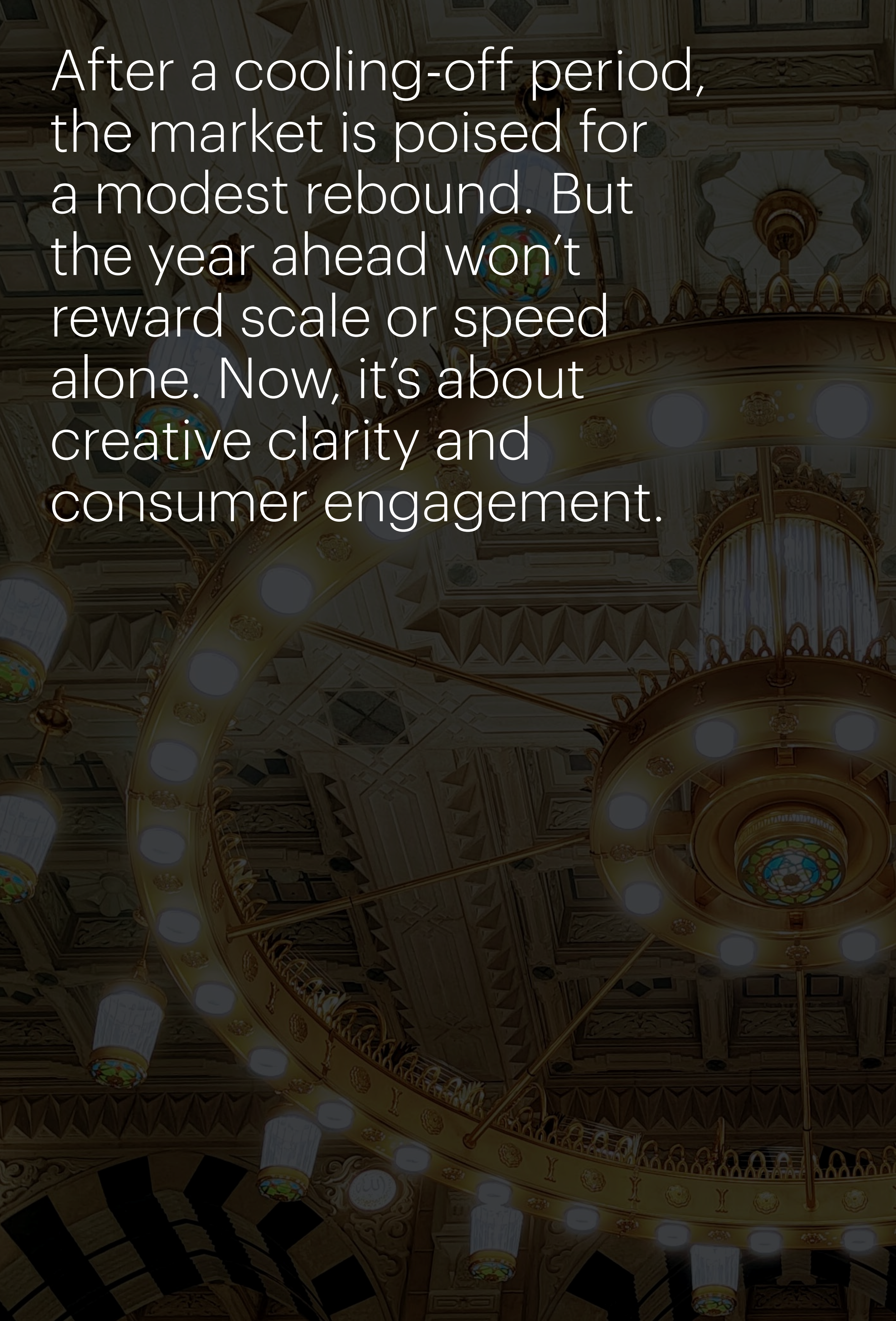
Global luxury: earning relevance in a normalizing market

2026 Global Luxury Industry Outlook

KEARNEY

100 Years of Impact



After a cooling-off period, the market is poised for a modest rebound. But the year ahead won't reward scale or speed alone. Now, it's about creative clarity and consumer engagement.

Executive summary

Kearney's 2026 Global Luxury Industry Outlook finds the luxury industry entering a state of normalization rather than structural decline or broad reacceleration. After a year of creative resets, pricing recalibration, and operational discipline, the global luxury market is stabilizing at a more measured pace.

While external forecasts point to 3 to 5 percent growth, our view is more tempered: 2026 is likely to deliver 2 to 4 percent growth, but unevenly distributed across regions, categories, and client tiers.

What is emerging is a holistic and transformational model of luxury: **holistic** because value is being created across product, experience, service, and ecosystem with the whole becoming greater than the sum of its parts and **transformational** in that the most resilient brands no longer deliver "moments" but experiences that reshape a consumer's perspective, values, and emotional connection before, during, and well beyond an individual transaction.

Four dynamics define this next phase of luxury's evolution:

Three regions—the United States, Europe, and China—are crucial to stabilizing the industry. Together, they provide the scale, infrastructure, and client concentration that anchor global luxury demand. Beyond that foundation, regional divergence will widen before it narrows. A differentiated upside will come from Japan and Southeast Asia, where capital investment, affluence, and urban concentration are building momentum. Until March of 2026, the Middle East was expected to be a growth accelerator. It is too early to infer the short- to medium-term impact of the recent escalation of conflict, but brands and investors should track the trajectoryof luxury sales to ensure they are in step with GCC luxury buyers.

Spending is becoming more concentrated and more intentional. The global luxury customer base continues to ebb and flow, although ultra-high net worth individuals (UHNWI) and high net worth individuals (HNWI) remain stable and contribute to the majority of spend. At the same time, aspirational consumers are not exiting luxury so much as engaging differently, shifting where, how, and what they spend on. Defensible, emotionally resonant categories such as jewelry and experiences are outperforming other segments for both aspirational and core luxury consumers. With price increases expected to continue through 2026, we expect brand loyalty (beyond top-spending clientele) to be at risk as spend reallocation becomes a more common response.

Technology will continue to shift competitive power. Embedded across forecasting, design, clienteling, and service, AI is rapidly evolving from experimentation into infrastructure. As we enter the age of agentic AI and agentic commerce in 2026, intelligent systems will increasingly shape how consumers discover, filter, and make purchase decisions. In this new era, visibility will be earned through clarity, data integrity, and trust, not brand heat alone.

A wave of creative resets is setting the stage for renewed resonance. Last year, we witnessed three times as many changes of creative directors than previous years, signaling that luxury houses are gearing up to actively and deliberately reinvigorate brand narratives and product direction.

