



# The Impact of COVID-19 on the Luxury Market and the Prediction of the Pattern in the Epidemic and the Luxury Market

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**Abstract.** Due to the impact of COVID-19 on the economy, the general environment is depressed, resulting in an overall weak market and weakened consumer purchasing power due to the epidemic. Luxury goods, on the other hand, is a relatively blank area, but very representative. Luxury goods are typically non-essential goods, and we can observe the development and fluctuation of the economy through luxury goods. the impact of COVID-19 on the luxury goods industry and how much the luxury goods industry was affected. By analyzing the financial reports of luxury head groups in different years, and by comparing the impact of previous epidemics on the luxury market. It proves the great impact and exact extent of the epidemic on the luxury goods market, as well as the prediction of the possible direction of the luxury goods market in the future, and summarizes the patterns that exist in the luxury goods market and the epidemic. Financial reports come from the official websites of these companies. The conclusion of this paper is that the epidemic has had a very negative impact on the luxury market and that the luxury market will remain depressed for some time. But after that, it may cause a rebound.

**Keywords:** LVMH, Luxury market, Global economics

## 1 Introduction

Global luxury sales fell 25% to 30% year-on-year in the first quarter of 2020 following the emergence of a new coronavirus outbreak [1]. The luxury market is now being studied in great detail and diversity, and the impact of the epidemic on luxury sales is enormous, but the impact of the epidemic on luxury companies may be twofold. Our research topic is the impact of COVID-19 on the luxury market and the prediction of future trends. By comparing the luxury market trend of previous epidemics and the sales changes of luxury head groups, we forecast the luxury goods market and conclude the pattern between the epidemic and the luxury goods market. This is helpful for the forecast of the future non-essential goods market. Luxury goods are very typical of non-essential goods, and when patterns emerge, many different industries can be compared

and predicted how they may be affected. And luxury goods can show the global economic situation by showing the purchasing power of consumers.

## 2 The impact of the epidemic on luxury goods market from various perspectives

### 2.1 Impact of the epidemic on different kinds of luxury goods

LVMH is a major luxury goods manufacturing and distribution holding and is today the largest luxury goods group in the world. Its business includes several luxury goods divisions. LVMH, due to its large size and coverage of several industries, has also been greatly affected by the epidemic. Therefore, it is highly representative and universal.

**Table 1.** Profit from recurring operations by the business group in LVMH

Euro million	2019	2020	Percentage change
Wines and spirits	1729	1388	-20
Fashion and leather goods	7344	7188	-2
Perfumes and cosmetics	683	80	-88
Watches and jewelry	736	302	-59
Selective retailing	1395	203	-
Other activities and eliminations	383	450	-
Total LVMH	11504	8305	-28

And since the emergence of the new coronavirus in China in December 2019, it has since spread widely around the world. The impact of the spread of the new coronavirus on the profit of LVMH can be well compared by comparing the profit data for 2019 and 2020. Therefore, a side view of the luxury market situation after the impact of the virus can be seen. Table 1 is the data given in the official financial report of LVMH Group [2].

Comparing the data for two years, we can see that there is a significant decrease in profitability in all areas. The luxury market has to face a lot of problems after the epidemic". Longer-lasting products can make up for some of the losses, but seasonal clothing may lose sales forever. This will bring a very large amount of loss, and the investment of different brands in seasonal clothing, as well as publicity, will affect the impact of a brand. And the epidemic is that all this money turns out to be useless.

Compared to the luxury market in 2019 and 2020, sales of perfumes and cosmetics fell by 15% and clothing and accessories by 20%. The smaller decline in sales of luxury goods in these categories compared to watches and jewelry is due to the greater demand

for these items in everyday life, but the 25% decline in jewelry and watches is due to the fact that they are not essential or everyday items. Ultimately, however, the decline in sales of these luxury goods was due to the epidemic that led to a large number of store closures and the impact of different policies in different regions on the production of luxury goods.

Among other things, the lack of labor due to the speed of the spread of the epidemic cannot be ignored. This is also a different impact brought about by different categories. This may be a problem caused by the different product attributes.

## **2.2 Impact of the epidemic on luxury goods of different countries**

Chinese consumers account for 30% of global luxury spending and 90% of the growth of the personal luxury market in 2019" [3]. However, China's response to the epidemic has been conservative". It is usually controlled through traditional public health interventions, such as pathological testing and isolation" [4]. This has also led to difficulties in selling luxury goods and a large number of luxury stores in China have stopped selling when sales continue to decrease, which in turn has caused luxury goods to lose a lot of profit and has caused a downturn in the luxury market. For the U.S., the sales in the U.S. were hardly affected in the previous period due to the more open policy. However, because a large number of luxury goods depended on Chinese production, there was a large number of stockouts and shortages. This also led to the continued low sales of luxury goods in the U.S. The inability to meet the supply would also affect the image of a large number of brands as well as bring a series of subsequent troubles.

On the other hand, the policy of Italy is similar to that of China, and the country has also entered into a total embargo. A large number of high-end luxury goods that depend on Italian production will not be able to continue to be produced. And this has had a huge impact on the global supply chain. And this has also caused a very big loss to luxury brands because of the backlog of inventory that cannot be sold. This is the exact opposite situation that has occurred in the United States [5]. These three countries probably represent three different kinds of luxury goods sales problems brought about by the epidemic.

