# LUXURY INSIGHTS

KEY TAKEAWAYS ON 2024'S IMPACT ON THE LUXURY MARKET

Acceleration PARTNERS®

VOL. 01

# HOW LUXURY BRANDS CAN NAVIGATE A "NEW NORMAL"

Inflation and elevated interest rates around the world are having a real impact on consumer confidence and spending, especially when it comes to luxury purchases. More than ever, these brands need to invest in strategies and channels that grab the attention of the right consumers — and partnership marketing has emerged as the perfect channel to help luxury brands in this new normal.

To help luxury brands overcome market challenges, we've compiled this report with detailed consumer insights, trends we've seen from our global clients and the partnership marketing strategies that are driving success.

READ ON for ideas on how you can achieve your goals

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# WHO'S BUYING LUXURY NOW, AND WHERE?

Global economic headwinds and shifting political climates have reshaped the luxury market landscape. Compared to other consumer goods, luxury items aren't something people truly need. These purchases run on emotion, making them particularly vulnerable when consumer sentiment changes.

But even in that environment, we know luxury buyers are still out there — and willing to pay for products that excite them. Here's what we've seen in the market.

- **Keep an eye on Gen Z shoppers.** In the United States, 53 percent of them are passionate luxury shoppers, compared to 39 percent of Gen X and 25 percent of Boomers. In Europe,

**56%** **Gen Z makes up the single-largest demographic buying luxury fashion, with 56 percent making multiple purchases in the last year.**

- **Digital content drives decisions.** Affluent shoppers are more than twice as likely to turn to online fashion magazines and newspapers for information. Only 16 percent of luxury consumers search for products directly from the retailer.
- **Luxury shoppers begin their purchasing journey online.** More than half of future luxury buyers in the U.S. look online for inspiration. Campaigns that feature creative, evocative and inclusive messaging — on the right channels at the right times — are key for connecting with these consumers.
- **It's still personal.** When they're on that online purchasing journey, 70 percent of luxury consumers say they find value in personalization and will engage in activities that enhance it.

### KEY TAKEAWAY

Consumer spending isn't what it used to be, and buyers aren't who you might traditionally expect. Luxury brands need to find different avenues to reach and engage their target audience.

At Acceleration Partners, we have the privilege of working with some of the most recognizable names in luxury. Those relationships have also given us a front-row seat to current trends in the luxury market and ideas for solutions. Over the last year, we analyzed results from our luxury brand portfolio from January to September 2024 (compared to that same period in 2023) in the clothing, jewelry and furniture verticals.

# THE IMPACT ON BRANDS

## OUR FINDINGS

**The first half of 2024 was a roller coaster for luxury brands, including many in AP's portfolio. In Q2, we saw year-over-year declines in revenue growth.**

Significant drops in average order value (AOV) and conversion rate drove this trend, largely due to a fluctuating economy and rising interest rates impacting consumer spending. But as we reach Q3, we see rebounds and positive signs throughout the sector.

Consumer interest in luxury goods increased in Q3, with clicks rebounding for AP's luxury clients. However, it appears consumers were browsing and not ready to buy, with spending still low. Slowed spending was a notable trend across the luxury market. A recent report by Yodlee, which analyzed evolving spending habits in high-end retail, revealed flat average order values (AOV), indicating the market's reluctance to absorb inflationary pressures within the luxury sector.

▲ CLICKS **UP 25% Y/Y (10.8M vs 8.6M)**

▲ REVENUE **UP 3.1% Y/Y ($82M vs $80M)**

▼ AOV **DOWN 4.8% Y/Y ($275 vs $289 – OR $14 drop per order Y/Y)**

Q4

**Our insights into Q4 show an upward trajectory for luxury clients, with all luxury verticals seeing an uptick in AOV.**

## OUR INSIGHTS

In these uncertain times, it's crucial that luxury brands strive to truly understand their consumers. A diverse affiliate program ensures that a brand is engaging with the right consumer when they are looking to shop and spend money.

Consumers are stretching dollars further this year, so it's important to have a full funnel marketing strategy that is hyper-targeted to your audience. A successful approach means working with a range of different partner types that capture the consumer across the purchasing funnel, such as influencer partners, paid and social amplification, CLO, BNPL, mass media, public relations and more.

# HOW YOUR BRAND CAN STAND OUT

Through our experience working with global luxury brands, we've seen what works — and what doesn't. As luxury brands navigate this new normal, here are our recommendations to develop a successful partnership marketing strategy and rise above the economic headwinds.

OPEN DOORS

## KEY CONSIDERATIONS

- **Know your goals.** Are you an established brand or up-and-coming in the market? Do you want to increase brand awareness, or do you want to reach a new target audience? Answering these questions will help you select the right partners (e.g. content, coupon, influencer and more) to achieve your goals.

