LUXURY PRODUCTS BUYERS' BEHAVIOUR

(PARTIAL INTERNET EDITION)

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Chapter 3
LUXURY PRODUCTS MARKET IN THE WORLD

This chapter is intended for students writing reports and theses on luxury products and brands.

3.1. Accessorisation and democratisation of luxury

Throughout the millennia luxury goods used to be available exclusively to wealthy elites and sometimes reserved entirely for them on the basis of customs or sumptuary laws. Presently, thanks to the re-definition of the notion of *luxury* as a result of the *victory* of brand over product, which occurred in the 19th century (when brand became the major determinant of the luxury character of a product), and then thanks to the processes of luxury accessorisation, the goods marked with a luxury brand logo are purchased by hundreds of millions of people all over the world[1].

It was as late as until the 1960s, when three luxury groups could be distinguished, the first two of which bought different luxury products regularly and for whom consumption constituted an essential element of their life styles:

– old money or anciennes élites,
– new money or nouveaux riches,
– excluded or exclus[2].

As a result of the processes of accessorisation and democratisation of luxury, which appeared in 1959[3] and were intensified in the 1970s and 80s, the market of luxury products left the aristocratic and new money niche, and the brands operating on it acquired multi-million masses of middle class buyers. The accessorisation of luxury consists in extending every product line of luxury brand by adding cheaper products described by D. Allérès as accessible luxury (downward line extension) and in extending product range by launching new products into completely different categories (brand extension), also within the scope of products belonging to the category of accessible luxury[4].

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[1] This Chapter is an extended and updated version of the first part of article: T. Sikora, *Rynek dóbr luksusowych na świecie*, in "Marketing i Rynek" (published in Polish) 2010, no. 5, pp. 2–8.

[2] B. Dubois, G. Laurent, *The Functions of Luxury: A Situational Approach to Excursionism*, "Advances in Consumer Research" 1996, vol. 23, pp. 470–477.

[3] The first prêt-à-porter collection by Pierre Cardin in 1959 may be considered the beginning of accessorisation.

[4] Horizontal brand extensions within the inaccessible or intermediate luxury categories – as in the case of Dior and Chanel brands, which launched exclusive jewellery on the market, are not accessorisation.

Democratisation of luxury means the phenomenon of buying the cheapest luxury brand products by the middle class primarily in well developed countries and emerging markets, which leads to the rise in the number, and more importantly the percentage, of those in their possession.

Although the phenomenon of luxury accessorisation became significant in the 1960s, it had been announced before the World War I, when in 1911 haute couture designer Paul Poiret founded a company[5] Les parfums de Rosine which in 1912 launched perfume „La Rose de Rosine " and „Chez Poiret"[6] on the market. In the interwar period other haute couture fashion houses, for example Worth, Jeanne Lanvin, Jean Patou or Chanel, following Paul Poiret, began to sell their own perfume as well as skin care and make-up cosmetics which in that time were still expensive and exclusive; however, they were decisively cheaper than haute couture dresses, bespoke suits and other pieces of apparel art. It should be emphasized that it was a breakthrough in the luxury brand operation model as it meant going beyond the basic scope of competence.

In 1949/1950 Jacques Rouët, the managing director of Christian Dior company, created the foundations of the licence system concluding licence agreements with other firms not subordinated to the licensor. These agreements gave them the right to mark their products with the Christian Dior logo. The first agreement was signed with a stockings producer in the US, the following ones concerned perfume and all sort of fashion accessories (gloves, hats, neckerchiefs, ties etc.)[7] as well as furs. This brand extension was not regarded to be the beginning of luxury accessorisation as the produced goods were addressed to very wealthy elite of buyers and not the middle class.

In a typical luxury accessorisation of the 1960s internationally renowned companies followed creatively the example set by Christian Dior and their owners or managers began to apply the downward line and brand extension technique to develop cheaper products accessible to the middle class.

It concerned the brands so far as a rule narrowly specialised in a definite area, endorsing very expensive products for the world wealthiest elites, whose number is estimated at the range of several dozen thousand on the world scale[8] up to half a million, perhaps one million people[9]. The accessorisation referred primarily, as remarked before, to prêt-à-porter (ready-to-wear) clothing, cosmetics, fragrance (eau de toilette, deodorants), fashion accessories (shoes, handbags, belts,

[5] F.-M. Grau, *La haute couture*, PUF, Paris 2000, p. 44.

[6] http://www.perfumeprojects.com/museum/marketers/Rosine.shtml [last access: 01 February 2012].

[7] http://www.dior-finance.com/fr/historique.asp, [last access: 01 February 2012].

[8] During World War II, in 1943 the number of customers of haute couture fashion houses amounted to 20,000; cf.: F.-M. Grau, op. cit., p. 12, so in the interwar period it must have been higher.

[9] From one fourth to half per mille of the world population in the interwar period.

neckerchiefs, stockings, glasses etc.) and all sorts of gadgets (for example key ring holders or calendars).

Milestones on the way to the luxury accessorisation were marked by the prêt-à-porter collections endorsed by haute couture designers with their own brands: Pierre Cardin since 1959 r., Yves Saint-Laurent under the YSL Rive Gauche brand since 1966, Dior managers under the Miss Dior brand since 1967 as well as the establishment of Must de Cartier by Cartier management team in 1973, in whose range there were inexpensive, in comparison with the costly pieces of jewellery and watches, products for the middle class, e.g. lighters, watches, leather goods, later fountain pens and gadgets and since the 1980s perfume, which in the case of the brand describing itself the "King of Jewellers and Jeweller of Kings" meant a real breakthrough.

