

THE MILLENNIAL STATE OF MIND

Digital is reshaping how luxury is purchased across generations.

By Claudia D'Arpizio and Federica Levato

Key takeaways

- The luxury industry has entered a “new normal,” characterized by lower growth. To succeed in the next decade, brands will need to refocus on their customers to better anticipate and cater to their needs. The younger generation will be key: New research by Bain & Company and Farfetch estimates that millennials will represent 40% of the global personal luxury goods market by 2025.
- The characteristics of millennial behavior are already seeping through to older generations—which accounted for 73% of luxury purchases in 2016.
- This generates a widespread “millennial state of mind” that requires brands to act. It is characterized by three main traits:
 - Uneasiness. Digital interaction with peers is on the rise when choosing to purchase a product.
 - Urgency. “I want it fast and I want it now.” The time to make a purchase is decreasing, with younger customers taking one-third less time than older customers to make decisions.
 - Uniqueness. Consumers now expect brands to align with their personal values and passions.
- Today, 70% of luxury purchases are influenced by online interactions, which means at least one digital interaction has taken place with the brand or the product before those purchases.
 - 14% of consumers from the ages 18 to 24 complete their first luxury purchase online.
 - Digital traffic to websites of luxury brands is double the amount of store visits.
- By 2025, online and monobrand stores will become the two largest channels for luxury sales, each accounting for 25%.
- Bain & Company believes that stores will continue to play a critical role in the luxury market, with 75% of purchases still occurring in a physical location by 2025.

Figure 1: The geographic breakdown of the luxury market will remain stable from 2016–25; the real shift will be generational

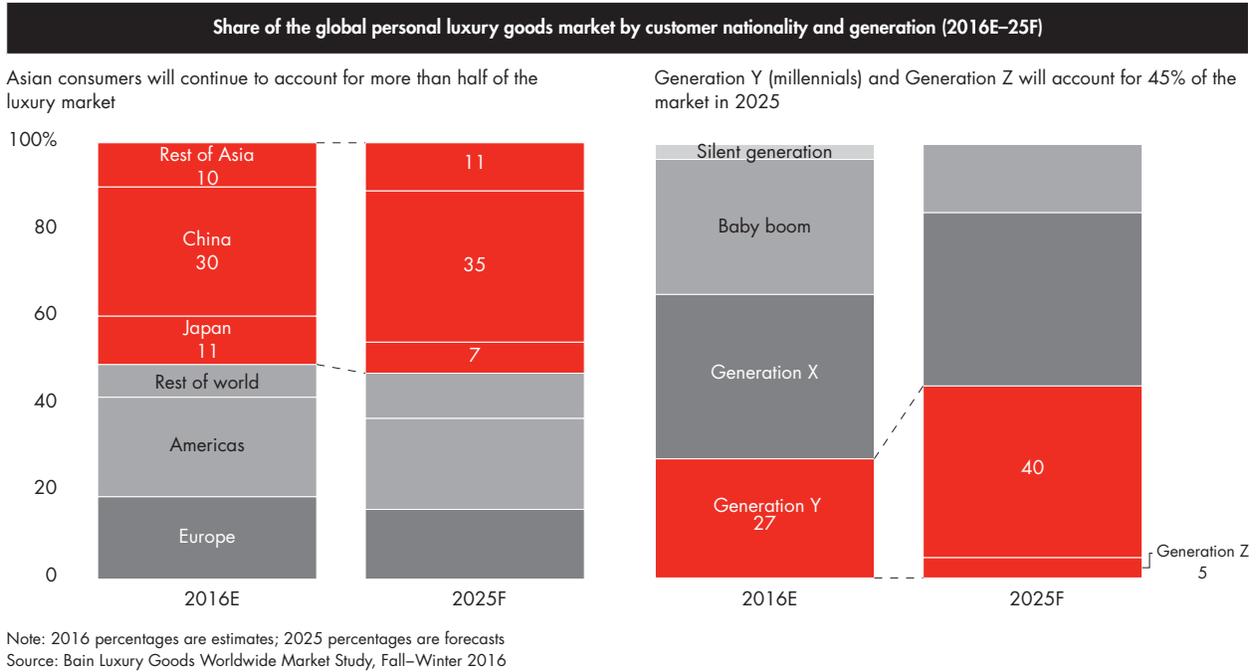


Figure 2: “Millennial” is not just an age group, it’s a state of mind that affects consumer behavior across generations

