry. Now it’s pretty much between \$5,000 and \$10,000. And even then it’s more difficult for a buyer to really make a decision.”
- “Of course you do have steady business with wedding rings, engagement rings ... but even then people are really watching their money. They’re not spending like they used to; it’s improved somewhat and continues to improve, but it’s a long, long road.”
- “It’s true there is a very small percent of the population that has money and keeps spending, but they are not really spending in an ostentatious way at all. You do have a few individuals who keep buying diamonds for like \$300,000

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or half a million, or \$1 million. But those people are very, very few, and if they do spend a lot of money it will be on a car or on luggage. Very high-end watches [fall into this category as well].”

- “But this [ultra-high-end spending on luxury] is happening less in America than other parts of the world. In places like Brazil and China, billionaires are spending at this ultra-high end because they are new to this; they’ve made their wealth in the last two-to-five years, or 10 years, and they are spending money on those very big-ticket items. In the States, less so. And if you do have brands reporting sales of very, very high-ticket items, the chances are [the buyers] are Chinese, they’re Brazilian—and they’re traveling in the United States. Wealthy Brazilians are coming to Miami—that’s where they buy. If [a brand] wants to set up shop in Brazil, it’s very, very bureaucratic, and the import taxes are very high.”
- “The people who have made money in the last 10 years, now of course they are graduating to a high degree of refinement, and they will look for those one-of-a-kind, very confidential brands that are really doing specialty watches.”
- “Those companies are doing well, because if they only sell three or four half-million-dollar watches, that’s good business for a small company. They tend to be very small brands, with two watch makers and an owner. So they benefit from this increased interest from those savvy luxury buyers. It’s natural evolution; someone who has made a lot of money will rush, rush, rush to buy the brands that everyone knows, and then as they mature, they don’t want to have the same watch that their friends have, so they’re looking for [even] more exclusive brands—but then you’re falling off the cliff. Then you’re no longer into the very well-known brands such as Cartier and [Rolex S.A.](#). You saw that with the Russians: three years ago [the new ultra-rich] were rushing to buy Ulysse Nardin. Soon they are going to turn their attention to something more confidential.”
- “And what’s true with watches is true with other luxury products. Instead of buying Louis Vuitton they will buy Goyard; and now that a lot of people are starting to buy Goyard, they will go to Berluti. [The LV-owned] Berluti is now starting to sell very expensive luggage—the \$40,000 items. Because if you have a private jet, you can buy this kind of luggage. But let’s face it—it’s the top half of the one percent. But again, this is more the Chinese and the Brazilians. With Americans, if they’re very rich—the internet tycoons for instance—they’re not really into [ostentatious luxury goods purchases].”
- “The Chinese ‘mass tourists’ will go to Louis Vuitton to buy gifts, but Louis Vuitton as a brand has lost its cachet to some extent with the ultra rich. If we’re talking about the very high-net-worth individuals, it’s a given for them [to buy at LV] if they have to give a gift, but for themselves, they’re now graduating to the more exclusive brands—the Cartiers, the Rolexes.
- “The Chinese now are more careful with their watch purchases because the government has been cracking down on corruption, but [the ultra rich] Chinese are still buying those high-ticket items abroad—a little less so in China proper.”
- “Overall [the luxury market globally is] very iffy. The [stock exchange listed] luxury brands do have to report those very big sales [at the very top end] and they make a lot of noise about it, just to maintain their status.”
- “So luxury brands are doing well in general because they’ve diversified; they kind of abandoned a little bit the United States and they rushed into China, opened a lot of stores. But now they realized that China is kind of iffy and have started to turn their attention back to the United States again. But in the meantime, it’s becoming a more fragmented business because you have a lot of brands that are more confidential and [ultra luxurious] that are capturing those [ultra rich].”
- “The established luxury brands like Rolex and Cartier tend to do well because they have an established distribution. There are a lot of jewelers out there who carry their products, and they put a lot of pressure on the retailers to keep pushing their products. And the retailers need that because customers come in and that’s what they ask for. But then the retailer doesn’t have much room to give to other brands [trying to break into to a wider market]. And if the retailers sell merchandise, they will pay Cartier and Rolex first—because they really need to keep those brands in their stores.”
- “So when it comes to mass luxury, there are relatively less buyers. They are starting to come back a little bit, but those brands that everyone knows are the main beneficiaries of it at the moment. Slow and steady is not a bad thing for companies which already have a good position in the marketplace; it’s more difficult for the brands which are

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*North American CEO
Major Global Luxury Jeweler*

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trying to extend their market share, because they really have to over-spend on advertising, and even then there's no guarantee that that's going to turn into sell-through—first to the retailers, and then from the retailers to the public.”

- “It's an interesting time, because there are real opportunities for smaller luxury brands to become big, in a sense, but it's very hard for them to maintain a level of interest after five years.”

Expectations for 2014

- N/A

2) Supply Chain

Both sources expect luxury brand orders to increase in 2014, with one estimating a 10% to 20% increase for the year compared to 2013. They both cite the recovering U.S. economy as an important catalyst in the expected growth. They also expect prices to rise slightly due to growing demand. Currently, one source continues to work through excess inventory from 2013, and does not expect any inventory shortages in the coming year. Another source highlighted Tory Burch as a brand that should do well in 2014.

KEY SILO FINDINGS

Current Sales Trends

- 1 of 2: current orders are the same as a year ago, working through excess inventory.
- 1: shipments are increasing year to year.
- 1: production shifting away from China because of its rising labor costs and currency value.
- 1: middle and low-end brands like Fast Retailing Co. Ltd.'s (TYO:9983) [Uniqlo](#) and [H&M Hennes & Mauritz AB](#) (STO:HM-B) are doing the best.

Expectations for 2014

- 2: orders will increase in 2014 over 2013, driven by U.S. demand amid recovering economy.
 - o 1: increase will be 10% to 20%.
- 2: prices will also rise with demand.

1. Sales manager of a textile company in China

Current orders from luxury brands are similar as one year ago, but are expected to increase 10% to 20% in 2014 compare with 2013. Order prices have not changed at present, but are expected to increase 5% to 10% due to labor cost increase and Chinese RMB's value rising. In China, fabric orders from luxury brands are for middle-to-low-end or second lines, but more have shifted product lines to Southeast Asia, resulting in lower order numbers for this particular company.

Current Sales Trends

- “Current orders from luxury brands are similar to one year ago. Our company's orders from luxury brands have remained stable. Whether customers buy luxury brands in China or abroad, they will order the fabric from us.
- “However, I heard from my customers in the U.S. in January that their luxury brands sales are not good. They are still selling last year's over inventory.”
- “Our company's overall orders decreased 40% to 50% in 2013 compared to 2012 because most orders are from middle-to-low-end brands. We have big orders from luxury brands' low-end brand line, but more and more of them are shifting their product lines to Southeast Asia, such as Vietnam, Cambodia, Indonesia and the Philippines. Also, Chinese RMB's increasing value affects our orders.”
- “We do a lot of work with Armani, especially their second line. In our overall orders, middle-to-low-end brands' orders are doing best. These brands include Uniqlo, [Inditex S.A.'s/MCE:ITX] [Zara](#) and H&M.”

Current orders from luxury brands are similar to one year ago. ... However, I heard from my customers in the U.S. in January that their luxury brands sales are not good. They are still selling last year's over inventory.

Sales Manager
Textile Company, China

Luxury Brands in 2014

- “Luxury brands’ order prices have not changed currently. The cost occupies less than 10% of those luxury brand’s selling prices, so they don’t really care if prices move up and down slightly.”
- “We have enough material. Our major orders are from October to January every year. We have four product lines, and normally we only use two lines. From October to January, we need to use all four lines, and need to ask workers to work longer shifts.”
- “E-commerce has no any negative impact for our business. Actually, it helps our orders because we are a raw material vendors for luxury brands. If they can sell in both in-store and online, that means their sales are better and we can get more orders.”

Expectations for 2014

- “I expect the orders from luxury brands in 2014 will be better for the rest of the year. The orders will increase 10% to 20% year-to-year in 2014. 2012 was a very strong year. Luxury brands ordered too much in 2012, and then they had to sell over inventory in 2013. Hence, 2013’s orders were not good. In 2014, their inventory will be cleared up, so these luxury brands need to increase their orders again. As a result, our orders will be better.”
- “I haven’t seen any style trends which will drive our orders. On the contrary, I am worried that our fabric technique can’t meet luxury brands’ requirement. Most top luxury brands’ orders still go to Italy and France. China’s major luxury brands’ orders are from middle-to-low-end luxury brands.”
- “I expect prices in 2014 will increase 5% to 10% because our costs are increasing fast. This includes labors costs and Chinese RMB’s increasing value.”
- “We are prepared for an increase in demand for luxury goods from U.S. shoppers because the U.S. economy is recovering.”
- “High demand for luxury brands in the U.S. will not drive prices up. Luxury brands’ prices will stay the same or even decrease slightly. Although our prices will increase slightly, which means luxury brands’ costs will increase slightly, it will not impact overall selling prices because the costs occupy less than 10% of final selling prices.”
- “I can’t predict luxury brands’ inventory level, but for our company, we will not stock any over inventories. How much the clients order is how much we produce.”
- “We don’t expect any materials shortages in 2014 due to high demand. Although luxury brand demand will be greater in 2014 compared to 2013, I don’t think it will increase so much that it will cause materials shortages.”

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*Sales Manager
Textile Company, China*

2. General manager of a Chinese shipping company

Shipment volume has increased recently, and this trend will continue as shipments of luxury brands to the United States will be better for the rest of 2014 due to the strong economic index from the United States. The price of U.S. luxury brands also will increase due to high demand.

Current Sales Trends

- “The shipment from Tory Burch is increasing now compared to the same time last year. They are mainly shipping scarves and women’s sweaters.”
- “Our shipping fees to the United States are about 10% higher than shipping to Europe.”

Expectations for 2014

- “I expect the shipment of luxury brands to the [United States] will be better for the rest of the year in 2014 due to the strong economic index from the U.S.”
- “U.S. luxury brands’ prices will increase because of high demand.”
- “One trend I expect in 2014 is that more luxury brands will produce high tech electronic products.”
- “The biggest concerns are still the economic recovery in the U.S. and the European countries.”

The shipment from Tory Burch is increasing now compared to the same time last year. ... I expect the shipment of luxury brands to the [United States] will be better for the rest of the year in 2014 due to the strong economic index from the U.S.

*General Manager
Chinese Shipping Company*

Luxury Brands in 2014

- “Because I have heard various negative reports about luxury brands orders being down, I predict Tory Burch will be one of the best performing brands in 2014.”

3) Luxury Goods Retailers in the U.S.

Six of 10 sources expect luxury brand sales in 2014 to be on par with sales in 2013 and four expect to see increased sales activity in the sector, with stated estimates between 5% and 20%. None expect 2014 to be a breakout year for luxury brands. Current sales performance is mixed, as four said the year has gotten off to a slower start than 2013, three said it is even with the year before, and three others said sales of luxury brands are up. Michael Kors is the leading luxury brand among sources, with products selling better than competitors, popularity outpacing rivals and styles matching current customer trends. Marc by Marc Jacobs, Tory Burch, and [Brahmin](#) were among other brands succeeding in department stores. Ralph Lauren was noted by two sources as losing appeal and sales, while Coach was highlighted as strong and weak by various sources. Watches are a popular item in addition to handbags, and will do well in 2014.

KEY SILO FINDINGS

Current Sales Trends

- 4 of 10: overall current sales are down from a year ago.
- 3: current sales are the same as a year ago.
- 3: current sales are up from a year ago.
- 6: Michael Kors products are selling better than competition, expected to have a strong 2014, have good product extensions.
 - o Other strong performers: Brahmin, Marc by Marc Jacobs, Tory Burch, Kate Spade, Burberry, Coty's [Calvin Klein](#).
- 2: Ralph Lauren is losing popularity and seeing decrease in sales.
 - o Other brands struggling: Coach, [Dooney & Bourke Inc.](#)
- 3: Winter weather contributing to slow start to the year.
- 3: Watches are a popular luxury item that are selling well and serve as a product extension accessory.

Expectations for 2014

- 6: expect 2014 luxury brand sales to be the same as 2013, at best. Some more hopeful than confident.
- 4: expect 2014 luxury brand sales to increase compared to 2013.
 - o 1: expects 20% increase because of new store in upscale mall.
 - o 1: expects 5% to 10% increase.

1. Dillard's sales associates in suburban Kansas City, MO

Luxury brands, especially Michael Kors, have become bigger sellers in watches and other jewelry than they were a year ago, at the expense of cheaper brands. In handbags, Michael Kors, Coach and Brahmin have been the popular brands but sales have merely been on par with less expensive brands.

Current Sales Trends

- “In jewelry, Michael Kors just keeps getting more popular all the time. I'm seeing sales going up faster than all the other brands.”
- “The trend seems to be that people will buy one Michael Kors item instead of two cheaper items of another brand. They may not be spending more, but they are seeking that higher quality. [Fossil \[Group Inc./FOSL\]](#) is an example of a brand that people still like but don't buy as much as the higher-end jewelry.”
- “In handbags, Michael Kors, Coach and Brahmin are the biggest sellers in the expensive line. There are all about equal in popularity. Sales are up from

In jewelry, Michael Kors just keeps getting more popular all the time. I'm seeing sales going up faster than all the other brands. ... In handbags, Michael Kors, Coach and Brahmin are the biggest sellers in the expensive line. ... Sales are up from a year ago.

*Dillard's Sales Associates
Suburban Kansas City, MO*

Luxury Brands in 2014

a year ago, but I don't think they are up to a greater degree than the less expensive brands. Everything seems to be up somewhat."

- "In jewelry, the higher priced items are probably outselling the medium to lower-priced items by 70 to 30 percent. That would compare to 60% to 40% a year ago."
- "Big designs are popular in jewelry, especially in Michael Kors. People prefer the big watch bands and dials. Rose gold has gained in popularity as a color. We are selling a lot of that."
- "Michael Kors is the most popular brand in jewelry and a lot of other things. It's easy to recognize when people have it. They see it and like it and want to own it."

Expectations for 2014

- "It is hard to know what 2014 bring. We have he had a pretty good start. Our biggest sale periods are Valentine's Day, Mother's Day and Christmas. Sales during those periods tell a lot about how the year goes."
- "Another factor in our year will be our discounting. We have several major sales a year where our prices on Michael Kors, for example, will beat their store prices. The response to sales is a factor in the results for the year."
- "Yes, I expect the higher-end products to keep doing well in 2014 if the economy stays good for people who buy in that price range."