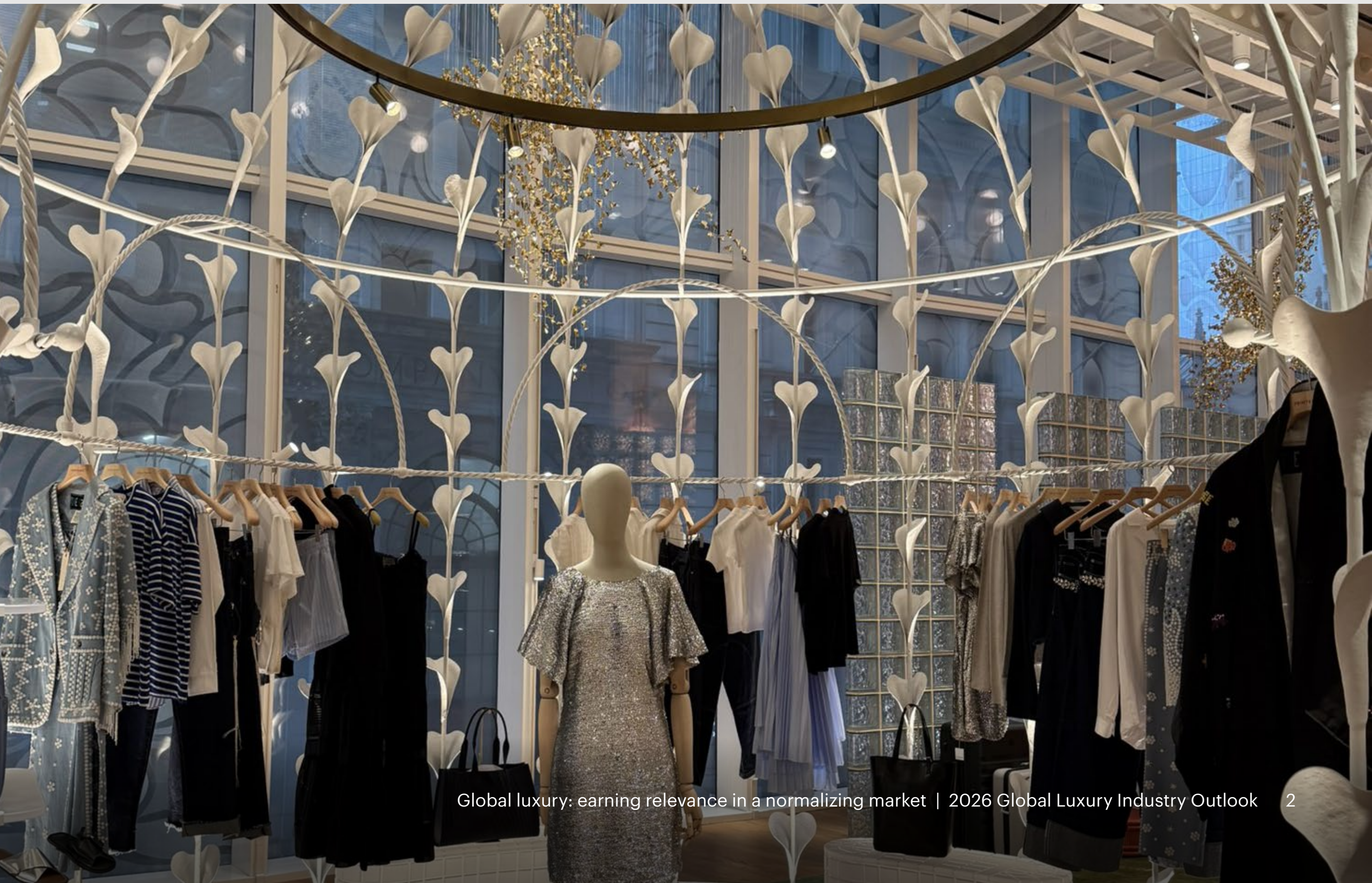
Looking ahead, 2026 will be all about earning relevance—where growth is driven by resonance across product, experience, and ecosystem, not by scale alone.

Introduction

Our 2025 Global Luxury Industry Outlook anticipated a period of stabilization for luxury brands. That view proved directionally correct. The global luxury goods market delivered steady, moderate growth, reaching approximately $530 billion, with CAGR projections through 2028 remaining in the 2 to 4 percent range.

But 2025 wasn’t simply a year of moderation. It was a year of recalibration.

Brands were addressing operational and structural imbalances stemming from compounding cost pressures established during the pandemic and more recent global trade dynamics. At the same time, consumers struggled to reconnect with both familiar and new luxury offerings amid spiraling prices, leaving luxury in a momentary pause.



Luxury isn't asleep; it's "resting its eyes"

Before we look at where we are going, it's important to understand the state of luxury at the close of 2025 across five key drivers and dynamics:

Market economics. Overall, luxury demand was resilient, but growth was uneven across regions, categories, and client segments, as geopolitical volatility and trade friction complicated pricing, assortment, and supply decisions.

Regional economics. Geographic divergence widened but remained stable in the highest spending regions. The United States, China, and Europe remained important but showcased slower recoveries, while growth became more concentrated in travel hubs such as Southeast Asia and the Middle East.

Consumer groups. UHNWIs and HNWIs remained the most active and stable luxury consumers, while aspirational customers continued to add pressure on the overall value equation. The result was an extension of consumer experiences past the product purchase and a reappreciation of the importance and value of craftsmanship—by brands and consumers.

Value equation. Category performance favored segments where value is clearly earned. Jewelry and accessories outperformed more discretionary categories such as handbags and ready-to-wear, benefiting from durability, enduring symbolism, and more consistent and transparent pricing.

AI. As AI shifts from experimentation to infrastructure, more brands embedded AI across design, demand forecasting, and clienteling, creating a widening gap between brands using AI to augment creativity and customer experience, and those primarily chasing operational efficiency.

Last year wasn't simply a year of moderation. It was a year of recalibration.

Regional growth and performance

Flipping the cliché on its head, we see 2026 as the year that the more things stay the same, the more they will change. Although the "headliner" drivers and dynamics of this year's report are the same as 2025, we should not confuse the headline with the story itself.

The "big three" regions are the same, but globally, there is dynamic change below the statistical surface. The United States, Europe, and China will continue to anchor global luxury spend, but their role in 2026 will not amount to aggressive acceleration. Instead, expect them to hold steady, providing industry scale and stability.

Brands seeking differentiated growth would be wise to focus on the "standouts"—Japan, Southeast Asia, and the Middle East—where structural demand and capital investment continue to build momentum and luxury goods sales are growing the fastest.

Let's look at the "big three" regions first.

In the United States, the K-shaped dynamic remains intact

But it's evolving. Kearney Consumer Institute research shows consumers are operating across both arms of the K: optimizing spend on basics while continuing to invest in statement-driven or emotionally resonant purchases. Very important clients (VICs) continue to spend with relative confidence, supported by wealth effects and asset stability, while aspirational consumers are becoming more selective as price fatigue raises both the justification threshold and the timing of luxury purchases. The biggest watch out in the luxury sector is assuming the top of the K is fully insulated and will continue to absorb price increases. Across income levels, consumers are rejecting price–quality mismatches and demanding clearer value, pushing brands to balance accessible essentials with fewer, more differentiated "wow" pieces. At the same time, discovery is becoming more social-first, amplifying the role of sentiment and softening brand loyalty in a market where confidence and ease, rather than abundance, are defining comfort.

For 2026, what must be true is continued equity stability and controlled price discipline. The United States will not fuel explosive growth, but it will determine whether luxury maintains momentum.

Europe's fundamentals remain steady, but growth is fragile

Tourism flows, currency dynamics, and regulatory pressures, including ESG compliance, continue to influence performance, although GDP growth is expected to stay relatively flat. At the same time, soaring rents and limited availability on prime retail streets are structurally increasing the cost of participation, raising the stakes for productivity and relevance in physical retail.

In 2026, the health of the European luxury market will depend on two factors: sustained inbound tourism from the United States and Gulf markets along with brands' ability to balance price discipline with creative renewal. HNWIs will remain engaged, but aspirational shoppers will continue to trade down or defer purchases. This trend will make Europe less of a growth engine and more a test platform for execution and differentiation.

The most meaningful divergence from earlier luxury cycles is China

After a volatile 2024, the market delivered stable results in 2025, a dynamic we expect to persist into 2026. While some forecasts continue to anticipate a return to double-digit growth, our view is more measured: China is likely to deliver low- to mid-single-digit growth in 2026.

Spending remains polarized by income tier and city level, with domestic luxury brands continuing to gain share. Gold and jewelry have moved firmly into the mainstream, driven by cultural affinity and store-of-value logic, while reallocation toward experiences continues to shape discretionary spending. At the same time, the "new normal" mindset persists: cautious, selective, and value-aware. Hainan no longer provides an automatic growth shortcut, and cross-border demand is increasingly sensitive to currency fluctuations that are driving demand out of China and into other emerging markets. China remains critical in scale, but it is unlikely to be the primary engine of global luxury acceleration in 2026.

