



The State of **Luxury**

How luxury is recalibrating
in a more selective world.

Discernment • Precision • Resilience

A report for luxury brand leaders navigating the market reset.

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Executive Summary

Luxury is not retreating — it is recalibrating. The post-pandemic surge is over, and the industry has entered a new phase defined by discernment, selectivity, and strategic discipline. Growth has slowed, especially in luxury goods, while experiential luxury continues to outperform. Economic uncertainty, geopolitical volatility, and inflation are reshaping how — and why — affluent consumers spend.

What's Changing

The market is shifting from products to experiences: Travel, hospitality, wellness, and high-touch services are taking share from material goods. An attitudinal shift is moving from indulgence to intention: Even wealthy consumers are scrutinizing value, pricing, and authenticity.

There is a pivot from scale to precision: Overexposure, mass reach, and undifferentiated marketing now threaten brand equity. And the market is evolving from intuition to intelligence: First-party insight, personalization, and AI are becoming competitive necessities.

Uncompromising quality, craftsmanship, authenticity, and service prevail over marketing storytelling and narrative. Experiential extensions deepen emotional connection and selective growth strategies that protect prestige. In a digital marketplace, AI-enabled personalization enhances — not replaces — the human touch.

Based on insights from nearly 300 luxury industry insiders, this report reveals where luxury demand is softening and where it remains resilient. It interprets the current market reset, investments, innovation strategies, and marketing shifts shaping 2026. It also explores what separates the brands that will weather the slowdown from those that will lose relevance.

Luxury's next chapter will not be driven by volume, noise, or trend-chasing. It will be led by brands that redefine value, elevate experience, and execute with discipline.

An attitudinal shift is moving from indulgence to intention: Even wealthy consumers are scrutinizing value, pricing, and authenticity.

Market Shifts

The market is in transition — not collapsing but recalibrating into a polarizing market. The post-pandemic boom has faded, and the next phase could be a cyclical slowdown, structural reshaping, or a temporary pause before the next upswing.

The luxury market is recalibrating, reflecting a sector grappling with uneven external signals. Fragmentation of demand matched by a market undergoing a structural reset, with a smaller, more selective luxury consumer base is emerging. Bain reports the number of active luxury customers plunged from 400 million in 2022 to around 340 million in 2025—a loss of around 60 million active and engaged consumers.

Current conditions could be seen as a temporary pause that could give way to renewed growth under improved macroeconomic conditions. However, a feeling of uncertainty is pervasive. Economic and political uncertainty is a major drag on spending since consumer confidence is tightly linked to broader fiscal and geopolitical conditions.

The personal luxury goods market is entering a more mature phase, limited by industry stagnation that repeats the same thing repeatedly. Continued growth is muted, particularly as luxury undergoes realignment across channels and categories.

Demand for personal luxury goods has softened over the past two years, driven by economic uncertainty and income stability concerns, and continued price increases without perceived value gains. Consumers are becoming more selective and intentional, reallocating spending toward experiences. Inflation is affecting even affluent buyers.

The market is in transition — not collapsing but recalibrating into a polarizing market.

The New **Luxury** Consumer

Paradoxically, High-income consumers — the very foundation of the luxury market — have lost more ground than those below them. It is a subtle but important indicator of financial strain even affluent consumers are experiencing.

The luxury market depends on the goodwill of high-income consumers — those with the financial discretion to spend on premium goods and experiences. In the current American K-shaped economy, conventional wisdom holds that the consumer landscape is split into two distinct trajectories: households on the upper arm of the “K” continue to advance, while those on the downward leg fall further behind. Economists and policymakers typically use income to determine which households are rising, falling or stagnating. However, Kearney Consumer Institute’s Katie Thomas says that this conventional approach is inadequate to explain the volatility we are seeing in the luxury market. “For consumer-facing businesses, the danger of relying on simplified models like the K economy is not that they are directionally wrong, but that they obscure risk and nuance,” she said. “Understanding today’s consumer requires moving beyond labels and averages to the lived realities that shape how people decide, defer, and occasionally splurge.”

