Luxury trends

4 major shifts for luxury retail

2025

cegid

Summary

01.
From URL to IRL: retail gets experiential

Innovations in luxury retail means transactions aren't only taking place in store or online, but in private members' clubs, exclusive runway shows and the beach too...

02.
AI hits the shop floor

The tech is now being integrated everywhere in retail, from designer's drawing-boards to helping translate customer enquiries in store.

03.
Sustainability: second-hand thrives but slow progress elsewhere

Resell programmes and pre-loved platforms are booming, yet leading luxury brands are coy when it comes to their renewable targets.

04.
The Global Picture: emerging markets shine amid China's slowdown

Luxury players may be keeping a close eye on a slower Chinese economy and potential US tariffs, but the spotlight is shifting to the rising middle-class consumers in Latin America, Southeast Asia, and Africa. These emerging markets offer promising opportunities for growth and optimism.

Introduction

If young people's trends are any clue to the future, luxury brands may have had a wake-up call in 2024.

TikTok was full of movements like #underconsumptioncore, which promotes buying less, the playful chaos of "Brat Summer," and the #dupe craze, where Gen Z proudly shows off imitation goods — all pushing back against the usual ideas of luxury.

At the same time, the demand for personal luxury goods, (which peaked in the early-2020s when many banks cut interest rates to 0%) has slowed considerably. Middle-class and so-called 'aspirational shoppers', who fuelled the sector's growth over the past decade, are cutting back on high-end items such as handbags, watches, and designer clothing, impacted by the economic downturn in China — once the fastest-growing luxury market — and rising living costs worldwide. Luxury groups including Kering (the owners of Gucci and Balenciaga) which issued three profit warnings during 2024), Burberry, and Richemont (whose operating profits in the first six months of the year dropped 17% compared with the previous year) have all felt the pinch. Bain & Company predicts global luxury sales will shrink by 2% next year to €363bn ($385bn), marking the sector's first decline since the 2008 financial crisis.

Brighter future

Yet, there's plenty of reason to be cautiously optimistic too. Digital transformation and the rise of AI is predicted to enhance employee productivity, particularly for physical retail. The booming second-hand (or pre-loved) market may represent new revenue streams, while the emergence of millions of middle-class consumers in Latin America, Africa, India and southeast Asia over the next five years may add millions of potential customers.

Many luxury brands have defied the slump, particularly those businesses which focused on catering towards their wealthiest customers (rather than mass luxury 'aspirational shoppers'), Hermès (makers of the famed Birkin bag which can cost upwards of $20,000) reported a 13% and 11% increase in sales in Q2 and Q3 2024 respectively.

Although sales of luxury goods have tumbled, the beauty and jewellery markets have proved remarkably resilient. Online fine jewellery sales are expected to comprise 21% of the total luxury market in 2025 (up from 18% in 2023) according to Luxonomy, while Bain & Company's recent annual Luxury Study found the strongest category growth was in beauty and eyewear.

There are also glimmers of hope coming from the younger generations responsible for the luxury-trashing TikTok trends mentioned at the start of this article. Luxury brands might be finding it difficult to seduce these potential consumers-of-tomorrow, but these demographics could soon be in line for a gargantuan windfall. The property asset boom of the 'Great Wealth Transfer' is set to see an estimated $84 trillion of wealth change hands from baby boomer parents/grandparents to millennial and Gen Z offspring by 2045 according to consulting firm Cerulli Associates — meaning they'll have more disposable capital to spend on luxury items.

From innovative AI tools to wooing VICs (aka Very Important Clients), here's what luxury retailers can expect in the next 12 months...

01

From URL to IRL: retail gets experiential

The ascendancy of e-commerce — which globally accounts for 19% of retail sales and is predicted to rise to 24% by 2028[1] — isn't mirrored in the luxury world, where only 13.9% of luxury retail sales take place online[2]. According to Business of Fashion research, 31% of luxury shoppers visit stores at least monthly while 68% prefer face-to-face service when buying designer fashion.

It could explain why luxury brands have worked hard at innovating their brick-and-mortar stores, turning them into multi-sensory brand playgrounds where shoppers can 'experience' and soak up the brand (perhaps even help market produce by taking a few snaps for instagram), rather than just handing over their credit cards.

