Report: Luxury Continues to Underperform in the US

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Source: National Jeweler

Milan--The luxury market is expected to get back to growth this year as Chinese spending and consumer confidence in Europe return.

According to management consulting firm Bain & Co., the global personal luxury goods market is predicted to grow in the range of 2 to 4 percent (at constant exchange rates) in 2017, from $284 billion to $290 billion.

The company's "Worldwide Luxury Monitor 2017 Spring Update" indicates that watches and jewelry are maintaining momentum and while watch sales are down right now, they will soon recover.

However, in the Americas, the study states, the U.S. luxury market "continues to underperform." A strong dollar, ongoing political uncertainty and struggling department stores have combined to create uncertainty for the country this year, with the market expected to be between a 2 percent decline or flat in 2017.

Meanwhile, Latin America is supported by some local consumption and Canada is poised to slow down--luxury sales there are expected to range between flat and a 2 percent decline.

Europe is still recovering from a decline in tourism last year and is regaining confidence among local consumers, with Spain and the U.K. standing out as bright spots. Bain has forecasted growth of between 7 and 9 percent at constant exchange rates for the region.

Mainland China also is rebounding as its local consumers continue to show a preference for buying luxury goods, driving an expected 6 to 8 percent growth. Chinese tourists also will continue to account for a large portion of international luxury purchases.

While Japan remains a positive market for luxury brands, the environment for the rest of Asia is still difficult: Hong Kong, Macau and Singapore might be improving, but Taiwan and Southeast Asia are facing decreased tourism.

The rest of the world is expected to be flat or see only slight growth of 2 percent.

In its update on the luxury market, Bain also addressed a number of key topics that will drive the luxury market this year, including the following.

1. **The U.S. market's landscape.** Even though it's still the largest market for personal luxury goods, the combined effects of a slowdown in tourism, unsettled political climate and challenging outlook for department stores mean that brands have to have "an impeccable strategy and execution" to survive.

2. **The digital and off-price winners.** Digital continues to reshape the luxury industry, with Bain indicating it expects online sales to be the leading channel with the highest growth in the coming years, followed by off-price stores.

3. **Millennial shopping habits.** The inclusion of this likely surprises no one, as the "millennial state of mind" requires that brands better cater to their needs because it is this generation that has increasing buying power. In fact, millennials and Gen Z--the generation that follows the millennials and the oldest of whom are about 22 right now--will represent 45 percent of the global personal luxury goods market by 2025.