



THE LOGISTICS OF LUXURY

Unveiling Luxury Supply Chain
Opportunities for Success



CONTENTS



PAGE 03	<u>INTRODUCTION</u>
PAGE 04	<u>MARKET SIZE AND SCOPE</u>
PAGE 07	<u>MARKET TRENDS</u>
PAGE 08	<u>LUXURY LOGISTICS ARCHETYPES AND TRENDS</u>
PAGE 09	<u>FULFILLMENT CENTERS OF THE FUTURE</u>
PAGE 12	<u>PREMIUM DELIVERY</u>
PAGE 17	<u>SECURITY AND VISIBILITY IN THE SUPPLY CHAIN</u>
PAGE 25	<u>SUSTAINABILITY FOR LUXURY BRANDS</u>
PAGE 32	<u>CONCLUSION</u>

INTRODUCTION

With a remarkable surge, the global luxury goods market is expected to keep growing over the next ten years — thanks to shifts in consumer behavior, emerging market trends, and technological advancements that are reshaping the landscape.

This comprehensive market analysis offers a glimpse into its implications for logistics and supply chain management. Understanding and adapting to these evolving trends can help you maintain sustainable growth and a competitive advantage in this dynamic marketplace.

In the following chapters, you'll delve into important trends—from fulfillment centers of the future, Premium Delivery, supply chain security and visibility and sustainability — that encapsulate the essence of this changing industry.





CLASSIFICATION AND DEFINITIONS

This publication focuses on personal luxury goods like designer fashion, high-quality watches and jewelry, and premium cosmetics and fragrances.

We explore the logistics processes of such items and consider the renowned brands dominating this space.

For the purposes of this piece, we classify luxury products into three primary categories – each with its own unique supply chain characteristics:



FASHION

This encompasses high-end clothing, footwear, eyewear, leather goods and accessories. Fashion is characterized by fast turnover, streamlined logistics, and ambient transport requirements.



WATCHES & JEWELRY

This comprises of fine watches and crafted pieces that are often purchased as investments. Jewelry boasts high value, long shelf-life, and necessitates secure logistics and packaging.



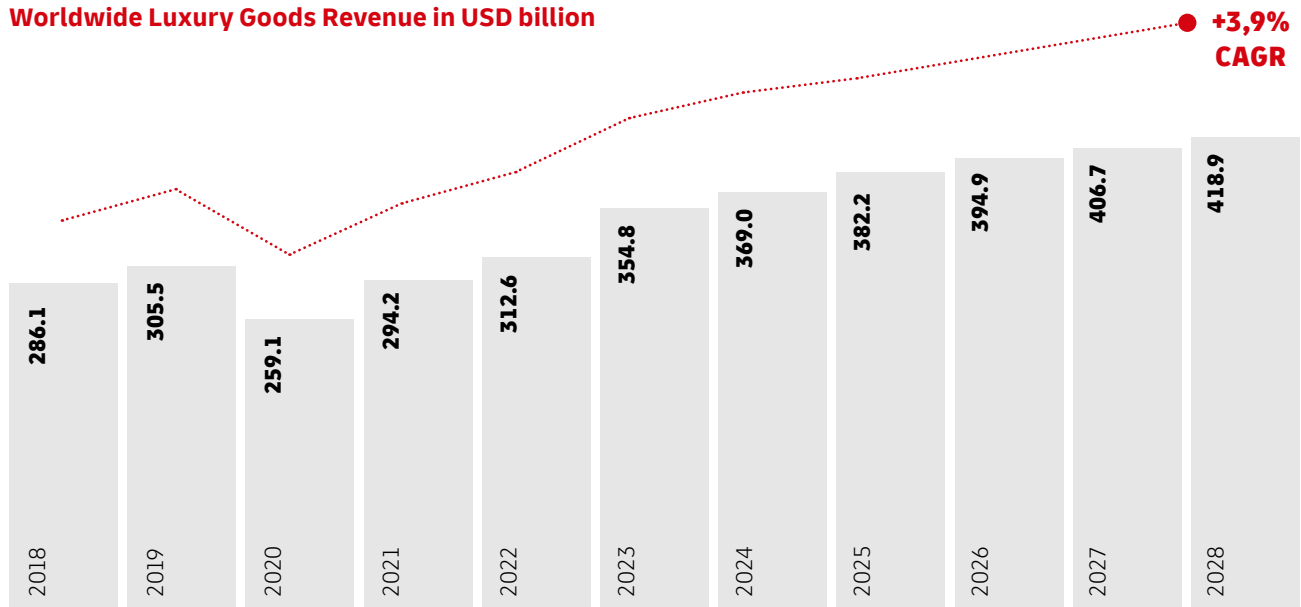
BEAUTY

This includes perfumes, cosmetics, skincare, and products that cater to luxury self-care. Beauty products have a slower turnover, longer shelf-life, and require specialized ambient transportation.