There was a similar, or even a further-reaching, revolution in the area of luxury foodstuffs, especially alcohols, which remaining in the deli stores, were also found on the shelves of super and hypermarkets. The luxury accessorisation was controversial, which was reflected in temporary exclusions of for example Pierre Cardin from the Haute Couture Federation or Cartier from the Comité Colbert associating the most prestigious French brands from different industries.

Having appreciated the volume of income possible to earn thanks to the process of accessorisation, the owners and managers of some luxury brands began to extend their brands and extend their product lines so violently that they tarnished their image temporarily (Gucci, Yves Saint-Laurent …) or permanently. It occurred primarily when the licence for manufacturing and selling was endorsed with the product brand to other companies not taking much care of the quality, suitable promotion and distribution.

Until 1988 Pierre Cardin awarded totally over 800 licences to producers in 94 countries and his brand endorsed such products as cigarettes or baseball caps[10] and frying pans.

At the beginning of the 1980s 90% of Dior's revenue was generated by 260 licences[11]. At the end of the 1980s over 22,000 products (!) mostly produced by licensees, from cigarette holders to adhesive tapes were marked by Gucci[12]. The moment the PPR group acquired the Yves Saint-Laurent brand, the number of licences amounted to 167[13], and products with the brand logo on plastic shoes and cigarettes were sold at the underground stations[14]. The restoration of the

[10] M. Reddy, N. Terblanche, *How not to extend your luxury brand*, „Harvard Business Review" 2005, vol. 83, no. 12, pp. 20, 24.

[11] D. Thomas, Luxe & Co. *Comment les marques ont tué le luxe*, Editions des Arènes, Paris 2008, p. 53.

[12] Ibidem, pp. 65, 66.

[13] Ibidem, p. 68.

[14] A. Galloni, *LVMH Executive to run YSL*, „Wall Street Journal Europe" 6.01.2005, p. A4.

image of each of these brands consisted primarily in the termination of licence agreements.

Accessorisation, allowing the middle class buyers to purchase a product bearing a luxury brand logo, gave rise to the beginning of the process of luxury democratisation as a result of which a group of several million people appeared initially, and presently several hundred million people in the world who are called excursionists to the luxury world[15], buying irregularly, for example on extraordinary occasions the cheapest products marked with luxury brand logos and those accustomed to accessible luxury, buying them regularly. Currently, these two groups of buyers, due to their number, are codeciding about the financial results of the majority of luxury brands.

3.2. Segments of luxury products buyers

According to the Boston Consulting Group luxury products are bought in the world by about 150 million households in Europe, the US, Japan and on selected emerging markets: China, Russia and Brazil[16]. The authors of the report divided the buyers of luxury products into the following segments (it is an ex ante segmentation; the amounts spent refer to only four luxury goods categories constituting the "traditional luxury": clothing, jewellery and watches, leather goods and accessories as well as perfume and cosmetics):

– aspirational mass-market households with annual incomes of at least 55,000 euros in well developed countries and at least 18,000 euros in emerging market countries; their number is estimated at 115 million and the spending on luxury goods at 45–50 billion euros,
– rising middle-class households with annual incomes of above 110,000 euros in well developed countries and 35,000 euros in emerging market countries; 25 million households in this segment spend 35–40 billion euros on luxury goods,
– new-money households distinguished not on the basis of incomes like two former segments but due to the value of bankable assets exceeding 750,000 euros (1 million dollars) and reaching this wealth with their own effort; their number was estimated at 6 million and their spending at 55–60 billion euros, which makes this group the largest collective buyer of luxury goods,

[15] B. Dubois, G. Laurent, op. cit.

[16] Bellaiche J.-M., A. Mei-Pochtler, D. Hanisch, *The New World of Luxury, Caught Between Growing Momentum and Lasting Change*, „The Boston Consulting Group" December 2010, pp. 5–6, http://www.bcg.com/documents/file67444.pdf [last access: 01 February 2012].

– old-money households, which inherited wealth of at least the same volume as in the former segment; this group of luxury goods consumers amounting to 1 million households consists of representatives of aristocratic families as well as the second generation of entrepreneurs; the value of purchases of luxury goods made by the representatives of this group was estimated at 10 billion euros,
– beyond-money households are, according to the report authors, similar to the "old" elites from which they only differ with "complete indifference to the status" and avoid showing off their wealth as well as conspicuous consumption brands (which, as remarked by the report authors testifies to their exclusive social status); the purchases of luxury goods made by the representatives of this segment, which consists of 0.6 million households, amounts to 5–10 billion euros[17].

After totalling the values of purchases of in segments of buyers, the sales on the world market of luxury goods are included in the range of 150–170 billion euros.

Although the largest single market in terms of the purchase value is the new money households, two least wealthy segments of buyers, today's excursionists to the luxury world, i.e. aspirational mass-market households and accustomed to accessible luxury individuals, i.e. rising middle-class households play a more important role on it as the share exceeds half of the revenue value on the market of four categories of "traditional" luxury. There is a reservation to be made though: even if the products of the same brands are bought, they are not the products from identical price ranges.

"Old" elites in the past (from the demand perspective) the major pillar on the market of luxury goods, at present playing a marginal role primarily due to their small number, and with regard to an average spending per capita are spending even more than the new money people.

Alternative segmentations of wealthy people depend on the time, number of countries and methodology of surveys (they are typical ex post segmentations unlike the aforementioned ex ante segmentation proposed the BCG).

The BCG presented another segmentation of "core luxury consumers" (382 million worldwide), based on a survey conducted in 2013 on the sample of 10,000 respondents. There are 12 segments distinguished: 8 global segments and 4 other segments. The global segments include: Absolute Luxurer, Megacitier, Experiencer, Fashionista, Status Seeker, "#Little Prince", Social Wearer and Classpirational. Other four segments are described either as gender-specific:

[17] Ibidem, pp. 4–5.

