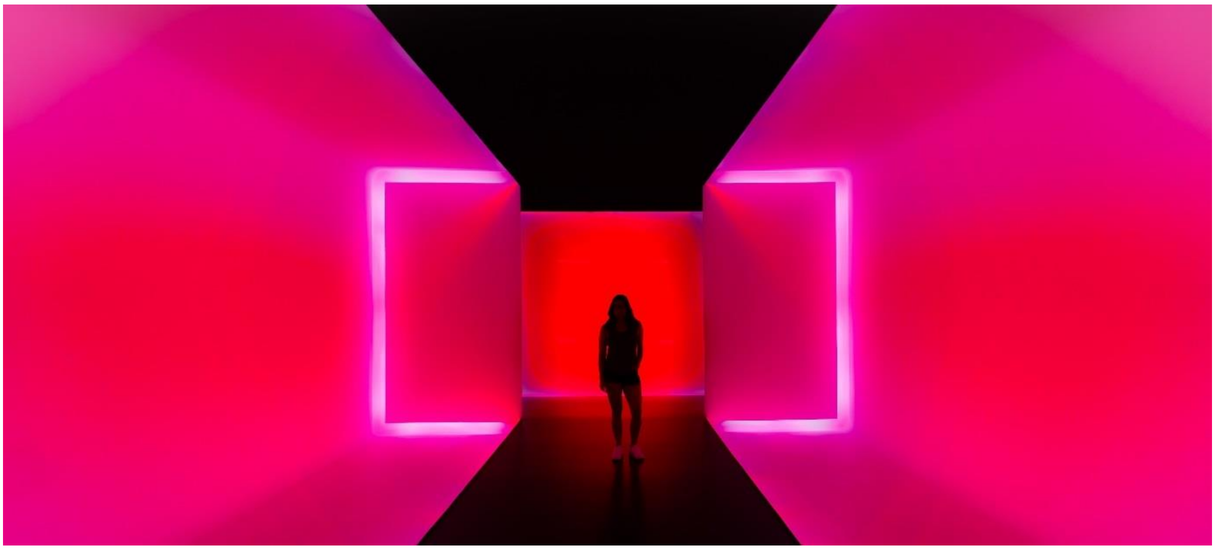
GAME CHANGERS Ipsos

World Luxury Tracking 2018

REALLIANCE AND REFOUNDATION OF LUXURY VALUES

The emergence of a mindful hedonism



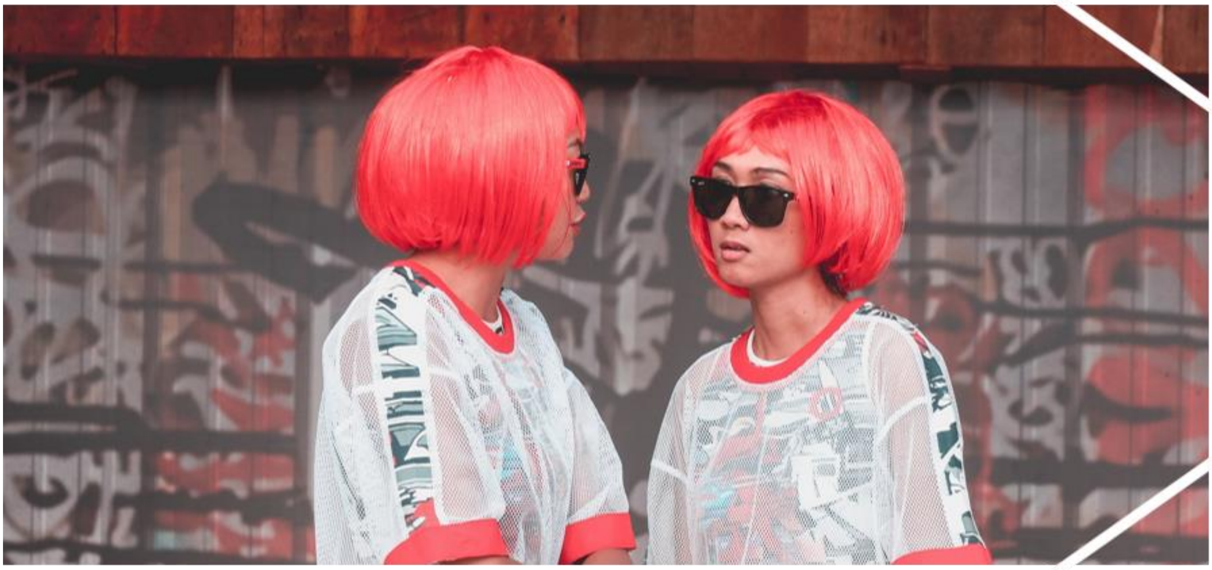
***Paris on the 20th of September* – The World Luxury Tracking is Ipsos's landmark study on the global Luxury market. Every Year, this monitor highlights the different trends within a key geographic zone and allows brands to better understand consumer expectations and local cultures. This latest wave covers 5 countries from "The Great East" which are of strategic importance in the new luxury economy worldwide: CHINA, HONG KONG, SOUTH-KOREA, JAPAN AND RUSSIA.**