2. Manager at a Michael Kors near Atlanta

Sales will increase 20% over last year as the new store is being discovered by more customers. The best-selling luxury brands are purses and watches. Handbags and combo sets are trending at this source's location. Customers coming to the store to purchase an item is willing to by a luxury brand. None of the products is losing popularity and all are considered high-end.

Current Sales Trends

- "Handbags and combo sets; if someone buys a new purse they buy shoes and a wallet to go with the purchase."
- "This trend is the same as it was a year ago."
- "Not really seeing any strength of sales in luxury brands compared to a year ago. Everything we carry is a luxury brand."
- "I don't know that customers are more willing to spend money on high-end luxury items. People are exited we are here in the mall. Most people that come in come for a purse or a watch but they are surprised to see that we also sell clothing and shoes."
- "The style trend that is most popular is rose gold in general—you see it everywhere."
- "Our handbags and watches offer the best product extension."
- "Our inventory is good and we don't have any concerns about shortage of supply."

Expectations for 2014

- "I expect sales will be up over last year by 20% because we are still relatively new in this area and people are still finding out about us."
- "I don't see luxury brands breaking out, but being more consistent."
- "Purses and watches will be the luxury brand winner in 2014."
- "Spending on luxury items getting better throughout 2014 will depend on the economy."
- "I don't see any roadblocks to a tremendous 2014 for our luxury brands. This mall is becoming more upscale."

I expect sales will be up over last year by 20% because we are still relatively new in this area and people are still finding out about us.

*Manager, Michael Kors
Near Atlanta*

3. Sales associate specializing in women's handbags and accessories at a Bloomingdale's, New York City area

There is room for growth in 2014 as the economy improves and shoppers have more disposable income. The sale of luxury goods has remained fairly consistent over the past three years. Handbags from designers Michael Kors, Marc Jacobs and Tory Burch are performing extremely well, helping drive luxury good sales at this location. Shoppers are losing interest in products designed by Ralph Lauren and Coach. There are no foreseeable roadblocks to a breakout year for luxury goods, but it's too early to say if such growth will happen at a dramatic rate.

Luxury Brands in 2014

Current Sales Trends

- “Handbags have always been some of our more popular items and we’ve seen consistent growth in sales since the [recession].”
- “We’re doing very well in terms of sales, which have remained fairly consistent over the past three years. They are roughly the same, if not better from last year.”
- “People always want to show off even if they don’t have the money. I don’t see that changing. Actually more people might have that mindset with the economy getting better.”
- “Shoppers are always looking for deals, which is something we’re mindful of. We still have lots of customers who want high-end products, but even they are searching for a good deal.”
- “Customers want sales on luxury goods, especially brands like Marc Jacobs and Tory Burch.”
- “Customers appear willing to spend more on handbags than they were a few years ago, but it obviously varies from shopper to shopper.”
- “Some of these brands like Michael Kors and Marc Jacobs are giving customers an opportunity to buy luxury goods at a comfortable price. They want their handbags to look good and be affordable.”
- “Shoppers want the brand name but don’t want to spend a fortune to get it.”
- “High-priced items aren’t selling more frequently in the past year; mid-range items are performing better.”
- “The most popular brands of handbags are Michael Kors, Marc Jacobs and Tory Burch. Ferragamo and [Kering’s] Gucci are also selling well.”
- “Ralph Lauren and Coach are losing popularity because they’re not as [innovative]. They’ve been around for a while and haven’t changed much.”
- “Marc by Marc Jacobs is performing well and is probably our best [product extension]. Younger shoppers prefer the designer’s bags, which are often smaller and come in a variety of colors.”

Expectations for 2014

- “I expect sales of luxury items to remain pretty consistent in 2014, but there could be some growth from last year’s numbers.”
- “There are no obvious roadblocks to a breakout in 2014, but it’s too early to say if this will be a breakout year. It certainly has the potential to be a good one.”
- “The improving economy should help the sale of luxury goods, but I don’t know if we can expect a breakout. Steady growth is more likely.”

The most popular brands of handbags are Michael Kors, Marc Jacobs and Tory Burch. Ferragamo and Gucci are also selling well. ... Ralph Lauren and Coach are losing popularity because they’re not as [innovative]. They’ve been around for a while and haven’t changed much.

*Sales Associate, Women’s Handbags
Bloomingdale’s, New York City Area*

4. Sales specialist at a Bloomingdale’s in Atlanta

She expects luxury sales to exceed their goals in 2014, in part because of the excellent service Bloomingdale’s provides to its customers and discounts to returning customers. Sixty percent of the department’s sales are high-end purses, but they are selling slowly right now. She sees color blocking in purses and cross-body purses as the current trend.

Current Sales Trends

- “We are seeing weakened sales of luxury brands compared to a year ago due to the economy. Probably close to 10% less.”
- “Customers aren’t spending money on high-end luxury items.”
- “We’re not seeing our high-priced items selling more frequently. That being said, the ratio would be 60/40 with the 60% being high-end sales.”
- “Our most popular brands are Marc by Marc Jacobs and Michael Kors. Marc Jacobs offers the best product extension.”
- “Trends are similar compared to a year ago except there is more bling on purses.”
- “Style trends that are the most popular? I’d say definitely cross-body purses are the most popular and also purses with a lot of hardware.”
- “Color blocking is big in purses and Burberry.”

We are seeing weakened sales of luxury brands compared to a year ago due to the economy. Probably close to 10% less. ... In 2014 our sales will exceed our goals compared to 2013 probably around 5% to 10% because the economy is picking up.

*Sales Specialist
Bloomingdale’s, Atlanta*

Luxury Brands in 2014

- “We don’t really have a brand losing popularity unless possibly Ralph Lauren.”
- “The trend that is losing popularity in our store is the clutch purse. We carry a few but we don’t keep a large stock.”

Expectations for 2014

- “I expect our sales to increase because of the service we offer as well as the variety of products we offer. We offer great deals to our repeat customers.”
- “In 2014 our sales will exceed our goals compared to 2013 probably around 5% to 10% because the economy is picking up.”
- “I think the luxury brand winner in 2014 will be Marc by Marc Jacobs because they target college kids and people who aren’t price conscious. Women in their 40s shop for Coach and Kors while senior citizens shop Louis Vuitton.”
- “The only roadblock I see that could get in the way of the luxury brands is if the economy takes a downturn.”
- “I think it’s very realistic—based on Obamacare, cost of healthcare, job market—people aren’t very frivolous buying high-end items.”

5. Sales associates at Macy’s in Wisconsin

Luxury brands like Michael Kors continue to be in high demand, with Kors the top selling line in handbags with sales expected to be stronger in 2014. However, compared to last year, the store is seeing fewer customers who purchase luxury goods. In clothing, private labels Macy Inc.’s (M) [INC International](#) and [Alfani](#) are strong sellers with INC gaining in both price and popularity to that of Ralph Lauren in 2014. In women’s clothing, 30% of the customers follow brands and purchase often without regard to price, 25% shop the deepest discounted racks and the other 45% shop both sale and full-price items. Increased competition for the high-end shopper from a possible [Von Maur Inc.](#) store nearby has associates concerned.

Current Sales Trends

- “Michael Kors remains more popular than Coach and we do not expect that to change this year. Kors is our best seller in the handbag department. In women’s clothing, Ralph Lauren and INC are the top performers.”
- “Since this time last year, our higher end brands like Michael Kors and Ralph Lauren have seen a slight decrease in sales. Everything is slow now.”
- “There are less of the people that buy regardless of price compared to this time last year; not significantly but it has not increased.”
- “The Michael Kors handbag line is doing better than it was last year. And women are buying more Calvin Klein and INC apparel.”
- “For the ones that have money, they are willing to spend more on the higher-end brands. They watch our inventory and want the new clothes right when they come in and they don’t care or bat an eye to the increase in price.”
- “Prices have gone up slightly so while they may notice, buyers of luxury brands are able to afford it so they don’t balk. Now, if something doubled, they may pull back.”
- “We are seeing our high-priced items sell less frequently than in January 2013. It is not down that much; maybe 5%. The whole store and the whole mall are down right now compared to this time last year.”
- “In the women’s department, 30% of our customers want the latest fashions, as soon as they come in and they do not care about price. These are the people that go out to dinner and to the theater and they want the most current styles. They don’t care to go through sales racks or wait for sales when their size may not be available.”
- “Also, in women’s clothing, 25% of the customers come to shop the 65% off racks and of course we need those people to clear out our clearance. The other 45% of our customers shop between the sales racks, discounted and full-price merchandise.”
- “In women’s clothing, the most popular brands we carry are Calvin Klein, Ralph Lauren and two of Macy’s private labels, INC International and Alfani.”
- “In handbags, Michael Kors is number one with other good sellers like Coach, Calvin Klein and Kate Spade. We also carry a brand called Brahmin that has a very loyal following.”
- “In women’s clothing, [Jones NY](#) [The Jones Group/JNY] is losing popularity. Their area keeps shrinking and shrinking and they are not replacing the product line.”

Michael Kors remains more popular than Coach and we do not expect that to change this year. Kors is our best seller in the handbag department.

*Sales Associates, Macy’s
Wisconsin*

Luxury Brands in 2014

- “In handbags, we are selling a lot less Dooney & Bourke than we used to. Their business is way down from what it was a few years back.”
- “In handbags, one trend is embossed leather or material. Leather embossed to look like animal or reptile prints for example or braided leather. The classic styles are always popular too, especially with more mature shoppers.”
- “Seems like the smaller handbags are gaining popularity when big, satchel types had been big for a few seasons.”
- “Inventory is sufficient on high-end brands; we have sufficient inventory on everything with the weather as it has been the last month, we are down overall.”

Expectations for 2014

- “It is going to be tough for luxury brands to breakout in 2014. This year has been a slower start compared to last year, less people are shopping, and there are not as many customers who are willing to drop \$400 on a handbag or \$500 on an outfit. Macy’s still sees those folks but if they are spending less there, the likelihood is that their spending will decrease at other retailers and on other luxury items.”
- “We know it slows down after Christmas, but by now, it picks up. Every day, we keep thinking it will be busy and it is not happening. Once we get any kind of warm day, something over freezing, we will be packed.”
- “We of course hope and expect 2014 to be better than 2013 but you never know. We have new competition coming into the market soon with the opening of a [Nordstrom Rack](#) [Nordstrom Inc./JWN], which will not give us a much competition for the high-end shopper as much as the Von Maur store that may possibly open nearby.”
- “Von Maur caters to luxury shoppers in a way that we could never do at Macy’s, given the current size and reduction of our salespeople. They could seriously have an effect our high-end shoppers. They want to be catered to and we just don’t have the personnel to do it. Even at Christmas, when we had three girls at the counter, it was not enough.”
- “Michael Kors will continue to grow this year and gain further against all its competitors. It is what the young crowd likes the best and they drive the market.”
- “Macy’s line INC is poised to have a stronger 2014. There are more women now who only buy INC as compared to a year ago.”
- “If the economy stays the way it is, spending on luxury goods will stay stagnant or stay slightly down compared to 2013 as we have seen thus far in 2014. But, if the economy takes off, spending on luxury goods will follow.”

It is going to be tough for luxury brands to breakout in 2014. This year has been a slower start compared to last year, less people are shopping, and there are not as many customers who are willing to drop \$400 on a handbag or \$500 on an outfit.

Sales Associates, Macy’s Wisconsin

6. Sales manager at a Lacoste boutique in suburban New York

It is too early to proclaim that 2014 will be a breakout year for luxury goods, and sales so far have been similar to 2013. There are customers looking to purchase luxury goods at full price, but many are seeking out sales on those items, too. There aren’t necessarily roadblocks to this being a breakout year, and [Lacoste S.A.](#) is prepared to build off the success of recent years as the economy continues its recovery.

Current Sales Trends

- “Current sales are about the same as last year. It’s similar to 2013.”
- “We’re not seeing any greater strength in sales, but are trying to attract customers with deals and discounts.”
- “We always have those customers who shop the brand and value the quality of the brand. Then there are those looking for deals. It’s a mix.”
- “Our brand focuses on high-end sportswear, but there is something for people who don’t want that.”
- “We have customers looking for a sale, and those looking for high-end items.”
- “Our traditional items are what make up the majority of our sales. That’s our [shirts]. But there are people looking to buy our handbags and watches, though it’s not what the average customer is coming in here for.”

I expect similar numbers. It’s too soon to say this going to be a breakout year. We need to see how the sale of some of our spring items goes. So far it’s pretty similar to last year.

Sales Manager, Lacoste Boutique Suburban New York

Luxury Brands in 2014

- “There’s about a 50/50 split when it comes to high-end sales and [medium/low end priced items].”
- “The breakdown in sales is about 80/20 when it comes to men and women.”
- “There are customers looking to purchase high-end items. It sometimes depends on what type of events are going on at the mall. That attracts different customers with different spending [abilities].”
- “People are coming to us for the essentials. They want our polos and t-shirts. But higher-end items like jackets and watches are also selling.”
- “Our [product extension] of some shirts has been successful.”
- “I have no concerns about a shortage of supply. Inventory on high-end brands is also fine.”

Expectations for 2014

- “I expect similar numbers. It’s too soon to say this going to be a breakout year. We need to see how the sale of some of our spring items goes. So far it’s pretty similar to last year.”
- “I’m waiting to see what happens with these spring sales. That should give us a better idea of what’s going to happen this year.”
- “I don’t see any roadblocks to this being a tremendous year for [luxury brands], no. But time will tell.”

7. Sales associates at a Nordstrom’s in suburban Kansas City, MO

The second half of 2013 eclipsed the same period a year earlier, riding an upward trend in luxury brands. People are definitely spending more, but they still seek out the sales racks, too. One indicator of the wealthy spending more is a jump in the number of people who use personal shoppers and stylists to pick out their clothes and styles.

