



Photo by Michelle Kolkevich
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Turmoil and triumphs: charting the course of the luxury market in 2024

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Luxury brands are facing both challenges and opportunities as markets, consumers, categories, and channels shift and evolve.

If you were to choose one word to characterize the recent past and the near future of the global luxury goods market, that word would be change. During the pandemic, a powerful phrase went viral, capturing the market's hopes for a future that no one was sure would ever arrive: "the new normal." Underpinning this thinking was the belief that once the pandemic passed, things would be different but would eventually stabilize. The maxim was half right. The market has definitely changed, but it's still evolving. Stability? That's another story.

Today, the luxury goods market is operating in a volatile world where black-swan events are fast becoming the rule rather than the exception. Preparing for the future requires first taking a peek into the past. So, to understand where the market will be in 2024 and beyond, let's start by revisiting what happened in 2023.

As constancy prevails, change inevitably follows

Thanks in no small part to a challenging second half of 2023, the global luxury goods market missed the projected sales goal of \$410 billion by an estimated 5 percent, coming in around \$390 billion. Performance suffered from a confluence of adverse social, environmental, and economic factors, including widespread inflationary pressures, an end to COVID-19 relief benefits, and geopolitical instabilities. But before we discuss why, let's take a closer look at what the luxury goods market really looks like.¹

Together, the top 10 countries account for about 75 percent of the luxury market. In terms of how sales are divided, 40 percent of the global market is in just two countries: the United States with a 26 percent share and China with 14 percent. In addition, 53 percent of sales are in only two categories: luxury apparel (34 percent) and leather goods (19 percent).

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¹ According to Euromonitor 2023, the luxury market includes luxury ready-to-wear apparel and footwear, eyewear, jewelry, leather goods, wearable electronics, timepieces, writing instruments, and super premium beauty and personal care.

Transforming market dynamics

The channel dynamics changed dramatically during the pandemic (see figure 1). But now, the tides are turning thanks to four forces:

Demographics. By 2026, more than 75 percent of all luxury consumers will be Millennial and Gen Z shoppers, whose purchasing power is often bolstered by financial support from older generations or family wealth.

Economics. Mature markets, including the United States and China, are facing economic uncertainty, and aspirational consumers are becoming more cautious, signaling a potential shift in luxury spending.

Category growth. Growth is expected to be higher in leather goods, jewelry, and beauty and personal care. However, ready-to-wear designer apparel and footwear will continue to be the largest category through 2028.

E-commerce. Online sales are slowing, particularly in the luxury segment, and growth is expected to return to pre-pandemic levels. However, brand distribution will likely skew toward the leading brands.

These four forces are hallmarks of a new phase, reflecting the evolving preferences and economic conditions that are shaping the luxury good market. In the face of these changes, six strategies have emerged:

Consolidate. Mergers and acquisitions remained popular in 2023. L’Oréal bought Aesop in a \$2.5 billion deal, Kering acquired a 30 percent stake in Valentino, and Tapestry is acquiring Capri Holdings for \$8.5 billion.

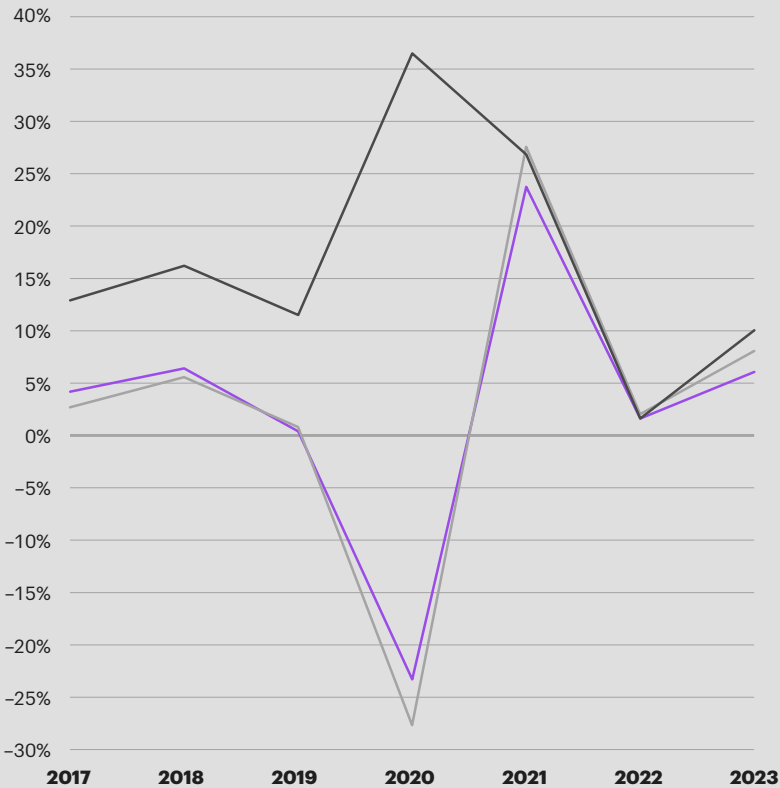
Expand. Many brands opted to expand into the beauty category. For example, Prada debuted product lines in skincare (Prada Skin) and beauty (Prada Color), Richemont launched its new fragrance and beauty division, as did Kering, which also bought Creed to form a beauty division.

