NEW MODELS OF LUXURY OWNERSHIP: RESALE, RENTALS & SUBSCRIPTIONS

DECODING THE VOICE OF THE AFFLUENT CONSUMER

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NEW MODELS OF LUXURY OWNERSHIP: RESALE, RENTALS & SUBSCRIPTIONS

AFFLUENT AND HIGH NET WORTH CONSUMER SURVEY -
DATA COLLECTED IN SUMMER 2019 - USA, UK AND FRANCE

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Altiant was first invited to present this research at the Consumer Experience Conference (luxeCX) organised by LuxuryDaily and American Marketer in New York at the end of 2019.

Luxury Daily — American Marketer

A L T I A N T

INTRODUCTION. THE NEW MODELS OF OWNERSHIP.

The concept of ownership, once at the center point of luxury consumption, has evolved from owning luxury to experiencing luxury ownership. Consignment stores, rental or subscription models are not completely new, but their sharp rise supported by technology is highlighting some key questions around this phenomenon once seen by luxury houses as weakening their brand value and fueling the counterfeit market.

- What are the key drivers and the underlying motivations?
- Does this translate into a desire to make luxury affordable or planet-friendly?
- Is there a lack of commitment from the new generations?
- What are the perceptional and attitudinal differences between the United States, United Kingdom and France toward rental and owned goods, fractional ownership beyond villas and real estate, and the rise and appeal of subscription boxes and services?

DIGITAL SERVICES HAVE IMPACTED OWNERSHIP PATTERNS

Over the past decade, digital technology has become more influential and had a profound impact in many categories, notably media. Services such as Netflix and Spotify have boomed in popularity among both our affluent sample and the general population.

The significant decline in CD and DVD sales as a direct result of streaming services is testament to this. Furthermore, the rise of digital products such as Uber and Deliveroo are integrating the online and offline worlds and disrupting their markets.

There are numerous international examples of brands; Blockbuster being the classic example; which were left behind or too slow to evolve with shifting market dynamics. Many of these brands have either gone out of business or are struggling on after leading their respective markets previously. We are now seeing signs of these trends within luxury and how experiencing ownership is also evolving.

PRODUCTS VS. EXPERIENCES

A recent societal trend has been how many people are looking to own fewer products and opting to spend their money on experiences rather than goods.

This has been called the 'Marie Kondo' effect and essentially describes an attempt by people to declutter their lives. While this is undoubtedly applicable to some of our sample, we found that a third preferred to spend their money on luxury products and broadly the same on experiences.

Exploring this products vs experiences relationship further, we posed an imaginary cost scenario in which we gave our respondents £/$/€10,000 to spend or invest solely on luxury within the next month and asked how they would divide spending (or investing) this on luxury goods/services.

We found an almost equal split between products and experiences (32%), with the remaining third favouring investments. Of the three countries studied, Brits were the least likely to buy items and most likely to invest, whereas the French are the most likely to buy items rather than experiences. Perhaps surprisingly, it is under-40s who are more likely than over-40s to view luxury goods as good investment pieces and to actually like collecting luxury products.

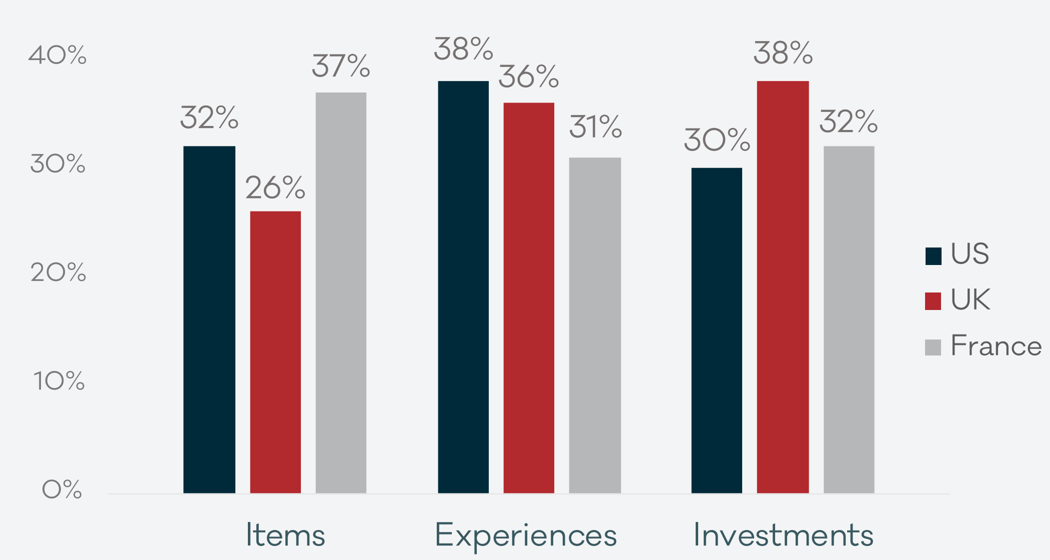


FIGURE 1 — Share of spending/investment of £/$/€10,000 on luxury goods/services
Base: 484 US/UK/France affluent/HNWIs — Source: LuxuryOpinions®/Altiant

SECOND-HAND

While many affluent consumers still like to buy luxury products brand new, there is growing interest in buying second-hand in various categories.

SECOND-HAND OWNERSHIP ON THE RISE

A recent Bain report estimated that the luxury second-hand market was worth $22bn in 2018, with a 9% CAGR since 2015. Focusing specifically on second-hand luxury goods – namely designer fashion, accessories and jewellery/watches - almost half of our sample said that they had purchased these products within the past year, and they are particularly popular among under-40s and women (Figure 2).

