Luxury shoppers increasingly focus on sustainability, the metaverse - report

By Sandra Halliday - 30 June 2022

Last week’s report from Farfetch highlighted the importance of sustainability to luxury shoppers and now a new study from Boston Consulting Group (BCG) and Comité Colbert adds more weight to that view. It shows that 65% of consumers “take into account companies’ commitment to sustainable development when deciding on their purchases”.

It reached this conclusion by speaking to around 40 luxury company executives and conducting a survey of 2,000 luxury clients and non-clients in France, Germany, the UK, Italy, Spain, Switzerland, and the US.

The luxury industry has bounced back strongly from the pandemic and sector growth is estimated at 6%+ between this year and 2026. But it won’t be business as usual for luxury with the sector changing beyond all recognition post-Covid.

As mentioned, almost two-thirds of consumers are focused on how committed plans are to sustainability when buying luxury products. And as many as 80% believe companies have a responsibility in the full lifecycles of their products, beyond production and sale. That comes as more and more luxury labels are introducing initiatives that focus on what happens to their products once they’ve been sold for the first time with the introduction of digital IDs, resale, repair, rental and other services.

The report also said that while 62% of the industry’s customers believe luxury products are “durable, the industry must nevertheless do more, as 60% of consumers believe luxury should be responsible for initiating environmental and societal transition”. And that 80% figure quoted above shows just how strongly consumer believe companies need to take responsibility.

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Joël Hazan, MD and partner at BCG and co-author of the report, said: “The industry is shifting from a competitive mindset towards a coalition mindset: leading luxury companies have understood they need to work jointly on key environmental issues to come up with scaled solutions.”

BCG added that the secondhand market is key to this. "Driven by the younger generations — with 83% of Gen Z willing to rent or own their clothes only temporarily — the secondhand market is growing twice as fast as the firsthand market and is expected to reach more than €50 billion by 2025”, it said.

DIGITAL FOCUS

And the importance of younger consumers means digital is becoming crucial to a degree that the luxury sector once thought wouldn't happen. Despite upping its game in digital in recent years, the report said the luxury industry is “perceived as trailing other industries when it comes to digital, according to 65% of those surveyed”.

It added: “While brands are still looking for a model that combines online presence and a premium in-store experience, nearly seven out of 10 people believe the digital experience provided by luxury brands does not measure up to an in-store experience.”

It believes investing in the metaverse is an “opportunity for luxury brands to ensure that they communicate with their current and future customers”. Of those aged 18 to 34, some 64% are very metaverse-focused and 59% believe it “could eventually replace today’s social media networks”.

This is most evident with Gen Z and Generation Alpha, both of which grew up and continue to spend an increasing amount of time online “and represent the future consumers of luxury fashion brands”.

But Hazan said luxury still has work to do on this front: “Although the pandemic accelerated luxury brands’ shift to digital, they have never been the pioneers in digital. In fact, Web2 concepts and applications have been far from the image of exclusivity and rarity conveyed by the luxury industry. Yet luxury brands must find a way to differentiate themselves as effectively online as they are able in their physical stores. In today’s Web3 context, this opportunity exists to reconcile luxury and the digital experience”.

He cited NFTs that “offer the possibility to reinvent the concepts of possession and rarity, all the while creating a strong sense of belonging to an exclusive community. As for metaverses, they are ideal spaces for personalisation and creativity, which brands are starting to seize".
CHINA AND INDIA

BCG also said that for luxury, China really is the future with two-thirds of the sector’s growth between 2021 and 2025 set to take place outside of Europe and the US.

In China, the market penetration of luxury perfume, for instance, is estimated at around 5%, compared with 42% in Europe and 50% in the US, so there are huge growth opportunities within that country. The Chinese luxury perfume market was ranked 10th globally two years ago but “is on track to become the second largest by 2025”.

And China isn't alone in its massive growth prospects. “Fuelled by population growth and increasing urbanisation, the Indian luxury market is expected to experience strong growth and reach $3.7 billion by 2026”.

Of course, all this comes with challenges for luxury companies that are often based in Europe or the US and not in the markets were their biggest growth prospects lie. “Current environmental and geopolitical contexts are forcing luxury companies to re-evaluate the risks of globalisation and make sure supply chains are agile enough to adapt quickly to a more and more uncertain environment,” BCG added.

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