Online Luxury Purchasing Rises as Lower End Bolsters Sales

Younger shoppers spur growth, too, but gains cut across all ages

ARTICLE

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Digital sales of luxury goods were slow to take off, trailing many other sectors, but online luxury shopping now is gaining rapidly, spurred by sales of lower-end luxury goods and by younger shoppers accustomed to purchasing practically everything online.

In the "2018 State of the Luxury Industry" report by the Luxury Institute, affluent shoppers conducted 38% of their luxury buys digitally. A majority (52%) still preferred buying luxury goods in-store, a drop of 2 percentage points from 2017, while 21% preferred online, a gain of 2 percentage points. Twenty-seven percent did not have a preference. The study surveyed affluent consumers in the US, the UK, France, Germany, Italy, Japan, China and Mexico.

"What you're seeing today is a tremendous amount of trust and also a tremendous need for convenience," said Milton Pedraza, CEO of Luxury Institute. Due to vigilance from brands and online retailers, counterfeiting fears aren't what they used to be, and Amazon has acclimated shoppers to free shipping and easy returns.

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According to a February 2018 McKinsey & Company study using Forrester and Euromonitor data, digital luxury sales worldwide are expected to make up 12% of all luxury retail sales by 2020, with that percentage growing to 19% by 2025.

Personal Luxury Goods Retail Sales Worldwide, Offline vs. Digital, 2016, 2020 & 2025
billions of € and % of total retail sales

	2016		2020		2025	
	Luxury goods retail sales	% of total retail sales	Luxury goods retail sales	% of total retail sales	Luxury goods retail sales	% of total retail sales
Offline	€234	92%	€275	88%	€309	81%
Digital	€20	8%	€37	12%	€74	19%
Total	**€254**	**100%**	**€312**	**100%**	**€383**	**100%**

Note: includes accessories, apparel, beauty products & perfumes, footwear, jewelry & watches and leather goods
Source: Euromonitor and Forrester as cited in McKinsey & Company, "The age of digital Darwinism: Apparel, Fashion & Luxury Group," Feb 1, 2018
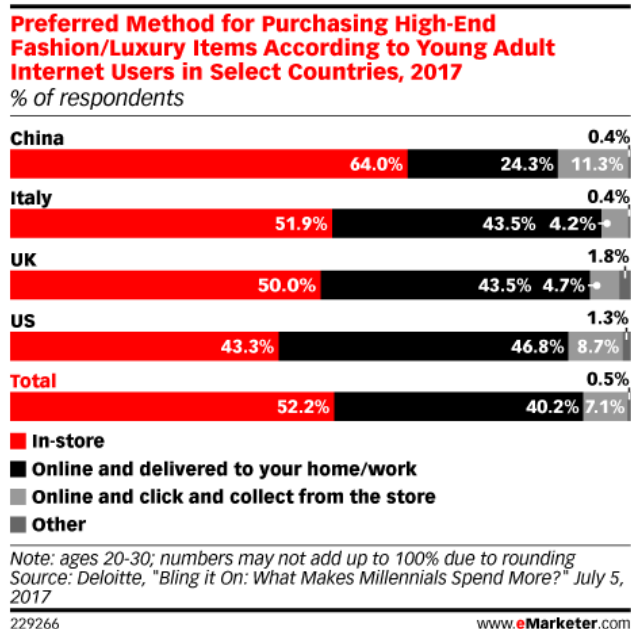235229
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The McKinsey report noted that so-called affordable luxury items are driving online luxury sales. In 2016, it noted, 12% of affordable luxury sales occurred online, compared with 10.6% for "aspirational luxury" items and 5.1% for "absolute luxury" items. It's worth noting that while online sales are projected to grow by more than 200% between 2016 and 2025, offline sales are also expected to rise, increasing 32% over the same period.

The biggest luxury categories for online sales were beauty products, ready-to-wear apparel, and accessories like handbags, according to McKinsey & Company. Watches and jewelry are less likely to sell online because of their higher price points, it noted.

Meanwhile, and not surprisingly, consumers in the affordable luxury segment tend to be younger, the report found.

That squares with data from other sources, such as Deloitte, which found that internet users ages 20 to 30 are roughly as likely to prefer online shopping for luxury goods as the in-store experience. In fact, those in the US actually tended to prefer online over in-store shopping.

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Preferred Method for Purchasing High-End Fashion/Luxury Items According to Young Adult Internet Users in Select Countries, 2017

% of respondents

	In-store	Online and delivered to your home/work	Online and click and collect from the store	Other
China	64.0%	24.3%	11.3%	0.4%
Italy	51.9%	43.5%	4.2%	0.4%
UK	50.0%	43.5%	4.7%	1.8%
US	43.3%	46.8%	8.7%	1.3%
Total	52.2%	40.2%	7.1%	0.5%

■ In-store
■ Online and delivered to your home/work
■ Online and click and collect from the store
■ Other

Note: ages 20-30; numbers may not add up to 100% due to rounding
Source: Deloitte, "Bling it On: What Makes Millennials Spend More?" July 5, 2017

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But the McKinsey & Company study underscored that digital is not merely a millennial attribute. It noted that 98% of all luxury shoppers have smartphones and highlighted the fact that millennial luxury shoppers and baby boomer luxury shoppers are relatively similar when it comes to device use and time spent on the internet: The younger group used an average of four devices and spent 17.5 hours online per week, compared with 3.5 devices and 16.4 hours online per week for their elders.

"The older people have always been tech savvy," Pedraza said. "They also have most of the money still."

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