American Marketer

Business at its best

BCG is 2018 Luxury Researcher of the Year

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Affluent consumers are more apt to take part in loyalty programs. Image credit: Nordstrom

By MICKEY ALAM KHAN

Boston Consulting Group is Luxury Daily's 2018 Researcher of the Year, selected for its innovation and ability to pinpoint new, unique trends, spanning numerous sectors.

BCG was named over runner's-up McKinsey and honorable mentions Fashionbi, Boston Retail Partners and Bain. Throughout the past year, these researchers have helped industry leaders better grasp the new consumer landscape and discover new insights into their behavior and more.

The Luxury Researcher of the Year award was decided based on the relevance, ingenuity and scope of research reports. All candidates selected by the Luxury Daily editorial team, with input from readers, had to have appeared in Luxury Daily coverage this year. Judging was based on merit.

Changing consumers
2018 was a heightened year for changes in consumer behavior, pushing sustainability, ecommerce, streetwear and personalization.

Boston Consulting Group was a significant force in discovering new trends, consumer interests and who the luxury buyer is.

Streetwear is an increasingly important entry point to luxury goods as casual categories become more popular among all demographics.

With millennials poised to become 50 percent of the luxury market, industries are seeing a shift towards casual apparel and experiential purchases. During a keynote at the Italian Luxury Summit on Nov. 7, a partner and managing director from BCG explained that despite this style shift, consumers still ultimately desire exclusive and unique items, a notion based on the group's recent research (see story).

Luxury shoppers are increasingly turning towards more casual styles for self-expression, according to a separate report from the Boston Consulting Group and Altagamma.

Millennials are expected to represent half of the luxury market by 2024, and their fashion choices differ from previous generations, as they are more apt to mix high and low labels as they seek out clothing that fits their personal brand. Traditional luxury brands are responding through adaptation and collaboration (see story).

Another report from BCG found that many of the problems that caused luxury growth to stagnate over the last few years are challenges largely created by the business itself instead of outside forces.

Speaking at Luxury FirstLook 2018: Exclusivity Redefined on Jan. 17, another executive from BCG spoke about the differences between the generations when it comes to luxury shopping and behavior. What BCG found was that the concept of trading up and trading down was very popular among millennials as a means of purchasing products outside their normal range (see story).

Millennials are changing more than fashion trends.

As luxury buyers grow more accustomed to online shopping, even automakers must prepare to meet customers' new digital-led expectations.

Other research from Boston Consulting Group finds that today's car buyers are even relying on more online resources before ever stepping foot at a dealership. While offline, onsite car purchases will not be disappearing anytime soon, consumer preferences are changing fast enough that auto retail already needs to adapt (see story).

Runner's up: McKinsey & Company
McKinsey helped retailers and brands decide how to move forward in today's vastly different retail climate.

In 2019 the global fashion business' growth is projected to slow to between 3.5 and 4.5 percent, with much of the increase driven by luxury and emerging markets.

Against a backdrop of political and economic uncertainty, about four in 10 fashion executives are anticipating worsening conditions. The State of Fashion Report, coproduced by McKinsey and Business of Fashion, notes that the industry is facing changes that require brands to throw out the old rules to succeed, calling for organizations that are able to rapidly adapt (see story).

The researcher has also explored the luxury fashion markets that are rising areas.

Most luxury executives in Russia are optimistic about the market's outlook in the near future, with a new report from McKinsey finding that 85 percent expect to see growth in the next three years.

However, despite these positive projections from those in the business, only 14 percent of Russian luxury consumers are planning to up their spending. As luxury executives look to promote growth in Russia, the top expected growth driver is attracting younger consumers (see story).

Honorable mentions: Fashionbi, BRP and Bain
Fashionbi has done significant work discovering up-and-coming trends that fundamentally shift how the industry operates.

For instance, it found that blockchain is poised to have a strong impact on the retail and fashion industries as more brands continue to adopt the tamperproof technology.

Originally developed to verify transactions using digital currencies, blockchain is now being used for different applications across a number of industries. According to Fashionbi's "Blockchain in Fashion and Retail Industry" report, large organizations can use blockchain technology to follow the entire product cycle, from production to even product usage (see story).

Boston Retail Partners has helped provide retailers and brands with new strategies to better handle the new consumer landscape in which blockchain technology is not the only new changing behavior.

For instance, retailers are too focused on overall sales and figures rather than harnessing the potential of returning customers, who are proven to have lower costs for conversion and have a higher average order value.

A study from Boston Retail Partners shows that only 40 percent of retailers measure customer retention to their detriment, especially for luxury brands who rely on loyal consumers. There are a variety of steps that retailers can take after a customer makes a purchase to build a strong connection of trust (see story).

Bain explored the impact that China is having on the outlook for luxury.

Per the researcher, in 2018 the overall luxury business grew 5 percent to $1.4 trillion, primarily propelled by rising demand from affluents in mainland China.

Luxury sales in mainland China alone grew 18 percent in 2018, according to the 17th edition of Bain & Company's Luxury Study, produced in partnership with Altagamma. The personal luxury goods market is expected to grow at a rate of 3 to 5 percent annually through 2025 for a value of $360 billion (see story).