Focus on understated high-end goods. In 2023, we saw the rise of “quiet luxury.” In the first nine months of the year, Brunello Cucinelli enjoyed 27.5 percent year-over-year growth, and “quiet luxury” searches on Google grew by 614 percent compared with 2022. However, some “louder brands” such as Louis Vuitton were unaffected by this trend—maintaining and even expanding their market position.

Figure 1
Luxury channel dynamics are leveling off in the wake of pandemic-related shifts

Global personal luxury goods by channel (% growth)

- Owned retail
- Wholesale
- E-commerce



Sources: Salesforce State of the Connected Customer Report; Kearney analysis

Enhance the brick-and-mortar presence. Not surprisingly, given how experience is such an integral component of luxury shopping, the industry doubled down on physical stores and boutiques. [Luxury groups](#) including LVMH, Kering, and Richemont have added 650,000 square feet of retail space over the past 12 months.

Lower costs. Some brands have used cost-cutting strategies. For example, FARFETCH laid off 11 percent of its workforce and closed offices and retail locations, and SSENSE laid off 7 percent of its employees.

Raise prices. Cutting costs doesn't always boost the bottom line, so several companies used elevated pricing strategies to buoy their numbers. For example, in September, Chanel increased the prices for its most popular bags by up to 17 percent. In a similar move, [Hermès](#) raised its prices by 5 to 10 percent in January 2023 and plans to increase them again by 8 to 9 percent in 2024. Although these higher prices boosted revenues, some categories saw a decline in unit demand for the first time. Raising prices forces some aspirational consumers out of the market, driving them toward alternate avenues such as re-commerce and rentals. That said, the secondary market has its own challenges, including fraud and counterfeit products.

After the first half of 2023, there was an industrywide slowdown, but the impact was not evenly distributed. Over a nine-month period (CY23 versus CY22), Kering, Estée Lauder, and Capri faced challenges, while other top-tier brands grew, including Hermès (+17 percent), LVMH (+10 percent), Richemont (+11 percent), and L'Oréal Luxe (+3 percent).

The voice of the customer: they want that something “special”

So, amid all these market changes, what do luxury consumers want? They aren't just shopping for premium products. Those products are passports to a world of exclusivity and emotional engagement, signaling membership in an elite community where the lifestyle transcends the ordinary and the mundane.

Exclusivity and quality are still foundational to luxury, yet the significance of experience, personalization, and sustainability is rising. Authenticity has also become essential, extending beyond the issue of counterfeit products—which has surged—to encompass the authenticity of brand promises, including positioning on social issues, material usage, claims of product origin, and the caliber of craftsmanship.

Mirroring the world's ongoing change and disruption, the luxury consumer has evolved—moving beyond a one-size-fits-all profile to demand a more varied and inclusive range of fashion offerings, from streetwear to red-carpet elegance. The challenge for luxury brands lies in catering to this diverse clientele without sidelining their traditional core consumers.

For luxury brands, it's a delicate balance to meet the demands of both the more aspirational consumers and the historical core shoppers. About 10 percent of the customer base is ultra-high net-worth consumers—shoppers who account for a staggering 40 percent of total sales. Brands must continue catering to their most profitable customers while simultaneously addressing the diverse needs of the remaining 90 percent of their customers. To effectively serve both groups, they will need to create distinct value propositions.

So, now that we understand the consumer and the forces that are shaping the market, what can we say about the immediate future?

Onward to March ... and April ... and May ...

Looking ahead to the rest of 2024, we expect to see demand continue to soften but with pockets of growth. Most estimates say growth will be closer to 2 to 4 percent this year—less than the more optimistic higher single-digit estimates previously stated. Much of this slowdown traces back to rocky conditions and market dynamics in the top two luxury markets:

United States. Although this is still the world's top luxury market, it's also where the luxury industry expects to see the greatest slowdown, driven by several factors. The first is aspirational shopper fatigue, the result of a toxic blend of high interest rates, ongoing fears of a possible recession despite a strengthening of the general economy, and inflation. All of this is coupled with the uncertainty of an election year, leaving consumers feeling more selective about how they spend their disposable income. Finally, the depletion of pandemic-era savings and the partial lifting of student loan repayment programs have also conspired to soften the US market.

