

## Luxury fashion business model transforms to better harness technology and circularity

The luxury sector has always prided itself on offering consumers a chance to own pieces that are timeless and whose value and appeal will endure. But that doesn't mean that the way it produces and sells them should stay constant too. In fact, the opposite is the case; the luxury sector is at a crossroads. Houses and brands that carry on doing what they have always done risk falling behind.

Mazars, the international audit, tax and advisory firm, launched a new report, *Conscious, collaborative, connected: making over the luxury business model*, which explains why. The report, published in partnership with [the Ariane project consortium](#), reveals how the luxury sector is shaping a new business model that allows customers to experience and engage with brands in new ways and to purchase goods knowing they can be easily and expertly repaired and resold.

### Changing world of luxury

The luxury business model is transforming in response to a changing world: in 2010 luxury customers spent €4.3 billion online; in 2019 that figure rose to €33.3 billion. China is now luxury's number one growth market. And the global second-hand goods market has reached €30 billion annually, thanks to 12% average annual growth in the last five years.

According to the report, the new business model taking shape addresses the expectations of these new customer cohorts, prioritises luxury experiences, engages in partnerships and adopts circular practices in pursuit of greater sustainability.

### Customer cohorts

Luxury customers are increasingly younger and predominantly come from China. The country is the number one growth market for luxury and home to millions of wealthy customers eager to buy top-end goods. China's wealthy luxury customers make up one of the three new 'cohorts' identified in the report. Other cohorts are: HENRYs (High-Earners-Not-Rich-Yet), found in China and elsewhere, and Millennials and Generation Z – both driving luxury fashion's market growth potential. Each new cohort brings its own distinctive opportunities and pressures for client-centricity.

### Pivoting to experiences and partnerships

Throughout a series of interviews featured in the report, luxury sector leaders highlight that 'clienteling services' have become the leading edge in luxury's pivot to customer experience, especially services coming after the initial sale of a luxury product. One example is the take-back and recycling programmes for customers seeking sustainable consumption, including Eileen Fisher's pioneering [Renew programme](#).

Partnerships have become vital in ensuring greater transparency, circularity and sustainability. [The Fashion Pact](#) is one example of successful collaboration: a global coalition which helps major luxury Houses such as Burberry, Kering and Prada to collaborate with smaller ones by offering brand-to-brand exchanges. In doing so they deliver on the environmental sustainability promise that consumers want.

Some of these partnerships have been formed to expressly fight counterfeiting. Fake luxury merchandise is estimated to account for 60 to 70% of the €3.8 trillion of annual counterfeit trade flows.

## **New luxury technology**

Technological innovations helping luxury fashion brands to update their model include:

- Digital certification to prove the authenticity of products. Leaders in the field include Arianee, which is currently working with Breitling on a unique digital passport where the watchmaker offers watch owners a complete and continuous service from purchase to repair to resale or transfer – all powered by blockchain.
- Offering live experiences such as concerts, special sales, art previews and access to capsule collections – all linked to customers' social media use and their followers.
- New digital technologies, such as chatbots and radio frequency identification (RFID) tags to speed up and smooth the customer journey.

## **Looking ahead: key challenges and opportunities**

The report covers key challenges and opportunities ahead for the luxury sector, including the impact of Covid-19. This includes how the pandemic has provided the luxury resale market with extra momentum to drive investment in new services. In North America and Europe, many of luxury's young and affluent customers have suffered a loss of buying power, making the resale market even more attractive to them.

The report finds the brightest long-term future for luxury players that take seriously customer desire for sustainable consumption. That starts with circularity and finding solutions for recycling luxury products. But it also means going further, to develop new materials and production processes that do not harm the planet, and to bringing supply chain partners along on their sustainability journeys.

<https://www.mazars.ch/Home/Insights/Our-publications/Surveys/Making-over-the-luxury-business-model>

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