The second-hand market looks likely to continue rising in the coming years, driven by consumer interest, but also as more new operators enter the market. We are now seeing partnerships such as Selfridge's tie-up with Vestiaire Collective for the resale platform's first permanent store in London, as well as takeovers such as Neiman Marcus' partial-acquisition of Fashionphile.

The following quotes from some of our respondents to the survey highlight why many second-hand rental companies are growing so strongly. Perceived authenticity, choice, convenience and quality are four key areas which resonate with second-hand buyers.

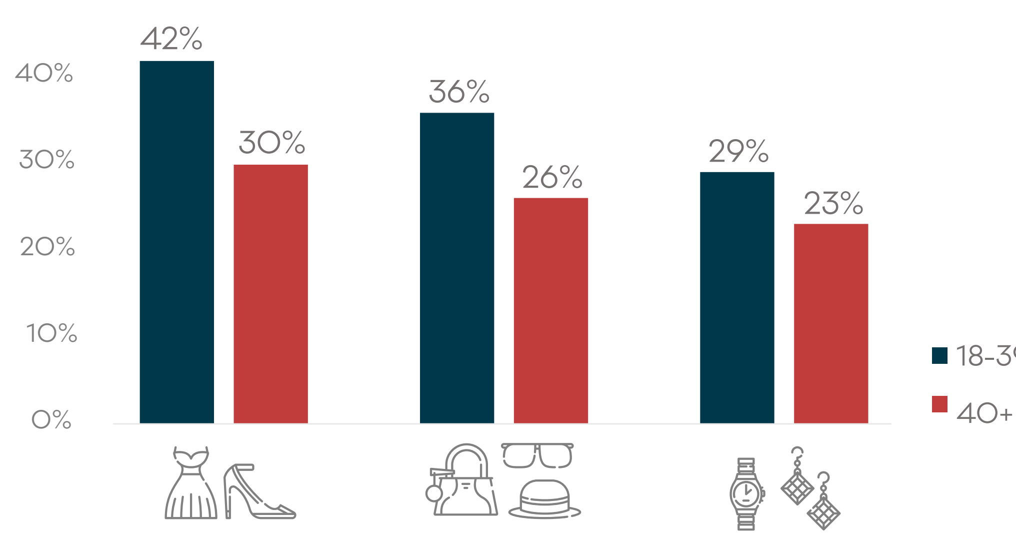


FIGURE 2 — Base: 484 US/UK/France affluent/HNWIs — Source: LuxuryOpinions®/Altiant

> *I use The RealReal and Vestiaire because I can trust their authenticity, they have a huge selection, and they make returns very easy. They frequently have the same exact items that I have in my closet, and in better condition than mine.*
>
> — LuxuryOpinion US Female, 40+, Top 1-Top 5%

DATA SOURCE: Survey conducted during summer 2019 – 480+ validated affluent and HNW individuals from UK, US, France – 1/3 of Millionaires

> *... particularly trusting in Vestiaire due to meticulous organisation and practice in ensuring authenticity and condition as described of items sold.*
>
> — LuxuryOpinions UK member, female 18-39 year old, Top 5-10%

> *I prefer to own luxury items.*
>
> — LuxuryOpinions French member, female 40+ year old, Top 5-10%

SECOND-HAND GOODS BECOME MORE ACCEPTABLE AND APPEALING

The second-hand market is growing as its image improves.

Only 16% of the respondents think that there is a stigma with second-hand luxury goods, equal across the three countries in study. Resale sites in particular are reframing what is available second hand and sometimes offering high ticket items; for example, a Hermès Birkin bag recently sold for almost €80,000 on one of the said resale sites.

Only 16% think there is a stigma attached to wearing second-hand luxury goods.

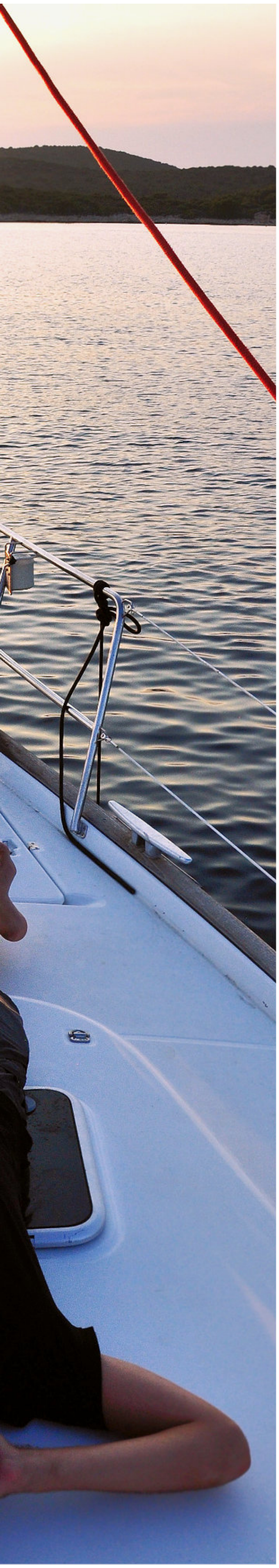
34% think that luxury brands at lower prices (e.g. second–hand/rentable) make them less desirable.

Meanwhile, only a third of the sample – though rising to 41% in France – think that luxury brands at lower prices (eg second-hand or rentable) makes them less desirable. These figures show how second-hand has become much more acceptable, even for luxury goods, and that second-hand can be a great way for brands to entice customers to them who may otherwise be unable to afford to do so.