Current Sales Trends

- “The second half of 2013 was better than the same period in 2012 for the more expensive items. Shoppers are shopping more and those who come in are buying more.”
- “My particular department doesn’t have a lot of the luxury brands in clothing but we do have some Michael Kors and [St. John \[Knits International Inc./SJKI\]](#) and they are selling better than a year ago. Another department has said Kate Spade is selling well.”
- “People are willing to pay a little more now if they see something they like.”
- “They say the income gap is growing. People with the dough are spending it.”
- “In shoes, Salon is really doing well as a designer brand. In handbags, we are seeing a lot of growth in Michael Kors and Burberry.”
- “It’s hard to say if there has been a percentage shift to the higher ends. Shoppers are still coming in to scope out the sale racks but they are buying non-sale items, too.”
- “Supervisors make announcements over the public address system about how the store and region are doing. Lately, they have been really positive about that, so times must be good.”
- “We have personal stylists who sell only by appointment and they have had big percentage increases. One of the male personal stylists, based in men’s suits, is one of the top salesmen for Nordstrom’s nationwide.”
- “We are seeing women make more use of personal shoppers. They are buying a lot of stuff at one time and spending a lot of money. These are people who can afford it.”
- “Our inventory on high end brands gets low sometimes but they are replenished before we run out.”

“People are willing to pay a little more now if they see something they like. ... We have personal stylists who sell only by appointment and they have had big percentage increases.”

*Sales Associates, Nordstrom’s
Suburban Kansas City, MO*

Expectations for 2014

- “I can’t predict the year ahead for sales figures or brand popularity. It’s been a little slow this month after the holidays, but that is not unusual.”

8. Sales associate at Lord & Taylor LLC in suburban Chicago

Luxury brands are performing at levels of 2013 even though overall sales are down since this time last year. The weather has played a major factor in a slow start to 2014 but economic factors point to a positive and quick turnaround once the extended cold spell finally breaks. Customers who traditionally have not looked at price are now shopping sales racks

Luxury Brands in 2014

and are more cautious about their spending. The store's customer base is 50% high-end and 50% middle and sale shoppers. Top selling brands include [Vince Camuto](#) (G-III Apparel Group Ltd./GIII) and recently, more attention has been made to Jones NY/Jones Collection while [Rafaella](#) (Perry Ellis International Inc./PERY) is seeing less traffic. Calvin Klein continues to be a top performer and is expected to grow further in 2014 due to more appealing feminine yet classic styles.

Current Sales Trends

- "The luxury brands are selling as much as they were a year ago."
- "I am seeing the same amount of customers who spend on high-end items and purchase regardless of price."
- "The customers who have money are not necessarily spending less than they were a year ago but they are more cautious about what they buy."
- "Customers who typically did not consider price when shopping are now looking through the sales racks more often than they were a year ago."
- "I am not seeing customers more willing to spend money on high-end items."
- "I am not seeing our high-priced items selling more frequently than in the past year."
- "Sales this time last year were very good. Now, not so much. It has been slow all year and it all has to do with the bad weather. People don't want to come out in the snow."
- "The ratio of high-end shoppers to shoppers who shop the lower end and sale items is about 50/50."
- "The ratio of higher-end sales to medium/low end/regular priced items is 60/40."
- "In the misses section, our staple brands Calvin Klein and Vince Camuto do well. Lately, I have been seeing ladies going to the Jones NY and Jones Collection more than they had been."
- "Calvin Klein seems to do better than it was a few years ago. Their styles are still very classic but they have added more femininity to their cuts and designs."
- "The brand Rafaella is getting less attention than it did last year."
- "Inventory on high-end brands is solid. All inventory is fine due a slow start this year."
- "We are not currently concerned about any supply issues."

We expect this year to be as good as last year; hopefully better. We are anxiously awaiting better weather so the customers start coming back in.

*Sales Associate, Lord & Taylor LLC
Suburban Chicago*

Expectations for 2014

- "We expect this year to be as good as last year; hopefully better. We are anxiously awaiting better weather so the customers start coming back in."
- "There have been no real economic indicators showing that this year will not be as strong as 2013. Our biggest obstacle this year has been weather and no one can predict that."
- "Calvin Klein will do better this year than 2013. They have been on a roll."
- "Spending on luxury goods will be stable this year. We see many of the same faces and have for years."
- "The big roadblock that could get in the way of a tremendous 2014 for luxury brands is a major stock market crash. The rich would stop spending."

9. Owner of a luxury goods boutique in Palm Beach, FL

This luxury goods store has seen flat sales against last year so far and expects that to continue through 2014. Shoppers are becoming more internet savvy and competitive about finding the best deals. This boutique's high-end inventory has been decreased and more middle to low price point merchandise has taken its place. Traffic has been less reliable than in the past and shoppers buying habits are changing due to the economy, politics and weather.

Current Sales Trends

- "Sales are flat against last year's numbers, slightly down. A combination of economy, politics and weather is to blame."
- "My top 25 customers are still buying without question. They are buying less and traveling more though. The bulk of my customer is getting more competitive when purchasing something. Asking for discounts or to price match the large department stores."

Luxury Brands in 2014

- “They are definitely getting more internet savvy and shopping online more too. It makes it hard to compete against Saks and Bloomingdales, not to mention [online retailers like Amazon.com Inc./AMZN]. The bottom tier of my shopper is nonexistent where last year I was seeing more small random sales. The spontaneous buyer is gone. Shoppers are thinking about purchases more and taking their time.”
- “Traffic has been getting less and less reliable. Shoppers are definitely using the internet a lot more.”
- “My high-end inventory is much lower than last year and I am stocking less. I have had to bring in a lot more lower price point merchandise. I haven’t found vendors offering much in between high and low end merchandise. Retailers have to choose.”
- “European vendors are definitely slower and taking their time. I think they are waiting to get an order to fill it rather than stocking it to have on hand. It is taking 6 to 8 weeks for product when it was two to three weeks last year.”

I expect this year to be flat. I am hopeful, but based on the trend so far I think it will be soft.

*Owner, Luxury Goods Boutique
Palm Beach, FL*

Expectations for 2014

- “I expect this year to be flat. I am hopeful, but based on the trend so far I think it will be soft. But one person can change a month’s numbers for me. If one of my top customers is having a dinner party I will see the impact.”
- “My website just launched and there is the potential for an increase in sales this year from my web presence.”
- “Brands and stores that offer unique customized things that luxury shoppers can’t find anywhere else will continue to do well in 2014.”
- “Supply could be an issue for me. Especially from the European vendors. I could potentially lose a sale because a customer can’t get something fast enough.”
- “I notice that on days the market is down my sales are affected. It is like it directly correlates with my shopper.”

10. Manager at a luxury clothing boutique in Palm Beach

This high end clothing store is prepared for a lackluster 2014 with sales expected to be even with last year’s numbers. Sales are down 30% compared to the same time last year. Shoppers are still shopping but buying less and paying less for it by shopping sale cycles and discounted merchandise. A slowdown in tourism, the stock market, and politics are all affecting this loyally-followed clothing brand as well as the new launch of its website.

Current Sales Trends

- “There is a big difference this season compared to last. Sales were exceptional last year, 30% higher than what we are doing now. Some days were even with last year and others we are up by 10%. Every day is different but nothing like what we were doing last year. We can be at full capacity in the store one day and not even touch last year’s numbers.”
- “Our season has been affected by tourism being down, the stock market, and politics. Even the wealthy are tightening their spending. They are still buying but buying less and spending less overall. A shopper who bought three tops last year is only buying one now.”
- “More shoppers are shopping the our sale merchandise than ever before. Some are even accustomed to our sales cycle now.”
- “Prices have been going up and our product line is changing to attract a younger customer. This is pushing some of our loyal following away.”
- “We recently launched our website and it is definitely affecting our in-store sales. We are competing against ourselves.”
- “We are in expansion mode with new stores opening and our website launching so inventory is up but we have less merchandise than last year in our store.”

Expectations for 2014

Sales were exceptional last year, 30% higher than what we are doing now. Some days were even with last year and others we are up by 10%. Every day is different but nothing like what we were doing last year. ... Our season has been affected by tourism being down, the stock market, and politics. Even the wealthy are tightening their spending. They are still buying but buying less and spending less overall. A shopper who bought three tops last year is only buying one now.

*Manager, Luxury Clothing Boutique
Palm Beach*

Luxury Brands in 2014

- “I see 2014 being a kind of perfect storm for a blasé year for us. We will break even with last year but shoppers are still uneasy about the economy and Obama.”
- “Our profit margin won’t be as high as last year.”
- “More shoppers are turning to online shopping. No one wants to go to the mall anymore. Retailers are offering so many incentives to buy online that stores are taking a hit.”

4) Luxury Goods Retailers in China

Three of four sources said luxury brand sales in China decreased in 2013 and are on pace for another disappointing year in 2014 with lower sales than 2013. One source predicts a 10% to 20% drop in luxury goods sales in 2014, another said sales of the highest-priced luxury watches will drop 35% year to year in 2014, and a third expects another single-digit decrease this year. Lower than expected income, crackdowns on corruption and gift-giving, and increasing e-commerce use are all factors of the slowdown in sales. A luxury watch retailer has excess inventories, while another source is cutting orders on the more expensive luxury items. A high-end department store chain source said sales are up 10% and are expected to stay that way through 2014 due to increased domestic consumption. Louis Vuitton, Hermes, Prada, and Bottega Veneta were hailed as successful brands that still sell well because of strong marketing, history and reputation, and acceptable prices. Coach, Gucci and Burberry were called too common and not appealing to consumers. Swatch’s Longines, Tissot, and Omega watches were strong sellers, while Richemont’s collection of Cartier, Piaget, and Montblanc were deemed too expensive with dropping sales numbers.

KEY SILO FINDINGS

Current Sales Trends

- 3 of 4: current sales down year to year.
 - o 1: 30% drop
 - o 1: 50% drop in watch sales
 - o 1: 4% overall decrease at mid-range department store.
- 1: sales up 10% year to year as consumption level is increasing.
- 3: lower incomes, fight against corruption, e-commerce are reasons for declining luxury brand sales.
- 3: with corruption crackdown, more people shopping for personal use.
- 1: cutting back on orders of most expensive items, increasing orders on less expensive items.
- 2: brands doing the best sales: Prada, Louis Vuitton, Hermes, Bottega Veneta.
- 2: brands struggling because not seen as luxury: Coach, Burberry.
- 1: midrange watches like Longines, Tissot, Omega selling well.
- 1: higher-end watches like Cartier, Piaget, Montblanc not selling well.

Expectations for 2014

- 3: expect declining sales trend to continue throughout 2014.
 - o 1: will drop 10%–20% year to year
 - o 1: highest end watch sales will decline 35%
 - o 1: sales decline will be similar to current 4% rate.
- 2: cutting back on orders.
- 1: working through excess inventory.
- 4: do not expect discounts on highest quality brands, want to preserve exclusivity and reputation.

1. General manager of a luxury brands chain store with locations in China and Europe

Luxury brand sales have fallen 30% year to year, and are expected to continue decreasing for the rest of the year. Compared with 2013, sales are expected to decrease 10% to 20% in 2014. E-commerce, lower-than-expected income levels, and the effort to build cleaner government activities have negatively affected luxury brands sales. Almost all brands are discounting during seasonal changes, but classic models offer fewer discounts or no discounts. Customers age 20-45 are in the best position to make luxury purchases. Customers buy luxury brands for personal use now,

Luxury Brands in 2014

compared to a year ago when luxury brands were being purchased as gifts. Prada, Gucci, Bottega Veneta and Hermes sell well. Sales at Burberry, [Celine](#), Kering's [Balenciaga](#), [Chloe](#), Salvatore Ferragamo and Coach will continue to decrease in 2014. Burberry is perceived as too common now. The top brands are increasing their line accessories, such as wallets and belts. Prices are expected to hold steady or even increase slightly in 2014. More brands are shifting production away from China to other cheap labor countries.

Current Sales Trends

- "Current sales decreased 30% year to year compared to the beginning of 2013. Almost all brands' sales are decreasing now. The sales slowdown started since the middle of 2012. Sales in 2013 were much worse than 2011 and 2012."
- "There are three reasons for the decrease:
 - "E-commerce is developing very fast. Young generations like to go shopping online."
 - "2013's income is not good. People dare not spend the money, but save it for buying houses and cars. The middle class' living pressure is bigger."
 - "Fighting corruption and building clean government activities, starting in the second half of 2013, especially in the fourth quarter, has greatly inhibited luxury brands consumption."
- "Although almost all luxury brands' sales are decreasing, some of them still sell well, such as Prada, Gucci, Bottega Veneta [BV] and Hermes. Hermes is successfully marketing their products as exclusive in China. Prada and Gucci entered China earlier and also do pretty good marketing. They have a good reputation in China. BV entered China later, so it is still not very familiar to Chinese customers, but many of customers who have already shifted from buying big logo brands to low key brands like it, so its sales are increasing."
- "Burberry, Celine, Balenciaga, Chloe, Salvatore Ferragamo and Coach's sales decreased the most. Celine and Balenciaga's product lines are too simple. For example, the motorcycle bag is the only product selling well for Balenciaga. Also, they don't have direct store in China, but only sell by distributor which lack of strong controlling ability. Chloe and Salvatore Ferragamo do too much discounting, so its products' value decreases too fast. Burberry is hampered by too many fake products. Coach's quality is bad."
- "We are discounting almost all brands during the change of seasons. We are not discounting some of classic models. For example, we only offer friendly discounts for Bottega Veneta black and brown bags. On the contrary, we are discounting heavily for bright and colorful products, including bags and dresses because they are easy to be out of season and become additional inventory."
- "Currently, 60% to 70% of customers are buying luxury products for personal use and 30% to 40% are buying for gifts, but it was the reverse one year ago before [Xi Jinping](#) became our president. One year ago, 60% to 70% customers bought luxury brands to give as gift to officers."
- "Rich second generation and children of high officers in their 20s have the strongest consumption ability in luxury brands in both clothes and bags. People 35 to 45 years old have stronger consumption ability in clothes. White collar workers in big city like to buy bags."
- "Burberry is perceived as too common now, and feels like they are saturating the market now. Gucci has the trend to be 'too common.'"
- "Women like to buy handbags most. Men like handbags, belts, shoes and clothes."
- "I have seen that more brands are shifting production away from China to other cheap labor countries. You can see the labels from our products. We see more and more are from Vietnam, Turkey and Thailand [and others]."
- "Online sales are affecting our in-store sales indirectly. Actually, online sales [totals are] not big, but [are] affecting our in-store foot traffic. As the result, our sales are negatively impacted."
- "Our inventory is at a reasonable level. We can sell the excess inventory fast if we are discounting them. Hence, we can clear our inventory fast during the seasonal changes."

Expectations for 2014

- "I expect the sales will continue to be bad for the rest of the year, and decrease 10% to 20% year to year in 2014."