If the “big three” anchor stability, differentiated growth comes from elsewhere—what we call the “standouts.” Three regions are poised to outperform in 2026:

Japan

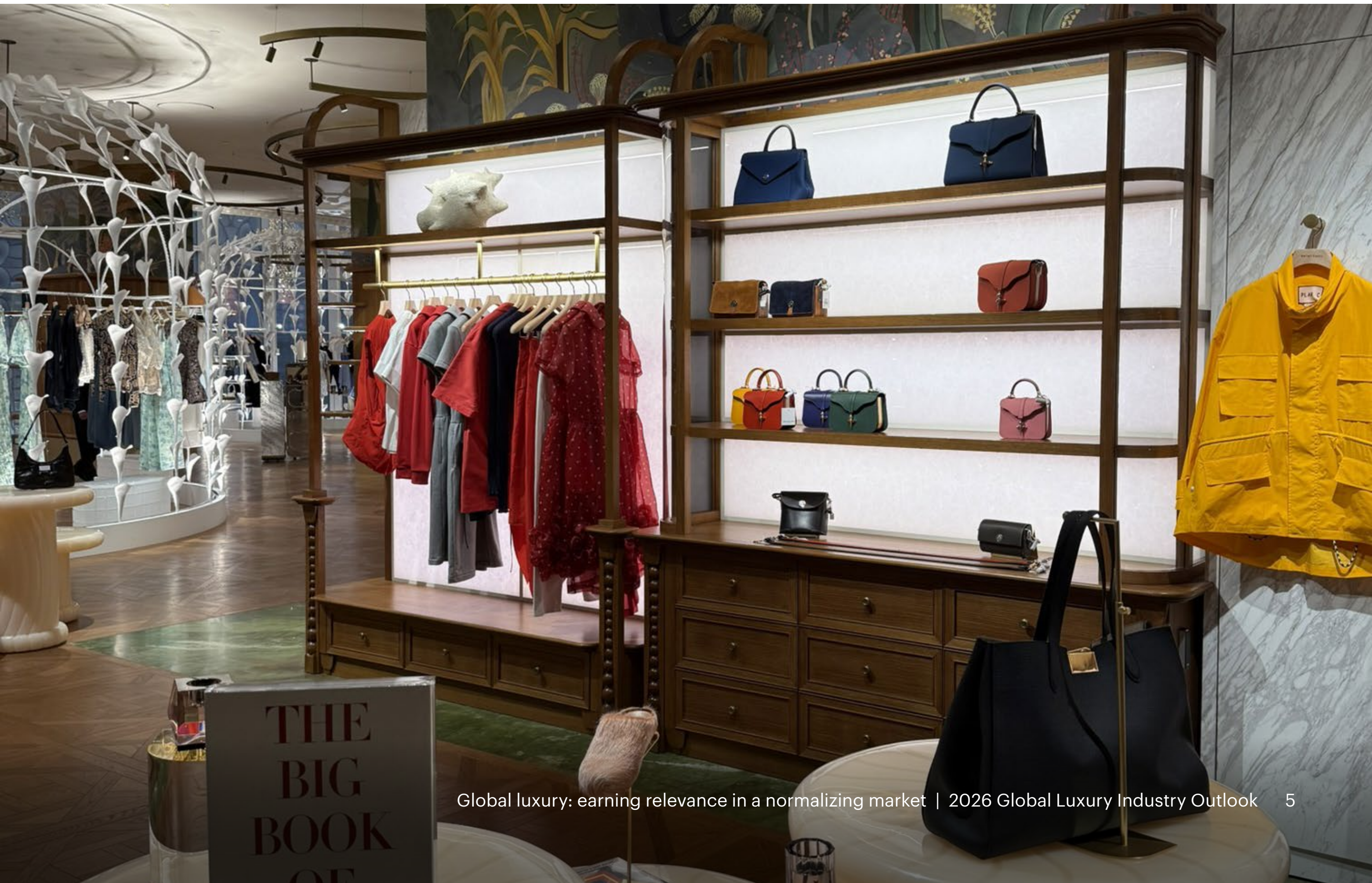
Japan continues to benefit from inbound tourism and strong brand affinity, though the drivers are shifting. In 2024, luxury growth was boosted by the historically weak yen, while in 2025, as exchange rates stabilized, tourist spending remained healthy but moderate to prior peaks. At the same time, domestic luxury consumption among affluent consumers proved resilient, supported by rising equity markets and inflation, with experiential categories such as travel and dining outperforming. Notably, among LVMH, Hermès, and Kering, Hermès was the only group to deliver growth in Japan in 2025, underscoring selective consumer standards and a heightened premium on brand strength. As a result, 2026 growth will depend less on foreign exchange-driven arbitrage and more on sustained visitor flows, local self-reward spending, and excellence in physical retail, where Japan remains flagship- and department-store-led, increasingly intertwined with culture and food.

Southeast Asia

This is one of the most structurally attractive luxury growth corridors, driven by both depth and breadth of demand. The region benefits from continued spending by a long-standing HNWI base alongside a rapidly expanding cohort of young, high-income professionals amassing meaningful luxury purchasing power. While strong pride in local heritage shapes consumer identity, ownership of established global luxury brands and institutions remains highly aspirational. As a result, more brands are blending global design and artisanship with locally relevant cultural cues and experiences to capture demand. Gateway cities such as Singapore, Bangkok, and Ho Chi Minh City are consolidating their roles as regional luxury hubs, with beauty, small leather goods, and entry categories scaling fastest as new consumers enter the funnel.

Middle East

The Middle East was positioned for growth as wealth continued to concentrate in Gulf Cooperation Council markets such as Dubai and Riyadh, which were outperforming global averages. The GCC had momentum from wealth migration, mega-retail projects, and high capex investments in hospitality and shopping infrastructure. In 2026, the Middle East is likely to deliver some of the strongest growth globally, not as a niche, but as a meaningful contributor to incremental upside.



Diamonds are still the rich's best friend, but a handbag shouldn't cost a pile of them

Before examining how the luxury consumer is evolving, it is important to understand where spending has already shifted. Traditional luxury goods, particularly ready-to-wear and certain leather goods, stabilized after years of aggressive price increases. Handbag prices, across leading luxury houses, rose by as much as 10 percent over recent cycles, but through core luxury consumers, were able to end 2025 with a comparatively resilient performance, although apparel and footwear experienced declines of 5 to 7 percent.

At the same time, other categories demonstrated greater resilience.

Jewelry emerged as structurally stronger. Unlike leather goods, jewelry price increases, which typically occur 1x to 2x per year and often in the single digits annually, were perceived as "the usual" and did not result in such negative sentiments with consumers. As such, luxury houses reported 6 to 14 percent growth in jewelry as the appeal proved less cyclical and more emotional, rooted in longevity, heritage, and perceived intrinsic value.

Experiential luxury accelerated even more meaningfully. Over the past five years, spending grew, with more than 60 percent of private clubs reporting a membership increase. Hotels and lifestyle hospitality reported up to 8 percent growth in 2025 as consumers were more willing to spend "for the right occasion."

Simultaneously, **"luxury-adjacent" alternatives** such as resale and second-hand gained even more traction, and **"dupe culture"** surged on digital channels.

What 2025 revealed was a clear gravitation toward "justifiable" luxury: purchases that felt intellectually defendable, emotionally resonant, and/or investment-worthy. Luxury brands are no longer competing solely within their peers, but across competing categories and a broader ecosystem of adjacent substitutes.

Looking to 2026, category momentum suggests a continued divergence:

- **Hotels and fine dining are projected to grow at roughly 8 percent CAGR** through 2028, supported by integration into lifestyle and status signaling through experiences rather than logos.
- **Jewelry follows closely behind at approximately 7 percent CAGR**, reinforcing its position as a culturally resilient and emotionally anchored category.
- **Beauty and accessories are expected to maintain mid-single-digit growth**, benefiting from accessibility and repeat purchase dynamics.
- **And by contrast, ready-to-wear and leather goods are projected to hover modestly in the low single digits**, reflecting pricing scrutiny and shifting trade-up timelines.