- **Understand your audience.** This is what you need to stay ahead of the curve. We work with our luxury clients to help them fully understand their existing audience and open doors to new relevant audiences, along with where and how they shop. We can then curate a partnerships strategy accordingly.

- **Select partners that match your target audience and goals.** Audience fit is key, and these types of curated partnerships will drive long-term success. Go into partnerships with an open mind and be ready to work with new partner types. Gauge partnerships by the audience the partner brings to the table, how they attract new customers, and how they engage with these audiences.

- **Make evergreen part of your partnerships strategy.** Luxury items are high-value purchases. Consumers' circumstances change, so it's important to nurture customers continually for when they are ready to buy. Content partners are a great choice for this always-on approach. Rather than working with a content publisher on an article highlighting a specific moment, like a sale or new launch, leverage content that doesn't have an end date to highlight signature pieces from the brand. Then, you'll have an evergreen piece that becomes relevant to a new customer when they are able to make the luxury purchase.

- **Find the right tracking platform.** Choose one that provides full funnel metrics and insights into different touchpoints throughout the consumer journey. At AP, we have relationships with all major tracking platforms, so we can support clients in selecting the right platform for their goals and audience.

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STRATEGIES THAT WORK

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### Content Partners

**In our luxury brand portfolio, we've observed that returns from content creators and influencers grew year over year in orders and revenue,** with the influencer category showing substantial growth across all key performance indicators. These content partners — bloggers, product review sites and social media influencers — are creating relevant and valuable content for their followers, beyond just reviews. Our data has shown substantial growth in luxury shoppers leaning on content creators and reviews to drive their purchasing decisions. This strategy is a long game that pays off. Brands need to be prepared to invest time and money, but we've seen annual campaigns with hand-selected partners in this category drive significant growth.

### Card Linked Offers

Working with card linked offer partners, AP's luxury clients have created campaigns across a range of KPIs. These partners have the ability to create highly-targeted campaigns for every element of performance, including reaching new customers, customers looking at competitor products, and specific demographics (such as high spenders).

# (CONTINUED) HOW YOUR BRAND CAN STAND OUT

### Buy Now Pay Later

Data from the AP luxury brand portfolio showed that Buy Now Pay Later and affinity groups (also known as closed user groups) were both up in orders and revenue in 2024, along with conversion rate. Both of these partner types grew throughout the year as alternative and easier ways to save money. BNPL as a payment option is converting 26 percent better year over year, and exclusive offers available through affinity groups have driven a 76 percent increase in clicks. Because of the items luxury brands sell, BNPL can attract consumers who want to spread the cost out over time or manage cashflow. Gen Z has emerged as one of the largest growth demographics in buying luxury goods, and these younger audiences are increasingly looking to shop via BNPL partners —

25%

**25 percent of U.S. consumers who make more than $100,000 annually are using BNPL by choice.**

AP carefully curates our BNPL partnerships to maintain a luxury brand's image. Many luxury brands are already working with BNPL, so those who don't could risk losing sales to competitors collaborating with this category.

### Incentive

4%

**Incentive partners saw a 4% increase in AOV for AP's luxury clients,** which means luxury shoppers still want to buy, but they're looking for ways to save money. Coupon partners saw substantial growth across most KPIs, except for conversion rate, and performance was up for all brand verticals. Coupon and incentive partners can be a strategic play for luxury brands looking to target consumers who want to purchase but need a discount to close the deal. Many of AP's luxury retail brands have seen success with a variety of tactics, including banking incentive partners such as Capital One Shopping, who have the ability to drive high-intent users and focus targeting on high-spending users.

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STRATEGIES THAT WORK (CONTINUED)

30%

**Loyalty/Rewards**

## Loyalty/Rewards is a popular and growing category for AP's luxury clients. Last year, traffic for this partnership type was up nearly 30 percent.

Working with a loyalty partner doesn't necessarily mean the brand needs to offer a discount, as many of AP's luxury clients have seen success in working with airmiles loyalty sites to target affluent consumers who are looking to gain travel points. These partners can target specific consumers while maintaining the luxury brand's image. All in all, loyalty/rewards programs are a great incentive to encourage that "splurge" while managing your luxury brand values.

15% + 33%

**Price Comparison**

**Price comparison partners also grew for AP luxury brands, up 15 percent in revenue and 33 percent in traffic** during our analysis period, as luxury shoppers search for the best price. We've found this partner type is much more popular in Europe than the U.S., with U.S. consumers preferring listicles often featured on mass media partners websites.

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# HOW YOUR BRAND CAN STAND OUT

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and how they could work for your luxury brand? **Please reach out to us at**

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