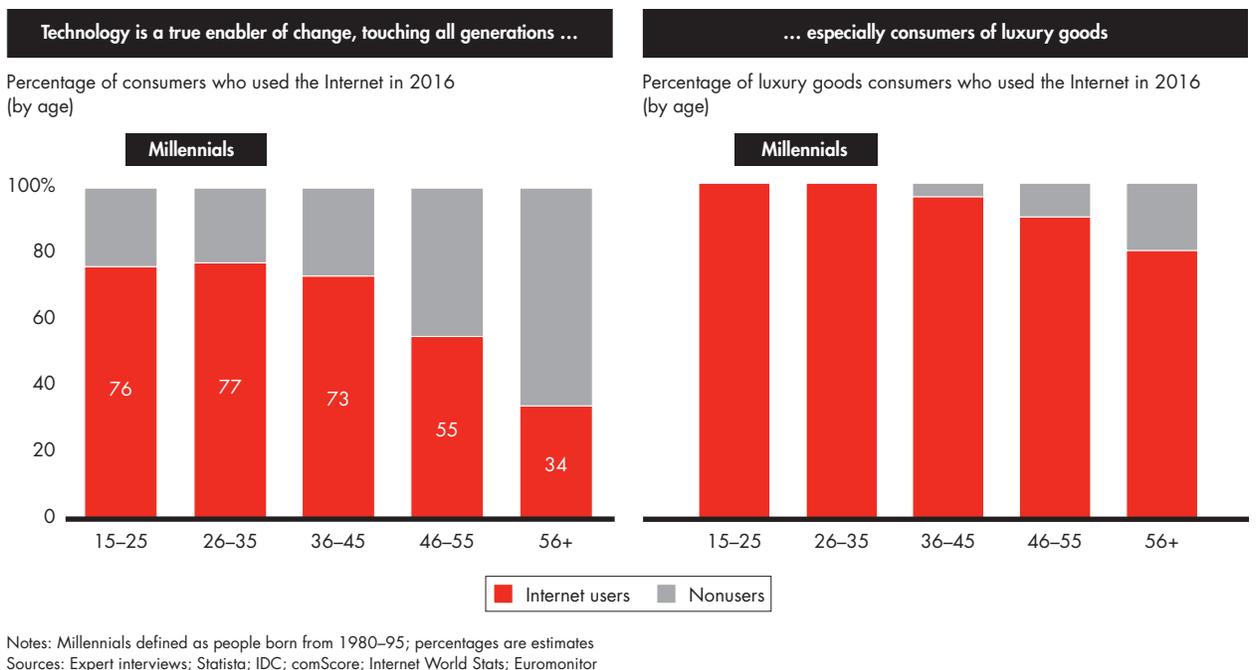
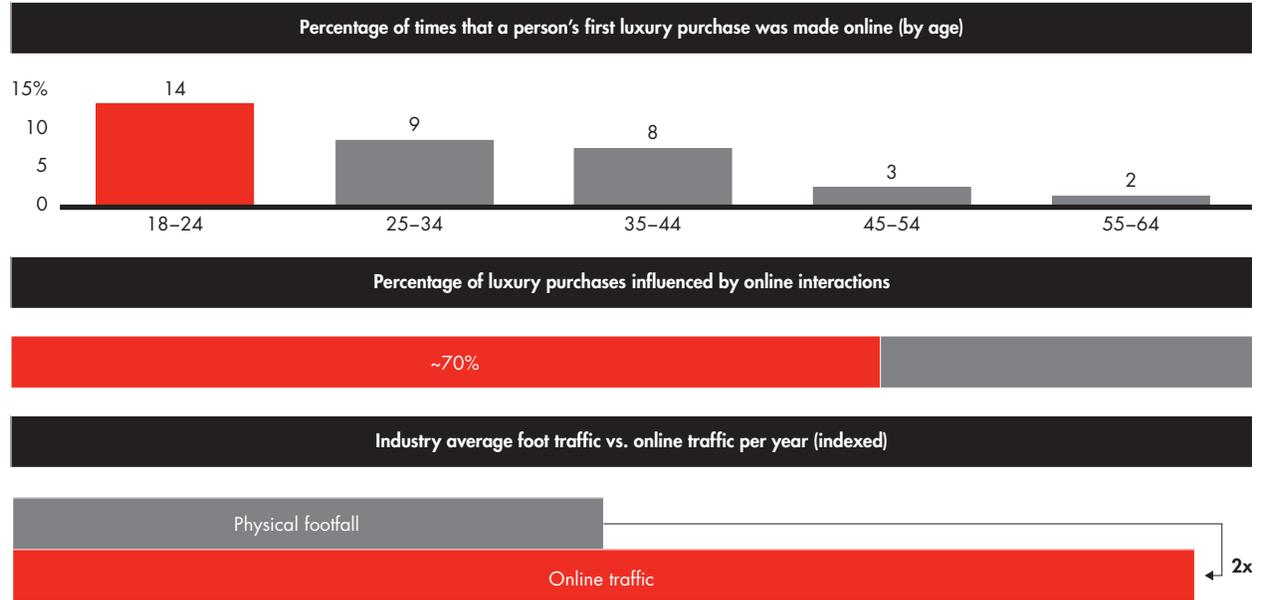
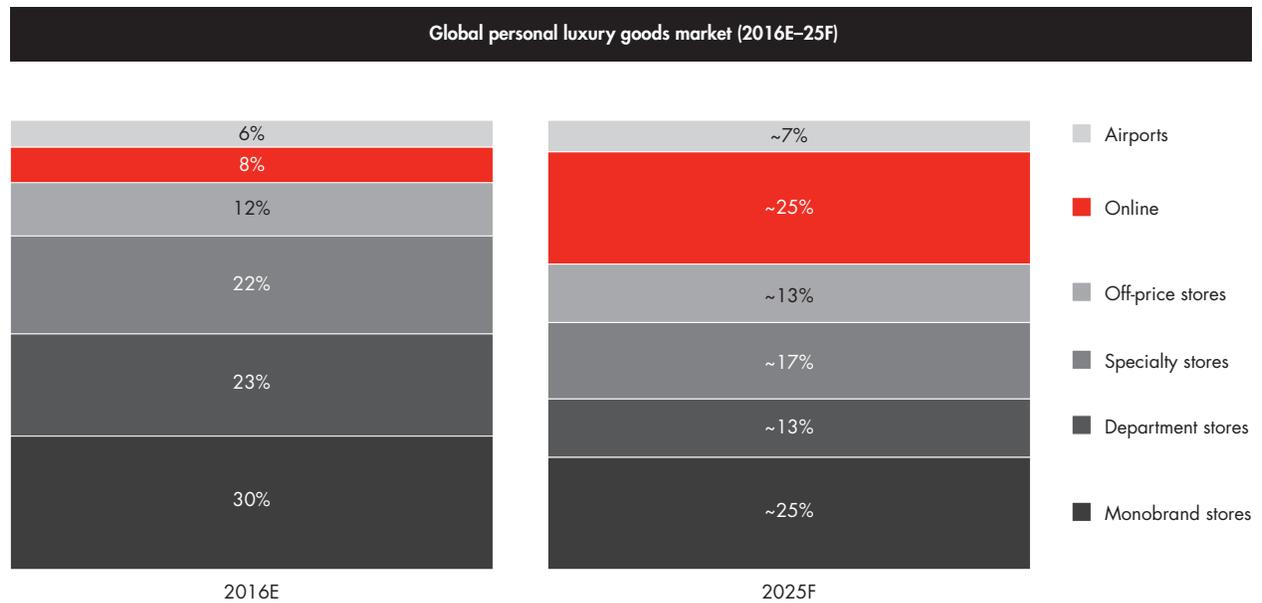