Although almost all luxury brands' sales are decreasing, some of them still sell well, such as Prada, Gucci, Bottega Veneta [BV] and Hermes. Hermes is successfully marketing their products as exclusive in China. ... Burberry, Celine, Balenciaga, Chloe, Salvatore Ferragamo and Coach's sales decreased the most.

*General Manager, Luxury Brands Chain
China & Europe*

Luxury Brands in 2014

- “We have already changed our order strategy. We will decrease luxury product orders that have prices higher than ¥15,000 (\$2,471), and increase orders with prices lower than ¥15,000. We also will increase orders of luxury brands’ low-end product lines.”
- “I expect prices in 2014 will stay steady. Some models’ prices will even be up. Good luxury brands normally will keep their product prices stable to up, especially classic models, in order to keep the brand’s reputation.”
- “Increasing prices will result in some lost customers, but many top brands have launched some low-end products which target young people.”
- “The top brands have already increased production of accessories. They produce more wallets and belts. They will add more cloth bags or combine leather and cloth to decrease costs. This trend started in 2013, and it will be more obvious in 2014.”
- “The middle-end luxury brands will be selling better than top luxury brands. Meanwhile, purchases abroad will increase in 2014 because it is much easier to get a US visa or European visa now. This is very negative for luxury brand retailers in China.”
- “We will not have inventory problems. The retail industry has always pursued the principle of a less inventory than excess inventory.”

I expect the sales will continue to be bad for the rest of the year, and decrease 10% to 20% year to year in 2014. ... We will decrease luxury product orders that have prices higher than ¥15,000 (\$2,471), and increase orders with prices lower than ¥15,000. We also will increase orders of luxury brands’ low-end product lines.

*General Manager, Luxury Brands Chain
China & Europe*

2. Director of the luxury department at a high-end watch retailer in China

The luxury watch market started to decrease at the end of 2012. Sales continue to be poor, down nearly 50% compared to the same time last year. The major hindrances are a weaker economy and anti-corruption activity. Customers are increasingly purchasing luxury watches for themselves, but not for the gifts they were previously buying. Midrange luxury watches brands from Swatch, such as Longines, Omega and Tissot are selling the best. Higher-priced watches like Richemont’s Cartier, Piaget, and Montblanc, as well as [Patek Philippe S.A.](#), Rolex, [Chopard](#), and [Historique](#), whose prices are higher than ¥100,000 (\$16,500) are struggling most. The stores normally don’t discount luxury watches. The store has excess inventory of watches in the higher price range because of slower-than-expected sales. Online sales are not affecting in-store sales because customers prefer to buy luxury watches directly. She expects the total number of luxury watch unit sales to increase 15% year to year in 2014, but the revenue generated from these sales will decrease about 10% because sales of the most expensive watches will decrease dramatically. The prices of luxury watches in 2014 will increase because raw material and production costs are increasing

Current Sales Trends

- “Current sales are bad because the efforts to fight corruption have increased. In the past, high-end luxury watches were bought to give as gifts, and now, the officers are afraid to receive this kind of expensive gifts. Our recently sales decreased nearly 50% compared to the same time last year.”
- “Longines, Omega and Tissot are selling the best. The middle-low-end luxury watches are selling best because now the customers buy luxury watches to wear themselves. The major buyers are young white collar workers. Although they have a good salary, their first luxury watch will not be among the more expensive brands, like Montblanc and Chopard.”
- “The luxury watch market started to decrease at the end of 2012. The major hindering facts are the weaker economy and the anti-corruption activity. The sales of high-end luxury watch brands whose prices are higher than ¥100,000 (\$16,500), such as Historique, Cartier, Piaget, Patek Philippe, Rolex, Chopard and Montblanc started to decrease. They are still struggling most.”
- “We are not discounting luxury watches. The customers buy luxury watches because it holds its value and even increases over time. If we discount the watches, the customers will give up these brands. Hence, luxury watches

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*Director of the Luxury Department
High-end Watch Retailer, China*

Luxury Brands in 2014

normally aren't discounted."

- "The customer group is changing. Those who buy expensive watches as gifts are decreasing rapidly. On the other hand, middle class' consumption desires and purchasing ability increases rapidly."
- "[Titoni](#), [Citizen \[Holdings Co. Ltd./TYO:7762\]](#), [Seiko \[Holdings Corp./TYO:8050\]](#) and [Enicar](#) used to be honored as luxury watches, but now are perceived as too common as people's income increased. Now these brands are just ordinary watches."
- "Rich customers prefer to buy karat gold watches and diamond watches because these watches can show their status and wealth. It is a requirement in their social network. It is important to wear an expensive karat gold or diamond watch in business negotiations and at banquets."
- "The luxury watches are all made overseas, especially in Switzerland. I haven't seen them production to China."
- "Online sales are not affecting our in-store sales because there are too many fake watches online, so customers prefer to buy luxury watches in stores for a better guarantee."
- "The inventory level is higher than our expectation because of the decrease in sales, especially the watches priced higher than ¥100,000."

Expectations for 2014

- "I expect luxury watch unit sales will increase about 15% year to year in 2014 because demand in China is stronger when people's income increases. However, if we just focus on sales volume, it will decrease about 10% because sales of the highest priced watches priced of ¥100,000 or more will decrease about 35%, and this trend will continue for the rest of 2014."
- "I expect prices of luxury watches in 2014 will increase because raw material and production costs are increasing."
- "Medium priced luxury brands will sell better in 2014. Some non-professional watch brands, such as Armani, Louis Vuitton, Gucci and Chanel fashionable watches with prices around ¥3,000 to ¥30,000 will be selling well. In addition, some midrange brands such as Longines and Tissot, with prices around ¥10,000 to ¥35,000 will be selling well, and their sales will be increasing in 2014."
- "I think the Chinese customers' consumption level and taste are gradually improving, and they have higher requirements for watches. The watch market trend has already shifted from traditional watches to more fashionable watches, from pure timing function to more decoration requirement."
- "We will adjust our inventory ratio. We will cut more expensive watches' inventory in order to adjust our inventory to normal level."

Medium priced luxury brands will sell better in 2014. Some non-professional watch brands, such as Armani, Louis Vuitton, Gucci and Chanel fashionable watches with prices around ¥3,000 to ¥30,000 will be selling well. In addition, some midrange brands such as Longines and Tissot, with prices around ¥10,000 to ¥35,000 will be selling well, and their sales will be increasing in 2014.

*Director of the Luxury Department
High-end Watch Retailer, China*

3. Deputy general manager of a department store

Overall sales in 2013 decreased 4% year to year, and this source expects this trend to continue in 2014. Online sales have affected in-store sales. Discounting is a necessary marketing tactic for mid-range brands. Luxury brand customers are not price sensitive, so prices will not be discounted. However, fighting corruption will affect the sale of luxury brands. Women's shoes, handbags, men's formal and active wear are top selling products in their store. More brands are shifting away from manufacturing in China to cheaper countries due to high labor costs, expensive land rentals, rising raw material costs, and cancelled tax benefits.

Current Sales Trends

- "Our department store sales in 2013 decreased about 4% compared to 2012 which was below what we expected at the beginning of 2013. This downward trend did not show signs of recovery in January 2014. Our current sales are still not good."
- "There are two reasons for this:
 - 1. The macro economy is slowing down. We experienced stagflation in our stores where unit prices increased year to year, but the sales volume declined.

Luxury Brands in 2014

- 2. e-commerce/online sales impacted our in-store sales.
- “Our department store focus is on selling to the middle class, so the luxury brands in our department store are not selling well. The customers don’t come to our store to shop for luxury brands. Instead, they go to high-end malls. In our store, the bestselling brands are Belle, Bestseller and Eland, etc. Our customers are more sensitive to price.”
- “Discounting is the necessary marketing way for mid-range brands.”
- “Compared to one year ago, our customers have not changed; still middle class and young customers. However, I see the purchasing ability decreased.”
- “In our store, the strength is women’s shoes, so it is the bestselling item. In addition, handbag, men’s dress and sports series are also selling pretty well.”
- “More brands are shifting away from manufacturing in China to cheaper countries. Our labor costs are increasing significantly. Currency value increases caused a serious price bubble. Meanwhile, land rentals and raw material costs are rising. Foreign enterprises’ competitive advantages have gradually weakened. All these factors stimulate foreign enterprises shifting their production away from China.”
- “Online sales are affecting in-store sales. Rich people tend to buy luxury brands overseas. The others prefer to shop online and/or buy copycat items. As a result, in-store sales were hurt. However, I think it will eventually even out”
- “Inventory levels for different brands are different because every brand has its own operating strategies and management ability is also different.”

Expectations for 2014

- “I expect sales will continue to be bad for the rest of 2014, and this trend will not turn around until the end of 2015 because of the slowing of the macro economy and weak consumption ability.”
- “2014’s sales will not be better than 2013. The best result to hope for is to be the same as 2014. Even for luxury brands sales, it will be successful if they can stay even with 2013.”
- “The luxury brands’ customers are not sensitive for the prices, so its prices will not be down. However, fighting corruption will impact luxury brands’ sales.”

4. Director of a high-end department store chain in China

Current luxury brand sales have increased about 10% due to China’s increased domestic consumption level. This trend will continue through 2014. Louis Vuitton, [Chanel S.A.](#), Prada, Bottega Veneta and Hermes are strong, and Gucci is struggling. Louis Vuitton, Prada and Bottega Veneta are expected to sell well in 2014 due to acceptable mid-range prices. Most brands are not offering discounts, choosing instead to protect their brand reputation, though Gucci, Burberry and Prada’s [Miu Miu](#) are offering discounts. As a result, Gucci and Burberry’s sales will not be as strong for the rest of 2014. Gucci and Coach are perceived as too common, which hurts market appeal and sales. Handbags are the most popular product. More brands are shifting production away from China due to increased labor costs. With rising raw materials prices, luxury brands’ prices will increase around 10% every year. In 2014, customers will pay more attention to fabric and design style for luxury brands. Typical luxury brand customers are young, white-collar workers who buy the luxury brands for themselves.

Current Sales Trends

- “Current sales are the same as our expectation, increasing about 10% compared to a year ago because China’s domestic consumption level is growing.”
- “According to our statistics, LV, Chanel, Prada, Bottega Veneta and Hermes are selling best. All these brands do good marketing in China. Louis Vuitton and Prada have handbags around ¥5,000 (\$824), and they become the top choices for a customer’s first luxury brand selection. Also, this group of customers increases fast. The group of high income customers also increases fast which drives Chanel, BV and Hermes sales.”
- “Gucci’s sales are the worst. Their models look too mature, and the customers shopping for luxury products are trending toward younger people now, so its products are struggling the most.”
- “Most brands are not discounting because discounting will hurt the brand’s reputation. However, some brands, like Gucci, Burberry and Miu Miu offer

According to our statistics, LV, Chanel, Prada, Bottega Veneta and Hermes are selling best. ... Gucci’s sales are the worst. ... Gucci and Coach are perceived as too common now. They still want to be seen as luxury brands, but customers have already defined them as low-end luxury brands.

*Director, High-end Department Chain
China*

Luxury Brands in 2014

discounts. We find that all these discounting brands are not the most popular luxury brands.”

- “The major customers for luxury brands were wealthy people or companies in the past. Now the main customers are ordinary young white collar. Most of them buy for themselves. This is also different from before when a large percentage of luxury brands purchases were for gifts.”
- “Gucci and Coach are perceived as too common now. They still want to be seen as luxury brands, but customers have already defined them as low-end luxury brands.”
- “In China, there is no doubt that the handbag is the highest status item that customers are looking for. Some white collar people come here to buy a new model just after they receive their salary/paycheck.”
- “I heard that more brands are shifting production away from China to other cheap labor countries because the costs are higher day by day in China.”
- “Online sales are not affecting our in-store sales. Luxury products’ unit prices are high, so the customers prefer to buy in store to feel the high-end services. Also, they feel it is more trustworthy to buy in store than online.”
- “Our current inventory is at a normal level because different stores can adjust and allocate the stocks according to the real sales.”

Expectations for 2014

- “I expect sales will continue to increase 10% for the rest of the year in 2014 because China’s domestic consumption level is growing.”
- “I expect prices in 2014 will increase slightly. Along with raw material prices going up and labor costs increasing, luxury brand prices have started to increase. In these last two years, prices have increase about 10% every year.”
- “Because the consumption level is going up, medium-priced luxury brands, such as Louis Vuitton, Prada and Bottega Veneta, will sell better.”
- “Gucci and Burberry will continue to struggle in China. Their brand reputation has been hurt by the discounting.”
- “In 2014, design will pay more attention to fabric and style because more customers own luxury products, so the special character will be shown through fabric and design style.”
- “We will not have inventory problems because different stores can adjust and allocate the stocks according to the real sales.”

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5) Industry Specialists in the United States and Europe

Five of seven sources said luxury brands must cater and market more to the ultra-rich than to the mainstream luxury consumer to ensure future success. These ultra-high-net-worth individuals are looking for exclusivity with subtle or no logos, and a finished product that sets them apart from the more common purchaser of luxury brands. Keeping supply limited and prices high only makes the products more valuable and in higher demand, and the companies that can successfully develop and sell these products will become the winners in 2014 and beyond. Overall, only two of the seven sources believe luxury brands will experience sales growth in 2014 that outpaces 2013, while others expect results on par with last year, or even slightly below 2013. A breakout year in 2014 does not appear in the offing. Hermes, Louis Vuitton, and Tiffany were identified as successful brands, while sources were highly critical of Coach. Richemont and Kering have potential for a good 2014. Two sources said luxury tourism is on the rise, led by the Chinese who buy the majority of their luxury items abroad. As a result, many luxury brands are expanding their retail operations to key airport destination around the globe. Also, Africa and Brazil are emerging players in the luxury scene.

KEY SILO FINDINGS

Current Sales Trends

- 5 of 7: luxury brands need to focus more on and cater to the ultra-rich customers instead of the mainstream luxury customer.
 - o Need to have more exclusive products, limit supply, subtle or no logos, and high price points, reap more profit.
- 2: Africa emerging as an important luxury player.

Luxury Brands in 2014

- 1: Brazil emerging as important luxury player.
- 4: Coach in trouble: sales down in China, not appealing to ultra-rich, suffered from going mainstream.
- 2: Tiffany succeeds with high and low end customers/products, great margins, sets high standard and delivers.
- Other successful brands: Hermes, Louis Vuitton.
- Richemont and Kering have potential.
- 2: luxury tourism becoming important, especially with Chinese.
 - o 1: luxury brands expanding with retail stores in key airport destinations.
- 2: corporate social responsibility is an increasingly important factor for luxury brands and a new point of evaluation for customers.