GLOBAL AND REGIONAL MARKET SIZES

The worldwide revenue for luxury goods in scope is projected to reach USD \$419 billion by 2028, climbing from USD \$286 billion in 2018. Despite recent market fluctuations, the compound annual growth rate has maintained a steady pace.

Worldwide Luxury Goods Revenue in USD billion



SOURCE: STATISTA MARKET INSIGHTS 2023

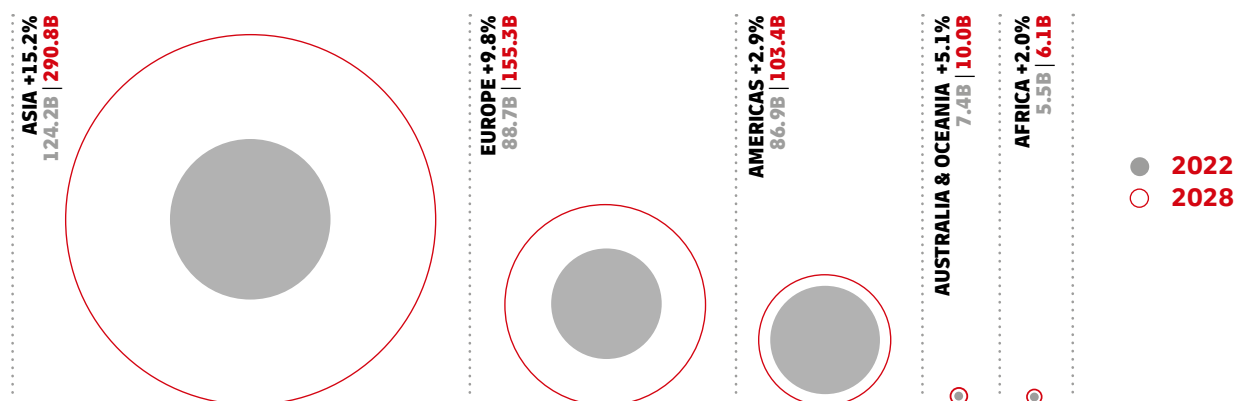
Regionally, Asia stands out as the largest market for luxury goods as of 2022, with revenue hitting USD \$124.2 billion. This rapid growth is more than just a testament to the expanding economies, but also reflects Asian consumers' increasing appetite for luxury items.

Europe and the Americas also show significant market sizes. European markets are expected

to grow from USD \$88.7 billion in 2022 to USD \$155.3 billion in 2028, while the Americas are demonstrating a more modest increase from USD \$86.9 billion to USD \$103.4 billion.

Smaller markets like Africa and Australia and Oceania are also expected to experience growth by 2028, with projected revenues of USD \$6.1 billion and USD \$10 billion respectively.

Regional Luxury Goods Revenue in USD billion



SOURCE: STATISTA MARKET INSIGHTS 2023



Online and offline revenue distribution is also expected to shift over the coming years. And although offline sales continue to dominate the luxury goods market, online figures are forecast to rise steadily to 18.2% in 2027.

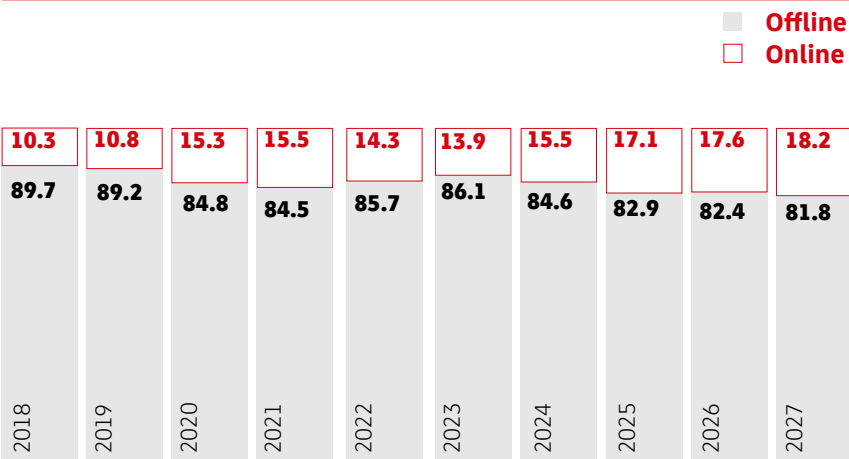
In general, the luxury goods market is on an upward trajectory, buoyed by strong demand across key regions. This calls for efficient and enhanced logistics that underpin its global distribution.