Figure 3: Digital interactions are completely changing consumers' approach to luxury



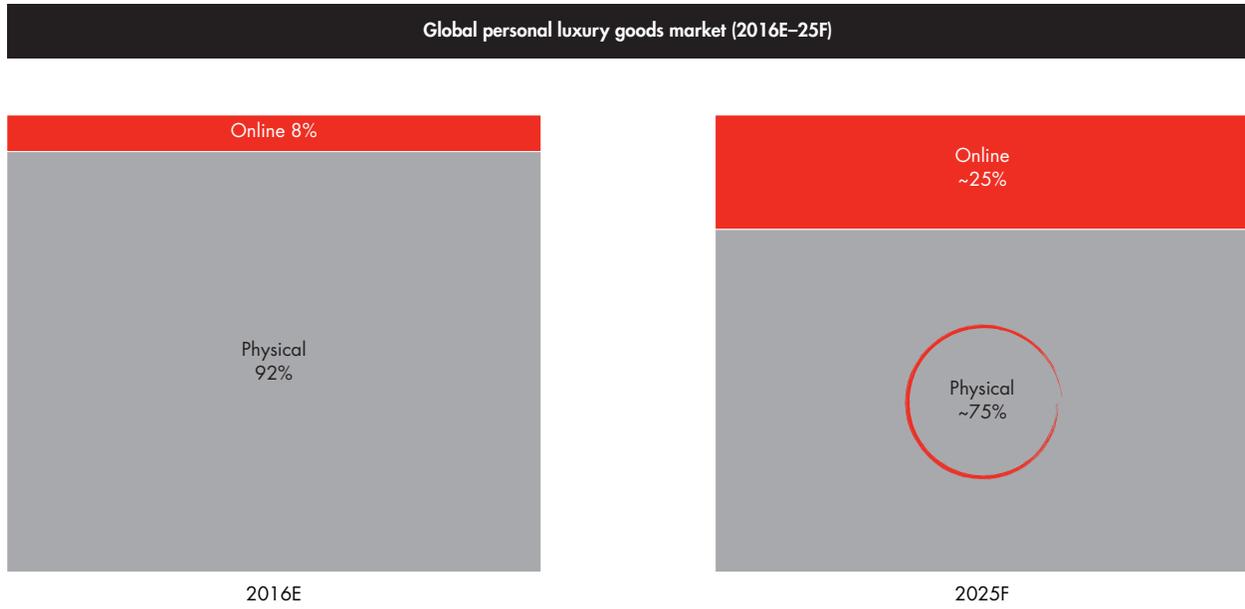
Notes: Survey excludes blanks and errors; ~70% indicates purchases that occur after at least one digital interaction with the customer
 Sources: Expert interviews; literature search; Bain 2016 luxury and premium apparel/accessories consumer survey