In 2024, it took roughly \$160,000 in annual household income to reach the top quintile, according to the Bureau of Labor Statistics, a segment representing about 27 million of the nation’s 136 million households at the time. Today, those within the top 20% of the U.S. market have an average household income of \$265k, well above the median household income of \$85,000. But that HH income is not considered affluent in certain areas of the country. Counterintuitively, the highest-income households in the U.S. have not enjoyed the strongest income gains. From 2019 to 2024, incomes of top-quintile households grew about 20%, lagging behind the roughly 30% increase among the lower quintiles.

Today’s luxury customers are more discerning and less indulgent. Despite overall slowing luxury demand, they are shifting their spending priorities to experiences, including travel escape, well-being, self-care and unique experiences over possessions. The experience economy will drive new ways for luxury brands to interact with customers. Aspirational customers are shifting towards experiences to show off or express themselves through social media. In other words, experiences are also gaining a symbolic power they didn’t have in the past.

Understanding today’s consumer requires **moving beyond labels and averages** to the lived realities that shape how people decide, defer, and occasionally splurge.

Marketing Update

Savvy luxury marketers honor the traditions and techniques that give luxury its substance, communicate with authenticity rather than artifice, and uphold a level of service that makes every interaction feel personal, considered, and worthy of the brand's heritage.

Values make luxury brands resilient. This is best expressed not through grand statements, but with a relentless devotion to quality, craftsmanship, authenticity and service—attributes that define luxury at its most enduring. When a brand consistently delivers this depth of excellence—tangible, tactile, and unmistakably human—it reinforces the long-term desirability that sets true luxury apart.

The values that most strongly underpin a luxury brand's resilience in times of change are its unwavering commitment to quality, authenticity, craftsmanship, and exceptional service. These fundamentals remain the bedrock of long-term desirability and are the attributes consumers rely on when evaluating whether a brand is truly worthy of its premium positioning.

Next in importance are the elements that reinforce a brand's cultural and creative identity—its heritage and legacy, artistry and design, and creative vision. These qualities help distinguish a brand in a crowded market and sustain emotional relevance across generations.

The shift toward more human, personal, and emotionally resonant marketing has an emphasis on storytelling, authenticity, experience-led engagement and customer-centric messaging. Narratives must be rooted in brand DNA—heritage, craftsmanship, values, and cultural relevance—rather than aspirational gloss. Marketing must feel relatable vs. aspirational, with content that is curated, intentional, and emotionally meaningful.

Different Rules

Luxury marketing operates by a different set of rules than mass marketing. Where mass brands rely on reach, repetition, and volume, luxury brands must cultivate desire through restraint. Luxury “whispers, not shouts;” it signals exclusivity through controlled distribution, selective storytelling, and an emphasis on emotional resonance rather than promotional noise.

The goal is not to persuade the many, but to speak meaningfully to the few who matter most. This requires subtlety, curation, and a consistent reinforcement of the brand's mystique. In an era of oversaturation and constant digital stimulation, the brands that maintain quiet confidence, impeccable service, and a sense of discovery are the ones that preserve their aura and long-term desirability.

Marketing Update (cont'd)

Luxury Playbook

Luxury brands are increasingly relying on a blend of digital, experiential, and brand-driven marketing to attract and convert new customers. The acquisition landscape is shifting toward digital-first strategies, supported by AI-enabled personalization that enhances targeting precision and strengthens customer relevance.

Experiential marketing is outperforming traditional advertising. Private events, immersive activations, and VIP exclusives are proving more effective at driving emotional connection and long-term loyalty.

Younger luxury consumers—especially millennials and Gen Z—expect authenticity, sustainability, and immersive engagement. They respond to brands that feel human, transparent, and aligned with their values.

Brand storytelling remains central. Heritage, craftsmanship, and exclusivity continue to anchor luxury identity and differentiate brands in a crowded marketplace.

Community-building and relationship-driven tactics are rising. Exclusive events, behind-the-scenes content, and personalized service are becoming core acquisition levers.

Ideas and Innovation

Luxury brands must continue evolving toward digital-first, AI-powered, and experience-led engagement. The future of luxury innovation will be defined by precision, personalization, and emotional resonance. Brands that integrate technology with human touch and storytelling with service will be best positioned to attract the next generation of high-value customers.

A recent McKinsey study found that more than 70% of business leaders identify innovation as one of the top three drivers of both short- and long-term growth. Yet nearly as many, 65%, say they are only “somewhat,” “a little,” or “not at all” confident in their own organization’s ability to innovate.

