INSIGHTS

Anticipating the Future of Luxury

INSYNC

Consumer Trend Complexity

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Investing is more than data; it requires anticipating future trends. This is why relying on past performance is often risky. Generational shifts, rising geopolitical tensions, and evolving consumer behaviours demand excellence in trend spotting.

Luxury goods, where China's rising affluent class is undergoing significant changes in spending preferences is a case in point. Whilst luxury has historically been a secular growth story, we believe that more nuanced factors are at play, making active stock picking essential.

China's economic challenges have slowed luxury market growth. A notable shift is the rise of "quiet luxury"—discreet, minimalist products reflecting a reluctance to display wealth. A recent survey revealed that 24.8% of Chinese consumers find Western brands less desirable, with younger generations increasingly favouring niche, culturally aligned local brands.

Simply assuming that Chinese spending power will translate to Western profits is dangerous. When investing in such global brands, understanding how these nuanced drivers impact stock values and acknowledging that what worked yesterday may not hold sway tomorrow, is now crucial.

Their younger demographic is now prioritizing experiences over luxury goods. Spending on travel, concerts, and cultural events are taking precedence. Whilst Luxury's long-term growth is supported by global affluence, future affluent consumer's evolving preferences make investing here more complex. China accounts for 23% of global luxury sales today, and 30%-40% of sales by 2030, so understanding their mindset is crucial in identifying the winners.

We remain invested in the luxury goods sector because a select few companies are highly profitable. At Insync, our investment process integrates financial data with consumer insights to identify the best opportunities and optimise entry and exit points.