## **3 Present-day luxury goods market**

### **3.1 The sales of luxury goods nowadays**

The luxury market today is familiar with the new coronavirus and the reintroduction of imports and export in a large number of countries. We can find that although there is no very substantial rebound in the short term, the luxury market does tend to pick up. And China is still the largest consumer of luxury goods, with a 12.5% drop in consumer spending in the first quarter of last year, while CNN predicts that there could be a significant rebound by the end of this year [6]. And while the luxury market is currently on a rebound, luxury prices are also changing.

The prices of luxury goods have seen a significant increase after the outbreak. A large number of luxury brands have raised their prices by almost 20% [7]. And this is

to stabilize the luxury market, to make the brands show profits instead of large deficits. The data in the chart above are the data of the luxury market in recent years.

## Global Luxury Cruise Tourism Market, By Region, 2019-2027 (US\$ "Bn")

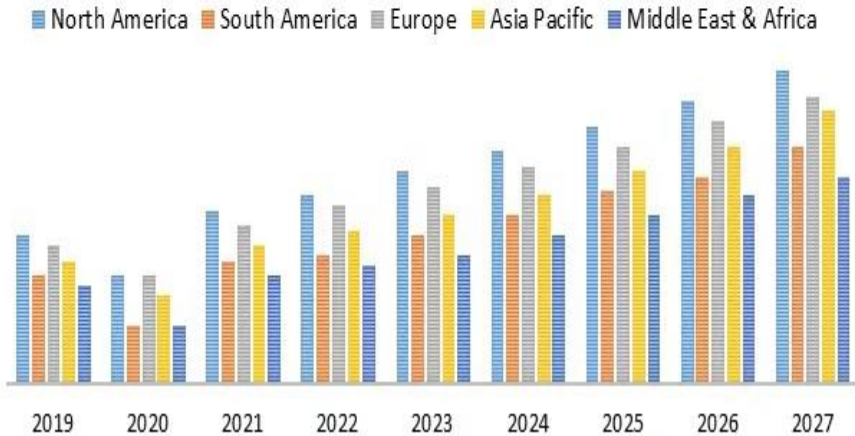


Fig. 1. Global Luxury Cruise Tourism Market

### 3.2 Forecast of luxury goods market in the future

With the growth of millennials, they have more spending power and are more willing to spend money on luxury goods due to the change of consumption concept, which can lead to the growth of the color holding market. Also, the internet and other media spread the idea of paying for better goods and spending in advance. This has made countless people enthusiastic about luxury goods, believing that it brings status. This is also a spirit of consumption [8]. And there are a large number of players in the luxury industry, such as LVMH, Kering Group, etc. Through my research, the most feasible forecast is that the total sales of the fashion luxury market will reach \$154 billion in 2026, with significant and strong growth in other segments as well [9].

The chart above also forecasts the luxury market until 2027 in many different regions.

By comparing the luxury goods market when the SARS virus and the new coronavirus spread widely, we can find out. When the epidemic spreads, the sales of luxury goods will be affected and the industry will experience a downturn. And when the impact of the epidemic on the society is weakened, there will be a round of retaliatory consumption and luxury goods sales appear crazy growth [10]. Even though the retaliatory consumption appears, it still cannot make up for the massive problems caused by the epidemic. In the follow-up of many issues, luxury brands need to invest a lot of money to maintain a certain situation.

## 4 Discussion

This paper compares the data of different brands as well as previous laws, different countries, products, and different situations. Some of the relationships between the luxury market and the epidemic are summarized. By referring to some of the literature to obtain some more precise values. It is concluded that there may be a rebound in the luxury market over a while and that the past losses vary greatly from country to country. In the United States, for example, the main problem is the lack of supply, while in Italy there is a lack of labor and the inability to export, and China faces a decline in consumption due to the inability to buy as a result of the epidemic policy.

And there is a correlation between the impact of different epidemics on the luxury market. In most cases, the gains are maintained through price increases and other means, and a small rebound is ushered in after a rather bumpy period, and then the luxury market tends to be normalized through a period of adjustments, such as the slowdown of the epidemic or other means.

## 5 Conclusion

The epidemic has had a very negative impact on the luxury market, with several instances of retaliatory spending, but this has not been enough to compensate for the damage caused by the epidemic. The law, on the other hand, was affected by the impact of the epidemic on the industry, which was different for each country and for different categories, but also very drastic. And in the aftermath of this retaliatory consumption, only some of the goods can help companies reduce their losses, e.g., watches and other items that have a long fashion cycle, and the gains from this are minimal compared to the losses from a large number of next season's clothes and some of the show events. In this paper, the study is on the luxury market. However, due to certain limitations, there is no way to find the sales of specific luxury stores to compare the sales of stores in different countries cross-sectionally. This may also lead to the one-sidedness of the results. A large amount of information comes from different literature, as well as different statistical websites, which makes some of the data may possess controversial and may also cause errors in the experimental results. Another drawback is the accuracy of the data, because there is no large enough data accumulation, the research on the future luxury market is not detailed enough, only some aspects have more detailed data, and most of them can only express the future trend with a general picture. This also means that this research cannot be perfect and comprehensive enough. The research on luxury market is very broad, and the future research can be the impact of some unexpected situations on luxury market, including some force majeure or unexpected situations, mutual acquisition, etc. It is also possible to study the impact of different luxury goods under the change of fashion.

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