Luxury brands are shifting from broad, passive observation to focused, high-impact engagement—listening to customers, leveraging AI, and building collaborative innovation models that align with the rapidly evolving definition of luxury. A notable shift in how luxury brands are approaching innovation is innovating the innovation process itself. In 2026, brands are turning toward direct, first-party insight, with increased emphasis on consumer research and continued prioritization of listening directly to customers.

At the same time, investment in AI and data analytics continues to climb, signaling a move toward more sophisticated, technology-enabled innovation capabilities. New strategies—such as creative collaborations and co-creation with customers or influencers—reflect a desire to stay culturally relevant and tap into fresh sources of creativity.

Digital Transformation

Digital prowess, particularly with AI, complements human creativity with technological precision. When deployed thoughtfully, AI becomes a catalyst for exclusivity, personalization, and enriched experiences. It enables a future in which luxury is defined by a seamless fusion of elegance and intelligence, where technology enhances the brand’s aura rather than diluting it.

By embracing AI, luxury brands can enhance their heritage of craftsmanship with modern technology, creating a harmonious blend of tradition and innovation. Luxury brands need to lean into AI to augment their business practices and innovation strategies.

Website enhancements remain the top investment priority for luxury brands this year, underscoring the continued importance of digital transformation as the foundation of modern luxury engagement. Brands are also leaning into special events, in-store activations, collaborations, and content marketing, reflecting a desire to create richer, more immersive touchpoints that reinforce emotional connection and brand storytelling.

In 2026, brands are turning toward direct, first-party insight, with increased emphasis on consumer research and continued prioritization of **listening directly to customers.**

Ideas and Innovation (cont'd)

The Rise of GenAI and Agentic AI

For luxury, AI is not a replacement for craftsmanship or human touch; rather, it must be a tool that amplifies them. AI can enhance the precision of clienteling, tailor marketing to individual preferences, and elevate service in ways that feel bespoke rather than automated. AI is critical for the future of the luxury market to power:

Personalization: AI enables brands to offer tailored experiences, such as personalized product recommendations and bespoke services, enhancing customer satisfaction and loyalty.

Enhanced customer experience: AI-powered tools like virtual assistants and chatbots provide seamless and interactive customer support, blending digital convenience with a personal touch.

Trend prediction: AI analyzes consumer behavior, social media trends, and market data to predict upcoming preferences, helping brands stay ahead in design and marketing.

Sustainability: By optimizing supply chains and predicting demand, AI helps reduce waste and ensures sustainable practices, aligning with modern consumer values.

Operational efficiency: AI streamlines processes like inventory management, production planning, and quality control, ensuring products remain exclusive and in demand.

Innovation in design: AI complements human creativity by providing data-driven insights, enabling designers to craft unique and cutting-edge collections.

Exclusivity and accessibility: AI helps maintain the delicate balance between exclusivity and accessibility, ensuring luxury brands remain aspirational while reaching a broader audience.

AI is not a replacement for craftsmanship or human touch; rather, it must be **a tool that amplifies them.**

Ideas and Innovation (cont'd)

Social Media

As much as luxury brands continue to invest in social media, its effectiveness remains uncertain. This gap between investment and impact raises important questions about whether social media is delivering the level of return luxury brands expect.

U.S. affluent consumers use social platforms differently than the general population. High-income consumers are present on social platforms, but they are not there to be persuaded by ads. Their engagement is more purposeful, more selective, and less driven by entertainment or impulse discovery — all of which have implications for luxury marketing.

Affluent individuals tend to use social media most for networking and professional growth. LinkedIn remains a primary platform for affluent users seeking industry insights, career development, and professional connections. Connecting with friends and family through social media still plays a role in maintaining personal relationships, particularly on Facebook and Instagram. Lifestyle and inspiration are destinations for Instagram and Pinterest for travel, design, and fashion, but often as tools for browsing rather than buying. Affluent users do engage with shoppable content, but typically for discovery rather than conversion, and often for niche or specialty items rather than major luxury purchases. In terms of philanthropy and advocacy, many use social platforms to support causes, signal values, and engage in charitable or community-driven initiatives.

High-income consumers are present on social platforms, but they are not there to be persuaded by ads.