DATA SOURCE: Survey conducted during summer 2019 – 480+ validated affluent and HNW individuals from UK, US, France – 1/3 of Millionaires

LUXURY RENTALS.

MOTIVATING FACTORS, DETERRENTS AND OPPORTUNITIES FOR BRANDS.



LUXURY RENTALS ALSO SHOWING STRONG GROWTH

While the second-hand luxury market is showing strong growth, the rental market is arguably stealing even more of the limelight and giving customers short-term ownership experiences. Many consumers are becoming more interested in trying different products and sustainability, but often simultaneously want to actually own fewer products.

Rentals are becoming a popular way for consumers to experience luxury ownership, with 21% having done so for hard and soft luxury goods within the past year. 18-39s are the most likely to be luxury good renters, while British males aged 40 and over are most likely to be reticent. Nevertheless, only 20% of our sample are not interested in renting luxury products at all, which shows the significant overall potential to convert more people into active renters (Figure 3).

This interest in rentals has led to the creation of a plethora of new companies emerging in recent years, many of which are now big business. For example, Rent the Runway has just been valued at more than $1.5bn and Le Tote has purchased the luxury retail chain Lord & Taylor. Furthermore, Bloomingdale's launched its new rental service called 'My List', while Air BnB recently began its Luxe sub-brand to tap into luxury rentals.

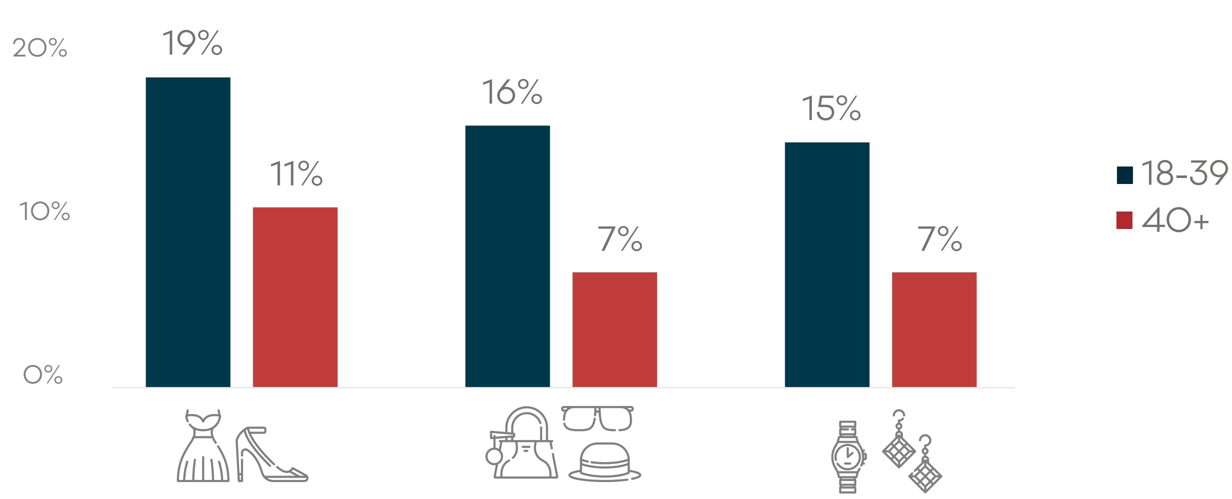


FIGURE 3— Have you rented/leased luxury goods in any of these categories within the past year?
Base: 484 US/UK/France affluent/HNWIs — Source: LuxuryOpinions®/Altiant

DATA SOURCE: Survey conducted during summer 2019 – 480+ validated affluent and HNW individuals from UK, US, France – 1/3 of Millionaires

RENTALS CAN ALLEVIATE THE 'ONE WEAR AND RETURN' SYSTEM

Luxury goods brands in particular face challenges with the 'one wear' mentality among some consumers which has emerged over the past decade.

This involves a customer buying an item for a single use such as a special occasion before returning for a refund. This has been called 'wardrobing' and is now reasonably common among massmarket brands, even leading to some online brands such as ASOS tackling the problem by blacklisting repeat offenders.

Interestingly this also happens among the affluent – perhaps at a lower level than the general population – but 14% of our sample still reported to doing it – and one in five Americans (Figure 4). Rentals can be a great way to alleviate this and promote the ongoing use of luxury goods well beyond the first few occasions.