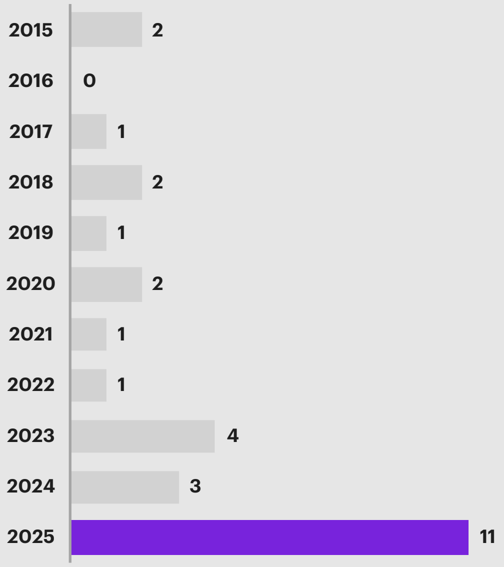
This pressure may ultimately prove constructive.

In 2025, luxury houses set out to reenergize brand codes, restore creative coherence, and reconnect with evolving consumer expectations. Rather than a reaction to short-term softness, this reset reflects a broader recognition that sustaining relevance requires renewed creative clarity and cultural resonance, setting the stage for a more disciplined and differentiated growth phase ahead (see figure 1).

Figure 1

Luxury brand leadership changes point to a deliberate reset, with brands targeting a more active growth cycle

Creative director changes



Creative director changes in 2025

Brand	Former director	New director
Balenciaga	Demna Gvasalia	Pierpaolo Piccioli
Balmain	Olivier Rousteing	Antonin Tron
Bottega Veneta	Matthieu Blazy	Louise Trotter
Chanel	Virginie Viard	Matthieu Blazy
Dior	Kim Jones (Men) Maria Grazia Chiuri (Women)	Jonathan Anderson
Fendi	Silvia Venturini Fendi	Maria Grazia Chiuri
Gucci	Sabato De Sarno	Demna Gvasalia
Hermès	Véronique Nichanian	Grace Wales Bonner (Menswear)
Loewe	Jonathan Anderson	Jack McCollough & Lazaro Hernandez
Versace	Donatella Versace	Dario Vitale (exited)

Sources: Fashion Drive, The Cut, Vogue Business; Kearney analysis

The UHNWI are different, even from each other

"Let me tell you about the very rich," F. Scott Fitzgerald wrote in his 1926 story *The Rich Boy*. "They are different from you and me." A decade later in an article in the August 1936 issue of *Esquire* magazine, Ernest Hemingway responded: "Yes, they have more money."

Turns out both authors were wrong. UHNWIs are not only different from the financially less fortunate; they are also different from each other.

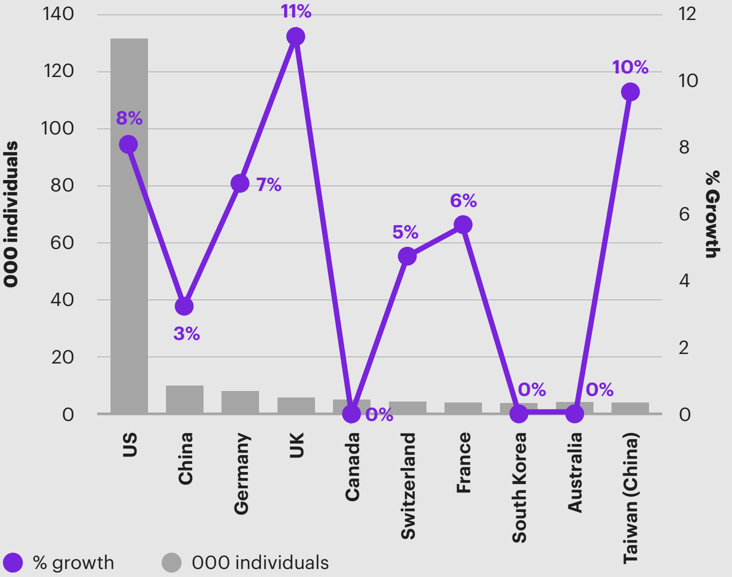
Growth within the UHNWI segment is increasingly aligned with broader luxury expansion in emerging markets. In 2025, regions experiencing the fastest luxury growth also saw outsized increases in UHNWI wealth creation, reinforcing the link between market expansion and high-end spending power (see figure 2).

India stands out as a leading example, emerging as one of the fastest-growing luxury markets in 2025 alongside rapid UHNWI growth. Analysts expect India to account for 35 percent of incremental UHNWI growth by 2030 and deliver 18 percent CAGR in luxury spend. Other emerging, UHNWI markets to watch out for over the next five years include Japan, Italy, Hong Kong (China), and Denmark.

Figure 2

The world is seeing a growing number of ultra-high net worth individuals

Top 10 countries with the largest population of ultra-high net worth individuals[1] (2025)



The United States is the **strongest market** with **61% of the world's UHNWIs**.

Except for **Canada, South Korea and Australia**, **UHWNI populations continue to grow across top markets**.

Emerging markets
By 2030, India, Japan, Italy, Hong Kong (China), and Denmark will add 7.4K to the UNHWI population, with India accounting for 35% of the incremental growth.

Geographic clustering
By 2028, 42% of UHNWIs will reside in the top 50 cities worldwide (up from 38% in 2015), with each UHNWI connected to an average of 70 other UHNWI.

Wealth concentration
UHNWI reached about 510,000 individuals in 2025 controlling an estimated $59.8 trillion in combined wealth, equaling 1% of the millionaire population.

[1] Ultra-high net worth individuals (UHNWIs) is defined as adults age 18+ with net wealth above $50 million.
Sources: Euromonitor, IMF, Altagamma; Kearney analysis

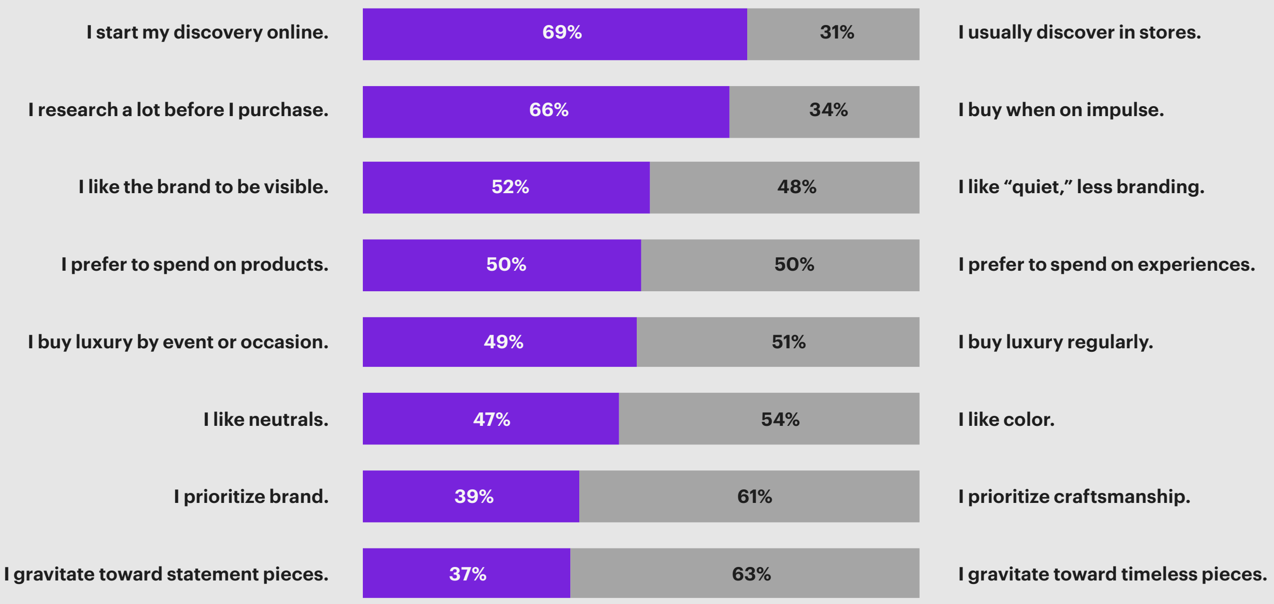
One size doesn’t fit all: consumers still aren’t comfortable with “muumuu marketing”

A new Kearney study highlights the key attitudes, behaviors, and attributes of luxury consumers. Across the total sample of 1,000 consumers surveyed, 63 percent define luxury primarily by quality and craftsmanship, 66 percent report researching extensively before purchase, and only 9 percent say they buy on trend alone underscoring that defensibility and intention anchor luxury engagement. At the same time, 73 percent say price increases made them pullback and 36 percent report buying less often or feeling less excited about luxury overall, reinforcing that participation is becoming more deliberate.