Opportunities and Challenges

The central challenge for luxury in 2026 is not just economic uncertainty — it's the strategic imperative to remain relevant, valuable, and differentiated for current- and next-generation luxury consumers.

Heightened geopolitical and economic volatility is likely to pressure discretionary spending and intensify consumer scrutiny. Luxury brands will need to demonstrate clear value, relevance, and differentiation to sustain premium pricing in a more selective market. As consumers become more selective, luxury brands must deliver curated, immersive experiences and uphold the credibility and authenticity that sustain long-term desirability. Increasingly, high-end consumers view luxury purchases as status-preserving, enduring assets rather than discretionary indulgences. Luxury insider Robert Goldberg says, “Luxury is moving from what you wear to what you keep.”

The primary challenge for 2026 is to attract the next generation of luxury consumers. While concerns about tariffs, emerging trade wars, a slowing economy, and geopolitical instability remain, the dominant focus is squarely on winning—and keeping—the future customer. The top concerns for brands targeting the next generation consumers include:

Protecting the price/value equation: Ensuring luxury continues to justify its premium in a market where younger consumers scrutinize value more closely.

Intensifying competition for a smaller customer base: More brands are chasing fewer high-value customers, especially as boomers age out of the peak years for luxury spending.

Managing new technologies: Navigating GenAI, agentic AI, and emerging tools that reshape marketing, service, and customer expectations.

Building and retaining loyalty: Strengthening long-term relationships in a world where younger consumers are less brand-loyal and more values driven.

Luxury is moving from what you wear
to what you keep.

Opportunities and Challenges (cont'd)

Headwinds

Economic, political, and geopolitical uncertainties are the dominant challenges shaping the market. Global instability, tariffs, shifting government policies, and the inability to predict broader economic trends are factors weighing on consumer confidence and spending. Even affluent consumers are becoming more cautious, with foot traffic declining and spending patterns becoming harder to predict.

The changing luxury consumer is evident in generational shifts—especially Gen Z’s different expectations, values, and reactions to marketing—as well as a broader redefinition of what constitutes luxury. Experiences, time, and authenticity increasingly matter as much as products. Many emphasize the need to stay relevant, communicate value clearly, and rebuild trust in the luxury value equation. Younger consumers’ reduced interest in traditional categories (e.g., fine furnishings) also surfaced.

Operational and competitive pressures form a third cluster of concerns. These include inventory management, cash flow, staffing shortages, rising costs of goods and materials, and competition from vendors, dupes, and mass-market channels. Several respondents mention the difficulty of cutting through an oversaturated media environment, the rising cost of marketing, and the challenge of maintaining brand clarity and quality while scaling.

Finally, there is the enduring need for strategic adaptation in developing innovative products and experiences, strengthening omnichannel strategies, improving segmentation, nurturing client relationships, and investing in frontline talent are challenges. Insiders repeatedly stress the importance of staying on brand, listening to consumers, and evolving with the market rather than

Opportunities and Challenges (cont'd)

Tailwinds

There is a wide range of potential opportunities emerging in 2026, even amid uncertainty. Positives are continued growth in wealth, expanding customer bases, and renewed interest from high-net-worth clients who still expect exceptional service, craftsmanship, and follow-through. There are growth opportunities in new markets—including Asia, India, and the Middle East—as well as the potential for real estate-driven demand, tourism recovery in top luxury locations.

There is a need to redefine and re-energize luxury. The potential is to balance focus on the importance of authenticity, craftsmanship, and products that hold long-term value with experiential retail, personalized service, intimate events, and deeper emotional storytelling. Generational shifts are creating space for brands that can speak to new values, including sustainability, wellness, and legacy purchasing.

AI is an innovation for personalization, targeting, and operational efficiency, as well as new digital platforms, immersive experiences (AR/VR), and omnichannel integration. Disruptive strategies include new product categories, collaborations, lab-grown materials, and niche offerings that appeal to connoisseurs. As some competitors falter or fail to evolve, market-share gains may come for brands that move quickly and stay true to their DNA.

Finally, the enduring importance of relationships: nurturing existing clients, building trust, strengthening loyalty programs, and ensuring that every interaction feels human, relevant, and aligned with the brand's promise. Word-of-mouth, referrals, and personalized outreach remain powerful growth engines.

Prospects for Growth

There are uncertain prospects for 2026 with the market moving into a slower, more measured phase — effectively a reset toward a more sustainable curve of normality.