Timeless proper and Omni gifters or country-specific: Luxe immune and Rich upstarters[18].

The Bain & Company also proposed a survey-based segmentation of luxury products buyers (330 million worldwide). The survey was conducted in 2013 on the sample of 10,000 respondents. There were 7 segments distinguished: Conservative, Opinionated, Disillusioned, Hedonist, Omnivore, Wannabe and Investor[19].

The examples indicate that due to different contents and methods used in the data analysis the segmentations vary.

With regard to the segmentations made on samples of respondents from one country, several segmentations more are to be mentioned.

K.-P. Wiedmann, N. Hennigs and A. Siebels distinguished 4 segments: Materialists, Rational Functionalists, Extravagant Prestige-Seekers and Introvert Hedonists[20].

A survey conducted in 1995, commissioned by The Condé Nast Publications Inc. among the affluent US inhabitants allowed for the distinguishing of 5 segments: luxury lovers, savvy affluents, trailblazers, contended affluents and strained affluents [21].

The survey performed by Ipsos Mandelsohn in 2009 among affluent Americans distinguished 4 segments: trendsetters, traditionalists, individualists and globalists[22].

In the survey made by Ipsos in France in 2005 the main criteria of division of respondents were the degree of openness to the world or "closing" in the private area as well as paying attention either to cultural and spiritual or materialistic values and luxury goods affluent consumers are divided into 8 segments: liberated – mostly women (les libérées), modern-technology-oriented (les technopodes), serial shoppers, bling-bling-oriented (les flamboyants), beaming intellectuals (les intellos rayonnants), relaxed/serene seniors (les seniors sereins), stay-at-home (les casaniers) and simply – wealthy (les aisés)[23].

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[18] A. Achille, *True-Luxury Global Consumer Insight*, The Boston Consulting Group, 2014, http://www.luxesf.com/wp-content/uploads/2014/06/BCG-Altagamma-True-Luxury.pdf, [last access: 01 February 2016].

[19] C. D'Arpizio, F. Levato, *Lens on the worldwide luxury consumer*, Bain & Company, January 2014, Milan.

[20] K.-P. Wiedmann, N. Hennigs, A. Siebels: *Value-Based Segmentation of Luxury Consumption Behavior*, "Psychology & Marketing", July 2009, vol. 26(7), pp. 625–651.

[21] *New Accents on Affluence*, The Condé Nast. Publications, New York 1995.

[22] *Will the Affluent Be Leading Us out of the Recession?*, The Mendelsohn Affluent Survey, Ipsos Mendelssohn 2009.

[23] *Le marketing du luxe, enjeux pour les marques en 2006*, Ipsos 28.11.2005, http://www.ipsos.fr/sites/default/files/old/articles/1747/marketing_du_luxe.pdf [last access: 01 February 2012].

Y.J. Han, J.C. Nunes and X. Drèze on the basis of the criteria of affluence and the need for status expressing the need to possess and readiness to buy status symbolising products, distinguish four segments of people interested in luxury products to varying degrees: patricians, parvenus, proletarians and poseurs[24].

The review of the surveys above indicates no possibility of segmentations generalisation as they depended, as remarked before, on the set of questions in the survey and the method of data analysis.

3.3. World market of personal luxury goods

The data on sales on the world market of luxury products until the 1980s are unavailable as they may never have been collected. In the reports released in 1990, McKinsey consultants estimated the value of sales of these products, together with cars (not included in the estimates concerning the market of personal luxury goods elaborated by other consultancies presented below: Bain & Company and Euromonitor) at 219 billion French francs in 1985 and 298 billion in 1989[25]. Accounting for the average annual rates of exchange between the American dollar and the French franc, which amounted to 1 dollar = 8.91 francs in 1985 and 1 dollar = 6.37 francs in 1989[26], the revenue amounted respectively to 24.6 billion dollars and 46.8 billion dollars. Because the US share in the demand for luxury products accounted for 32% in 1989, and 9%[27] in their supply, the revenue growth rate in the French francs of 36.1% in the discussed period seems to be closer to the real changes in the volume of production than the revenue growth rate calculated in dollars, which amounts to 90%.

Bain & Company has been collecting data on luxury products market longer than any other consulting company, and that is why its estimates are presented first.

Table 3.1 presents the total value of sales in five areas of the so-called personal luxury goods analysed by Bain & Company: *haute couture* and *prêt-à-porter* (apparel), perfume and cosmetics, jewellery and watches, fashion accessories: leather goods and footwear, tableware (art de la table) and not really significant sixth category of "others", which does not include alcohols, majority of luxury services, furniture and luxury means of transport: cars, planes, helicopters and yachts. Unfortunately, no report defines what is included in the "others" category. Since 2012 the data on art de la table have not been treated separately, but included in the "others".

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[24] Y.J. Han, J.C. Nunes, X. Drèze, *Signaling Status with Luxury Goods: The Role of Brand Prominence*, "Journal of Marketing" July 2010, vol. 74, pp. 15–30.

[25] McKinsey, *L'Industrie du Luxe: Un Atout pour la France*, McKinsey & Company, 1990, p. 4.20.

[26] http://fx.sauder.ubc.ca/etc/USDpages.pdf, [last access: 01 February 2012].

[27] McKinsey, *L'Industrie du Luxe*, op. cit., pp. 4.2, 4.10.

Table 3.1 Sales on the world market of personal luxury goods in billion of euros according to Bain & Company.