The Luxury experience is lived through the prism of durability and serenity: gone are the days of compulsive and frenetic consumerism, the new narrative is that of "mindful hedonism". Categories most associated with luxury are no longer limited to handbags and watches; the new classics are Jewellery & Travel. Beyond this refoundation of values in the foreground, we can start to distinguish in the background a new set of aspirations fuelled by a need for deconnection from the distractions and hassles of daily life; an incentive to savour the present moment, notably through a cool and serene Luxury.

Today's climate is that of a realliance between paradoxical values (egocentricity vs belonging, heritage vs sensoriality, intensity vs appeasement); Ipsos has decoded these dynamics into three trends that characterize the expectations of the "Great East" Affluents.

Me, Myself & Us

Luxury as a personal development tool, but always in relation to the community



Particularly visible in Asia, there is a new appropriation of luxury as a way of expressing all the facets of one's personality. It can be done so discretely (87% of surveyed Affluents expect Luxury brands to respect and protect their private information), or through a more statutory dimension. Luxury, considered as a social marker by 79% of consumers, is a means of personal empowerment - especially for women (illustrated by a 10-pts progression vs last year's wave). Chinese consumers, more than other Affluents from the zone, express this necessity to exhibit signs of belonging. It's particularly visible with the rise of affluent women: they represent 40% of Maserati sales in China, and chose the most expensive and powerful models. Gender oriented communication is expanding with brands organising more and more VIP events exclusively for women.

Affluents are less price-sensitive than in 2015-2016 (-24 pts), and they increasingly consider luxury as a means to express their uniqueness and personality. This rising demand for personalisation (+11 pts) is particularly prominent among Millennials (86 %) and is starting to progress significantly among seniors (74 %, with a progression of +16 pts).

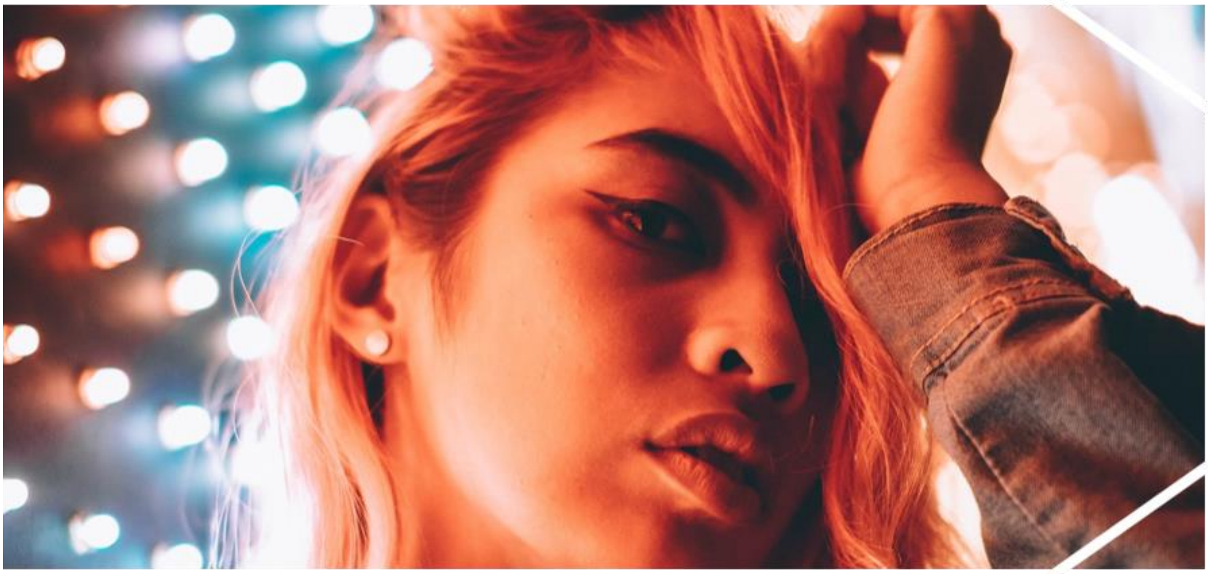
The inner circle (family and friends) remains the main source of influence (44%). However, Affluents still maintain an open-mind toward the rest of the world, especially in China where consumers are eager to explore the latest trends when they travel abroad (91%).