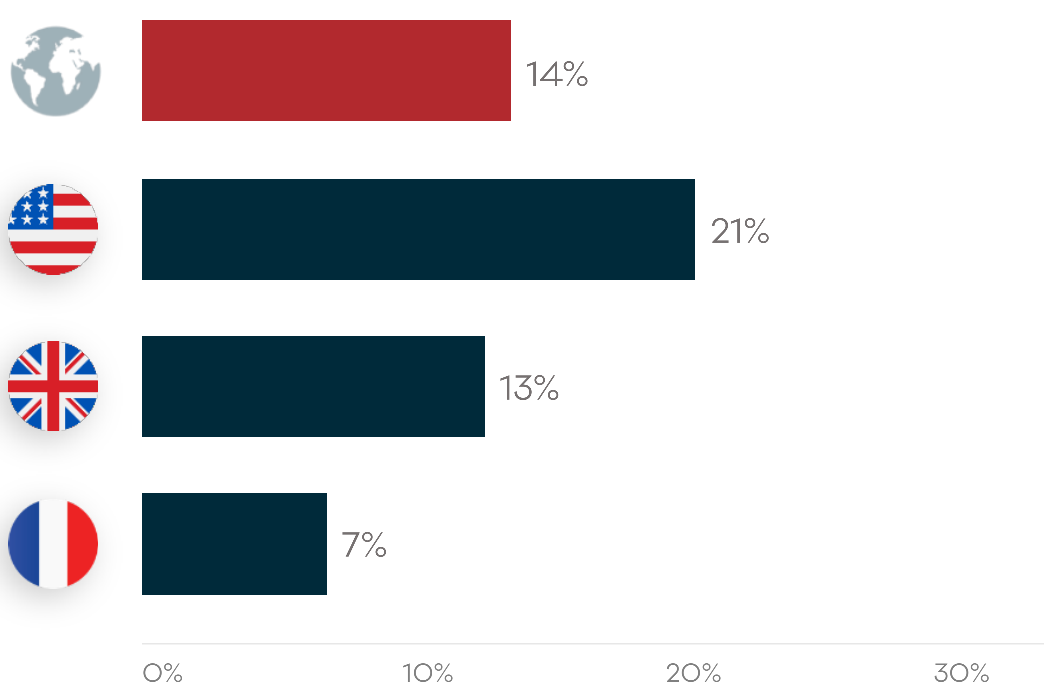


FIGURE 4 — Have you ever purchased a luxury product which you only wore once (eg. a social event) before returning for a refund?
Base: 484 US/UK/France affluent/HNWIs — Source: LuxuryOpinions®/Altiant

DATA SOURCE: Survey conducted during summer 2019 – 480+ validated affluent and HNW individuals from UK, US, France – 1/3 of Millionaires

KEEPING LUXURY GOODS IN CIRCULATION

When we asked our sample what they do with luxury goods after use, 36% of our affluent female sample (and 18% of men) said they are already using resale specialists. There is clearly scope for further growth here as these platforms become more commonplace.

However, used luxury goods are most likely to be given to family/friends (60%), or else they just remain in owners' wardrobes (51%). There is a big opportunity for rental and second-hand brands to tap into the half of our sample (and rising to two thirds in France) who leave luxury clothes in their wardrobe.

Guidance and help about how consumers can extend the lifespan of their goods could provide new market opportunities. Apps like Tulerie have been launched to tap into this potential need, putting rentals into consumers' own hands with a business model similar to AirBnB whereby customers can turn this 'idle' clothing into cash.

FIGURE 5 — Status of luxury goods after usage.
Base: 484 US/UK/France affluent/HNWIs — Source: LuxuryOpinions®/Altiant

DATA SOURCE: Survey conducted during summer 2019 – 480+ validated affluent and HNW individuals from UK, US, France – 1/3 of Millionaires

51% of wealthy consumers just leave used luxury clothes in their wardrobes.

17% of our sample say they would use apps like Tulerie to rent luxury goods (Figure 6), a reasonably high number considering the infancy of this segment of the market. For brands and resale companies, this represents a new challenger as it potentially takes both of them out of the game and instead encourages peer-to-peer interactions.

LUXURY BRANDS CAN TAKE CHARGE OF RENTALS

Luxury companies can take greater ownership of rentals by managing some of it themselves directly, particularly as luxury brands' own stores and websites are in theory the most popular places to rent luxury goods from.