Year	Sales	Change in %
1994	73	
1995	77	5.48
1996	85	10.39
1997	92	8.24
1998	96	4.35
1999	108	12.50
2000	128	18.52
2001	133	3.91
2002	133	0.00
2003	128	–3.76
2004	136	6.25
2005	147	8.09
2006	159	8.16
2007	170	6.92
2008	167	–1.76
2009	153	–8.38
2010	173	13.07
2011	192	10.98
2012	212	10.42
2013	218	2.83
2014	224	2.75
2015 (forecast)	253	12.95

Source: C. D'Arpizio, *Altagamma 2015 Worldwide Markets Monitor*, Milan, 29 October 2015, Bain & Company, Fondazione Altagamma, p. 11, http://www.italy24.ilsole24ore.com/pdf2010/Editrice/ILSOLE24ORE/QUOTIDIANO_INSIDE_ITALY/Online/_Oggetti_Correlati/Documenti/2015/11/23/altagamma1.pdf, [last access: 01 February 2016].

Sales of luxury goods ceaselessly rose in the years 1994–2001 from the level of 73 billion euros in 1994 to 133 billion euros in 2001 (the rise of 82%). This period is called "boom" or "democratisation" in the Bain & Company reports.

In two subsequent years, in the phase of "consolidation" (referred to also as the "attack of 11 September 2001" or "SARS virus"), this rapid growth stopped: the revenue amounted to 133 billion euros in 2002 and dropped to 128 billion euros in 2003. Another period of prosperity, called "expansion" was seen in the years 2004–2007. The sales rose up to 136 billion euros in 2004, exceeding the level from before the "consolidation". Then, the sales rose up to 147 billion euros in 2005, 159 billion euros in 2006 and 170 billion euros in 2007[28], i.e. they rose by 25% in comparison with 2004.

Due to the crisis on the financial markets, which shifted to the real economy, the revenue in 2008, the initial year of the period called "crisis" fell to 167 billion euros, and in 2009 there was an unprecedented historical decline in sales in terms of value down to 153 billion euros. Admittedly, in the phase of consolidation the revenue decreased in 2003 by a few billion euros; this kind of decline as in 2009 has not been experienced since the World War II. The data on 2010 show exceeding the sales record of 2007 and in the following years the sales on the personal luxury goods market rose ceaselessly reaching the value of 224 billion euros in 2014 and the 2015 forecast indicates the value of 253 billion euros[29].

It should be emphasized that different firms present different numbers with regard to the value of revenue on the luxury goods market as well as different change dynamics. Table 3.2 shows data on personal luxury goods according to Euromonitor.

Table 3.2 Sales of personal luxury goods in billion of euros according to Euromonitor.

Year	Sales	Change in %
2005	176.6	
2006	185.6	5.10
2007	187.3	0.92
2008	182.6	–2.51
2009	179.8	–1.53
2010	200.7	11.62
2011	214.7	6.98
2012	240.2	11.88
2013	242.3	0.87
2014	249.3	2.89
2015 (forecast)	286.8	15.04

Source: Euromonitor database

Sales on the personal luxury goods market are higher according to Euromonitor in comparison with Bain and Company, which results from including more industries : fine wines and spirits, luxury electronic gadgets as well as luxury writing

[28] C. D'Arpizio, *Altagamma 2015 Worldwide Markets Monitor*, Milan, 29 October 2015, Bain & Company, Fondazione Altagamma, p. 11, http://www.italy24.ilsole24ore.com/pdf2010/Editrice/ILSOLE24ORE/QUOTIDIANO_INSIDE_ITALY/Online/_Oggetti_Correlati/Documenti/2015/11/23/altagamma1.pdf, [last access: 01 February 2016].

[29] Ibidem.

instruments and stationery. The dynamics of sales changes is also different. The differences refer to the years 2008 and 2009. According to Bain and Company the decline in sales was bigger in 2009 than 2008, and according to the data provided by Euromonitor it was the other way round. Moreover, the dynamics of sales decline was totally higher according to Bain & Company than according to Euromonitor.

The data provided by both the companies are in the current exchange rates. The changes in currency rates, primarily between the euro and remaining main currencies may seriously affect the revenue. For example, according to the Bain & Company data cited in Table 3.1 the sales in current exchange rates rose by nearly 13% in 2015 over 2014, and in constant exchange rates the rise was estimated at 1–2%.

The sales of luxury goods broken down by industry according to the data provided by Bain & Company are presented in Table 3.3. Tables 3.3 – 3.10 present the original terms as used report made by Bain & Company, Euromonitor and BCG.

Table 3.3. Industry structure of the personal luxury goods market in the years 2003–2015 (share in %) according to Bain & Company.

Industry	2003	2004	2005	2006	2007	2008	2009	2010
Art de la table	4	4	3	3	4	4	4	3
Watches, jewellery	20	19	20	19	20	21	19	20
Accessories (leather goods, shoes)	17	18	19	20	21	22	24	25
Beauty (fragrances, cosmetics)	25	25	23	23	23	23	24	22
Apparel	31	31	32	32	29	28	27	27
Other	3	3	3	–	–	–	–	–
Total sales in € bn	128	136	147	159	170	167	153	173
Industry	**2011**	**2012**	**2013**	**2014**	**2015**			
Art de la table	3	–	–	–	–			
Watches, jewellery	22	23	23	23	22			
Accessories (leather goods, shoes)	26	28	29	29	30			
Beauty (fragrances, cosmetics)	21	20	20	20	20			
Apparel	26	26	25	24	24			
Other		4	4	4	4			
Total sales in € bn	192	212	218	224	253			

Source: breakdown by industry – Bain & Company and Altagamma 2004 – 2015 reports; total sales – C. D'Arpizio, Altagamma 2015 Worldwide Markets Monitor, op. cit.

The industry of accessories (leather goods and footwear), whose share rose from 17% in 2003 to 30% in 2015, is the most significant for the discussed market.