Furthermore, discovery is increasingly digital, with 69 percent of consumers beginning their journey online and 27 percent frequently using AI tools to explore luxury products, even as brand heritage and physical stores remain influential in brand discovery.

Perhaps unsurprisingly, there is no one-size-fits-all approach to luxury and style. The consumers we surveyed were nearly split down the middle for many of the style and preference questions (see figure 3).

Figure 3
There is no one-size-fits-all preference among luxury consumers



Note: n = 1,000
Source: Kearney Luxury Consumer Study, Q1 2026

To better understand the nuances of luxury purchasing patterns and behaviors, we segmented consumers into three groups based on their income level and frequency of luxury product buys or experiential spend:

1. **The traditionalist: purchases monthly or weekly.** Traditionalists live luxury as a lifestyle. As the most frequent purchasers, they were the most resilient in 2025 and were least likely to change behavior in response to price increases. Half reported no behavioral change compared with 31 percent of selective splurgers and 16 percent of aspirationals.

2. **The selective splurger: purchases once every few months.** The selective splurger curates when and how they spend, with 65 percent reporting a "selective splurging" philosophy (versus 44 to 49 percent for other segments). They are the most deliberate rebalancers of luxury spend, maintaining engagement while becoming more intentional about timing, category, and justification.

3. **The aspirational consumer: purchases once or twice per year or every few years.** Aspirational consumers are—to no surprise—the most price sensitive shoppers, selectively participating in luxury while pulling back from it the quickest in the face of economic uncertainty. In 2025, 35 percent cited economic uncertainty as their primary reason for pulling back compared with selective splurgers (26 percent) and traditionalists (15 percent).

Beyond these three mutually exclusive core segments, our study identifies eight behavioral profiles that cut across those segments. Unlike the core segments, these are not mutually exclusive; consumers activate multiple expressions of luxury simultaneously (see figure 4 on page 11).

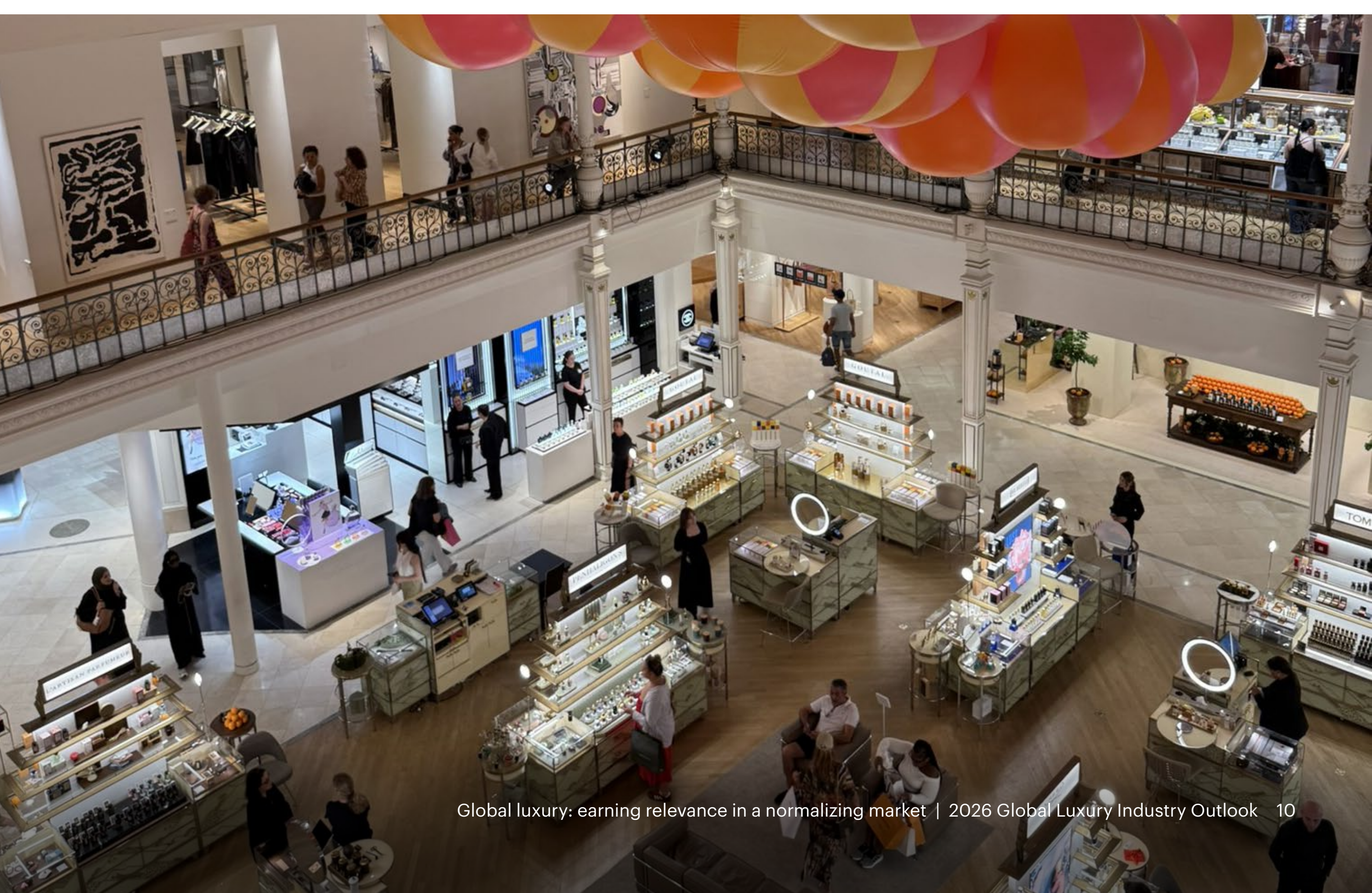


Figure 4

Eight behavioral profiles cut across luxury consumer groups

Product-led behavioral profiles

Craftsmanship-first consumer

Prioritizes exceptional quality when shopping luxury

Most likely to cut frequency overall with rising luxury prices: 25% reported buying less often vs. average of 13% across other profiles

Brand-led afficionado

Remains loyal to iconic brands for their prestige and reputation

Most likely to report no behavioral change despite price increases: 52% reported unchanged spending vs. 35% average across other profiles

Trend-driven statement seeker

Seeks "what's popular," signaling cultural relevance

Most likely to spend freely: 54% reported spending freely vs. spending selectively vs. 36% average across other profiles

Value-conscious buyer

Treats luxury as an asset or monetary investment

Most likely to shift to luxurious experiences: 20% reported reallocating spend to experiences due to price changes vs. 10% average across other profiles

Digital discoverer

Leverages social media, search, and AI to discover or validate purchases and brands

Most likely to switch to alternative non-luxury brands with price increases: 6% reported switching vs. 3% average across other profiles

Experience-led behavioral profiles

Wellness-first enthusiast

Leans toward premium wellness experiences over luxury products

Associated wellness with luxury at the highest levels vs. 72% of all other profiles who ranked associating wellness with luxury at the highest levels

Elevated explorer and jetsetter

Prioritizes access, time saved, and paying for exceptional moments

Least likely to pullback from luxury due to economic uncertainty: 18% reported pulling back due to this vs. 24% average across all other profiles

Food and beverage connoisseur

Indulges in elevated dining and gourmet food and beverage experiences and collections

Most likely to buy fewer but higher-value items: 20% reported this vs. 24% average across all other experience-led profiles

Note: n = 1,000

Source: Kearney Luxury Consumer Study, Q1 2026

Clear differences emerge. For example, **product-led profiles** report buying luxury goods less frequently or shifting toward second-hand purchases, signaling greater sensitivity to price inflation. In contrast, **experience-led profiles** show more adaptive behaviors when purchasing luxury goods—switching between luxury brands more readily or trading down within luxury by choosing less expensive offerings—reflecting a greater willingness to preserve participation in luxury, even as prices rise (see figure 5 on page 13).