The luxury market has entered a new phase. After years of accelerated growth, the industry is recalibrating toward a more disciplined, selective, and strategically demanding environment. Growth has slowed, particularly in luxury goods, while experiential luxury continues to outperform. Economic, political, and geopolitical uncertainty has made even affluent consumers more cautious, intentional, and value-driven in their spending.

This moment does not represent a retreat from luxury. It represents a reset. Luxury's next chapter will favor brands that understand this shift and respond with clarity, restraint, and precision.

Given the heightened uncertainty surrounding a potential economic slowdown, luxury brands appear to be tempering expectations for the luxury market's trajectory in 2026. Looking ahead, sentiment is more upbeat at the company level with expectations that the firm's performance will improve this year. However, the broader environment has become significantly more challenging. The conflict in the Middle East has introduced new uncertainty and potential disruption. Even if the conflict is resolved quickly, global trade and supply chains will take time to stabilize, suggesting that luxury companies should prepare for continued market headwinds in 2026.

Key Trends to Watch

From indulgence to intention: Luxury consumption is becoming more purposeful. Experiences, legacy value, and personal meaning are replacing excess and conspicuous consumption.

Precision over scale in marketing: Brands are pulling back from mass reach and leaning into personalization, clienteling, experiential marketing, and high-quality storytelling.

After years of accelerated growth, the industry is recalibrating toward a more **disciplined, selective, and strategically demanding** environment.

Final Thoughts and Key Takeaways.

The global luxury market is at a pivotal moment, shaped by economic uncertainties, evolving consumer expectations, and digital transformation. While luxury insiders expect slower growth in 2026, their primary challenge is to attract next-generation consumers to their brands. This presents a unique set of challenges and opportunities for brands. Luxury market uncertainty is infused with economic volatility, inflation, tariffs, and geopolitical risks. Based on the consumer value shift, value-conscious buyers, particularly among Gen Z and HENRY consumers, express growing affordability concerns and trading down behavior. Brand differentiation concerns include mass accessibility and diminishing exclusivity, diluting the perceived value of luxury goods. There is a clear need for digital transformation, but with a restraint so as not to violate the high-touch experience.

Looking ahead, luxury brands need to master the permission economy, earning permission to engage with the HNW/UHNW consumers. Experience-driven marketing is key for luxury to evolve beyond products into curated lifestyles. Technological advancements with AI and data-driven strategies will improve personalization but can't substitute for the human connection. Bridging the trust gap is critical for luxury to shift from heavy reliance on visibility to authority. Above all, luxury is being evaluated as a reflection of personal values, life phase, cultural context and self-image over time.

Top Priorities for Luxury Brands in 2026

Brands that resist chasing short-term volume and instead protect equity will be best positioned to emerge stronger when conditions improve. The brands that succeed in 2026 and beyond will be those that respond to uncertainty with discipline, elevate experience over excess, and recommit to the values that make luxury enduring. This moment rewards focus, restraint, and leadership.

- **Protect brand equity above all else:** In a softer market, prestige matters more—not less. Overexposure, discounting, and undisciplined expansion pose greater long-term risk than short-term demand volatility.
- **Rebalance toward experience and engagement:** Consumers are prioritizing travel, well-being, and meaningful moments over accumulation. Brands must extend beyond products into experiences that deepen emotional connection and reinforce brand meaning.
- **Deliver defensible value:** Affluent consumers are no longer spending indiscriminately. They are scrutinizing price increases, questioning value, and demanding authenticity, quality, and substance in return for premium pricing.
- **Invest with discipline:** Luxury leaders are becoming more selective, shifting from broad-reach marketing to targeted, high-impact initiatives that emphasize relevance, intimacy, and effectiveness.