It is followed by ready-to-wear (prêt-à-porter) apparel, in the case of which the contrary tendency is seen: its share in the total sales of personal luxury goods fell 7 percentage points from 31% in 2003 to 24% in 2015. A considerable decline was also recorded in the area of beauty (fragrances and cosmetics), whose share fell by 5 percentage points within the analysed period. And the art de la table industry (porcelain, crystal, silverware, etc.) stopped being treated as a separate industry in 2012.

Euromonitor presented its estimates with regard to the industry structure of the personal luxury goods market. The sales of luxury goods broken down by industries according to Euromonitor are presented in Table 3.4.

Table 3.4. Industry structure of the personal luxury goods market in the years 2005–2015 (share in w %), according to Euromonitor.

Industry	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Designer apparel and footwear	44.2	43.6	43.2	42.7	42.2	41.2	40.5	39.6	39.4	39.1	38.7
Fine wines/champagne and spirits	8.5	8.6	8.9	9.1	9.5	9.9	9.9	9.9	9.8	9.7	9.7
Accessories	3.7	3.8	3.8	3.9	4.0	4.0	3.9	3.8	3.9	3.9	3.7
Electronic gadgets	0.3	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.4	0.4
Jewellery and timepieces	21.0	21.3	20.8	20.2	19.3	19.5	20.1	20.5	20.6	20.5	20.4
Leather goods	10.9	10.8	11.1	11.5	12.0	12.6	13.2	13.9	14.4	14.9	15.4
Writing instruments and stationery	0.5	0.5	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.5	0.5
Beauty and personal care	10.9	11.0	11.1	11.4	11.9	11.7	11.4	11.1	11.0	11.0	11.1
Total sales in € bn	176.6	185.6	187.3	182.6	179.8	200.7	214.7	240.2	242.3	249.3	286.8

Source: Euromonitor database

As mentioned before, besides accounting for more industries in comparison with Bain & Company, Euromonitor classifies them in a different manner. Apparel and footwear are treated as one category (footwear is included in accessories by Bain & Company) and data on accessories are separated from leather goods.

As in the case of the Bain & Company data, apparel (with footwear) loses its market share, while leather goods increase their market share. The shares of the other industries do not indicate a linear trend or remain on a similar level.

Irrespective of a different number of industries and a different way of their classification, even if some industries are classified by both companies in a similar way, they show differences in the value of sales. With regard to 2015: total sales of luxury watches and jewellery industry amount to €55.67 billion according to the Bain & Company data and €64.2 billion according to the Euromonitor data. The total sales of "beauty" products account for €50.6 billion as indicated Bain & Company and €31.8 billion as indicated by Euromonitor.

Table 3.5 shows the geographical structure of sales of personal luxury goods according to Bain & Company

Table 3.5 Geographical structure of sales of personal luxury goods in the world in the years 2003–2015 (share in %) according to Bain & Company.

Region	2003	2004	2005	2006	2007	2008	2009	2010
Asia – Pacific	16	10	10	11	11	13	15	17
Japan	16	16	16	13	13	12	12	10
Americas	31	35	36	35	34	32	30	30
Europe	34	35	34	37	38	38	38	37
Rest of world	4	4	4	4	4	5	5	5
Total sales in € bn	128	136	147	159	170	167	153	173
Region	**2011**	**2012**	**2013**	**2014**	**2015**			
Asia – Pacific	19	20	21	21	20			
Japan	9	9	8	8	8			
Americas	30	31	32	32	34			
Europe	37	34	34	34	33			
Rest of the world	5	5	5	5	5			
Total sales in € bn	192	212	218	224	253			

Source: breakdown by region – Bain & Company and Altagamma 2004 – 2015 reports; total sales – C. D'Arpizio, Altagamma 2015 Worldwide Markets Monitor, op. cit.

A rise in the significance of Asia and the Pacific can be noticed, primarily thanks to China, as indicated by some more detailed data: the rise followed by stabilisation, and since 2010 a decline in the share of Europe, a considerable decline in Japan's share and a changing position of both Americas (with a weak rising trend in total sales since 2012).

The Bain & Company 2015 report includes more detailed data allowing for the analysis of differences between the significance of one region of the world as a location of sales of personal luxury goods (table 3.5) and the significance of the population of the region as buyers of these goods (table 3.6).

Table 3.6 shows the share of the population of regions of the world and countries in purchases on the market of luxury goods.

Table 3.6 Geographical structure of sales of personal luxury goods in the world in the years 2014–2015 (share in %) accounting for the region or country of origin of buyers, according to Bain & Company.

Region / country	2014	2015
Other Asian	10	10
Chinese	28	31
Japanese	12	10
American	22	24
European	22	18
Rest of the world	7	8
Total sales in € bn	224	253

Source: C. D'Arpizio, Altagamma 2015 Worldwide Markets Monitor, op. cit., p.15.

The authors of the Bain and Company report, when summing up the differences in a bigger significance of Europe and the US as the locations of sales of personal luxury goods and a smaller significance of Europeans and Americans as buyers of these products, state: "'The great mall of China': mature markets are becoming luxury shopping destinations mainly for Chinese consumers"[30].

Table 3.7 shows the data on the geographical structure of sales on the luxury goods market according to Euromonitor.

Table 3.7 Geographical structure of sales of personal luxury goods in the world in the years 2005–2015 (share in %) according to Euromonitor.

