

Roland Berger study on the luxury market in Germany: Strong brands emerge as winners in the crisis

Munich, January 19, 2010 - Germany is one of the top three highly relevant luxury markets worldwide. The German luxury market stable despite the crisis; decreases in the automotive (-15%) and furniture segments (-6%) compensated for by areas such as jewelry (+2%)

Online business for luxury brands is booming

Consumers are paying attention to quality and appropriate prices more than ever

Six core trends for the future success of the luxury business: consolidation, digitalization, social responsibility, sustainability, innovative marketing and good value for the money

The German luxury market remained stable in 2009 despite the crisis. Decreases in automotive (-15%) and furniture (-6%) were compensated for by other segments. With its position in the individual sectors, the German market finds itself among the top 3 global luxury markets. In 60 interviews with leading brand manufacturers and retailers, Roland Berger Strategy Consultants examined the developments of 2009 and identified key trends for the future of exclusive brands in Germany. These trends include continued growth of online business and the intrinsic value of products as well as social responsibility, sustainability and good value for the money.

"Germany is still a highly relevant luxury market at the top of most segments worldwide," says Philip Beil, Principal in the Consumer Goods & Retail Competence Center at Roland Berger Strategy Consultants. "And this market remained stable over the course of the crisis." In a study entitled "The luxury market in Germany 2009", the consultants of Roland Berger examined seven key market segments. Measured by market size, the German luxury market is one of the top 3 in the world. Particularly in the luxury automobile and furniture segments, Germany is first in the world in terms of volume. The negative trend in these market areas in 2009 was offset by a stable or even slightly positive development of the high-end cosmetics, fashion, champagne, jewelry and watches segments.

Not all segments and providers had the same experience: In fashion & accessories, traditional brands with a high degree of craftsmanship and excellent workmanship were even able to grow in 2009 and helped achieve stable market volume. The perfume and cosmetics segment was able to maintain its level of the previous year due to stable price development and an increase in its online business.

Despite a dip in the gastronomy business, champagne sales – especially those of the market leaders – stayed at the previous year's level. Domestic consumption is on the rise, and new sales structures such as shop-in-shops in department stores look promising.

In the watch segment, classics and timeless models did well in maintaining their market position. Consumers look for quality and service, and traditional brands at a high level of craftsmanship are in demand. The price segments of EUR 8,000 and below are stable, whereas the high-end segment (over EUR 50,000) sustained heavy losses.

One of the winners in the crisis is the jewelry segment. More and more consumers are investing in tangible assets such as gold and high quality jewelry. Manufacturing and the goldsmithing business are driving the market.

The furniture segment was hit hard with serious losses in 2009, particularly in the real estate market. In contrast, consumers are still willing to spend. The main purchasing criteria are comfort, design and quality.

The automotive market also took quite a beating. In particular, the market leaders for luxury cars have lost major customers. Only the smaller manufacturers were able to keep their sales stable.

Six future trends for luxury brands

In the overall German luxury market, six trends are emerging: consolidation, digitalization, social responsibility, sustainability, marketing and pricing. Consolidation means that for luxury products, intrinsic value and exclusivity are becoming more important. "A label alone isn't enough any more," explains Beil. "Quality and content are what count." Another trend is digitalization: The Internet is changing the luxury market, as customers can find information on products more easily and discuss products among themselves. For manufacturers, this creates numerous new opportunities for communicating with their customers. Online shopping and applications for mobile phones, or "apps", make it possible to target customers better according to brand. Unchecked consumption, however, goes out of style in times of crisis out: buyers and manufacturers of luxury brands as well as companies are increasingly concerned with social responsibility. In this context, sustainability is also becoming a trend and is expected to affect product development and marketing. The automotive industry, for example, is particularly under pressure on the environmental front. Those who act first can clearly set themselves apart from the competition. "Green is 'in', and environmentally responsible consumption is not a peripheral issue nowadays," says Beil. Marketing is also responding to the new possibilities and issues. POS actions and direct customer contact are replacing broad advertising campaigns and new channels of communication are supplementing the exclusive and tailored ad promotions. In addition, customers are increasingly demanding real value for their money. "However, the brand image should not be damaged by offering discounts," says Beil. "The customer has to be aware of the exclusivity of the product. For this reason, brands have to constantly review their pricing."

Roland Berger Strategy Consultants, founded in 1967, is one of the world's leading strategy consultancies. With 36 offices in 25 countries, the company has successful operations in all major international markets. In 2007, it generated more than EUR 600 million in revenues with 2,000 employees. The strategy consultancy is an independent partnership exclusively owned by about 180 Partners.

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