Expectations for 2014

- 1: 2014 growth will not equal 2013.
- 1: 2014 will not have explosive growth.
- 2: 2014 will have same growth as 2013, not more.
- 2: expect strong growth in 2014, with one calling for 5%–6% global growth, adjusted for currency fluctuations.
- 1: luxury prices migrating upward.
- 1: entry-level luxury will grow the most in 2014.

1. Jonathan Siboni, president of [Luxuryinsight SAS](#)

Global growth in the luxury sector likely will continue at a healthy 5% to 6%, adjusted for currency fluctuations. Luxury tourism is the biggest structural shift underpinning current global growth figures, with Chinese consumers now accounting for nearly 30% of luxury sales, despite only 7% of sales coming from mainland China. Companies that will do well in the current climate are those which adapt to key “deep” trends, including: moving to more exclusive products with limited supply, fewer logos, and very high price points; sophisticated digital strategies; and an awareness of corporate social responsibility.

Current Sales Trends

- “I think we’re going to see more of the same steady growth [in the coming year or two]—around 5% to 6% globally [adjusted for currency fluctuations].”
- “If you look at the growth in this market between 1995 and 2013, we went from €77 billion to €220 billion. So a factor of three in 20 years—it’s interesting but it’s not Facebook. [This figure uses the same definition of luxury as [Bain & Co.’s 2013 luxury report](#), which takes more or less the perimeter of LVMH—i.e., fashion and leather goods, watches and jewelry, cosmetics and perfumes. Furniture and hotels/travel are excluded.]
- “If we add wine and spirits to that €220 billion, then this market is €270 billion. If you look at luxury cars, that’s another €300 billion alone—a market by itself bigger than all the rest of luxury goods.”
- “The market was stable in 2013, on a 10% growth rate over the past few years, which has to be understood in the context of the crisis in 2008. So globally we are in shape, but there was this five to six years just to get back to where we were.”
- “Twenty five years ago, luxury brands were selling to rich people in rich countries—America, Europe, Japan. Two trends then appeared over the last decade: firstly, the democratization of brands, where the luxury brands decided to not just sell to the very wealthy—the HNWI [high-net-worth individuals]—but also to teenagers and the middle class. This led to the widening of the parameters of brands like Louis Vuitton getting into ready-to-wear and sunglasses for everybody, for example.”
- “The second trend was internationalization. Brands started to question why they were only selling to rich countries, because now there’s real money in other places. This is a more recent trend, but if you look at where the sales are in luxury brands, we see the mature markets [in Europe, the U.S. and Japan] are still accounting for the majority of sales, but the growth is coming from emerging countries, the most important of which is China. The Chinese today—since last year—are now the biggest consumers worldwide for luxury goods. They amount to between 25% and 30% of worldwide goods sales. But only 7% to 8% of luxury sales are actually occurring in mainland China.”

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President, Luxuryinsight SAS

Luxury Brands in 2014

- “Luxury tourism is the key here, and so obviously you can’t define a market by where it is geographically. Chinese are important because they come to Europe, to America. Three times more Chinese make purchases of luxury goods outside China than inside. They go to Hong Kong, Macau, New York, France; 1.7 million come every year to Paris out of 83 million total Chinese outbound tourists yearly. It’s the same for Russians and Brazilians.”
- “Brazil is a really interesting market. There are very few sales in Brazil itself, almost no stores and no sales due to very high tariffs and complicated hurdles. But Brazilian tourists are becoming extremely important.”
- “Today, around 60% of the luxury goods sold in France are purchased by foreigners.”
- “Luxury really now has to be understood as a world market. So for example, when you look at the figures and see Europe is up 22%, you can’t just assume the European market is back in shape. It’s actually not that simple. It might just mean that there’s a fight against corruption in China, and Chinese people can’t buy at home in China anymore, so they just come to Paris and buy. This will then be considered ‘Europe sales.’”
- “China was a very masculine market, but now women have gained a lot of importance, and the brands now working very well in China are those catering more to women. Globally, women are two-thirds of consumers, but China is now 50-50. If you look at bags or leather goods, women are more important than men, who are buying watches.”
- “Corporate social responsibility [CSR] is a huge trend. This is important because it’s bringing brands and companies to really reshuffle their entire way of working and operating. Luxury consumers are often trend setters, and they are very interested in CSR. Companies ... are really paying attention to every aspect of the supply chain now, with regard to socio-economic factors like child labor, and also the environment.”
- “Digital is another key trend. Digital was really set aside from the evolution of the luxury market for many, many years—and now it’s back. Brands have to learn how to work with it and be the best at it, because in luxury you can’t just do what everybody does. Whatever you do has to be the best.”
- “Of course online is not only a way to sell, it’s a way to communicate. In China, 50% to 60% of any luxury goods sold there is preceded by a check online—by the consumer going to blogs, seeing what other people say about the product and the brand.”
- “I think this tendency [of pulling back ostentatious spending] will last another year, but progressively it will be back exactly as before, because Chinese are about having what the next person has.”
- “Chinese consumers are strong—29% [of the global luxury consumers in 2013] versus 25% [in 2012]. Money is a good thing in China. People like to have money, to look for money and it’s very different from European culture. It’s closer to American culture.”
- “The Chinese market is getting more sophisticated. Some Chinese consumers are going away from well-known luxury brands, to more specific brands that they can’t find in China but may find it in Europe. Luxury is used in two ways: to show that you’re different from the rest of the world, and secondly, when a lot more people have money [around you], everyone has a Louis Vuitton bag. Then you’re going to be buying something to show you are different from the other people that ‘made it’.”
- “So those same trends [of HNWI’s moving from Rolex to something more exclusive like a Patek Philippe or Ulysse Nardin] are happening in China, but it’s happening quicker, and to a lot of people, because you have one million millionaires in China—people having more than ¥10 million—and two to three million people having more than \$1 million.”
- “People don’t want logos everywhere any more. They know that doing that would prove them a ‘new rich’ with poor taste. [This is] leading them to buy abroad in Japan or Paris, and to more niche brands [which are less ostentatious].”
- “Some new smaller brands are also coming to China through concept stores as opposed to just the big brands with their big flagship stores.”
- “Brands are adapting, and are launching new products that are more adapted to this. Louis Vuitton is a good example—it’s clearly in the trend of getting more premium. So there are lines now without the logo, or a much less prominent logo; they want to sell more leather goods. They are following the strategy of companies like Hermes, where you never know that a Hermes product is Hermes.”

The Chinese today are now the biggest consumers worldwide for luxury goods. They amount to between 25% and 30% of worldwide goods sales. But only 7% to 8% of luxury sales are actually occurring in mainland China. ... Luxury tourism is the key here. ... Today, around 60% of the luxury goods sold in France are purchased by foreigners.

President, Luxurysight SAS

Luxury Brands in 2014

- “[With regard to the logo fatigue angle which came out in [LVHM's recent results](#)], it depends where those brands are selling. Coach doesn't sell in China, but Hermes is having a great time in China for sure and they're in a great position. That's why Louis Vuitton now wants to change its positioning to get there. But some brands are stuck, because they're too old style.”
- “In Japan 10 years ago it was the same. Once, everybody would buy brands just because it was cool and foreign. At one point they got bored. Some brands were able to reinvent themselves—Chanel and Hermes and LV—and others died and went away, like Versace.”
- “Louis Vuitton today has about 40 stores in China. They don't open stores any more, for now. Because Louis Vuitton became so big that now they can't just grow by opening the next store in the next city. They used to do that, but our analysis showed that over two-thirds of Louis Vuitton sales each year were made by new customers. So brands would just rely on new customers. The brand was losing a lot of consumers on the way. So they found growth, but they lost something on the way, a lot of consumers that are not easy to take back.”
- “So Louis Vuitton is trying to stop attracting *nouveau riches* and focus on bringing back the consumers [who are more selective]. For example Louis Vuitton opened a store in Beijing that is women's only, to bring more specific products and a different service. It recreates the link with the consumers.”
- “Currencies are hugely important with this sector because of the massive shift to luxury spending by tourists. If you look at [recent overall] growth, it's 2% on the current exchange rate, but if you look at constant exchange rate, it's 6% - much higher. Why? Because the yen devaluation had a very strong effect this year as a result of political decisions. Only without yen devaluation growth would be 4,5%.”
- “But if we take away the currency effects, we are having a 5% to 6% growth, and that's not bad. I think the market will continue to grow around the same—at about 5% to 10%—but currency is a whole other thing. It doesn't depend on any company strategy or any CEO of a luxury group. At the end of the day, if the product is sold in U.S. dollars or euros, and the euro jumped or rose on Dec. 30, on Dec. 31 the adjusted [sales figures] are going to swing wildly. Because it's a globalized market, the currency effect can be huge. And especially because the brands that are the strongest in the market are European. So it's very linked to the importance of Euro.”
- “Between 2011 and 2012 there was only €8 billion of value created in the market, but €12 billion were created by currency effects. The next year, €12 billion was created as constant growth, but €8 billion was slashed by the currency effect. By the end of the year, in 2012, you have 5% constant growth—which is less than this year, 6%—but because of currency we saw a 10% growth and this year 2%.”
- “The truth is the constant growth rate, and this rate is moving towards the same trend—new countries having more middle classes, new rich around the world; I see those as good signs. I don't really see any signs that this will change over the next year.”
- “I think Hermes is doing an amazing job. It's going to be very interesting to watch, because there's a new member of the family taking the reins this year. It's back into the family hands, and they're really on track to continue their strategy of *'Grandir sans grossir'*. It's the entire strategy of Hermes—how you get taller with without getting bigger [fatter]. The thing is, [being a successful luxury brand] is not about getting bigger. Hermes doesn't want to be a 'fat' Hermes, they want to be a pure and a tall one. That takes longer, because it's more complicated.”
- “Richemont is an interesting brand because they have a very strong management team and very strong products. This year is going to be a risky one because the chairman took a year off to reorganize the company and it's going to be interesting to follow. But they have amazing brands, great knowledge of the market, they know how to refocus, adapt, and they have huge potential.”
- “I wouldn't say the same for Kering. That company is more of a family of brands rather than a group. It's more about different brands being sold by the same guy, and in the process of building a group, but at the moment it's not a group. Brands don't communicate with each other; each brand has different headquarters in different cities, and even for shared departments—which would be digital or finance—that you could leverage, they don't do it because they don't have the organization.”
- “So first Kering is Gucci, and besides that, some brands do good things, but globally it's not mature enough for me yet, and their bets to [invest in sporting goods](#) [with Puma and Volcom], I don't see it.”
- “LVMH is complicated because it's 60 different brands. I could tell you which ones I think are better than others, but as an LVMH shareholder you can only buy LVMH and you have to deal with it.”
- “American brands are very strong in America—and [don't do well abroad]. American brands are super strong in America because their systems and mentality are fitted to the American system, but abroad they are never that big, and the percentage of export sales for American brands is very small, compared to French and Italian luxury brands. French brands are doing sometimes 70% to 80% export; American brands are doing 30% export. If you look at

Luxury Brands in 2014

American brands like Coach and Michael Kors, it's America. Tommy Hilfiger BV, Ralph Lauren, DKNY [Hanesbrands Inc. (HBI)] a few years ago, Tory Burch—they all sell big in America and that's it."

Expectations for 2014

- N/A

2. Doron Levy, president of TheTopTier.net, an online luxury brands publication

Global luxury sales for 2014 are looking healthy, but not as big as 2013. Particular sectors which are very strong are leather goods—especially women's bags—and watches. All the luxury brands are moving to higher-end, limited-edition product lines to cater to the surge in ultra-rich customers. North American brands like Coach and Michael Kors are not well placed to take advantage of this trend. Two other trends worth noting are the increase in luxury spending coming from Africa, and the expansion of brands and high-end department stores into airports.

Current Sales Trends

- "The market that is not getting enough press is Africa. It's going to be the next big luxury market. It's hard to overlook the political issues, but in terms of luxury, Africa is the next hot thing. South Africa for sure; a lot of the established regions like Kenya, Nairobi—they're all seeing strong gains in luxury consumption, and you're also seeing luxury development—bigger and better malls. North Africa also is seeing a lot of increase, specifically Libya if you can believe that, it's one of the next luxury hotbeds."
- "Another global trend is that lot of luxury brands are investing in airport infrastructure, so their retail presence [is] within airports. I think we've had about 26 articles on that subject alone in *TheTopTier*. A Chinese traveler flies into Heathrow, and they're presented with two separate Harrods locations in that airport alone. That's how strong the demand is."
- "[Brands that are leading the charge in terms of airport expansion are] Ferragamo [opening in Macau], Burberry, Mulberry and Louis Vuitton [which is] massive when it comes to airport expansion. Most of the fashion brands have been quick to jump on this. Companies like Richemont are setting up airport stores and putting all their brands in there."
- "The luxury department stores are also capitalizing on this [luxury airport expansion] trend because of the product depth that they have. [French luxury department store] Printemps is going into [Paris airport] Orly, for example."
- "Chinese travelers are spending all that money that they would have spent at home abroad. That's not an under-the-radar thing—they're spending it overseas—and European capitals are the center of it. A recent survey I looked at showed London and Paris as the two favorite destinations for affluent Chinese travelers."
- "Right now leather bags, people are crazy for them. I was looking at a pricing report from the Birkin bag from Hermes, and it's insane how they can come out with a limited edition which will sell out instantly, and that also then drives the price up. So I would say leather goods—specifically handbags, and also luxury watches are coming back—and coming back strong."
- "You're seeing the big watch companies come up with more exclusive lines, to cater for [the move by the ultra-rich into limited edition items] in order to build exclusivity, to build the brand equity. You're going to see a really big trend towards more and more limited edition watches."
- "Rolex is a luxury brand, but it's one for millionaires—an attainable luxury brand. But when you're talking about [Richemont's] [Vacheron Constantin](http://VacheronConstantin), [LVMH's] Hublot, Patek Philippe, they are coming out with limited editions that attract the ultra-high-net worth individuals. Omega, for instance just

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*President, TheTopTier.net,
Online Luxury Brands Publication*

Luxury Brands in 2014

came out with their first orange-colored [Seamaster](#); there's only 19 pieces in the world and there's not even a price available for it. So that's my argument for watches: the name brand watch companies are coming out with these limited editions and building exclusivity with them. And when you're talking about limited edition, you're talking about unlimited margin potential, because you just charge whatever you want for them."