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Asia Pacific	22.5	21.9	20.8	22.1	24.0	25.1	26.5	27.4	26.8	26.8	27.5
Australasia	1.5	1.5	1.5	1.5	1.5	1.7	1.8	1.8	1.7	1.6	1.5
Eastern Europe	3.2	3.8	4.4	5.0	4.1	4.6	4.7	4.8	5.0	4.4	3.5
Latin America	3.1	3.4	3.6	3.9	3.9	4.3	4.3	4.2	4.2	4.2	4.4
Middle East and Africa	4.5	4.5	4.4	4.2	4.5	4.5	4.3	4.5	4.6	4.7	5.1
North America	27.4	27.4	26.7	24.4	23.1	23.3	23.2	24.2	24.5	25.0	27.1
Western Europe	37.7	37.5	38.5	39.0	38.9	36.4	35.3	33.1	33.2	33.3	30.8
Total sales in € bn	176.6	185.6	187.3	182.6	179.8	200.7	214.7	240.2	242.3	249.3	286.8

Source: Euromonitor database

The only regions which reflect clear trends of changes in the sales of personal luxury goods in the years 2005–2015 are Asia – Pacific (a rising trend) and Western Europe (a falling trend). There are differences in comparison with the

[30] C. D'Arpizio, Altagamma 2015 Worldwide Markets Monitor, op. cit., p.19.

Bain & Company data (see Table 3.5); exemplarily: the share of both Americas according to the Bain & Company data amounted to 34%, while according to Euromonitor data to 31.5%. However, the shares of the Asia – Pacific region including Japan are similar and amount to 28% and 27.5% respectively).

3.4. World market of luxury products

With regard to the data in Tables 3.1 – 3.7 the term "goods" is used as they refer exclusively to material goods. The description of Table 3.8 and the following include the term "products" as it also refers to services.

J. Castarède is the first author to make an estimate of the revenue on the market of a higher number of categories of luxury products than personal luxury goods, together with durables and services as well as employment estimates of 2006 and 2008 (the data are presented in Table 3.8).

Table 3.8 Revenue and employment by industries in relation to the luxury goods market in the years 2006 and 2008 according to J. Castarède.

Industry	Sales in € bn		Employment	
	2006	2008	2006	2008
Tableware (cutlery, porcelain, crystals)	1.5	1.5	10 000	10 500
Cars, yachts, private aircraft	14.0	14.0	60 000	98 000
Perfume and cosmetics	32.0	33.5	214 000	234 000
Clothes, fashion accessories (included only in 2006)	30.0	30.0	244 000	210 000
Catering	2.5	6.0	17 000	42 000
Audiovisuals	2.0	4.0	14 000	28 000
Elite sports	1.0	3.0	7 000	21 000
Alcohols	30.0	40.0	200 000	280 000
Watches and jewellery	8.0	12.0	53 000	84 000
Art (galleries, antique shops)	5.0	5.0	20 000	35 000
Leather goods, fashion accessories (included only in 2008)	11.0	18.0	74 000	126 000
Tourism and leisure	13.0	13.0	87 000	91 000
Total sales in € bn / Employment	150.0	180.0	1 000 000	≈1 260 000

Source: J. Castarède, *Histoire du luxe en France, dès origines à nos jours*, Groupe Eyrolles, Paris 2007, pp. 367–368; J. Castarède, *Luxe et civilisations, histoire mondiale,* Groupe Eyrolles, Paris 2009, p. 290.

The data presented in Table 3.8 should be treated as approximate or resulting from more precise 2008 estimates. It is hard to believe that only within two years the sales in the area of elite sports and catering rose as much as threefold, and the revenue in the industry of tourism and leisure as well as yachts and cars did not record any rise at all.

The information provided in J. Castarède's publications, while confirming the opinion expressed before about differences in the estimates of revenue on the luxury products market depending on the source of data, gives an idea (in comparison with the estimates made by Bain & Company) about the significance of more industries and about employment (in the case of no reliable data J. Castarède assumed that the revenue of 1 million euros corresponds to 7 employees).

M. Chevalier and G. Mazzalovo estimated turnover on the luxury products market at 250 billion euros, only in 2007. They calculated the revenue in every industry and obtained the value of 190 billion euros (more than in the data provided by Bain & Company and J. Castarède), and after accounting for cars, travel and other services they eventually provided the value of 250 billion euros. The amount of 190 billion euros includes the sales of (billion euros in the brackets): apparel (30), leather goods (15), perfume and cosmetics (30), strong alcohol and champagne (30), wine (50), watches (10), jewellery (30) and tableware (5)[31]. These figures (rounded to 5 and 10) as well as an extraordinarily big value of wine sales reflect a fairly free and "discretionary" estimating method.

Accounting only for the industries the data of which are provided by Bain & Company, the sales of luxury products, according to the data given by both authors, would amount to 110 billion euros (in comparison with 170 billion euros mentioned by Bain & Company in relation to 2007).

In the reports released after 2009 by the BCG and Bain & Company there was also an attempt to estimate the revenue on the luxury products market accounting for services and a higher number of material goods and the amounts obtained were considerably higher than those provided by J. Castarède as well as M. Chevalier and G. Mazzalovo.

Table 3.9 presents the revenue on the luxury products market according to the Bain & Company data. Because the data related to every year were presented as forecasts, in the case of personal luxury goods the actual data provided in the brackets are verified, according to the data in Table 3.1.

[31] M. Chevalier, G. Mazzalovo, *Management et Marketing du Luxe*, Dunod, Paris 2008, p. 33.

Table 3.9. World luxury products market: breakdown by industry; 2012–2015 according to Bain & Company.

Industry	2012	2013	2014	2015
Personal luxury goods	212	217 (218)	223 (224)	253
Cars	290	319	351	405
Hotellerie	127	138	150	176
Wines and spirits	51	55	58	64
Food	38	39	39	45
Fine art	–	–	–	40
High-quality design / furniture	18	19	18	32
Private jets	–	–	19	21
Yachts	7	7	7	7
Cruises	–	–	1	2
Total	736	794	866	1045
Total sales in € bn given by Bain & Co	≈ 750	≈ 800	865	1044

Source: Bain & Company and Altagamma reports for 2011–2015.