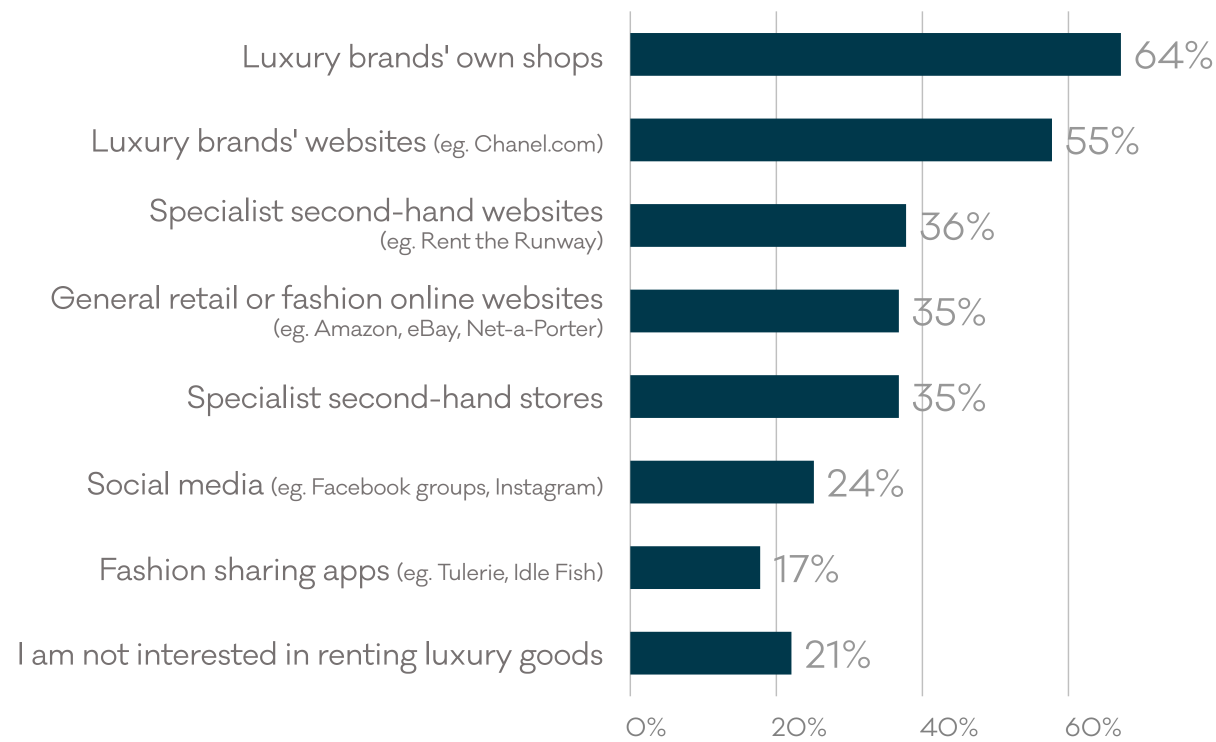


FIGURE 6 — Interest in renting luxury goods via different sales channels.
Base: 484 US/UK/France affluent/HNWIs — Source: LuxuryOpinions®/Altiant

There are notable opportunities here to engage with customers in a circular sales process, particularly women and 18-39s who are significantly more likely than men and over-40s to look for rentals directly from luxury brands. Brands which have actual stores are particularly well placed to benefit from rentals where consumers can check the quality of products on collection and also make secure direct returns.

It is also worth noting that 36% are interested in renting sites like Rent The Runway, rising to over half in the US where rental platforms are already well-established.

This figure is likely to continue growing and there is a mutually beneficial opportunity for brands to partner up with resale platforms so that brands can have greater control of their products in the circular economy. Meanwhile, many of the rental companies are now established enough to also benefit by working more collaboratively with luxury brands themselves.

Partnerships could signal the way forward in this market. Rent the Runway has already done so with Nordstrom and Neiman Marcus to make rentals more convenient, while Stella McCartney and Burberry have partnered with The RealReal to keep their garments in circulation for longer than they might have otherwise been.

73% of wealthy consumers are interested in selling used luxury goods directly back to luxury brands.

DATA SOURCE: Survey conducted during summer 2019 – 480+ validated affluent and HNW individuals from UK, US, France – 1/3 of Millionaires

RENTALS AND SUSTAINABILITY

Stella McCartney frequently emerges in our research as a pioneer in the sustainability arena. The fashion industry is one of the most polluting and the onus is now firmly on operators to tackle this issue.

Some key partnerships have already been made, namely LVMH entering a five-year partnership with UNESCO to support Man and Biosphere (MAB), and the UN's General Assembly in September in which major luxury houses committed to 2030 sustainable development goals.

39% of luxury renters would rent rather than buy as they believe it reduces their environmental impact.

Consumers are becoming more expectant of brands to be tackling this issue alongside them, with activities such as disposing of unsold stock being met with increasing disapproval.

Many wealthy consumers are aligning with this global orientation as 39% of luxury renters would rent rather than buy as they believe it reduces their environmental impact. Moving away from 'fast fashion' and ensuring products remain in circulation for longer is a worthy goal for both companies and customers alike.

DATA SOURCE: Survey conducted during summer 2019 – 480+ validated affluent and HNW individuals from UK, US, France – 1/3 of Millionaires

MOTIVATING FACTORS TO RENT LUXURY GOODS...

While sustainability is not the leading reason to rent luxury goods, reducing their impact on the environment remains a foremost consideration, closely followed by financial and/or saving considerations.

Focusing just on cost, many consumers appear to be willing to pay significant sums to rent luxury items as it gives them the flexibility of only transitionally 'owning' a product.