In Paris, Dior's 30 Avenue Montaigne store has a permanent museum, restaurant, artworks, garden and even an apartment where guests can stay overnight. Meanwhile, in London's Mayfair, Dunhill's flagship store is accompanied by a cinema, spa and barbershop.

As part of its turnaround, Burberry recently announced plans to roll out more 'scarf bars' (where shoppers can design a bespoke classic cashmere scarf). Meanwhile, customisable perfumes are created in front of the shopper at Le Labo stores while devotees of interior designer Beata Heuman can schedule meetings with her at her new London showroom.

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Sources :
1. Forrester, 2024
2. RetailX Global Luxury Report 2024

The IRL luxury retail trend is transcending the traditional confines of the physical store too. Porsche customers can now purchase their cars directly from the assembly line (where they can also receive a guided tour).

Many luxury retailers are also launching private members clubs such as Palazzo Ralph Lauren in Milan, the Hermès Carré Club (which has hosted exclusive popup events everywhere from Dubai to Los Angeles) and Harrods' new The Residence club in Shanghai, which offers 250 people exclusive access to Gordon Ramsay's first restaurant in China, a bar stocked with a £59,000 bottle of Louis XIII Rare Cask cognac, personal shopping opportunities and flights on the store's own-brand private jet.

Summer 2024 was also noted for luxury branded beach-clubs and pop-ups appearing in Mediterranean hotspots from the likes of Jacquemus (Saint-Tropez), Cult Gala (Mykonos) and Gucci (the Amalfi Coast).

For luxury brands, being experiential-adjacent can make good business sense: according to Salesforce research, 91% of consumers said they'd be more likely to buy from a brand/service after taking part in a brand 'experience'.

The direct-to-consumer model also connotes more exclusivity. Louis Vuitton, Chanel and Hermès don't sell collections of their Veblen goods via third-party websites (vintage is a different matter). Meanwhile, the pageantry involved with buying an item such as a Birkin bag also adds glamour (customers can't purchase one from the Hermès website but are "invited" to a store where they are shown a Birkin in a private room).

Sources : 3.Bain & Co, 2023: https://www.bain.com/insights/setting-a-new-pace-for-personal-luxury-growth-in-china/

Experiential offerings are also a way to reward and retain the patronage of loyal customers. According to Bain & Company[3], just 2% of customers generate more than 40% of sales.

Luxury brands such as Chanel and Dior treat these 'VICs' (Very Important Clients) by flying them to runway shows in exotic locations (or maybe tickets to the AMFAR gala hosted by Chopard during the Cannes film festival) where they stay in luxury hotels and are sat next to celebrities or designers at dinner (some brands even organise personal photoshoots to remember the experience).

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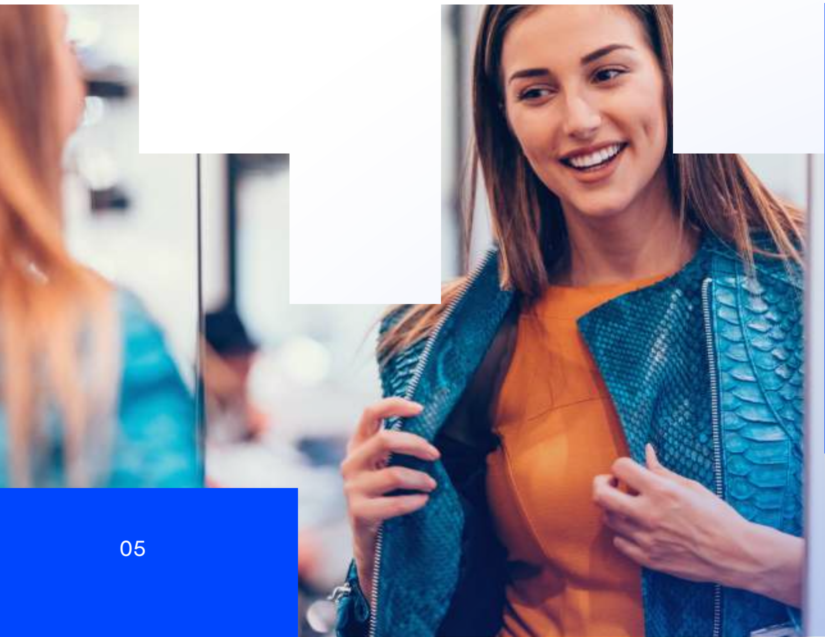

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02

The AI retail revolution is here

2024 was the year luxury retailers fully embraced AI. Over the last year, the technology has helped brands optimise operations, boost employee productivity, augment the creative work of its designers and develop a more personalised relationship with their customers.