Table 3.10 presents the revenue on the luxury products market according to the BCG data

Table 3.10. Worldwide luxury products market broken down industry in the years 2012 – 2014 according to BCG.

Industry	2010	2012	2013	2014
Personal luxury goods	230	220	285	290
Cars (and yachts for 2014)	250	270	320	350
Hotels and travel and yachting	270	300	335	354
Food and alcohol	50	60	60	62
Arts	–	65	70	72
Home and furniture	40	60	50	49
Technology	100	110	150	154
Others (spas, clubs, etc.)	20	–	50	54
Total sales in € bn	960	1085	1320	1385

Source: BCG reports for 2010–2015.

According to the BCG data the sales on the luxury products market are larger in comparison with the Bain & Company data. Whereas in the case of some products (personal luxury goods, cars) the differences in estimates are moderate, in relation to fine art/arts, luxury hotels (hotellerie), food and alcohols as well as exclusive vacations (travel, cruises) the differences are considerable.

Until 2010 no data were published about the estimated number of luxury products buyers. In 2010 (on the basis of the survey conducted in 2009) BCG estimated it at about 150 million households in well developed and emerging market countries. In 2014 two companies: BGG and Bain & Company presented their own estimates of the number of luxury products buyers in the world (based on surveys conducted in 2013). According to BCG this number amounted to 32 million of "total core" luxury consumers and 350 million of „aspirational" luxury consumers, i.e. jointly 382 million[32], i.e. 5.36% – 5.38% of the world population, and according to Bain & Company – 330 million in 2013[33], i.e. 4.62% – 4.65% of the world population (world population in 2013: 7,137 million – 7,101 million). The number of luxury products buyers amounted to 90 million in 1995, 140 million in 2000, and 250 million in 2005, also according to Bain & Company; if the world population is estimated at 5.7 bn in 1995, 6.01 bn in 2000 and 6.47 bn in 2005, the "luxury democratisation rates" are respectively: 1.58%, 2.33% and 3.86%.

3.5. Luxury goods producers

The LVMH Group is an unquestioned leader on the luxury products market, and together with the vice leader Companie Financière Richemont SA decisively outdistance all the other firms.

Table 3.11 presents the revenue of 15 largest companies. It should be emphasized, however, the list includes companies whose core activity focuses on personal luxury goods (thus, it does not account for the firms operating in the industry of luxury cars and hotel or catering services).

M. Chevalier and G. Mazzalovo made estimates of the 2006 revenue of brands like Chanel (3,60) and Rolex (2,00)[34], unlisted and thus not revealing this kind of information (the value of revenue in billion euros in the brackets.

In 2014 the Chanel revenue was estimated at € 6.7 billion and net revenue at € 1.3 billion[35].

[32] A. Achille, True-Luxury Global Consumer Insight, The Boston Consulting Group, January 2014, p. 12, dowload.republica.it/pdf/2014/…/slow-fashion.pdf, [last access: 14 October 2014].

[33] C. D'Arpizio, F. Levato, Lens on the worldwide luxury consumer, Bain & Company, Milan, 14 January 2014, p. 7, http://recursos.anuncios.com/files/598/20.pdf, [last access: 14 October 2014].

[34] M. Chevalier, G. Mazzalovo, op. cit., p. 35.

[35] Wikipedia.

Table 3.11. Sales of 15 top luxury goods companies according to Deloitte Touche Tohmatsu Ltd.

Luxury goods sales rank FY13	Company name	Selection of luxury brands	Country of origin	FY13 luxury goods sales (US$mil)	FY13 total revenue (US$mil)
1	LVMH Moët Hennessy-Louis Vuitton SA	Louis Vuitton, Fendi, Bulgari, Loro Piana, Emilio Pucci, Acqua di Parma, Donna Karan, Loewe, Marc Jacobs, TAG Heuer, Benefit Cosmetics	France	21,761	38,717
2	Compagnie Financière Richemont SA	Cartier, Van Cleef & Arpels, Montblanc, Jaeger-LeCoultre, Vacheron Constantin, IWC, Piaget, Chloé	Switzerland	13,429	14,275
3	The Estée Lauder Companies Inc.	Estée Lauder, M.A.C., Aramis, Clinique, Aveda, Jo Malone; Licensed fragrance brands	United States	10,969	10,969
4	Chow Tai Fook Jewellery Group Limited	Chow Tai Fook	Hong Kong	9,979	9,979
5	Luxottica Group SpA	Ray-Ban, Oakley, Vogue Eyewear, Persol, Oliver Peoples; Licensed eyewear brands	Italy	9,713	9,713
6	The Swatch Group Ltd.	Breguet, Harry Winston, Blancpain, Longines, Omega, Rado; Licensed watch brands	Switzerland	8,822	9,128
7	Kering SA	Gucci, Bottega Veneta, Saint Laurent, Balenciaga, Brioni, Sergio Rossi, Pomellato, Girard-Perregaux	France	8,594	12,948
8	L'Oréal Luxe	Lancôme, Biotherm, Helena Rubinstein, Urban Decay, Kiehl's; Licensed brands	France	7,791	7,791
9	Ralph Lauren Corporation	Ralph Lauren, Polo Ralph Lauren, Purple Label, Blue Label, Black Label, RLX Ralph Lauren	United States	7,450	7,450

c.d. Table 3.11.