- "The middle class is disappearing; either it is shrinking, or the spending is not happening, so you have this upper-middle-class section, which can still afford to buy the 'sub-tier'; a company like Michael Kors, they're considered a luxury brand, but they sell stuff at Target. They also have special edition stuff and higher price point, but ... what luxury brands are doing is creating these tiered markets: you can have a Michael Kors bag for \$189, you can have one for \$500 and then the \$1,500 Michael Kors brand."
- "Fashion brands are understanding that they need to cater for those lower levels, but the margins are lower too, of course. Also, they're diluting the brand equity by making these products more widely available, so [in order to counteract that] they're taking the upper-tier brands and making them super exclusive, with a special design a limited edition."
- "Regardless of how well Coach does [in overseas markets generally], I've covered the Chinese New Year for the last few years, and every collection that Coach has come out with the last three years has sold out and increased in value. They'll come out with a wallet with a snake on it, or a horse, and a lot of those products are purchased overseas, not on the mainland."
- "Coach doesn't do well in Europe, but Europe is old-school; in North America we're used to the mega-store. So from a margin perspective brands like Coach probably do OK because they have the volume, but on a one-for-one scale, brands like Hermes blow [U.S. luxury brands] out of the water."
- "I don't see ultra-high and high [net-worth consumers] going into Coach—and definitely not Michael Kors. If you tell someone that owns a hundred-million dollar yacht that the bag they bought is available at Target, that doesn't sit so well in terms of luxury branding."
- "Consider Apple as a luxury brand in the next five years. The hiring of [former Burberry CEO] Angela Ahrendts confirms my theory. Look at how they're positioning their products in stores now—which are much more like boutiques."
- "I just did a [story](#) on the 'iWatch'—not the real name, but it's an iPhone-type watch. You're going to be seeing more stylization in their products coming to market. The iPhone 5 gold edition—which is not even real gold—you couldn't find one for five months in Canada when it first came out. It's the bling that's associated with it. The reason they're going in this direction is that they no longer have such a huge lead on the technology front [as they once did]."

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Expectations for 2014

- "I think this year we're going to see what I would call 'happy growth.' So expected growth and maybe a little bit outside expectations. I don't think we're going to see a blockbuster; I think we had it last year in a lot of categories."
- "If we're using cars just as a marker [for the appetite for luxury], companies like Bentley, Rolls Royce and Porsche all posted phenomenal years last year—we're talking blockbuster years. That's a big deal for a planet that has severe economic instability in various regions."
- "I don't want to say this [prediction of steady but not blockbuster growth] is because of mainland China. It may have an effect, but we're seeing these affluent Asian travelers spend their money outside of the mainland. They just don't care—they don't want to see it in the bank. They're not spending it at home; they're spending it in Hong Kong, in Macau, in Europe. So at an aggregate I'm going to predict we're going to have a good year."
- "I think you're going to see more people moving into the upper tier, as opposed to seeing more people moving downwards; so even though the middle class appears to be shrinking, the migration in luxury appears to be upwards, not downwards [in price points]."

Luxury Brands in 2014

3. Dale Dewey, founder and CEO of luxury brands consultancy Luxury Solutions

There has been a massive proliferation of luxury brands and outlets. It's no longer just the 1% who are buying, but the 10%. That has led the wealthiest consumers to demand much more exclusive goods and successful companies to better cater to that demand. On the corporate level, consolidation has taken place as the largest luxury conglomerates such as LVMH have amassed numerous luxury companies. That may well lead to these conglomerates selling off some of their smaller brands.

Current Sales Trends

- "Luxury goods used to be a cottage industry. When Louis Vuitton started, they made custom trunks. Hermes made saddles one at a time for wealthy equestrians. Ferragamo made shoes. Gucci made shoes. All these companies have evolved, horizontally and vertically, geographically. They used to sell in the millions. Now they sell in the billions. There's been an enormous proliferation of production and price points."
- "In the case of luxury goods, that enormous proliferation means mass marketing. It doesn't mean the top 1%, but the top 10%. Louis Vuitton has a handbag for thousands of dollars. But it also has a keychain for \$100. Before, 100% of revenue [of a luxury brand] came from the top 1%. Now, 50% comes from the top 1%, but the other 50% comes from the top 10%. But when the stock market crashes, that 9% doesn't have the ability to pay. They go away. The 1% never run out of money. They just become a little quieter."
- "The concentration of wealth is like never before. It's staggering. The über-wealthy don't want to buy what everyone is buying. Why would they want to buy Louis Vuitton if they walk down the streets of New York and every secretary has one? So Louis Vuitton has announced a new line, non-logo. Other [luxury companies] are coming up with bespoke and customized products. These are very, very singular and very, very expensive. It allows [the ultra luxury consumer] to differentiate themselves from the walking luxury masses. If money is no object, I want to have something different."
- "Coach is in big trouble. They tried to do what Louis Vuitton did but at a lower level, a cheaper alternative to Louis Vuitton, a \$300 handbag instead of \$1,000. What Louis Vuitton did was put a store on every luxury street corner of the world. Coach, their expansion was to do outlet stores."
- "Just because Ralph Lauren is ubiquitous, it doesn't mean it's not profitable."
- "Tiffany is a very unique example. Tiffany has some extraordinary jewels. People for whom money is no object would love to have them. These valuable objects are an important part of their business. At the same time, all these people come into their stores and buy these tchotchkes. They are not high-priced at all, but [Tiffany] is getting a three or four times premium, if not a seven or eight times premium for these items."
- "Louis Vuitton is just the poster child of absolute, total success. ... It's incredibly well managed. Likewise Hermes, Chanel."
- "The big guys are huge. There's an issue there. Is [Fendi](#) a brand or just one company in the LVMH stable? Maybe it's run independently, but still. There's consolidation and as consolidation did, what P&G and Unilever have done, there's likely to be culling and selling some brands off. [They ask], 'How much do we really want to invest in a small brand, which may grow, but barely moves the needle of our company?'"
- "My definition of luxury goods: one, incredible quality, typically hand-made with savoir faire. Not just good leather, but the stitching. Or take [Loro Piana](#) [LVMH owns 80%]: every year there's an auction for Kashmir [wool]. They pay the highest price every year. If it's rare, unique, they buy it. But it's also

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Luxury Brands in 2014

how it's woven together, stitched together. Two, it is typically rare. You pay \$2,000 for a Loro Piana sweater, but there's not thousands to choose from. You may want a size 38 beige color, they may not have it. If you want something really special, jewelry, a sweater, a Rolls Royce, stand in line. Hermes Kelly bag, you can't walk in the store and buy it. You have to put your name on the list. Three, it's very, very expensive."

- "Luxury marketed to the masses is not luxury in the true sense of the word."

Expectations for 2014

- "The luxury business is very mature. Yes, maybe there's some room for expansion, but not as much as before, when it was explosive."
- "Luxury has grown so absurdly, it has nowhere else to grow. Luxury tapped itself out in Europe, tapped itself out in North America, then Asia came along, but now China's growth is slowing down. [Luxury] growth was fueled by category expansion, then fueled by geographic expansion. Stores used to have 20 flagships around the world. Now they have hundreds and hundreds."

4. [Doug Gollan](#), group president at Elite Traveler Media Group

Luxury brands are well placed for continued strong growth in 2014, barring unforeseen U.S. or global instability. Top luxury brand executives and their agencies need to focus more on their heavy users, the "super rich." The real action in luxury spending is not with America's top 1%, but with the top half of the top 1% of earners in the United States, and the estimated 200,000 families in the world that qualify as "ultra-high-net-worth consumers". This group is driving higher-end price points of \$50,000 and up, but also accounts for a large portion of luxury goods sales at all price points. These ultra-rich are truly global in their travel and spending habits, but are not being adequately catered to by the brands, whose sales and marketing teams are organized on outdated country-by-country models, and which incorrectly assume that the ultra-rich are more educated about luxury brands than they really are.

Current Sales Trends

- "We see strength in spending across all categories."
- "Higher end price points are doing the best. This reflects the fact that the rich are getting richer. It's the top half of the 1% who really have the money—and they buy at all price points: I define that ultra-high net worth consumers as \$30 million-plus net worth. These folks are the engine for luxury. People talk about the 1%, but the real action is in the top half of the 1%, because \$500,000 doesn't get you too much in LA, New York or San Francisco."
- "In the luxury industry, the rich are buying not just very high-end products, they are also buying at entry-level luxury brand price points as more of an every-day purchase. If you talk to the luxury brands, you'll hear back that the stuff that is really moving is the very high end—let's say \$25,000 [plus] or \$50,000 plus. So that stuff is doing very well, but they're still selling stuff at the lower entry price points. So I'm saying the super-rich are accounting for a good chunk of that [entry-level luxury spend] also."
- "More money for the super-rich means more spending potential. The [Oxfam study](#) that shows 95% of post-recession gains were had by the 1% also shows 90% of Americans are worse off today than before 2008. The ignored fact is the super-rich have the money to buy lots more."
- "The true luxury industry misses the mark by overspending on marketing for the low-frequency aspirational consumer when they should be more focused on [ultra-high-net-worth consumers]. The super-rich know less about luxury brands than one would think."
- "Montblanc used to be a pen company. Now they make leather accessories such as briefcases, women's jewelry and high-end men's mechanical watches. Louis Vuitton is famous for luggage and accessories; it has expanded into men's ready-to-wear fashion, high-end men's watches and six-figure pieces of jewelry. Waldorf-Astoria used to be a single hotel. Now it is a luxury chain with 20 or 30 properties, growing to probably 50 or 100."
- "Part of where luxury brands can grow their business with the super-rich even more is if they would put more marketing focus on educating these people on: a) what the brands have; and b) why it's desirable. Because if I don't

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*Group President
Elite Traveler Media Group*

Luxury Brands in 2014

know you're selling something, how do I know I'm supposed to buy it? So as the brands roll out their various extensions, they need to also educate the people who can buy it."

- "Many of the brands assume that the wealthy person knows what [the various brands are up to with regards to extensions of their various lines], but many of these [super-rich] people spent most of their 10 or 20 or 30 years in the workforce figuring out a better way to make widgets or Facebook or whatever they did [to get rich], and they know less about these luxury brands than you think."

Expectations for 2014

- "Luxury is well positioned [for 2014] but needs to focus more on its heavy users. Affluent consumers run for the hills when the going gets tough, and it can take years for them to get their mojo back. Ultra-high-net-worth consumers, on the other hand, have plenty of money, but need to be motivated."
- "Everyone has an eye on China, but then again each of the BRIC countries [Brazil, Russia, India, China] have issues that need watching. The Oxfam study underlined that the bifurcation of wealth isn't just the U.S.—[the study's authors found the same trend] in 26 out of 28 countries studied. In the book [Plutocrats](#), even countries such as Sweden, Japan and Israel have experienced the same split."
- "At the top end, the more money that's out there—and as long as we remain relatively stable, and there's no huge incidents or instabilities—you'll continue to see growth in luxury brands."
- "The road blocks aren't in the next 12 months—they are in the next 20 years. There are some bubbles out there, and history tells us bubbles burst. I think global luxury houses are going to need to segment their marketing with distinct teams and strategies to target [ultra-high-net-worth individuals], who by definition today are global, hopping from Davos to Palm Beach to Dubai to Cape Town to London to New York. Go into the top shopping streets in New York, Beverly Hills, London, Milan and most of the customers are visitors, yet the luxury brands still organize their marketing on a country-by-country or regional basis. There is a disconnect."
- "[Brands] dip their toe into the water [in terms of targeting the super-rich]. [Brand executives] think that if they sponsor polo in St. Moritz, this constitutes an ultra-high-net-worth marketing plan. I would say there's virtually no luxury brand which has a dedicated global executive or department responsible for ultra-high-net-worth marketing. They may have some VIP salespeople around the world who deal with VIP clients, but the person who is in Dubai today is in LA tomorrow, then is in Rio then Moscow—and won't be back in Dubai for five weeks"
- "If you look at all the luxury houses, their structures are mainly based on geography. They have a U.S. president, a China president and a Brazil president. But if you look at these 200,000 ultra-high-net-worth families, their structure is global. If you ask me if there's a single point person at any of the 20 or 30 or 50 largest luxury brands out there—so one person that's got a global mandate to oversee sales and marketing to ultra-high-net-worth consumers—I bet you my last dollar there's not a single company that does this."
- "Sales at luxury goods companies have been doing phenomenal—so internally it's hard to change when you don't have a crisis. I think internally there are people in these companies that understand everything I've just said, but while the sales are good in the UK and India and China, it's hard to tell people that we need to change how we're doing things."

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*Group President
Elite Traveler Media Group*

5. Rome-based lawyer with long experience in the luxury fashion industry

Italian luxury brands are focusing much more on high-end lines, which proves much more profitable than secondary lines, while a number of smaller companies are attempting to compete in this crowded marketplace. Companies big and small struggle to gain investment capital, and more may turn to the public markets after the successful IPOs in Milan of [Brunello Cucinelli S.p.A.](#) (BIT:BC) and, most recently, [Moncler S.p.A.](#) (BIT:MONC). The definition of high-end luxury is changing to reflect environmental and social sensibilities and sensitivities.

