



Luxury Firms Tackle Slowdown With Cheaper Accessories, Bain Says

(Bloomberg) -- Luxury brands are putting out more affordable and smaller accessories as they seek to generate store traffic to counter slowing demand, a new report shows.

The trend comes after companies faced a consumer backlash over steep price hikes in recent years. Up to a quarter of luxury brands are embracing this strategy to keep shoppers visiting their stores, according to Claudia D'Arpizio, a partner at Bain & Co., which issued the report Thursday.

"They understood that they needed to recalibrate," she said in an interview.

While it's harder to introduce more affordable products in categories such as leather goods, shoes and ready-to-wear, some labels are finding ways around it, notably by using textiles.

LVMH's Loewe, known for leather bags that can cost €5,200 (\$5,980), is currently offering a drawstring pouch bag in a sponge-like cloth for €280, for instance.

Brands are also introducing new products in cheaper categories such as costume jewelry, eyewear and beauty in a bid to attract younger customers especially, according to D'Arpizio.

The shift comes after luxury product prices grew as much as 12% on average annually between 2022 and the first half of last year, which turned away many shoppers. The personal luxury-goods industry, worth €364 billion, lost 50 million customers in 2023 and 2024, Bain estimated last year.

The sector will shrink between 2% and 5% this year after showing no change last year, according to the most likely scenario highlighted in Bain's latest report. That's set to be the worst performance since the 2009 global financial crisis if the pandemic is excluded. What's more, China was growing then and it no longer is, D'Arpizio added.

Separately, she described the surprise appointment of carmaker Renault SA's Luca de Meo as chief executive of Gucci owner Kering SA as a "good move" in an industry that tends to operate in a closed circuit. Auto and luxury face similar challenges, with slowing growth and pressure on margins, she added.

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