Figure 4: Online and monobrand stores will be the two largest channels for luxury sales by 2025



Source: Bain Luxury Goods Worldwide Market Study, Fall-Winter 2016

Figure 5: Physical stores will continue to play a key role, accounting for 75% of sales in 2025



Source: Bain Luxury Goods Worldwide Market Study, Fall–Winter 2016

Shared Ambition, True Results

Bain & Company is the management consulting firm that the world's business leaders come to when they want results.

Bain advises clients on strategy, operations, technology, organization, private equity and mergers and acquisitions. We develop practical, customized insights that clients act on and transfer skills that make change stick. Founded in 1973, Bain has 55 offices in 36 countries, and our deep expertise and client roster cross every industry and economic sector. Our clients have outperformed the stock market 4 to 1.

What sets us apart

We believe a consulting firm should be more than an adviser. So we put ourselves in our clients' shoes, selling outcomes, not projects. We align our incentives with our clients' by linking our fees to their results and collaborate to unlock the full potential of their business. Our Results Delivery® process builds our clients' capabilities, and our True North values mean we do the right thing for our clients, people and communities—always.

About Farfetch

Farfetch is the online platform to shop the world's greatest selection of luxury. The e-commerce platform partners with leading luxury boutiques and brands, located from Tokyo to Toronto and from Milan to Miami. This unique business model offers a vast range of pieces to shop, from established brands to fascinating new designers and one-of-a-kind styles.

Founded in 2008 by the Portuguese entrepreneur José Neves, Farfetch is translated in nine languages and services customers as a website (www.farfetch.com) and on-the-go app, making it easy to shop luxury fashion. Offices are found in 11 cities globally, and Farfetch express ships from partners to over 190 countries worldwide.

In 2015 Farfetch developed proprietary business units Farfetch Black & White and Store of the Future to provide key technology and business solutions for brands and retailers to facilitate growth and champion innovation. The brand also added London boutique Browns to its portfolio in 2015.

In May 2016 Farfetch secured a Series F round of investment of US \$110 million, led by new investors Temasek, IDG Capital Partners and Eurazeo with existing investor Vitruvian Partners also participating in the round. The company is currently valued at over US \$1 billion.



Reporters and news media: Please direct requests to
Dan Pinkney
dan.pinkney@bain.com
646-562-8102

For more information, visit www.bain.com

AMSTERDAM • ATLANTA • BANGKOK • BEIJING • BENGALURU • BOSTON • BRUSSELS • BUENOS AIRES • CHICAGO • COPENHAGEN • DALLAS • DOHA • DUBAI
DÜSSELDORF • FRANKFURT • HELSINKI • HONG KONG • HOUSTON • ISTANBUL • JAKARTA • JOHANNESBURG • KUALA LUMPUR • KYIV • LAGOS • LONDON
LOS ANGELES • MADRID • MELBOURNE • MEXICO CITY • MILAN • MOSCOW • MUMBAI • MUNICH • NEW DELHI • NEW YORK • OSLO • PALO ALTO • PARIS • PERTH
RIO DE JANEIRO • RIYADH • ROME • SAN FRANCISCO • SANTIAGO • SÃO PAULO • SEOUL • SHANGHAI • SINGAPORE • STOCKHOLM • SYDNEY • TOKYO • TORONTO
WARSAW • WASHINGTON, D.C. • ZÜRICH