Luxury goods sales rank FY13	Company name	Selection of luxury brands	Country of origin	FY13 luxury goods sales (US$mil)	FY13 total revenue (US$mil)
10	PVH Corp.	Calvin Klein, Tommy Hilfiger	United States	6,200	8,186
11	Shiseido Company, Limited	SHISEIDO, clé de peau BEAUTÉ, bareMinerals, NARS, ISSEY MIYAKE, ELIXIR, Benefique	Japan	5,404	7,659
12	Rolex SA	Rolex, Tudor	Switzerland	5,398	5,398
13	Hermès International SCA	Hermès, John Lobb	France	4,975	4,975
14	Coach, Inc.	Coach	United States	4,806	4,806
15	Prada Group	Prada, Church's, Car Shoe	Italy	4,776	4,776

Source: Global Powers of, Luxury Goods 2015, Engaging the future luxury consumer, Deloitte Touche Tohmatsu Limited (DTTL), http://www2.deloitte.com/content/dam/Deloitte/global/Documents/Consumer-Business/gx-cb--global-power-of-luxury-web.pdf, [last access: 14 October 2014].

All the information on the value of luxury products sales are shown in current prices as there are no studies on inflation indicators for this market. Admittedly, the biweekly magazine Forbes websites present "Cost of Living Extremely Well Index" (CLEWI)[36], which could play the role of inflation indicator, but it includes different products which are not taken into account in revenue calculation on the analysed market, like the cost of advice of lawyers or psychoanalysts, university tuition, medical services including plastic surgery, opera tickets prices, helicopters prices and so on. Furthermore, the detailed tables with regard to changes in product prices included in the CLEWI index in the years 1976–2001 indicate that the prices of the aforementioned services and helicopters rose considerably more quickly than the prices of products accounted for in the reports made by Bain & Company and Euromonitor[37]. It reduces the possibility of using the CLEWI indicator to analyse the inflation on the luxury products market.

Summing up the data on the luxury products market in the world, it should be emphasized that in the period of the last several years it showed a high rate of growth,

[36] http://www.forbes.com/2009/09/29/cost-living-well-lists-rich-list-09-clewi_chart.html [last access: 01.02.2012].

[37] http://www.forbes.com/2001/12/10/1203clewi.html [last access: 01.02.2012].

higher than the rate of growth of the world GDP. It also appeared that "luxury" was resistant to crisis phenomena in economy, as the effect of the 2008–2009 crisis was more than overcome in 2010: according to Bain & Company the sales of personal luxury products in 2010 exceeded the highest-till-then level of 2007[38].

In 2010 T. Sikora analysed the situation of luxury brands in relation to 100 brands of the highest value as rated by Interbrand. He found out that their positions became stronger in terms of quantity – the number of luxury brands rose from 14 in the 2000 Interbrand rating to 20 in the 2009 Interbrand rating as well as in terms of value, as their total value expressed as a percentage of the joint value of the first 5 brands in the rating rose from nearly 27% in the 2000 Interbrand rating to more than 51% in the 2009 Interbrand rating[39].

3.6. Luxury products market in Poland

The chapter on the luxury products market in Poland is planned to be published in the print edition. In order to signal the topic in the Internet edition it should be emphasized that in Poland, like in many other Central and East European countries as well as in the remaining post-Soviet and post-communist countries, due to the aftereffects of World War II and the period of non-market, centrally planned economy it is easier to talk about luxury from the perspective of demand rather than supply.

According to the Euromonitor data the share of sales of personal luxury goods in Poland accounts for 0.35% the world sales. Thus, the Polish market is of marginal significance for the international luxury brands.

There are Polish brands which in the future may gain the reputation equal to that of an average world luxury class. However, Polish luxury products produced at present that are closest to their world counterparts are most easily found in the industry of hotelery and catering, made-to-measure tailoring (couture sur mesure), yachts and jewellery, i.e. services, as well as production and distribution of jewellery products (i.e. where the main role is played, "by definition", by precious metals and stones).

Presently, the only brand of the internationally recognised status among luxury brands is the brand of dr Irena Eris (luxury cosmetics and luxury hotels & spa) belonging to the Comité Colbert Association as a European member.

[38] Cf. data in Table 3.1 and *Worldwide Luxury Markets Monitor, Spring 2012 Update*, 7th May 2012, op.cit., p. 2, [last access: 10 May 2012].

[39] T. Sikora, *Rynek dóbr luksusowych* …, op. cit., p. 6.

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Chapter 3 undertakes – as it may seem – the first attempt in the world literature to combine the data derived from different sources on the sales of luxury products in a possibly long term allowing for comparisons. It presents data on the geographical and industry structure of the luxury products market.

This chapter is intended mainly for students writing reports and theses on luxury products and brands.

Depending on the definition of the term luxury and the number of industries accounted for, the estimates of the sales of luxury products vary considerably: accounting for all industries J. Castarède quotes the amount of 180 billion euros in relation to 2008, M. Chevalier and G. Mazzalowo the amount of 250 billion euros for 2007, and BCG consultants 960 billion euros for 2010.

Furthermore, there are differences between the data provided by firms analysing selected industries of luxury products: Bain & Company and Euromonitor. They concern both the value of sales and the dynamics of changes in these sales over time. As consulting companies do not reveal their detailed methodologies of analysis of the luxury products market, it cannot be explicitly assessed which company provides the most reliable data.

There are detailed estimates of the number of buyers of luxury products available. BCG estimates it at about 382 million in the world in 2013, and Bain & Company at 330 million also in 2013: **about 5% of the world population**.

Such a large number of buyers testifies to the success in the strategy of luxury goods producers (begun in 1959 by Pierre Cardin), who, not having stopped making products for the world financial elites, thanks to the processes of range accessorisation (launching products within the category of accessible luxury), take advantage of the purchasing power of middle class households. It leads to the phenomenon of luxury democratisation, which means that products marked with the luxury brand logos, once accessible only to the richest, are in possession of hundreds of millions people worldwide.