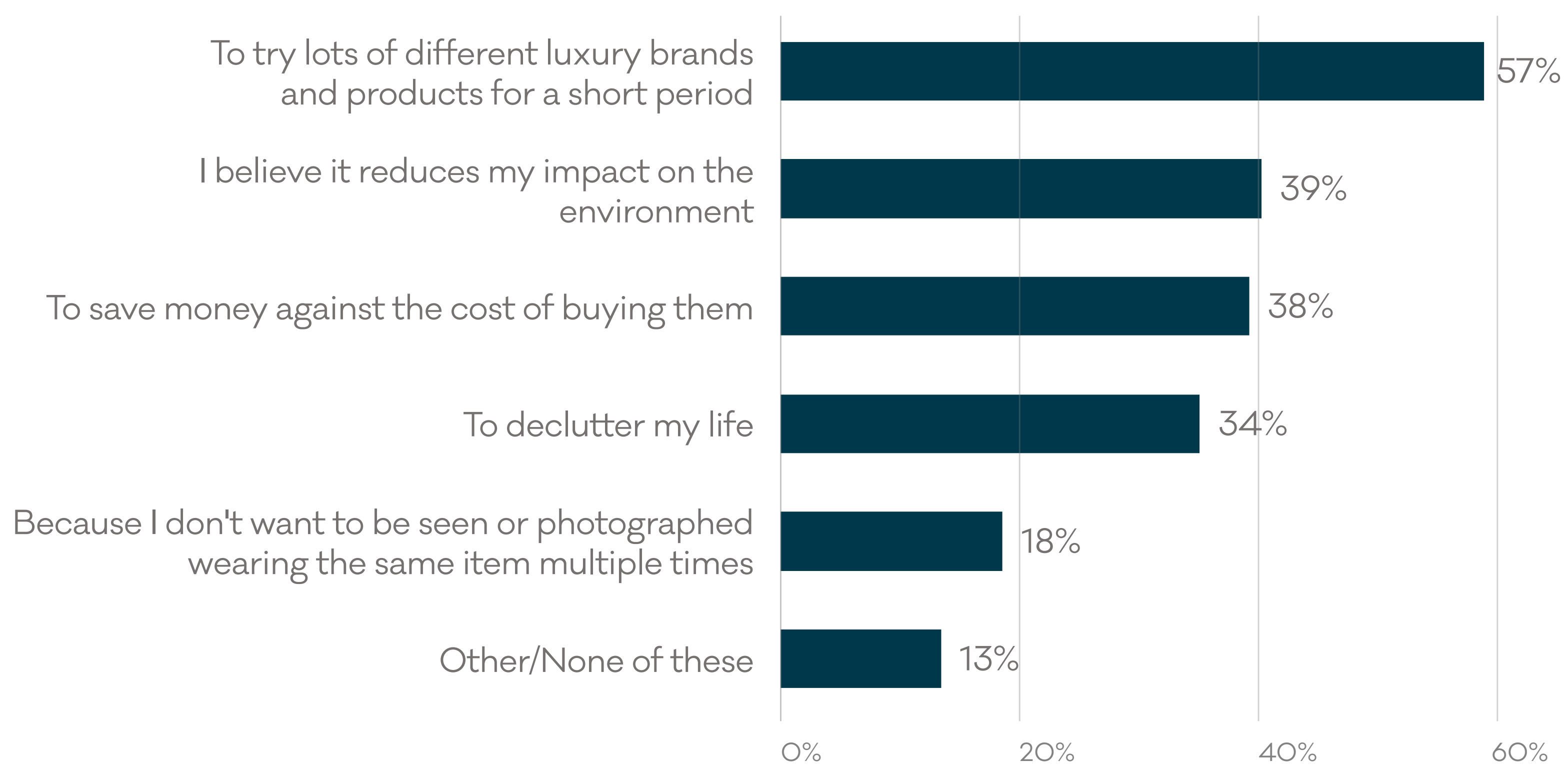


FIGURE 7 — Reasons for buying rather than renting luxury goods.
Base: 318 US/UK/France affluent/HNWIs willing to rent luxury goods — Source: LuxuryOpinions®/Altiant

The primary reason cited for renting rather than buying luxury goods is to try different brands and products for a short period (57%), rising to 67% among American respondents. As mentioned earlier, the desire to declutter is another notable reason for affluent and HNW individuals to rent rather than buy (34% and rising to 47% in the US). Rental platforms should promote eco-alternatives to dry-cleaning such as steam-cleaning, and reusable packaging where applicable in order to keep the rental process as sustainable as possible.

DATA SOURCE: Survey conducted during summer 2019 – 480+ validated affluent and HNW individuals from UK, US, France – 1/3 of Millionaires

... AND DETERRENTS FROM RENTING LUXURY GOODS

Cleanliness is the leading deterrent, with 61% of our sample listing this as something which would stop them renting luxury goods.

Female and French respondents were more likely than average to cite this as a factor. The same groups were also the most likely to by authenticity and late delivery concerns. Indeed, Rent the Runway received considerable bad press recently when it failed to consign some of its products to consumers in time for their needs.

A good example of a brand tackling the issue of rental cleanliness is Ycloset in China.

The company uses a Chinese social influencer, Jiang Chacha, to reassure their audience of cleanliness by showing the steam cleaners, the microscopes and the banks of washing machines they use to clean garments between loads, and even showed her drinking some of this used water. Meanwhile, Rent the Runway, claims to be the world's largest dry cleaner and messages such as these can reassure consumers about the condition and hygiene of using them.

DATA SOURCE: Survey conducted during summer 2019 – 480+ validated affluent and HNW individuals from UK, US, France – 1/3 of Millionaires

Fear of damage while using (39%) and additional costs/fees (36%) represent worst-case scenarios which could be addressed by clear communication of the rentals' terms and conditions. Do these operators know what their consumers think will happen if a product gets damaged – will they have to pay full price for it? Will their subscription with the site be revoked? Allaying these fears could help reassure users and aid sales considerably.