Methodology

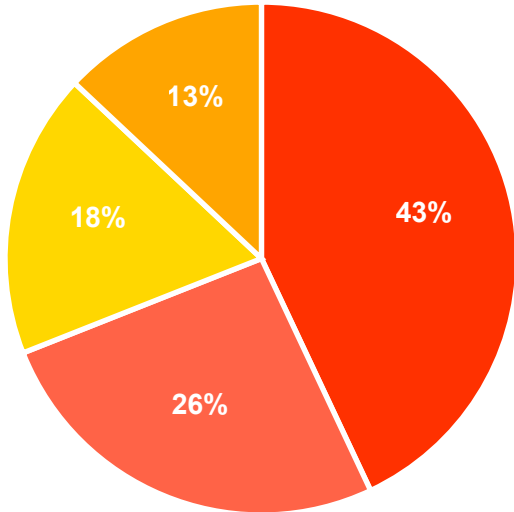
This report summarizes the results of a survey conducted among nearly 300 luxury industry insiders: 43% luxury goods, 26% luxury experience or service providers, 18% luxury industry consultants, advisors, advertising and marketing agencies, and 13% other, including educators, analysts, and journalists covering the luxury industry.

Survey respondents are well represented in major global luxury markets. Over 90% of respondents conduct business in North America, followed by 25% across Western Europe, 22% in the British Isles, including the U.K. and Ireland, 13% in Central/South America, 12% in the Middle East, 12% in Oceania, and 10% in China/Hong Kong. Fewer than 10% compete in other global markets, including Scandinavia, Eastern/Central Europe, Japan, India, Africa and other Asian/Southeast Asia markets.

The survey was conducted online between December 2025 and February 2026 by Unity Marketing, in association with the Affluent Consumer Research Company, Luxury Roundtable and Home Trust International.

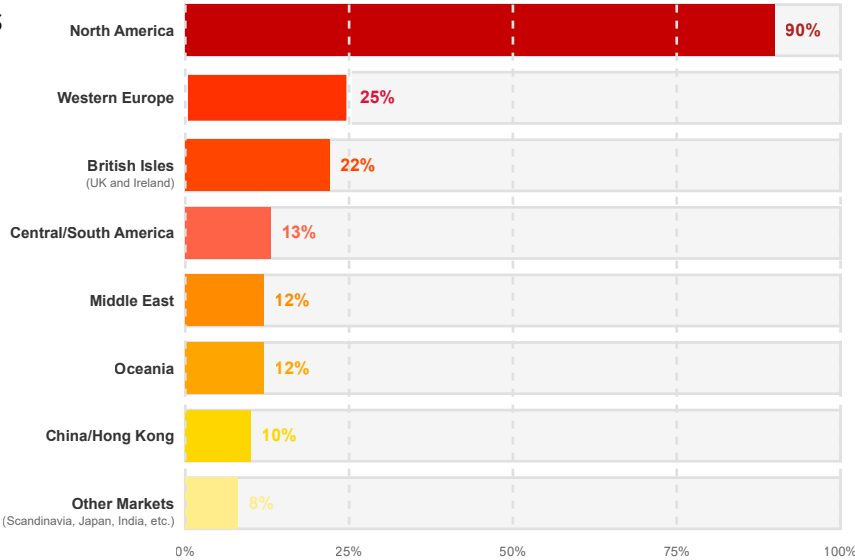
Luxury Industry Survey Respondents by Type

- Luxury Goods (43%)
- Luxury Experience/Service Providers (26%)
- Consultants, Advisors, Marketing (18%)
- Other (13%)
Educators, analysts, journalists



Global Luxury Markets Representation

Percentage of Survey Respondents Conducting Business in Each Market
(Respondents may conduct business in multiple markets)



Luxury Index

Product Categories

Luxury goods insiders are drawn from a wide range of product categories, including:

- Home goods, including furniture, flooring, cabinetry, fixtures, lighting, appliances, mattresses, bedding and décor
- Clothing and apparel
- Fashion accessories
- Jewelry and watches
- Automotive and recreational vehicles
- Beauty
- Wine and spirits
- Art and collectibles
- Technology
- Musical instruments

Distribution Channels

Luxury manufacturers break into three segments: 37% offer mostly true luxury price points or a mix with more true luxury than aspirational price points, 36% offer mostly aspirational price points or a mix with mostly aspirational, and 26% offer an equal mix of true luxury and aspirational prices.

Luxury experiential insiders are drawn from a wide range of service providers, including:

- Hotels, hospitality and restaurants
- Travel services, such as airlines, travel planners, etc.
- Home services, such as interior design, architectural firms, landscape services, construction, etc.
- Beauty services
- Retail Services
- Financial and professional services
- Real estate
- Fashion services
- Concierge services

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**Luxury is recalibrating.
Are you ready?**

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