The role AI can play in creative work was glimpsed by last October's Moncler x Lulu Li collaboration, which saw the Chinese artist team up with the Italian ski-jacket maker to turn her AI-designed clothes into real-life, ready-to-wear apparel.

Designers at other brands have been using AI to generate images of clothes from typed prompts, giving them more options to choose from before the garments are manufactured.

Fashion forecasters have also been using the real-time datasets of AI (culled from sources such as in-store sales and social media posts) to detect patterns and predict new trends, a much faster method than relying upon qualitative techniques such as monitoring runway shows and street fashion.

02

Using AI to help brands better understand their consumers.

Luxury brands are also using AI to help understand their customers better and tailor products/services towards them, with several using Cegid Pulse, Cegid's set of Gen AI agents, to analyse customer data such as purchase history and size/colour preferences.

When a customer visits a store, sales assistants can quickly glance at this data on a dashboard before promptly offering personalised advice and suggestions mid-conversation. With shoppers at many retail stores likely to hail from a multitude of countries, Cegid Pulse can also detect the language these customers are speaking before translating the assistant's advice and recommendations.

In 2025 more luxury brands should be using AI to help streamline their operations.

They'll be taking their lead from Burberry which has already integrated AI into its supply chain to help monitor inventory levels. By detecting slow-selling items, it can quickly make changes to global distribution. Its machine learning is also used in image analysis to identify counterfeit and fake products too. The deployment of AI in supply chains and inventory management can also advance sustainability efforts, by reducing overstocking and waste.

The introduction of AI has already resulted in productivity gains in administration via tools which can summarise and translate meetings or edit contracts. However, as one recent report by Bain & Company discovered, many luxury firms are yet to adopt the technology citing a lack of expertise (the main barrier to entry for 60% of luxury companies when it comes to analytical AI) and concerns over security and compliance (30% for analytical AI).

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30% have concerns over security and compliance for using analytical AI.

Sustainability: second-hand thrives but slow progress elsewhere

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This year there have been a handful of luxury brands who have defied the notion that adopting sustainability-led measures will impact profits. Since its 2023 announcement that it will only source 100% recycled silver and gold for all its jewellery (which came two years after a shift to lab-grown diamonds), Pandora has seen sales rise: the brand's Q1 2024 like-for-like sales soared by 11% while its share price more than doubled in the 12 months to May 2024. It's a similar story at Stella McCartney, famed for its 'nature-positive' materials such as seaweed-based yarn and grape-based leather alternatives, which reported a 23% increase in revenues during 2022.