China. The domestic economy faces some near-term challenges, alongside navigating external political scrutiny regarding the "One China" policy. At the same time, China is experiencing a wave of national pride known as Guochao (literally national trend), which can be seen in consumers' preference for products that proudly incorporate Chinese colors, symbols, and other elements of Chinese culture. Paired with domestic pressure to limit overt displays of wealth, this has shifted consumption patterns. Although many ultra-premium brands have continued to be successful, some mid-market luxury players have not been as fortunate.

These two countries account for 40 percent of the global luxury market, but where will the growth come from in the future?

Grow where the growth is

Despite the headwinds, China is still a key growth market. In 2023, luxury sales reached \$59 billion and are expected to continue to grow at a 10 percent CAGR through 2028. The country still has a robust appetite for domestic shopping and tourism, and as a result, brands are still investing in luxury developments and opening more local stores. At the same time, brands will need to recognize that as China's luxury market quickly becomes saturated, they will need to geographically diversify and begin investing in new and emerging markets.

In the Middle East, luxury sales reached \$16 billion in 2023, and the CAGR is projected to grow 5 percent between 2023 and 2028. This growth is bolstered by the Millionaire Migration, which brought 4,500 millionaires to the United Arab Emirates last year, reinforcing its position as a premier destination for affluent people.

According to Kearney's Global Retail Development Index, India continues to be one of the world's fastest-growing economies. Forecasts predict that over the next four years (by FY 2027–2028), India will overtake Germany and Japan to become the world's third-largest economy. Fueled by a demographic of young, employed, affluent, urban, and technologically adept individuals, the luxury goods market is poised for sustained growth. In September, consumer confidence in India soared to unprecedented levels, underscoring this trend.

Benefiting from a resurgence in tourism, Southeast Asia racked up an impressive \$13 billion in luxury sales—6 percent of the global market. Here too, younger consumers are driving sales in luxury categories. However, challenges loom, especially since tourism is such an essential component of the region's economy. The average cost of air travel to the region is up 50 to 100 percent compared with pre-pandemic pricing, diminishing the shopping appeal. Another factor contributing to a potential decline is China's investments in domestic duty-free zones, making leaving the country less attractive for Chinese luxury shoppers.

If there's anything that the past half-decade has taught us, it's the power of disruption.

Which forces will shape 2024 and beyond?

In addition to the shifting markets, the most disruptive elements the industry is facing fall into four categories:

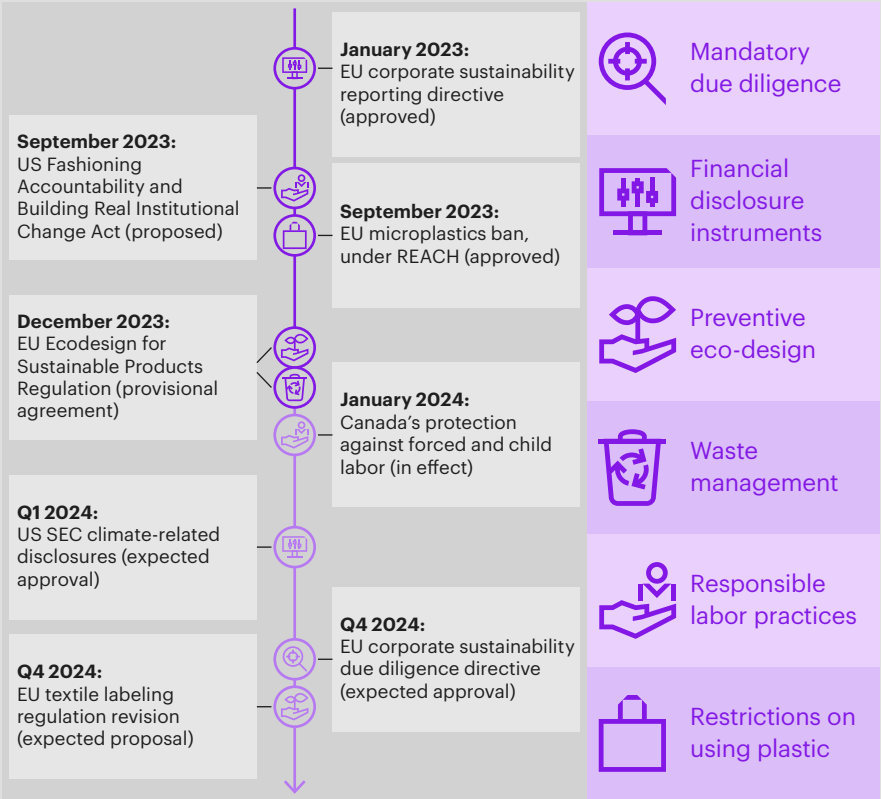
Refining channel strategies

Channel dynamics are shifting back toward physical retail and high-touch clienteling. In terms of owned retail, boutiques have reemerged as the primary connection point, and customers expect them to be immersive, emotional, and frictionless. The wholesale channel is still an important venue for brands to broaden their reach, gain valuable feedback from a multi-brand environment, and incubate innovative emerging brands. However, it is expected to decline overall, with the channel’s growth limited to market share gains tied to the more innovative retailers.