Current Sales Trends

Luxury Brands in 2014

- “The past year has been a very good year for luxury, and a good year for profit especially at the highest level of the marketplace, while fashion ready-to-wear brands have had a very bad year. Their target [consumer] is saving money and not spending on clothes and other items. We need to differentiate between these markets.”
- “Luxury is more and more investing in luxury. The trend [among these companies] is not to have an economy line, not to dilute their market. They want high luxury, only one line, and push that line. This is being done much more than in the past when they had several lines. It’s a different approach just focusing on luxury.”
- “A lot of very small companies are trying to enter in the high-level luxury market. What they’ve found is that you don’t need to be so big to succeed, you need to be exclusive, in terms of material, in terms of style, in terms of distribution. You can be a luxury brand and be very small. You just need to be in the right place and have the right clients.”
- “Target [consumers] define luxury and that definition is changing. [For some of the more sophisticated luxury consumers] it’s important that brands be environmentally responsible, such as using recycled materials. They carry a social message, they are made with no impact to the environment, no kids are involved. This stuff costs more.”
- “This more sophisticated clientele wants something exclusive, that may be known or recognized only between a small group of friends. The trend is to no longer spend for expensive items that have broadly recognized trademarks, but for specialized, niche items, such as fashion that is tailored just for you. [These consumers] know each other. It’s not that they need to show to everybody, so these brands are not so recognizable, but they are very exclusive. Customers want to say ‘I know these that no one knows.’ These kinds of clients are looking for not-so-famous trademarks.”
- “For Chinese people, however, the strength of the trademark, a renowned trademark, is important. Chinese people are getting more aware of fashion, but they don’t differentiate between first and second lines, for example, between Armani Collezioni and Emporio Armani, they just know Armani. For many of them, it is the same. Russians and Europeans, they know about these differences.”
- “During the Eurozone crisis, several smaller brands were facing problems and many of them went bankrupt. The more important are not facing a financial crisis ... but Italian companies need a lot of money for distribution to foreign customers. Luxury is no longer distributed through franchisers or wholesalers, but through retail and that takes a lot of money. Banks are not so available to finance even businesses that are profitable. So businesses have had to finance themselves.”
- “The trend now is to take advantage of [stock exchange] quotations. The latest to go public were Cucinelli and Moncler. They demonstrated that investors believe in Italian trademarks while bankers do not. These quotations were a very big success ... so more Italian companies, including smaller entities, are considering this approach. But that’s not always an easy task and family companies need to organize themselves before.”

In 2014 I don’t see new or different trends, just that recent trends are increasing, more people are joining this trend to buy something exclusive, known only between a small group of friends.

*Rome-based Lawyer
W/ Luxury Fashion Industry Experience*

Expectations for 2014

- “In 2014 I don’t see new or different trends, just that recent trends are increasing, more people are joining this trend to buy something exclusive, known only between a small group of friends.”

6. President and founder of a consultancy and research firm specializing in development of brand loyalty

This past year was a terrific year for luxury goods and 2014 is expected to see similar results, roughly matching the 20% category growth of 2013, or possibly falling off to 15% growth if there is any slowdown. Tiffany remains the industry standard for luxury brands, because it sets a high bar for expectations and delivers upon them, creating a product and an allure that customers willingly pay more for even when they can find comparable products at lower prices elsewhere. Meanwhile, Coach has suffered because it has gone mainstream, losing any cache it may have had as a luxury brand.

Current Sales Trends

- “I see no real impediment to further growth of the leading luxury brands. As more and more products and services become commoditized, luxury brands will stand out more.”

Luxury Brands in 2014

- “Most holding companies are international and they see ups and downs everywhere, as economies ebb and flow. However, luxury brands have proven more resilient than commoditized brands when it comes to economic slowdown. Last time I looked at Europe, luxury brands were selling well. But no one would say Europe is going great guns.”
- “[Tiffany is] probably, no pun intended, the undisputed gold standard of luxury brands. It is a master at creating expectations about product and service and meeting those expectations. Ten blocks south [of the flagship store in New York City] you can get the same diamond at half the price, but it doesn't come in the distinctive robin's egg blue box. That's the difference.”
- “Customers at Tiffany have high expectations for customer service and merchandise and they are consistently met. These kinds of luxury purchases are more emotional than rational. It's who is going to meet those emotional needs that will succeed.”
- “Coach, on the other hand, has become more mainstream. There is absolutely a correlation between Coach going down market and its current revenue problems. When you go mainstream more than [competing luxury brands], you're not differentiated, and you're not meeting expectations.”
- “This formula of emotion and differentiation cuts across categories of goods, whether handbags, perfume or jewelry. The name Louis Vuitton on a handbag or Hermes on a scarf becomes a surrogate for added value.”
- “The age or longevity of a brand name, however, isn't necessarily a determining factor in establishing a luxury good and relatively new luxury brands can break through. You don't have to be Coco Chanel, you could be Alexander McQueen.”

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*President & Founder
Brand Loyalty Consultancy*

Last year, growth was in the neighborhood of 20%. This year, if there's a slowdown, it might be up only 15%.

*President & Founder
Brand Loyalty Consultancy*

Expectations for 2014

- “Last year, growth was in the neighborhood of 20%. This year, if there's a slowdown, it might be up only 15%.”
- “[I don't see any dark clouds] as long as these brands steer a steady course. Of course, if there's a worldwide depression, that's a different story. [The leading luxury brands] are not completely recession proof, but they stand up a whole lot better than J.C. Penney or Sears.”

7. Head of a Milan-based brand management consultancy

The global marketplace for luxury goods is growing at a brisk pace and expanding into new territories, including such diverse geographies as Africa and Central Asia. The real growth will come at entry level luxury. Luxury is becoming more segmented. The biggest change is from luxury goods to luxury lifestyle.

Current Sales Trends

- “The luxury marketplace is brisk, growing and further segmenting the offer as the expansion is in many new markets, which are completely new to the concept of luxury. The shift is from luxury products to luxury lifestyle. Luxury is in all aspects of the life: from home to fashion, from cars to food, from holidays to cosmetics, to any other sector, there is a material luxury—products—and intangible luxury—experience, knowledge. The intangible luxury is gaining pace and it defines the extreme high-end luxury.”
- “All the most important Italian fashion brands have opened resorts or hotels to offer the total luxury experience, tangible and intangible. The trend is towards a total luxury approach.”
- “Facts and figures give evidence that China was the leader in luxury consumption [in 2013]. It is enough to see how many new flagship-shops luxury brands opened in China and the effects [this had] on financial turnover. But there is evidence too that many other countries in the Far East, especially Vietnam, and in Africa have classes of consumers ready for luxury products, from entry level to the top of luxury. The request of luxury products in Latin America is not as strong as in some African countries.”
- “It is necessary to consider country by country. Cote d'Ivoire, Ghana, Tanzania seem very interesting, with their abundance of raw materials, as well as some countries such as Nigeria, Kazakh Republic and others, as for gas and oil, where there is an interesting segmentation of wealth classes.”

Luxury Brands in 2014

- “The Italian domestic demand is in deep crisis as for consumption of luxury products, but the poor home sales are counterbalanced by the sales to rich tourists visiting Italy and, mainly, with export to the old markets—United States, China, Russia, Japan, UAE, etc.—and new markets [such as] Singapore, Jakarta, Korea, Iran. We have also to consider that some Italian luxury brands are more and more using e-commerce to sell abroad. This is a channel in full expansion.”
- “As for the domestic Italian market, we have also to consider the impact of a new law about the use of cash. It is possible to use [paper] money only up to €1,000 per month. If the product or service costs more, it is compulsory to use a credit card or a check. This is to follow the track of personal expenses and to drive out tax-evaders. There is currently no certified data of the consequence of this law on sales.”

The top luxury market will grow very slowly whilst the potential of a huge growth is in the entry level luxury.

*Head, Brand Management Consultancy
Milan-based*

Expectations for 2014

- “[In 2014], I see opportunities of growth for brands offering a well-balanced rate of quality to price, innovation and originality, real ‘made in Italy.’”
- “There are many brands in Italy that could be a great success, but unfortunately they lack fuel to invest in advertising and in opening shops in countries where the demand of entry level luxury is strong.”
- “The top luxury market will grow very slowly whilst the potential of a huge growth is in the entry level luxury.”
- “The luxury market is very segmented so it is necessary to consider different segments of luxury and match them with the different positioning of each brand. Some brands could decide to change positioning to catch a more interesting target worldwide, or have different positioning in different countries.”

6) Industry Specialists in China

This media source expects 2014 luxury brand sales to be on par with 2013, as growth is slowing down for the luxury category. With younger consumers representing an important demographic for luxury brands, advertising budgets are shifting to digital ads. Results are beginning to take hold as Louis Vuitton, Estée Lauder and Dior are gaining popularity among the younger generation, but not all brands are comfortable leaving their more traditional, conventional advertising methods. The source also said demand for luxury brands from the United States is increasing because of the improving economy.

1. Executive specializing in luxury brands for a communications agency in China

Luxury brands sales growth is slowing, with sales in 2014 projected to be the same as 2013. Desire for these goods remains strong, with larger purchases occurring abroad. Budgets are shifting to new media in an attempt to attract younger consumers, an important—and growing—target group. [Estée Lauder Cos. Inc.](#) (EL), [Christian Dior S.A.](#) (EPA:CDI) and Louis Vuitton are more popular with younger people than before, and this source expects e-commerce and online sales in 2014 to continue growing after a record-setting 2013, and already have affected in-store sales. This also prompts the shift in advertising strategy to more digital content over traditional.

Current Sales Trends

- “Growth is slowing down. On one hand, the consumption desire remains strong, but big purchases are happening abroad. Meanwhile, luxury brands are gradually shifting more of their budgets from traditional media to new media in order to attract young people and to stop the slowdown sales.”
- “There are three major trends related with luxury brands:
 - 1. Travel abroad is increasing rapidly, leading to luxury brands being purchased abroad because it is more cost-effective.
 - 2. Luxury brands purchased from tier 2 and tier 3 cities is increasing fast along with more luxury brands stores opening in these regions.
 - 3. The age of luxury brand consumers tends to be younger.”
- “Most luxury brands commercials are for clothes and cosmetics. The promotion focus is shifting from traditional media to digital media which is closer to the young consumers groups.”

Luxury Brands in 2014

- “Prada does very little advertising, but its sales are still good due to strong brand reputation.”
- “With the changes in the media strategy, the luxury brands sales have already shifted to the younger groups, such as young white collars. Estée Lauder, Louis Vuitton and Dior are more popular with the younger generation than they used to be.”
- “I haven’t seen consumers stop buying luxury brands they were buying one year ago. If they bought one year ago, they are still buying, but the amount they are spending might be less. I see that the young, white-collar group who can afford luxury brands [has] become bigger compared to one year ago.”

Expectations for 2014

- “Advertisements for luxury brands will increase. However, I heard from some luxury brands store managers that their sales are decreasing. They complained that sales would be worse in 2014. I guess their sales are impacted by online sales and the sales abroad. Hence, I don’t expect sales will increase in 2014.”
- “I think e-commerce/online sales in 2014 will be very good. According to statistics, online sales of Chinese luxury product in 2013 broke ¥10 billion (\$1.65 billion) for the first time, and increased 68.8% year to year compared to 2012. Also, we are seeing our luxury brand clients shifting ad spending from traditional media to digital media, so I believe this online sales trend will continue.”
- “Luxury brand sales will stay the same for the rest of the year because the overall economy is not so great. The customers will prefer medium and low range priced luxury products over the true high-end.”
- “The biggest concern is that we can’t find a creative way to do better advertisements using digital media due to luxury brands being more conservative in their approach to digital media.”
- “Luxury brand prices will remain steady in 2014. If they decrease the prices, these goods will not be called luxury brands.”
- “I heard that the demand for luxury goods from U.S. shoppers is increasing. I guess it is because the economy in the U.S. is turning better. I believe Chinese manufacturers are well prepared for that.”
- “Estee Lauder and Swatch Group will perform better in 2014, at least according to their advertisement spending.”

Luxury brands are gradually shifting more of their budgets from traditional media to new media in order to attract young people and to stop the slowdown sales. ... Estée Lauder, Louis Vuitton and Dior are more popular with the younger generation than they used to be.

*Executive Specializing in Luxury Brands
Communications Agency, China*

Secondary Sources

The following eight secondary sources show overall sales in the luxury good market, key emerging markets, China cutting back on luxury good spending, men and Americans increasing luxury good spending, and Michael Kors, Louis Vuitton, Tiffany and Zale experiencing sales growth over the holidays as Coach and Signet Jewelers stumble.

LUXURY GOODS MARKET

The following four sources show luxury good sales exceeding \$318 billion worldwide due to emerging markets in China, India, Indonesia, and Malaysia, the continued decline of luxury good sales in China, men increasing their spending on luxury goods faster than women leading to women focused luxury good brands to expand into male categories, and American’s believing they are still in a recession, but optimistic about their own financials, leading to spending on big ticket purchases.

Oct. 8 Market Wired [article](#)

Luxury good sales are set to exceed \$318 billion worldwide in 2013, led by emerging markets in China, India, Indonesia and Malaysia.

- “Euromonitor International’s latest research on the global luxury goods market indicates another solid year’s performance for 2013. Driven mainly by strength in emerging economies, overall retail growth is set to be stronger than in 2012, with luxury goods sales to exceed \$318 billion worldwide. This will represent a year-on-year real value gain of over 3% on 2012.”
- “The majority of this impressive growth comes from emerging markets such as China, India, Indonesia and Malaysia. While Euromonitor International forecasts that by 2018 the United States, with a projected 34 million

Luxury Brands in 2014

high-income earners, will continue to lead the luxury goods industry, countries with rapidly growing populations of high earners such as India, Malaysia, Indonesia, Mexico and Brazil, offer the greatest opportunities for businesses and brands offering luxury goods and services.”

- “According to our latest research, luxury spending in the BRIC countries experienced a massive increase of 104% over the last five years, compared to just 18% in developed markets,’ said Fflur Roberts, Global Head of Luxury Goods research at Euromonitor International. ‘Luxury spending in China is rising steeply despite a government clampdown on extravagant consumption. At the same time, a weaker yen is bolstering Japan’s penchant for premium brands and affordable luxury is still breaking new ground in Western Europe and North America.”
- “A rapidly expanding A and B class across sub-Saharan Africa, Latin America and emerging Asia, with incomes 150 to over 200% higher than the average gross incomes of individuals aged 15 and over, is fuelling a new culture of luxury aspiration, leading to an increase in luxury spend,’ explained Roberts.”
- “India was by far the most dynamic luxury goods market over the 2008-2013 period and is forecast to grow by a further 86% in constant value terms over the five years to 2018, followed by China at 72%, Brazil at 31% and Russia at 28%.”
- “Overtaking France in 2012, China became the third largest market in the global luxury goods rankings. While in 2013, China accounts for only 7% of global luxury goods consumption, its share is expected to increase further. China is forecast to account for the highest overall value sales increase over the next five years of over US\$17 billion. This will equate to 26% of the total global contribution.”
- “In 2012, Mexico overtook Brazil as Latin America’s biggest luxury goods market. With a total GDP of \$1.2 trillion in 2012, Mexico is the world’s fifth largest emerging market economy behind the BRIC countries—Brazil, Russia, India and China—and the second largest in Latin America.”