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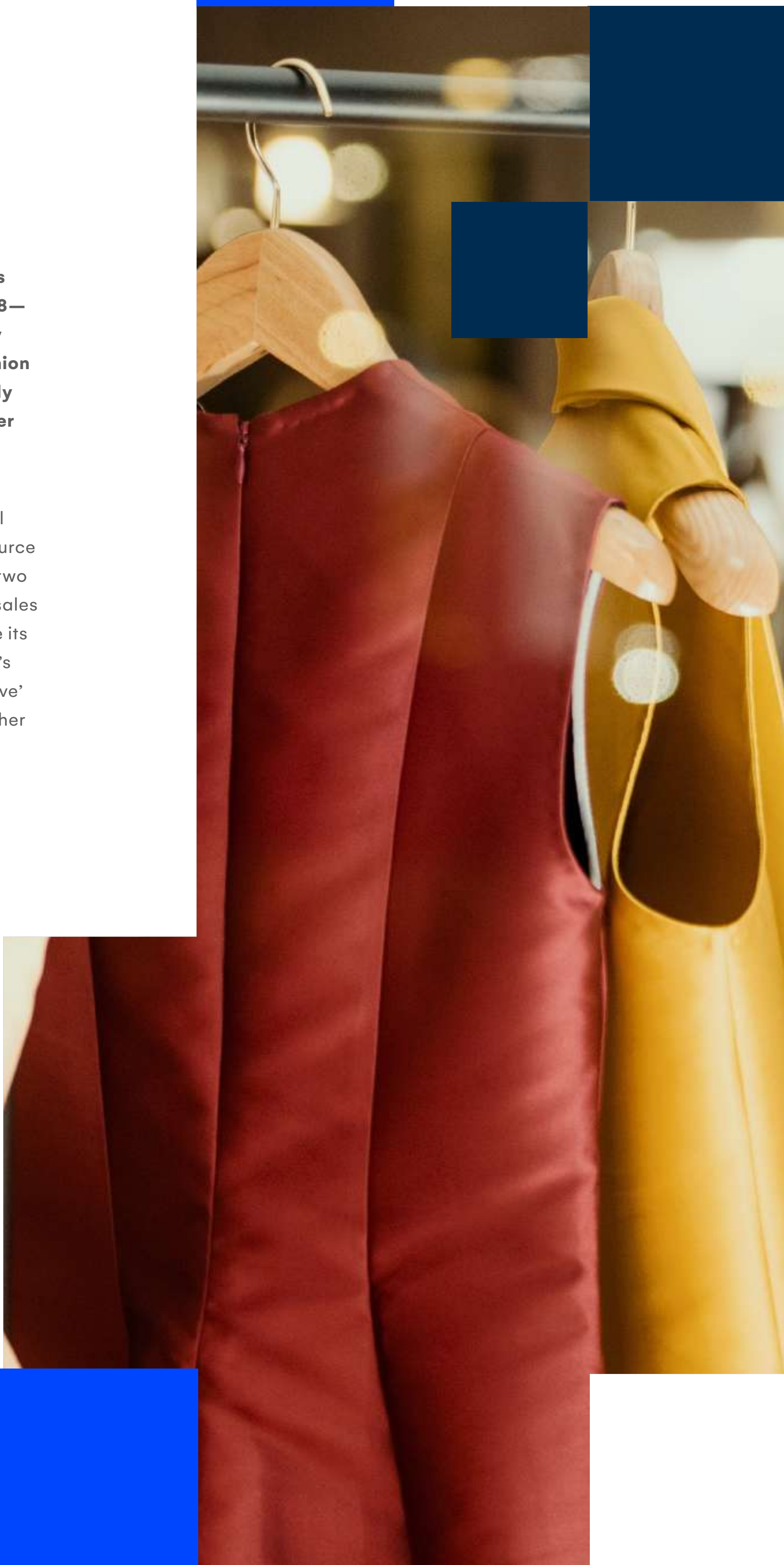
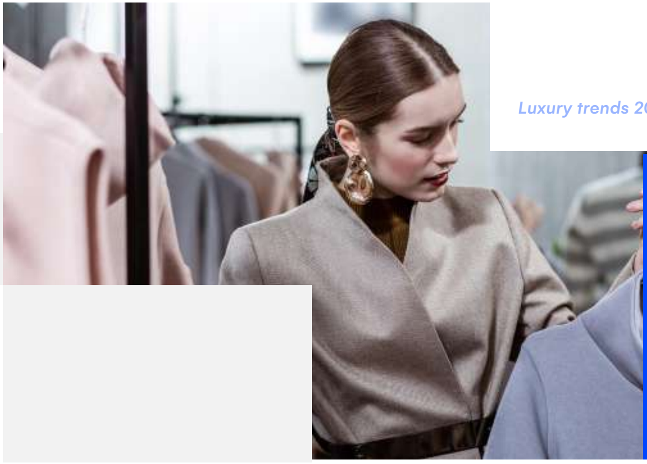
Luxury shoppers are also increasingly expecting brands to take an ethical stance too.
Last year RetailX's Europe Luxury Sector Report found 51% of luxury consumers would pay up to 10% extra for luxury goods that are environmentally-friendly. Meanwhile, 22% of wealthy US consumers surveyed for Savanta's 2023 MillionaireVue report said they had boycotted a brand or product for its substandard record on ethics and sustainability.



03



One area showing continued growth is the flourishing second-hand (or "preloved") luxury market. Second-hand clothing sales are forecast to make up a tenth of the overall global fashion market in 2025 with global sales currently standing at $197bn according to a GlobalData report. In the luxury world — which has traditionally prized newness and exclusivity — the second-hand market could account for up to 20% of a luxury brand's revenue by 2030 according to a Bain & Company report.

The preloved luxury fashion boom can be glimpsed everywhere, whether it's the 'deadstock' and resell programmes of Balenciaga and Gucci, fashionistas sourcing Chloé dresses and handbags on platforms such as the Vestiaire Collective or The RealReal, or UK department store John Lewis which recently teamed up with luxury fashion resale brand Sign of the Times to sell designer handbags from Chanel and Prada.