Within the eight behavioral profiles, three merit particular attention for 2026:

1. **Craftsmanship-first investors** are the foundational expression of luxury, aligning with the 63 percent of consumers who define luxury through quality and longevity and the majority who prioritize investment pieces over trends. When asked which describes their current luxury spending mindset, craftsmanship-first consumers reported "spending freely" the least among all product-led profiles, reiterating that the pursuit of craftsmanship means they are less likely to buy on impulse. By contrast, trend-driven consumers feel most inclined to spend freely, then brand-led, followed by value-conscious and digital discoverers. Since they are focused on quality and craftsmanship, they are more selective shoppers, less likely to buy on impulse and patient enough to seek out exactly what they want.
2. **Value-conscious buyers** are most inclined to view luxury as an asset or monetary investment or, if neither, default to resale or buying secondhand. When asked why they might be pulling back from luxury, they attributed it less to price and more to diminished excitement and distinction, signaling that inflation has eroded not just affordability but emotional return—making it harder for products to justify their premium without a clear point of difference (see figure 6 on page 14).
3. **Food and beverage connoisseurs** reflect deeper lifestyle participation: 68 percent engage in elevated dining experiences at least every few months, 34 percent regularly stay at high-end resorts, and 20 percent attend wellness retreats—evidence that luxury increasingly lives beyond the product and across experiences. This profile also skews more heavily toward aspirational and selective splurgers than other experience-led behaviors, reflecting a lower barrier to entry and greater flexibility in participation (see figure 6 on page 14). In many ways, this mirrors what leading brands are doing today: inviting consumers into accessible luxury moments that serve as an on-ramp to fuller lifestyle immersion over time.

Together, these profiles suggest that luxury growth in 2026 will be less about acquiring new consumers and more about expanding how existing consumers participate across moments, categories, and experiences.

There is no one-size-fits-all approach to luxury and style.

Figure 5

When prices go up, product-led luxury consumers tend to buy less or shift to secondhand, while experience-led shoppers adapt to sustain participation

Q. Has your purchase behavior changed with the rise of prices in luxury goods?

Note: n = 1,000

Source: Kearney Luxury Consumer Study, Q1 2026

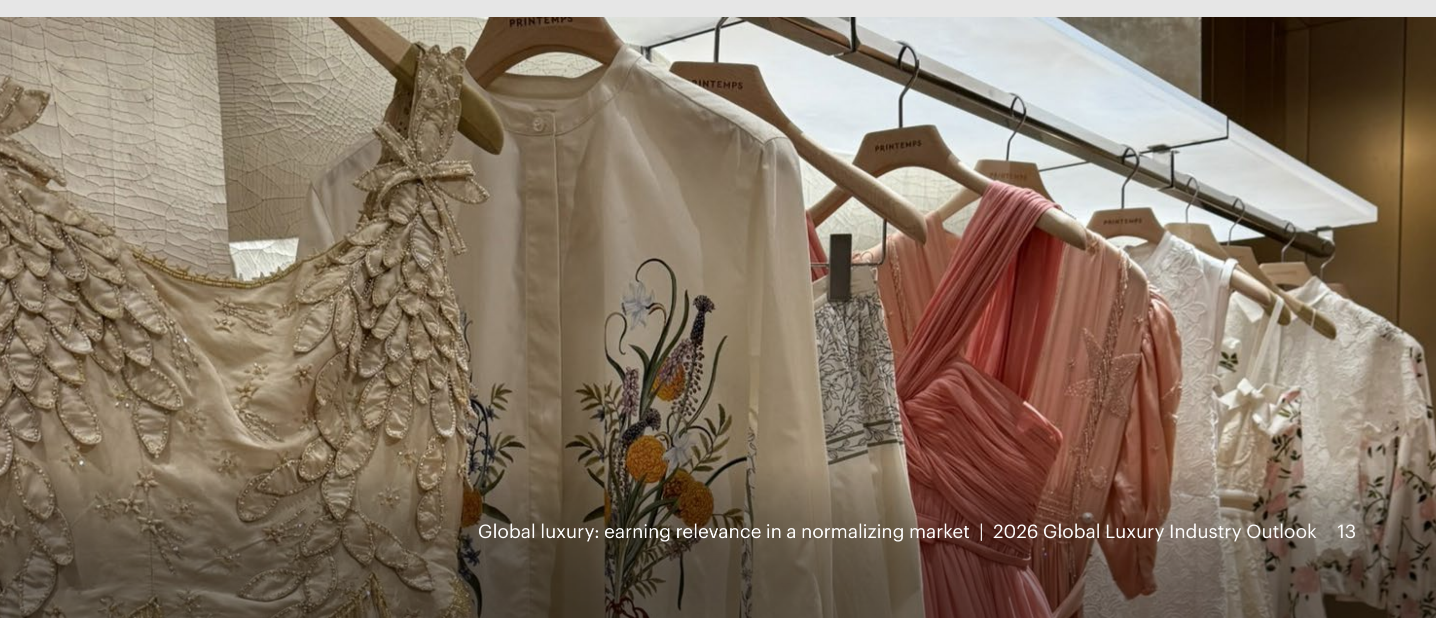
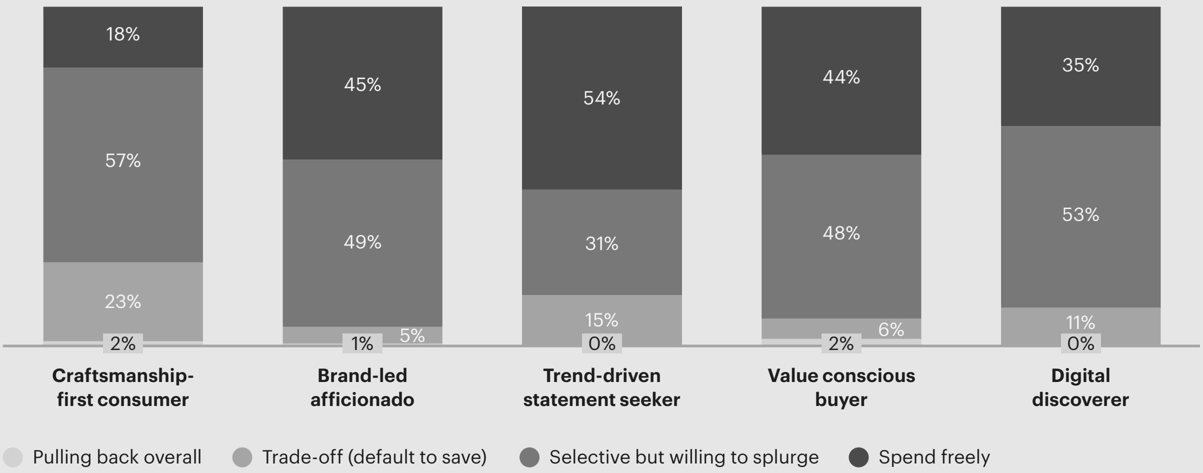