Fashion categories traditionally associated with luxury, remain the most purchased by Affluents in this area (54%). But each zone is characterized by its cultural specificity with particular interest for a precise category associated to luxury: Chinese Affluents are particularly fond of high-end beauty products, luxury sunglasses are popular in South Korea, fine wine and spirits are highly sought after in Russia. Some brands are particularly appreciated in certain markets, namely thanks to dedicated local collections such as D&G Matriochka capsule collection; which was dedicated to and exclusive to their Moscow boutique.

While individuality is celebrated, it is inscribed in a social dynamic where community plays an important role in the construction of one's identity. The need for models that represent the brand within the community is critical, the role of influencers is steadily continuing to gain importance in the path to purchase (+13 pts for international stars, +9 pts for social media personalities). This phenomenon, while initially observed among Millennials, is starting to affect Seniors as well. In August 2018 in China, The Magazine Marie-Claire launched a campaign featuring senior influencers (with an average age of 80 yo). The operation was met with acclaim; in 72 hours, the publication had been seen 600 000 times, generating many positive interactions.

Casual Materialism

A cooler, more conscious and more mindful materialism



Affluents in Asia-Russia zone are much more pragmatic and have a less ideal vision of luxury than westerners (2017 results). Consumers don't hesitate to adopt a critical posture towards Luxury when they deem it to be unjustifiably excessive (an attitude highlighted in the topic modelling* results).

Their appetite for Luxury remains stable, amid a decline in Russia (-19 points vs 2016), but is becoming more "casual", notably in China where Affluents are showing a more temperate attitude in their consumption of Luxury goods. In order to satisfy them, brands will now more than ever have to stand by their values of quality and service (key values expressed in the survey and in the topic modelling verbatim).

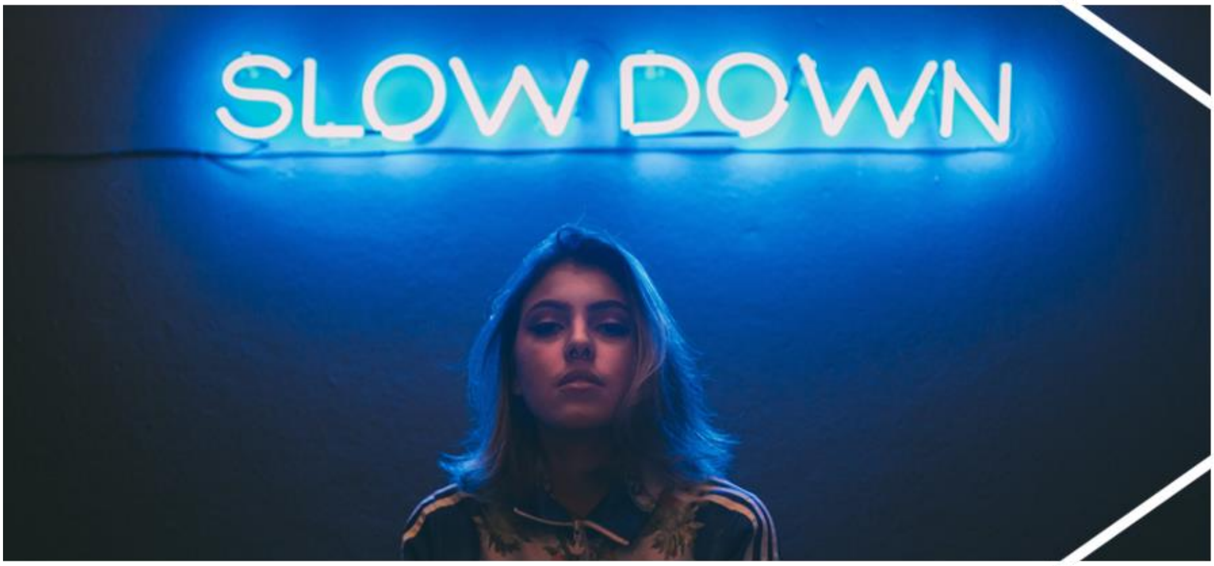
Today, trust is crystalized through the product's tangible attributes. Brands must be able to guarantee their authenticity (90%) and very high quality (90%) Respondents are seeking excellence rather than an escape (this item is only ranked 13th out of 15). Japan however marks an exception in this geographic zone, with a higher sensitivity and appeal to the escape luxury can generate.