Feb. 5 Want China Times [article](#)

China’s luxury goods market may continue its decline in 2014 after seeing sales growth decline 7% in 2013 and 2% in 2013. This decline is due to the lack of spending by men, specifically for watches, which make up one fifth of domestic luxury good sales, and menswear. Although, women are showing strong spending momentum into 2014.

- “The growth of China’s luxury goods market may continue slowing down in 2014, predicted the management consulting firm Bain & Co.”
- “The sales growth of luxury goods in China dropped from 7% in 2012 to 2% in 2013, Wednesday’s China Daily quoted the company’s report as saying. The report attributed the slowdown to more Chinese shopping luxury goods abroad. About two-thirds of luxury goods were bought abroad, the report said. Another major factor to cool the market was the government campaign to curb extravagance and promote frugality.”
- “The campaign has especially affected the sales of luxury watches and other goods favored by men.”
- “The sales of watches, which makes up more than one fifth of the total domestic luxury goods market, declined by 11% in 2013. Menswear shifted from a booming business category in previous years to a slightly declining one in 2013.”
- “Chinese people remain the largest nationality of luxury buyers across the world, contributing 29% of purchases in the global market in 2013.”
- “Comparing with a slowdown in men’s category, women’s spending on luxury goods showed strong momentum, the report said.”
- “The sales of luxury goods favored by women, such as women’s wear and shoes, reported annual growth of 8 to 10% in the past few years.”
- “In 2013, women spent as much on luxury goods as men, while in 1995, more than 90% of spending was done by men.”

Jan. 29 The Wall Street Journal [article](#)

Men are increasing their spending faster than women in recent years, leading to many luxury brands, like Louis Vuitton and Gucci, expanding into the men’s apparel and accessory market with new boutiques, Berluti and Brioni respectively. Men are shown spending more on shoes and suits as the economy improves, specifically men in China.

- “Bernard Arnault built LVMH Moët Hennessy Louis Vuitton into a luxury-goods empire by selling handbags and dresses to women. Now his son Antoine is targeting an underserved clientele: men, whose spending is increasing faster than that of women.”

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- “Antoine Arnault is spending upward of €100 million (\$137 million) to develop Berluti, a small maker of expensive men’s shoes, into a full apparel and accessories house. The latest step in his project is the opening next week of Berluti’s first New York store, on Madison Avenue. He is also in charge of LVMH’s recent €2 billion acquisition of Loro Piana, the exclusive cashmere brand that gets half of its sales from men.”
- “The group has several brands with men’s lines and we saw they were having consistently strong growth, and that very high-end products were more and more successful,” said the 36-year-old Mr. Arnault in an interview at Berluti’s new Paris boutique. “It became evident to us that the group should invest more in this segment.”
- “Male consumers could help pull LVMH out of a growth slump, brought on by consumer fatigue of its juggernaut, Louis Vuitton, as well as the tapering of spending in China.”
- “Analysts forecast that LVMH, the world’s biggest luxury-goods group and a bellwether for the industry, will post a 4.4% increase in full-year sales to €29.34 billion on Thursday, a sharp slowdown from previous years.”
- “The pursuit of men reveals the luxury-goods industry’s need to attract new consumers to offset slowing growth. In considering products from shoes to shampoo, men are more loyal to labels than women and less concerned with trends and overt logos, experts say. As a result, the luxury-goods industry is emphasizing heritage and quality over newness.”
- “To catch more of the men’s market, Gucci parent company Kering bought Italian suitmaker Brioni two years ago. Last year, Chinese conglomerate Fosun International Ltd. took a stake in Italy’s Caruso, a suit manufacturer for many top designer lines which has also launched its own collection.”
- “[W]omen have cut back on spending by trading down to less expensive brands, mixing Zara and H&M with Louis Vuitton and Chanel.”
- “Men, on the other hand, put off buying new suits, but returned to their high-end brands once the economy recovered. If anything, their taste became more expensive. Between 2009 and 2013, men’s luxury spending increased 55%, compared with 37% for women, according to consultancy Bain & Co.”
- “This is a mega trend,” said Bain luxury-goods partner Claudia D’Arpizio. “All men’s categories are outpacing women’s.”
- “The boom in men’s fashion sales has its roots in China, the biggest growth driver in luxury. When luxury brands opened in China, men held the purse strings and wanted to show their rising social status in their clothes. They spent heavily on casual wear for work, dismissing suits as too close to a uniform.”
- “Berluti was a small men’s shoe brand that LVMH acquired in 1993 after Bernard Arnault discovered it as a client. His son saw the potential to stretch it from its roots making colorful loafers priced in the thousands of euros to making classic suits and casual wear with modern cuts. Mr. Arnault said that Berluti should reach break-even in two years.”
- “In addition to the New York shop, Mr. Arnault has opened stores from Costa Mesa, Calif., to Dubai. He keeps an eye on big-ticket purchases, such as the €43,000 crocodile suitcase sold in the Hong Kong store this week.”

Feb. 6 *The Wall Street Journal* [article](#)

A survey done by NBC News/Marist Poll shows contradictory thoughts from Americans, with the majority believing the U.S. economy is still in trouble, but feel optimistic about their financial situation. Two-thirds of Americans have not delayed on making expensive purchases, in conjunction with 82% spending money on a major life event instead of saving.

- “A strong majority of Americans think the U.S. economy remains troubled, but they also are growing more optimistic about their personal financial situations, an NBC News/Marist Poll released Wednesday found.”
- “About six in 10 Americans—up from 54% last July—say the U.S. is still in a recession, and 63% think the country is moving in the wrong direction. (Officially, the recession ended in June 2009.)”
- “But the same number—63%—say their personal financial situation is strong or somewhat strong, and a growing number think their finances will improve in the next year. Some 35% said they expect their families’ finances to improve, up from 29% last July. That puts optimism about personal finances at the highest it has been in five years, according to the poll.”
- “By most measures, the economy has improved considerably in the years since Mr. Obama first took office in 2009. More recently, consumer confidence has shot up in the last two months, and the unemployment rate is as low as it has been during Mr. Obama’s presidency.”
- “Polls also show that people’s view of the state of the economy—or at least the way they answer pollsters’ questions—greatly depends on their political party affiliation. Democrats tend to say the economy is performing better than independents and Republicans do.”

Luxury Brands in 2014

- “That trend is shown in the breakdowns of the new NBC/Marist numbers: 49% of Democrats say the economy is in a recession, while 64% of independents and 72% of Republicans do. Similarly, 41% of Democrats see their personal finances improving over the next year, compared with just 32% of independents and 22% of Republicans.”
- “Nearly two-thirds say they eat out less now than they did last year. A quarter have not changed their dining habits.”
- “Nearly one-fifth have put off a major life event, like getting married or having a baby, to save money, while 82% have not.”
- “Some 36% have not purchased an expensive item like a television or a car because they could not afford it, while two-thirds have not delayed major purchases. Of households that make less than \$50,000 a year, 43% have put off a major purchase.”
- “The poll, which surveyed 1,200 adults Jan. 12-14, has a margin of error of 2.8 percentage points.”

LUXURY GOOD COMPANIES

The following four sources show Michael Kors exceeding expectations and skyrocketing revenue, Coach coming up short on analyst estimates due to weak women’s bag and accessory sales in the United States, Louis Vuitton recording 4% sales growth, and Tiffany seeing sales rise over the holiday season as Zale sales grow and Signet Jewelers sales sink.

Feb. 4 Fox Business [article](#)

Michael Kors demolished wall street estimates as Q3 revenue exploded 59% to \$1.01 billion. This rise was due in large part to the 144% surge in sales in Europe, as same store sales of 27.8%, and North America sales rose 51%.

- “Shares of Michael Kors spiked 19% Tuesday morning after the retailer blew away expectations with a 77% surge in fiscal third-quarter profits and soaring sales that vaulted above the \$1 billion level. In addition to reporting results that crushed forecasts, Michael Kors brightened its full-year earnings guidance above the Street’s views.”
- “The retailer said it earned \$229.6 million, or \$1.11 a share, last quarter, compared with a profit of \$130 million, or 64 cents a share, a year earlier.”
- “Revenue soared 59% to \$1.01 billion, easily exceeding consensus calls from analysts for \$859.9 million. Same-store sales climbed 27.8%. North American revenue climbed 51%, while European sales skyrocketed 144%.”
- “‘Michael Kors enjoyed an outstanding holiday season, as global brand awareness continued to drive strong demand for our luxury product,’ Michael Kors CEO John Idol said in a statement.”
- “Looking ahead, Michael Kors now sees full-year EPS of \$3.07 to \$3.09 on revenue of \$3.18 billion to \$3.19 billion. Even the low end of that new range would top the Street’s EPS view of \$2.83 and revenue forecast of \$3.03 billion. Same-store sales are projected to increase about 25%.”

Jan. 22 Forbes [article](#)

Coach missed analyst estimates due to weak North American sales, which dropped 9% due to weak women’s bag and accessory sales over the holidays. Though overall revenue was down 6%, China sales were up 25% and men’s shoes were pointed out as a bright spot for the company.

- “Has luxury brand Coach lost its appeal in the U.S?”
- “A 9% drop in North American sales proved to be a drag on the company’s overall second quarter fiscal 2014 results, which missed Street expectations on profit and revenue, and sent shares of Coach stock for a 7% dive in pre-market trading Wednesday morning.”
- “Coach reported second quarter revenue of \$1.42 billion, a 6% drop over the same quarter last year and missing the analyst consensus of \$1.5 billion.”
- “Profit, too, was down for the quarter: the retailer’s second quarter net income came in at \$297 million, resulting in earnings of \$1.06 per share. This misses the Street’s prediction of \$1.11 in earnings per share and marks a decline over the \$353 million in net income and \$1.23 in earnings per share in the prior year’s second quarter.”

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- “In a statement released Wednesday morning, newly-minted CEO Victor Luis attributed the quarter’s decline to weakness in North American women’s bag and accessory sales over the holidays, and said this weakness more than offset gains in men’s footwear as well as growth in Asian and European markets.”
- “China, which was a standout market for Coach in its first quarter of fiscal 2014, continued to be a bright spot for the retailer. Sales in China rose about 25% and the business is on track to meet annual guidance of \$530 million, the company said. As a whole, international sales increased 2% to \$425 million, up from \$418 million this time last year. On a constant currency basis, international sales grew about 11%.”
- “Coach’s second quarter North American sales decreased to \$983 million from \$1.08 billion this time last year, a 9% drop. On a comparable store basis, sales fell 13.6%.”

Jan. 30 Expatica [article](#)

Louis Vuitton recorded a 4% increase in sales over the year as net profits remain flat, as weaker watch and jewelry sales took hold due to headwinds from the global economy, and crackdowns on corruption in countries such as China.

- “VMH bucked the slowdown in the global luxury market, posting a 4 percent increase in sales last year to a record €29.15 billion (\$39.5), although net profits were flat at €3.4 billion.”
- “The top luxury group said its profits from recurring operations broke the 6 billion euro level for the first time, rising 2 percent to €6.021 billion.”
- “Organic growth slowed to 8 percent from the 9 percent recorded in 2012.”
- “The results were slightly below expectation of a net profit of 3.5 billion euros on sales of 29.34 billion with profit from recurring operations at €6.05 billion, according the consensus of analysts polled by Dow Jones Newswires.”
- “LVMH, whose stable of brands includes Louis Vuitton, Givenchy, Moët & Chandon, Dom Perignon, Guerlain, kept its operating margin stable near 21 percent.”
- “Sales in the fashion and luxury goods segment, the biggest for the group, dipped 0.4 percent to 9.9 percent in reported terms but grew 5 percent on an organic basis, which eliminates exchange rate fluctuations and changes in the company’s structure.”
- “Watches and jewelry also dipped on a reported basis, but other segments reported sales growth in both reported and organic terms.”
- “Arnault explained the slowdown in growth to the headwinds hitting the sector due to the global economic situation, as well as developments in certain countries such as China, where a crackdown on corruption has hit sales of luxury items.”
- “The strong euro also hurt the results and the company shifted its offer, including in Louis Vuitton where it now favours the high-end leather bags instead of other models.”

Jan. 10 Wall St. Cheat Sheet [article](#)

Tiffany & Co. saw U.S. sales rise 6%, a major sales gain as more than half of the company’s total revenue comes from the United States, as Asia Pacific sales rose 5% and Europe sales grew 11%. During the November and December holiday season, sales rose 8%, which makes up approximately half of the company’s profits for the year. Zale saw sales rise 2% over November and December, as Signet Jewelers fell short of analyst estimates due to increased promotions.

- “Multinational jeweler Tiffany & Co. experienced a jump in sales over the holiday season this past year, reporting a 6 percent leap in U.S. sales in stores open for at least a year. American sales account for more than half of the company’s total revenue, reports *Reuters*.”
- “The famous jeweler, known for its signature ‘Tiffany blue’ boxes and its flagship, Fifth Avenue Manhattan store, site of several iconic scenes from the 1961 film *Breakfast at Tiffany’s*, maintained its full-year profit forecast in 2013, according to *Reuters*. This, during a year in which many large retailers were forced to cut their outlooks as a result of steep discounts.”
- “‘Tiffany enjoyed a good holiday season with overall sales results in line with our expectation, and we were pleased to see growth across our fine and statement, engagement and fashion jewelry categories. Based on these sales results and related margins, we expect that full year earnings before certain charges will meet the most recent forecast we provided in November,’ Michael J. Kowalski, Chair and CEO of the company said in a press release, per the *Wall Street Journal*.”
- “In November and December, a two-month window which can account for nearly half of the company’s profit and almost a third of annual sales net sales rose 8 percent.”

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- “Tiffany also experienced a rise in sales in its other markets, including the Asia-Pacific, which saw a jump of about 5 percent, to \$196 million. In Europe, as well total sales increased by 11 percent to \$131 million, per the *Wall Street Journal*.”
- “Other jewelers reported similar jumps in sales during the holiday season, including lower-end competitor Zale Corp., which reported a 2 percent rise in sales during November and December. Zale’s shares rose to 17 percent, up to \$16.53. In contrast, Signet Jewelers Ltd., the largest jeweler in the U.S. saw shares fall 1 percent Friday to \$72.86. On Thursday, the company estimated fourth-quarter profit that fell short of analyst’s estimates; increased promotions is thought to have hurt the company’s margins, according to *Reuters*.”

Additional research by Emily Carr, Matt Miller, Gloria Shao, Kevin Murphy, Tina Strasser, Cindy Elsberry, Erica Franklin and Greg Shillinglaw

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