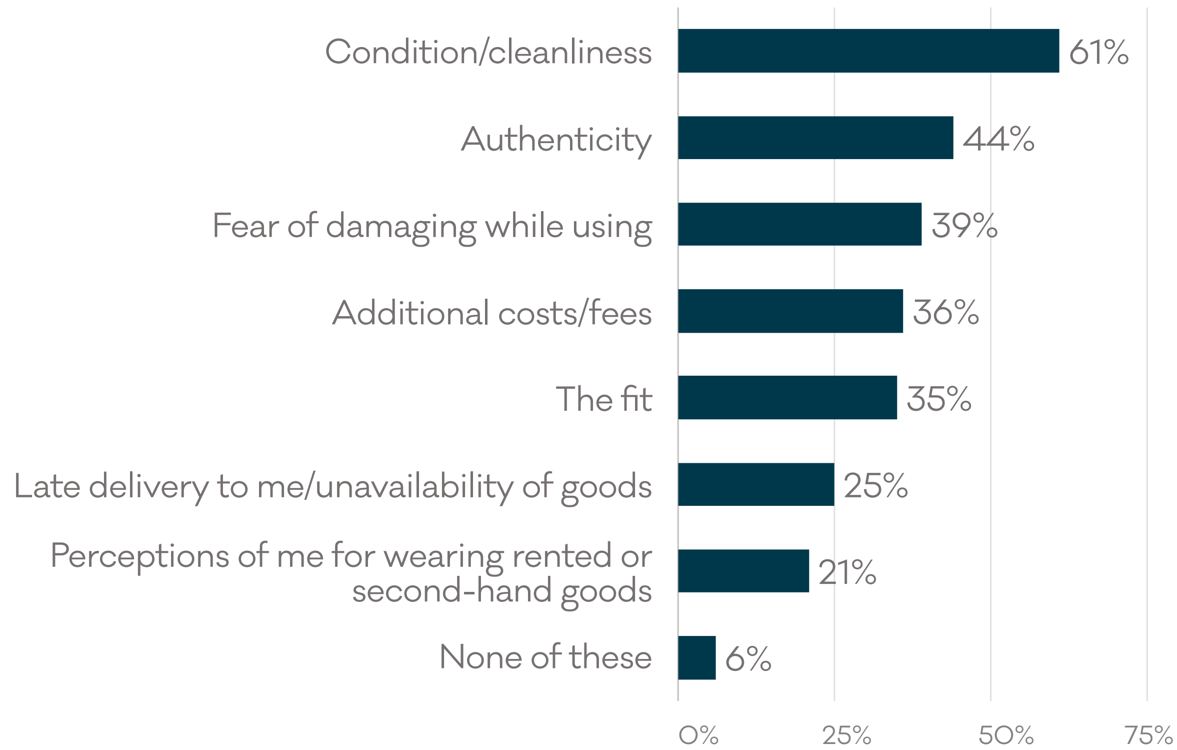
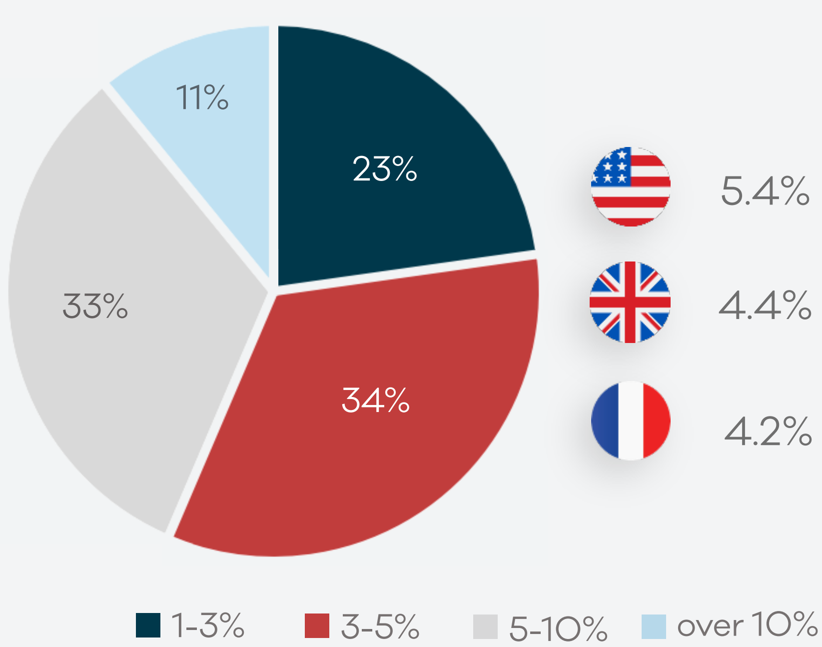


FIGURE 8 — Deterrents for renting luxury goods
Base: 484 US/UK/France affluent/HNWIs — Source: LuxuryOpinions®/Altiant

DATA SOURCE: Survey conducted during summer 2019 – 480+ validated affluent and HNW individuals from UK, US, France – 1/3 of Millionaires

THE ECONOMICS OF RENTALS & THE APPETITE OF THE WEALTHY



44% of would-be renters would pay more than 5% of the retail price for a four-day rental, and 12% would go over 10% more!

For example, for a high-end couture dress which costs $5,000 to buy, 44% would pay more than $250 to hire it for just four days. Of our three countries studied, Americans and Millennials are the most likely to spend big on rentals.

FIGURE 9 — What portion of the retail price would you be willing to pay to rent a luxury item for 4 days (eg. fashion, cars, fine jewelry)?
Base: 391 US/UK/France affluent/HNWIs who would pay to rent a luxury item — Source: LuxuryOpinions®/Altiant

39% of luxury renters would rent rather than buy as they believe it reduces their environmental impact.

DATA SOURCE: Survey conducted during summer 2019 – 480+ validated affluent and HNW individuals from UK, US, France – 1/3 of Millionaires

PART-OWNERSHIP AND SUBSCRIPTIONS

Part, or fractional, ownership has developed primarily within the property (timeshares) and private transportation (leases) markets. These two categories may in fact be the best placed to grow as a further 41% and 45% of our sample are interested in entering these markets for part-ownership.

Nevertheless, there is also growth potential in other markets as 45% are not opposed to partly owning jewellery pieces or luxury watches, rising to 54% for art. Hiring a luxury piece of jewelry or art for single occasions such as weddings or dinner parties may become increasingly attractive for many consumers, affluent or otherwise (Figure 10).

The subscription e-commerce market has also grown notably over the past decade, reaching $3.6bn last year according to Euromonitor. 17% of our sample used luxury subscription-based products or services last year, with under-40s particularly likely to do so.

Many rental platforms offer a subscription service and can be lucrative: more than half of Rent the Runway's sales are now generated by their monthly Unlimited subscription service, in which shoppers can cycle through a theoretically endless stream of products for $159. The recurring billing of subscription models also benefits the rental companies by generating predictable revenues and better opportunities to upsell and cross-sell.

WEALTHY CONSUMERS ARE NOT OPPOSED TO PARTLY OWN:

54%	45%	33%
ART	JEWELERY & WATCHES	DESIGNER FASHION & SHOES

FIGURE 10 —Proportion of the sample not opposed to partial ownership within these categories.