Post-pandemic e-commerce growth slowed as consumers returned to brick-and-mortar stores, although according to a 2023 Salesforce State of the Connected Customer survey, [68 percent](#) of consumers say COVID-19 elevated their expectations of companies’ digital capabilities. Finally, the traditional travel retail channel is due for a refresh of its value proposition as eroding price effectiveness and a misaligned assortment have limited the channel’s growth. According to [Kearney research](#) on travel retail, spending on fashion and accessories has been growing since the decline of COVID-19 but has only recovered to 2016 levels. To get back on track, brands will need to offer more exclusive assortments, more attractive prices, better experiences, and better service.

Figure 2
Regulatory momentum will put pressure on luxury brands to put a spotlight on sustainability

Sustainability regulations and directives



Sources: European Commission, Securities and Exchange Commission, United Nations, Government of Canada, New York State Senate; Kearney analysis

The sustainability imperative

Growing regulatory momentum on sustainability will put pressure on brands to accelerate their efforts amid a wave of sustainability regulations and directives (see figure 2). These regulations will compel mandatory due diligence along with the implementation of advanced financial reporting and disclosure tools. They will also require eco-design principles extending to waste management, enforcing responsible labor standards and practices, and restricting the use of plastic. Consequently, sustainability will transition from a nice option to the mandatory standard.

Evolving supply chains to manage uncertainty

Brands have become more susceptible to a variety of demand and supply shocks. Geopolitical and environmental disruptions continue to challenge operations around the world. In select markets, raw material production could be jeopardized by the looming climate and geopolitical crisis, and facilities are facing shutdowns amid heightened scrutiny over labor violations.

Disruptive technologies are allowing brands to elevate the consumer experience and optimize operations.

These supply chain challenges can be addressed by selecting the appropriate strategy, such as tightened vertical integration and collaboration across the fashion value chain, which includes exploring alternative markets for production, such as Japan. This has resulted in brands such as LVMH, Hermès, and Kering working with small local artisans.

End-to-end traceability has become a necessary capability. Brands can build traceability through the aggregation of standardized data, joint process ownership with upstream suppliers, and origin testing. In addition, some brands are adopting digital tracing solutions such as FibreTrace and EON.

The sweeping role of technology

Although there's no shortage of technology innovation for fashion, aligning technology so that it supports the brand strategy is crucial. The industry is seeing a wave of new, emerging, and "re-branded" technologies that are garnering significant enthusiasm across the industry.

Disruptive technologies are allowing brands to elevate the consumer experience and optimize operations. For example, certain AI technologies are quickly becoming foundational capabilities, including demand sensing and trend identification. For merchandising and design, generative AI can unlock rapid early concept iterations and highly targeted style attributions as well as automating product information management.

Virtual merchandising technologies can also enable global real-time purchasing by reducing operating costs and unlocking data-driven consumer insights. For example, Ralph Lauren partnered with augmented reality start-up Obsess to reduce the number of physical samples the company makes, and watch retailer Chrono24 lets customers "try on" Rolex and Omega watches via its virtual showroom. In addition, blockchain and RFID traceability technologies continue to advance and can provide consumers with credible proofs of authenticity, combating counterfeit risks and enhancing supply chain visibility.

Although there's no shortage of high-tech innovation, luxury brands will need to lead with their strategy and use technology to enable their goals.

The view down the long road ahead

The world of luxury goods has changed. But that change—properly understood—can create a wealth of new opportunities for incumbents as well as for challenger brands. Although legacy and heritage are still vital to heritage brands, all brands will need to develop agile organizations that are prepared to act at the appropriate time.

If there's one takeaway to guide luxury brand strategies, let it be these three insights:

Today's consumer and market shifts are unprecedented and ongoing, underscoring the need for businesses to adapt swiftly and strategically. In response, companies that hope to remain competitive and relevant must have innovative products, marketing strategies, and customer experiences.

Companies relying solely on their heritage will find themselves at a disadvantage. The dynamic nature of today's markets requires not only adaptation but also a proactive approach to innovation and differentiation. This means constantly evolving to meet changing consumer demands and using new technologies to enhance product offerings and customer engagement.

Strategic planning with a clear vision and a practical road map is crucial for navigating the challenges ahead. This involves aligning organizational structures, including geographic and product divisions, to ensure cohesive and effective operations. Companies that do so will be able to anticipate market trends, adapt to consumer needs, and maintain a competitive edge in a rapidly changing landscape.

All brands will need to develop agile organizations that are prepared to act at the appropriate time.

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