The trend is even extending to vintage jewellery, which makes up around 5% of the total $350bn-400bn total jewellery market. Resales also account for 30% of the luxury watch market with growth outperforming new watch sales, according to research from the Boston Consulting Group.

Yet, with the fashion industry believed to be responsible for around 10% of global carbon emissions, more progress needs to be made. One 2024 report by nonprofit Fashion Revolution found the world's 250 largest fashion reducing emissions, with nearly all (94%) lacking a public renewable energy target and only 3% disclosing efforts to financially support workers impacted by the climate crisis.

04

The global picture: China's slows as emerging markets grow

Any hopes that 2024 would be the year China's middle-class consumers would return to their pre-pandemic 'label lust' (the country delivered half the global growth in luxury spending between 2012-2018 according to McKinsey) were unrealised for major luxury brands. The ongoing economic slowdown in China has seen weaker domestic spending by consumers on items such as designer handbags, clothing and cognac.

The profit warnings issued by Kering in 2024 have partly been attributed to the waning demand for its leading brand Gucci in China.

Meanwhile, a Chinese government crackdown on influencers flaunting luxury items online (in April it launched the Qinglang campaign which aims to discourage influencers from "deliberately showcasing a lavish lifestyle built on wealth") has seen a critical source of marketing disappear almost overnight for luxury brands.

Luxury sales in China have also been impacted by a weaker Japanese yen, which has seen Chinese bargain-hunters flock to the shops of Tokyo and Osaka to snag luxury goods at cheaper prices than they would find back home.

Luxury brands may wish to shift their gaze to other parts of the globe. **A recent Bain & Company report estimated that the emerging markets in Latin America, India, southeast Asia and Africa are collectively expected to add more than 50 million upper-middle class luxury consumers by 2030**.

The rise of the middle classes in these regions is exemplified by streets such as Ho Chi Minh City's Dong Khoi, New Delhi's Khan Market and Istanbul's İstiklal Street joining more famous thoroughfares such as Milan's Via Monte Napoleone, New York's Fifth Avenue and Paris's Champs-Élysées in a list of world's most expensive shopping streets compiled by real estate group Cushman & Wakefield.

Brands are also looking at the burgeoning appetite for luxury in Saudi Arabia: The luxury goods market in the Middle East kingdom is projected to reach $2.84bn in revenue and grow 2.42% from 2024-2029.

The opportunities are many but it's essential luxury brands put in the work before embarking on expansion into a new market.

Luxury market in the Middle East

- **2.42 %** growth projected from 2024-2029.
- **$2.84 bn** in revenue from 2024-2029.

04

Samuel Guillaume,
Localisation Manager at Cegid.

> ***"Luxury brands need to understand and analyse the risks in order to focus on the most important compliance topics in their regions. With careful planning, luxury brands can give themselves a smoother ride by ensuring compliance with local regulations and best practices, which, for example, can help fight sales tax evasion and money laundering. There's an additional onus on brands too, to run software using the most current data, as many regions regularly update their sales tax tables."***

Adding to the challenges is the need to fit fiscal compliance into the customer experience. Without a robust solution in place, the purchase process and data sharing requirements can become burdensome for shoppers, leading to lost sales, poor customer satisfaction and a drop in brand loyalty. However, as Guillame explains.

> ***"Leveraging the right technology as soon as possible will enable a luxury retail brand to expand into profitable new markets and grow its customer base.***
> ***Luxury brands need to understand and analyse the risks in order to focus on the most important compliance topics in their regions."***

Cegid in luxury retail

Cegid Retail is a cloud-native unified commerce and retail operations platform trusted by some of the world's most prestigious luxury and premium brands, including Manolo Blahnik, Boucheron, Tiffany, and Christian Louboutin. With over 1,000 retailers and 85,000 stores in 75 countries relying on Cegid, we empower luxury retailers to deliver a seamless, memorable, and personalised shopping experience.

Our solutions ensure global brand consistency, helping to maintain compliance and create a unified brand experience across every store worldwide. We also support store teams by equipping them with powerful, easy-to-use tools that enhance efficiency, knowledge, and customer engagement, enabling them to deliver the exceptional service luxury shoppers expect.