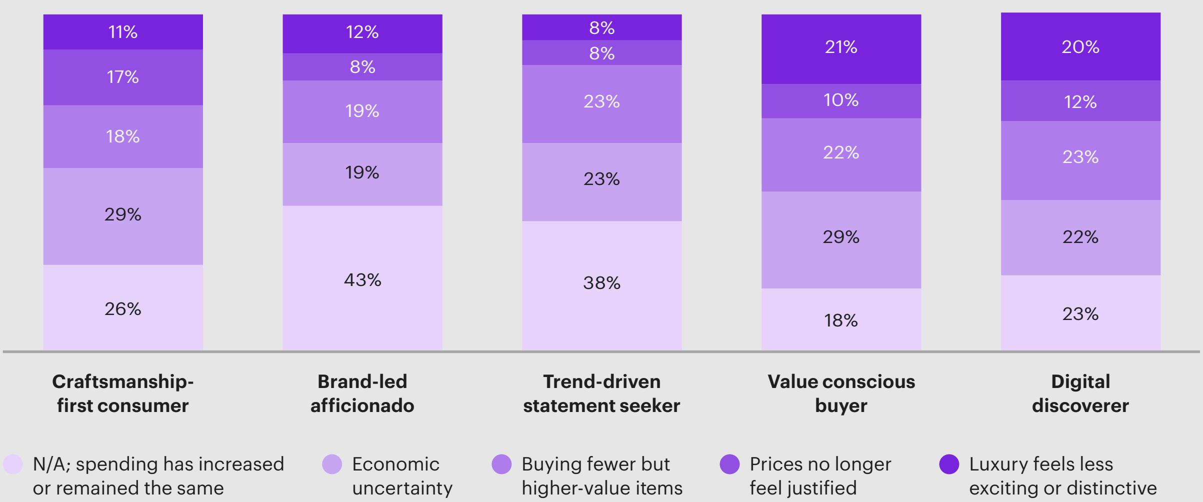
Figure 6

Product-led consumers are pulling back on luxury amid economic uncertainty and weakening value perception

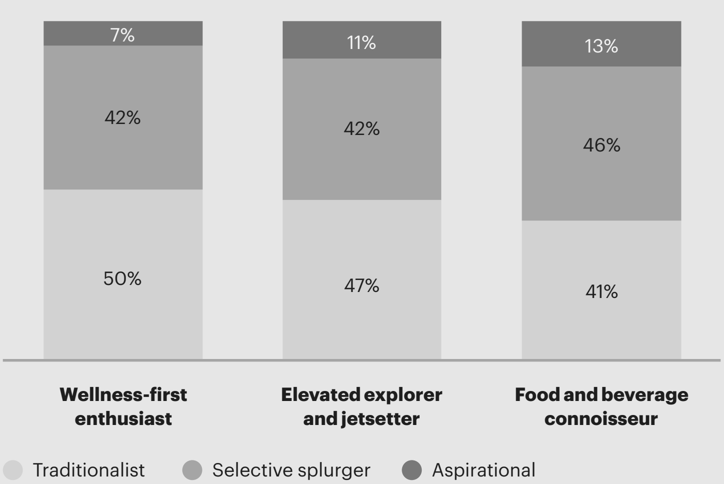
Q: Which best describes your current luxury spending mindset?



Q: What is the main reason for pulling back from luxury?



Distribution of luxury consumer segments within experience-led behavior profiles



Note: n = 1,000

Source: Kearney Luxury Consumer Study, Q1 2026

A note on AI and technology

As AI becomes a core element of the luxury goods infrastructure—thanks to executive belief translating into budget commitment and AI seen as tying directly to revenue impact metrics such as conversion, AOV, and retention—investments in the technology are scaling faster than underlying luxury market growth.

According to Market.US, 90 percent of luxury fashion executives recognize that AI-driven approaches such as personalization are essential for their brands. Spending on AI solutions, services, and integration across global luxury brands is expected hit 16.2 percent CAGR over the next 10 years.

A widening performance gap accompanies this growth curve, leveraging AI to streamline operations and reduce costs across the value chain. In luxury supply chains, AI has shifted from predictive tool to operational infrastructure, enabling real-time orchestration, embedded sustainability, and built-in trust across planning, sourcing, production, and delivery. Figure 7 on page 16 offers some examples of how luxury houses leveraged AI as both a creative and operational engine in 2025.

Over time, AI will continue to become more imperative in the luxury industry, especially with the rapid progression of agentic AI. As AI rapidly transitions from tool to autonomous agent expect luxury leveraging agentic AI in 2026 in three important ways:

— **Accelerating time to market.** Autonomous agents will detect trends faster and make more deliberate design suggestions to trigger faster execution with sourcing, production, and inventory placement.

— **Curated customer service.** AI agents will be used to interpret customer intent and decision drivers based on factors such as preferences, past behavior, occasion, and budget, proactively surfacing relevant products and service tailored to each customer.

— **Agentic commerce.** Agentic systems will move from assisting decisions to acting on them, curating, validating, and executing purchases on behalf of customers.

As agentic commerce grows, the biggest competitor sits between brands and consumers. AI agents are the new digital gatekeepers, shaping what consumers see, compare, and ultimately buy. AI-driven referrals from platforms such as ChatGPT and Perplexity to e-commerce brands increased about 750 percent in October 2025, and our latest research found that 60 percent of consumers expect to use AI shopping agents this year.

For brands, winning with agentic AI is all about making it easy for agents to choose your brand—every time:

— **Make your data agent ready.** Expose clean, structured, and richly attributed product, price, availability, and service data so agents can accurately interpret craftsmanship and attributes.

— **Reset your media strategy.** Plan for ad spend to migrate from search and retail media networks to agent platforms. Build metrics that captures agent-influenced discovery.

— **Encode exclusivity and access.** Ensure that limited editions, private appointments, experiential access, and VIC benefits are machine-readable. In an agentic world, exclusivity must be discoverable without being diluted.

The economist Edgar R. Fiedler once observed, “He who lives by the crystal ball soon learns to eat ground glass.” With that caveat firmly in place, let’s take a peek at what 2026 is likely to bring us.

Figure 7
AI is rapidly scaling beyond experimentation in luxury

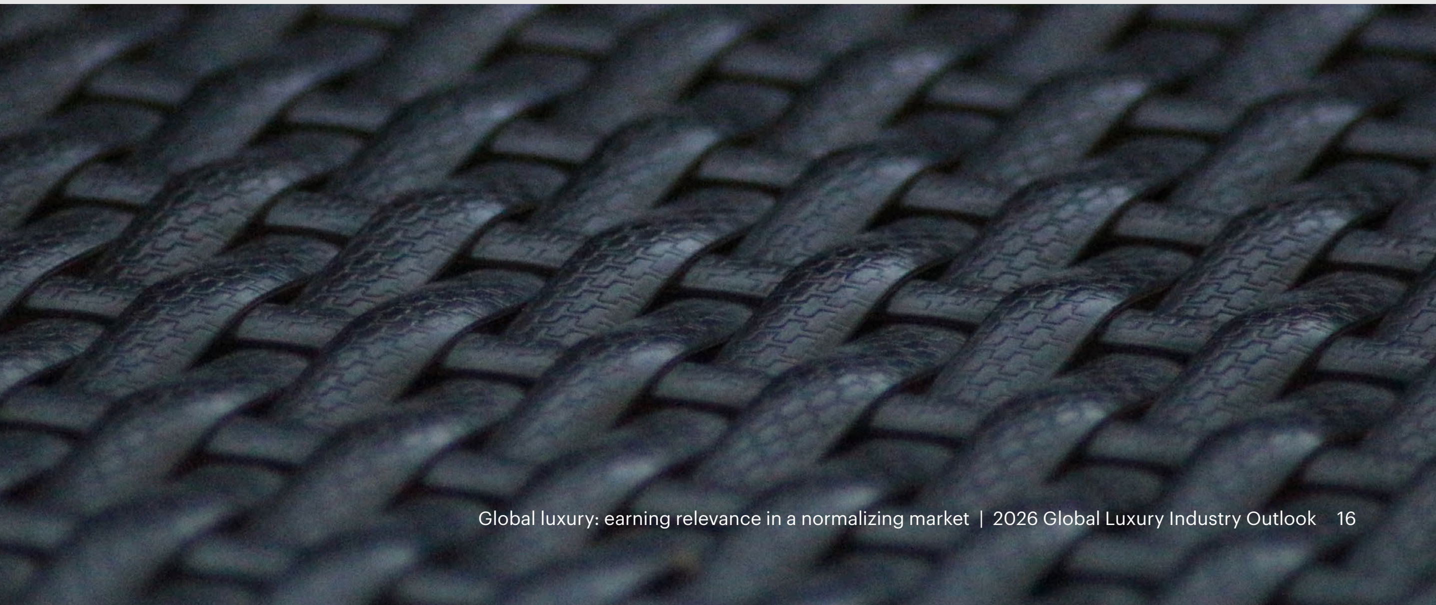
AI as an operational infrastructure

BURBERRY	L'ORÉAL	PATOU	DIOR
Burberry uses AI to forecast demand in real time and reallocate inventory across markets, reducing slow-moving stock and improving sell-through.	**L'Oréal** partnered with IBM to use AI for sustainable ingredient sourcing through mining formulation data to identify eco-friendly raw material substitutes and deploying AI-guided vertical farming.	**LVMH-owned fashion house Patou** introduced an AI-based authentication system called Authentique Verify, embedding counterfeit protection directly into the production process.	**Dior** partnered with Scandit in 2025 to use AI and AR for warehouse operations, helping staff locate, pick, and pack items faster with fewer errors.

