

Luxury Market Grows – But Will It Rise Above The Challenges?

Global personal luxury goods market will grow this year, but the market faces several challenges - from flat US consumption to a greater gap between winners and losers

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Source: Israel Diamond Institute

The Bain Luxury Study 2017 Spring Update, released in early June, has predicted that the global personal luxury goods market will grow by 2% to 4% to \$284-\$289.6 billion in 2017. According to the report, this growth will be driven by “healthier local consumption in China and increased tourism and consumer confidence in Europe”. In addition, Millennials “will be a key driver to push the market to €290 billion (\$324 billion) in sales by 2020”.

This numbers, encouraging as the may be for the diamond and jewelry sectors, may have a thorn on their side. According to a new piece published on IDEX Online, challenges abound for the future growth of the luxury sector.

For instance, Bain predicts that while Chinese consumers account for one in three luxury purchases globally, the Asian luxury market as a whole – China exempted – “will shrink by 2 to 4 percent because of falling tourism numbers in Taiwan and Southeast Asia”.

Additionally, while European sales of luxury goods was defined as “buoyant”, and Bain predicts a growth of 7% to 9% in the region, the terror attacks in Britain, France and Germany over the past half year may have an unforeseen impact on this trend.

The US may be another sore spot, and Bain predicts a decline of up to 2% in the US in 2017. This decline is driven, according to the report, by “political uncertainty and the problems affecting department stores which have traditionally served as the main sales channel for luxury brands, but are being closed down in rising numbers”.

Finally, the report concludes, the gap between winners and losers – retailers who manage to grow in the sector and those who do not – is widening: “Consumers are asking for more innovation and more creativity. We are seeing a bigger gap between winners and losers, driven by the ability of brands to understand the way the consumers are changing”.