DATA SOURCE: Survey conducted during summer 2019 – 480+ validated affluent and HNW individuals from UK, US, France – 1/3 of Millionaires

CONCEPT TESTING OF TWO SUBSCRIPTION MODELS

The growth of subscriptions encouraged us to test two models with our affluent sample.

The first concept was partly inspired by Porsche's monthly 'Passport' subscription and asked whether our respondents would be interested in a luxury car rental program which involves paying a monthly subscription and being able to rotate between driving 4-6 luxury cars per year. Overall, two thirds of our sample were either very or somewhat interested in this, with Americans and Millennials the most likely to be very interested. Only a third are not interested in this model, which is promising for growth opportunities.

The second concept was inspired by the growing innovation in luxury travel's subscription models. We asked our respondents how much they would pay (if anything) for a luxury travel subscription in which there are no nightly fees or other expenses and all unlimited stays are covered by a subscription fee. Only a quarter are not interested in the scheme, while one in five are prepared to invest heavily in such a service and spend over $5,000 monthly, rising higher still among Americans and Millennials. This model could be beneficial to both travelers and for the hotel companies themselves.

Very interested	🌍 32%	🇺🇸 39%	🇫🇷 29%	🇬🇧 26%
Somewhat interested	🌍 35%	🇺🇸 38%	🇫🇷 35%	🇬🇧 34%
Not interested	🌍 33%	🇬🇧 40%	🇫🇷 36%	🇺🇸 23%

FIGURE 11 — Interest in a luxury car rental program for members (potentially instead of actually owning a car). This would involve paying a monthly subscription and being able to rotate between driving 4-6 luxury cars per year.

	🌍	🇺🇸	🇫🇷	🇬🇧
Up to $2,500	29%	25%	27%	36%
$2,501 – 5,000	23%	23%	27%	19%
$5,001 – 7,500	11%	15%	10%	9%
$7,501 – 10,000	7%	11%	6%	3%
More than $10,000	4%	6%	2%	4%
Zero/Not interested	26%	20%	28%	29%

FIGURE 12 — Interest in subscribing to a luxury travel subscription with no nightly fees or other expenses and unlimited stays covered by a subscription fee. If so, how much might you pay for a monthly subscription?

DATA SOURCE: Survey conducted during summer 2019 – 480+ validated affluent and HNW individuals from UK, US, France – 1/3 of Millionaires

CONCLUSIONS

The rise in digital services has shown how quickly established market norms can be turned on their heads. Within luxury, many affluent consumers are likely to still enjoy acquiring luxury goods in a traditional way – for example, buying them brand new in store – in the coming years. However, the rise of alternative models is something which brands should be fully cognizant of.

Pre-loved goods are becoming more popular as the stigma of wearing second-hand products wears off. That only a third thinks that luxury brands at lower prices (such as second-hand/rentables) makes them less desirable shows how luxury does not need to automatically equate to higher prices.

A desire to declutter, try different brands and sustainability are key reasons for the recent rise of luxury rentals. While some luxury operators understandably appear to be worried about harming their brand equity, there are clear opportunities here for brands to take charge of the rental agenda, potentially in partnership with the resale platforms. Offering consumers authentic and clean luxury products in a reliable manner should keep this market firmly in growth in the immediate future.

ABOUT THE SURVEYED POPULATION

For this survey, we selected three countries which have well developed rental and/or second-hand markets. In each of the UK, US and France, around 150 validated affluent/HNWIs were surveyed, with the median household income of the sample standing at $711,000.

	United Kingdom	United States	France
N	169	168	147

Female	Male
53%	47%

18-39	40+
58%	42%

Median HHI*
$205,000

Median IA*
$ 711,000

HHI: Household Income
IA: Investible Assets

* when currencies converted to $USD

ABOUT Altiant®

Uncovering the factors that shape affluent and High Net Worth Individuals' perceptions and decisions is not an easy endeavour.

Affluent fieldwork specialist Altiant has been building a real expertise since 2014. The company empowers agencies, researchers, insights experts and marketing teams in the luxury goods and wealth management industries to make more informed insight driven decisions.

With a combined 100+ years of experience in quantitative market research and data collection, Altiant's team members have built a strong reputation for successfully executing complex ad hoc fieldwork projects as well as for expertly powering some of the industry's largest continuous tracking projects.

The company provides highly validated affluent and high net worth sample through their proprietary panel, LuxuryOpinions® as well as a suite of fieldwork solutions.

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ABOUT LuxuryOpinions®

LuxuryOpinions® is Altiant's community of affluent and high-net-worth individuals. Members are recruited by invitation only and join to voice their opinions about topics that matter to them. They help luxury companies build better, more suitable products and services while earning rewards.

Market research and survey sampling among the high-end sections of the population require precision and extreme accuracy. We only recruit people in the top 5% of their country's income earners or wealth holders.

LuxuryOpinions®' members are carefully selected before being invited to join the community. For every respondent, we conduct a manual validation to verify beyond reasonable doubt his or her identity and earning/wealth potential. While this does vary in some countries due to levels of availability of public information and regional social media usage, this forms the basis of our 8-point validation guide to confirm identity, claimed wealth and earnings.

Anyone incorrectly matching the profile is removed from the list of candidates.

LuxuryOpinions® is present in 15 markets.

LUXURY OPINIONS

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This report is an overview of Altiant's exploration of luxury markets across various countries. Please contact us for further information on any of these markets or more bespoke solutions.

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