AI as a creative engine

LVMH	MONCLER GROUP	RICHEMONT
LVMH beauty partnered with Integrated Biosciences, a California-based biotech company to introduce AI-based screening to create innovative skin youth and beauty products.	**Moncler** collaborated with artist Lulu Li who used generative AI to support parts of the design process, experimenting with AI-assisted concept generation to explore new variations of its signature silhouettes without relinquishing creative control.	**Richemont** has applied AI and advanced analytics to materials science, component engineering, and precision testing, using machine learning to simulate performance, durability, and tolerances before physical prototyping.

Sources: Premium Beauty News, brand websites, *The Wall Street Journal*; Kearney analysis



The road forward for luxury: mind the potholes

As macro uncertainty, regional divergence, and expanding optionality reshape luxury trajectories in 2026, growth will be uneven, not accelerated. While external models suggest a 3 to 5 percent expansion, our view remains more tempered: 2026 is still a transition year, with growth likely in the 2 to 4 percent range and concentrated in select regions, segments, and client tiers. We'll be keeping our eyes on five key signals:

Macro stability

Equity markets, consumer confidence, and currency normalization will determine demand elasticity, which is particularly important for performance in the "big three" regions of the United States, Europe, and China.

As we study equity markets, we see an 87 percent correlation between S&P 500 and US luxury demand. US equity markets rose more than 20 percent in 2024–2025, generating significant wealth for UHNWI. But, if 2026 brings the kind of stock market volatility some predict with consumer sentiment remaining low (hitting the lowest point in April since May 2020), any substantial correction will erode HNWI discretionary spending.

Currency fluctuations matter more in Asia as they impact cross-border spending. We'll be keeping our eye on Chinese consumers, who spend 36 percent of their luxury budgets abroad.

Regional shocks

Beyond baseline volatility, 2026 carries the risk of discrete shocks. We are watching four areas in particular (see figure 8 on page 18):

— Escalating trade tensions or tariff regimes that could disrupt pricing structures and sourcing models

— Regional recessions or "hard landings" that disproportionately affect aspirational demand

— Energy and logistics disruptions that reintroduce supply chain friction and margin pressures

— Regulatory tightening and ESG compliance that pressure operating and compliance costs

Aspirational and value recalibration

Aspirational consumers are not exiting luxury; they are editing it. Middle luxury brands will continue to pop up, for which traditional luxury brands will need to be clearer in their value propositions as heritage pricing faces scrutiny.

As aspirational consumers continue to drive new luxury directions, look for middle luxury brands to take a share from heritage luxury brands. We expect middle luxury brands to continue growing 2x to 3x faster than heritage brands in 2026, especially among households with less than $150,000 in income.

Figure 8
Four areas to monitor as global and regional shocks continue to fuel market volatility

1 **Global trade relations and tariffs**	— China–US–EU trade tensions are expected to continue and contribute to a 2–4% drag on global trade volumes. — New and proposed tariffs could impact more than $300 billion of global goods trade in 2026.
2 **Regional recessions and hard landings**	— US GDP growth could slow to about 2%, majorly influenced by equity-market volatility. — European growth is expected to remain at about 0–1%, with elevated risk from weak productivity, tight fiscal policies, and energy/geopolitical exposure.
3 **Energy and supply chain disruptions**	— Energy price volatility is expected to remain high under geopolitical stress, as indicated by oil prices that are projected to increase by about 30 to 40% above 2025. — Logistics and manufacturing cost inflation may accelerate +5–10%.
4 **Regulatory and ESG compliance shocks**	— New ESG and supply chain transparency rules could increase operating and compliance costs by 1–3% of revenue for global brands — A global push to tightening regulatory laws remains top of mind for companies as complexities rise with reporting and auditing.

Sources: Reuters, WTO Global Trade Outlook, IMF World Economic Outlook, World Bank Global Economic Prospects, historical company earnings disclosures, IEA Energy Outlook, Reuters commodities coverage, global shipping indices (Drewry and Baltic Index), European Commission ESG regulations, SEC climate disclosure guidance, company annual reports; Kearney analysis

Experience as durable growth engine

Hospitality, wellness, and experiential formats are integrating into lifestyles more deeply than goods alone.

Luxury experiences will scale faster, embedding themselves into the everyday lives of luxury consumers in ways that are distinctly regional. Rather than a single global playbook, leading houses are already deploying differentiated experiential strategies shaped by how luxury is lived, signaled, and valued locally (see figure 9 on page 19):

— **United States.** Expect continued expansion of wellness-led collaborations as health, longevity, and personalization become central drivers.

— **Europe.** In markets where exclusivity remains paramount, growth will skew toward private, invitation-only offerings that emphasize access, intimacy, and cultural capital over transactions alone.

— **Asia.** Where luxury is experienced publicly and socially, cafés, dining, and cultural formats will continue to scale, positioning experiences as visible expressions of status and belonging.

AI as gatekeeper

AI will shape how luxury is created, discovered, filtered, and purchased. From operational backbone to agentic commerce, AI is moving upstream in the decision journey. As algorithmic discovery expands, the visibility economics shift. The gatekeeper between brand and consumer may increasingly be an AI agent. Brands must optimize not only for aspiration, but for clarity: machine-readable product truth, fulfillment reliability, and defensible pricing logic.

At this point, it's fair to ask where the luxury segment is going.

Figure 9
Regional experiential strategies illustrate how luxury brands are embedding wellness, exclusivity, and social formats

United States	Europe	Asia
LVMH invests in WTHN, a NYC modern traditional Chinese medicine brand, offering acupuncture, cupping, herbal remedies, etc.	**Fendi** opens Private Residences in Crans-Montana in the Swiss Alps, offering a limited suite of apartments with five-star amenities.	**Prada** launches Prada Caffè inside its refurbished Singapore flagship with light bites and cocktails served on Prada porcelain.

Source: Kearney analysis

What's next: light at the end of the tunnel or more of the same?

All we can say for certain is that volatility will persist and margin pressures will remain, but 2026 will show us which of 2025's efforts to generate profitability and solidify brand positioning were worth the effort, and that will depend on building relevance at scale. Growth will stay concentrated among top clients and in categories that feel defensible: jewelry, experiences, and culturally resonant product.

Even with creative director transitions and renewed efforts to reshape consumer–brand relationships, the pressure to stabilize profitability and operations will not ease in the year ahead. Scaling relevance requires new operating muscle. Luxury brands must move beyond rigid seasonal planning toward continuous, region- and channel-specific decisioning, demonstrating that they are actively listening to customer signals and responding in near real time.

In short, 2026 will not reward scale or speed alone—but clarity, discipline, and relevance sustained over time.

Let's summarize what we've discussed.

The takeaways

As we look farther ahead into 2026 and slightly beyond, we expect six things to be true:

- Luxury is normalizing, not declining structurally.
- Global economic volatility will persist, keeping margin pressures elevated.
- Continued price increases will raise the bar for perceived value and justification.
- Growth will stay concentrated in top clients and experiences.
- Aspirational consumers will shape the timing and pattern of growth.
- The winners will reimagine relevance and engagement rather than relying solely on pricing power or transactional optimization.

This year won't reward scale or speed alone—but clarity, discipline, and relevance sustained.

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