+5.5%

**ONLINE SALES CAGR
FROM 2024 TO 2027**

**OFFLINE SALES CONTINUE TO DOMINATE
THE GLOBAL LUXURY GOODS MARKET**

Online/offline revenue distribution in percentage (%)



SOURCE: STATISTA MARKET INSIGHTS 2023

THE STATE OF THE INDUSTRY

In 2023, the global luxury market grew 8-10% – reaching USD \$355 billion primarily due to high inflation and price increase.

Existing supply chain archetypes and logistics services must evolve with new channels, increased volumes, and new services—all of which enable a consistent brand experience.

DHL has identified a few major shifts across the market landscape—each with its own logistical implications.



MARKET EXPANSION

As the luxury market is expanding globally in both developed and emerging markets, it presents both opportunities and challenges for luxury logistics.

Brands must familiarize themselves with regional economic conditions and **luxury logistics archetypes** and regulatory landscapes and localize operations to cater to region-specific demands. Regional distribution hubs and a local-for-local approach can help address these variations effectively and to deliver **a consistent brand experience**.



THE RISE OF PRE-OWNED LUXURY

The pre-owned luxury market reached USD \$10.7 billion, with Europe taking the lead. As consumers become more eco-conscious, there is a broader acceptance of **pre-owned luxury goods**. This calls for brands to adopt reverse logistics solutions with added services like authentication and reliable C2C solutions. It also opens up new partnership opportunities that offer a smooth end-to-end process.



OMNICHANNEL RETAIL

To capitalize on online retail and direct-to-consumer (DTC) channel opportunities, monobrand stores are now blending physical and digital shopping experiences. The scope and complexity of **Omnichannel Processing Centers (OPCs)** have increased, driving transformation. And new services that extend the online brand experience to physical deliveries are being explored.



SUSTAINABILITY AND TECHNOLOGY FOCUS

With the global call for sustainability, luxury brands are investing in eco-friendly practices and digital transformation to stay relevant and competitive. Brands must answer the global call for **sustainability practices** through carbon reduction initiatives, circular supply chain practices, and green technologies such as sustainable fuels. Streamlining logistics processes with AI and blockchain can also provide unchangeable provenance and authentication of good, predictive analytics for demand forecasting and reduce stockouts, ensuring timely and secure delivery of high-value products and improved customer satisfaction.

LUXURY LOGISTICS ARCHETYPES AND TRENDS

The dynamics of global supply chains are perpetually in flux. Given that a significant portion of luxury goods brands are designed, manufactured and distributed to the world from Europe's primary markets, such as Italy, France, and Switzerland, three distinct archetypes have emerged.