This need for tangible proofs is confirmed by the small number of respondents purchasing luxury products on-line, the first barrier is the necessity to be convinced by the sensorial properties of their future possession (76%). Chinese respondents however display a strong interest for the web: 62% of them purchase on-line (vs an average of 37 % for the zone).

While the zone was once characterized by a frenzy of consumption a few years ago, we are currently seeing a transformation of these values: The Redress Design Award; a competition praising sustainable innovation in the ready to wear sector in Hong-Kong is a telling example. In Japan,19 % of respondents expect brands to commit to ethical and environmental issues, making this criterion the second activation lever for generating preference.

Intense Fluidity

A realliance between fluidity and intensity to enhance consumer satisfaction



Affluents wish above all to waste as little time as possible. Fluidity is a key value and a significant challenge for brands. Consumers are more and more in demand for a web-to-store experience where products that are selected on-line can be picked-up in-store (+9 pts vs 2015-16, with a noticeable increase within older Affluents).

While on-line purchases (37%) are usually motivated by rational arguments (more variety, less expensive), they are now also boosted by emotional drivers such as tranquillity and amusement, the two consumer expectations displaying the highest growth these past years.

Beyond providing seamless service, exclusive brand stores remain the preferred place of purchase for a variety of different reasons: They allow Affluents to live a genuine sensorial experience and to appreciate exceptional (85%) and bespoke (82%) services, all the while giving them the possibility to immerse themselves in the brand's universe & heritage.

Consumers prefer the physical store experience because they can be guided, assisted in their purchases (+18 pts vs 2015-2016). The good will and positive human relationship with the personnel in-store (90%), with comfort (89%), are key elements sought-after by Affluents.

It is a point of notoriety, Eurasian Affluents are avid travellers, But the interesting evolution our study unveils is that they are more and more invested when purchasing abroad. 77% of respondents have travelled abroad in the past two years, this figure rises to 80 % in China, 96% in Hong-Kong. Shopping has become an intrinsic component of the traveling experience. 93% of Chinese consumers and 63% of Russians know exactly what they are going to buy before they even arrive at their destination. Duty-free purchases offer the possibility to optimize each trip. This increased mobility offers a new play-ground for brands, who would better accompany them. One brand, Gucci, has followed such an initiative by releasing their exclusive retail experience for their eyewear range: podiums in airports, notably in Shanghai & Haitang, where users are invited to play with custom filters via an application before sharing their pictures on Instagram or WeChat.

"Consumers' relationship to Luxury is changing, we can see this in the diversification and multiplication of points of view highlighted in the answers to the survey's historical questions. It is also manifested more candidly and spontaneously in the images analysed through our Artificial Intelligence. Luxury is no longer just supported by brand addicts, it continues to widen its audience, appealing to be people who are receptive to values of creativity and authenticity. Now more than ever it has become a vector for self-consecration, a means to celebrate one's success, but expressed in a manner that is fitting with high standards of quality in regards to products and services" states Françoise Hernaez Fourrier, Head of Strategic Planning at Ipsos.

**In order to determine the deep & on-going cultural changes of this region, the WLT will survey luxury Affluents from China, Japan, Hong Kong, South Korea and Russia through an exceptional methodology mixing 5700 quant interviews and a new topic modelling approach analysing the words and pictures of respondents from these 5 countries.*

To receive a summary of the World Luxury Tracking study, please contact Natacha Chomet, Natacha.Chomet@ipsos.com.