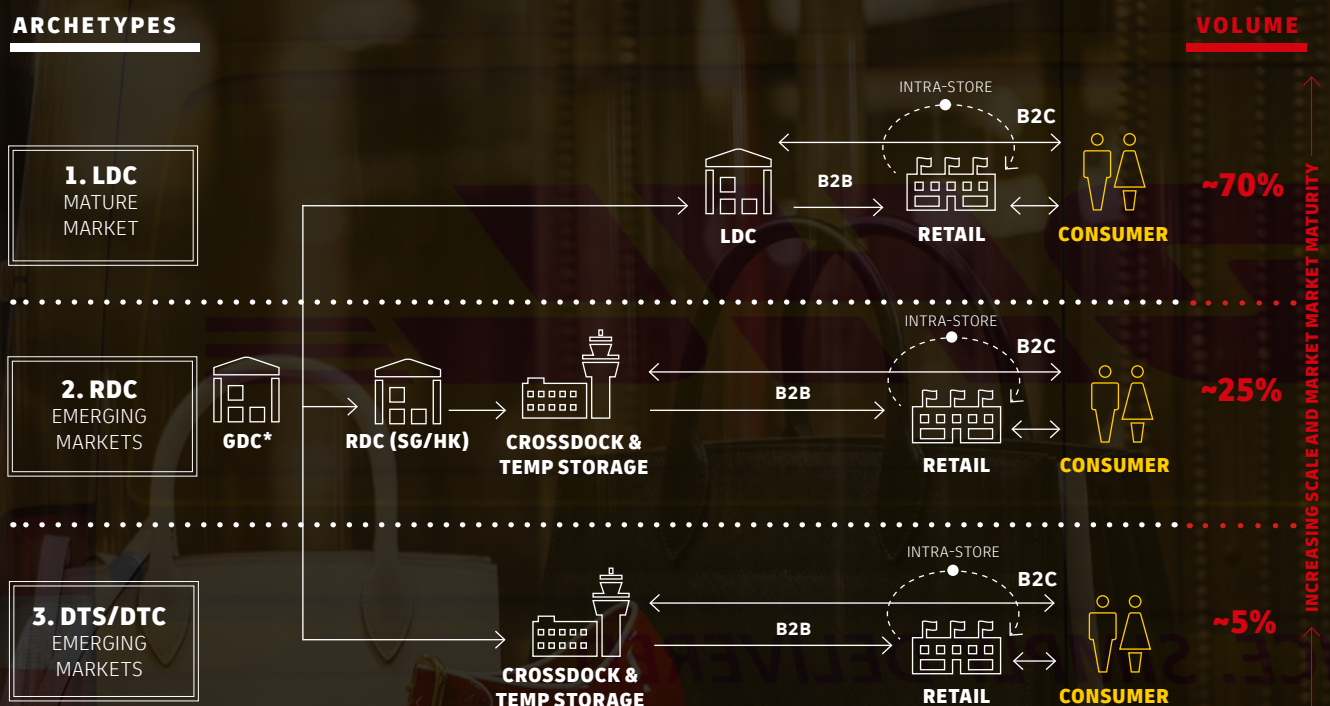
These archetypes indicate whether a company is in a mature market like China, US, Japan, South Korea, or Australia—or an emerging market, such as the Gulf Cooperation Council (GCC) countries that may require cross-docking or temporary storage solutions or ship directly to stores and consumers.

Due to the high growth in new emerging markets, luxury brands are now considering regional and local warehouses in addition to global ones. They are also looking to enhance customer experience through luxury delivery options, establish omni-fulfillment centers that can also serve as processing hubs, and implement control towers and digitalization to facilitate operations and sustainable growth.

To harness these opportunities, brands must first understand their archetypes and proactively adapt their supply chain strategies to ensure resilience, speed to market, customer centricity, and the rise of the pre-owned category.

LUXURY LOGISTICS ARCHETYPES (BY MARKET MATURITY)

3 main archetypes: via LDC, via RDC and Direct-to-Store/Consumer



* DIRECT FLOWS FROM GDC TO RETAIL STORES EXISTS, VOLUME IS SMALL.

NOTE: LDC = LOCAL DISTRIBUTION CENTER | RDC = REGIONAL DISTRIBUTION CENTER | DTS = DIRECT-TO-STORE | DTC = DIRECT-TO-CONSUMER

FULFILLMENT CENTERS OF THE FUTURE

With business expansion and customer and regulatory changes, existing fulfillment centers are slowly evolving into Omnichannel Processing Centers (OPCs).

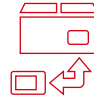
Luxury brands are facing shifting customer and regulatory trends:



**CUSTOMERS EXPECT
FASTER ONLINE
DELIVERIES**



**CUSTOMERS ARE
DEMANDING MORE
PRE-OWNED ITEMS**



**REGULATORS ARE
REQUIRING STRICTER
LOCAL LANGUAGE
LABELS**



**REGULATORS ARE
MANDATING MORE
SUSTAINABLE AND
CIRCULAR PRACTICES**

Behind these changes lie implications that often impact luxury brands. For instance, customers now primarily shop online and are more open to buying pre-owned items. Regulators are also demanding brands be more circular and sustainable. As a result, brands are now considering new activities such as directly managing the re-commerce channel for pre-owned items and engaging in more circular activities like refurbishing and rental services.

These complexities mean traditional fulfillment centers must adapt and transition to more comprehensive Omnichannel Processing Centers (OPCs) that can support new and additional activities.

NEW AND ADDITIONAL ACTIVITIES IN RESPECTIVE LOGISTICS FLOW

FORWARD

- + CHANNEL INVENTORY TRACKING
- + INVENTORY MANAGEMENT
- + RE-COMMERCE ORDER FULFILLMENT

RETURNS

- + RETURNS MANAGEMENT
- + INSPECTION
- + AUTHENTICATION
- + DISPOSITION
- + ASSET TRACKING

CIRCULAR

- + REPAIRS
- + REFURBISH
- + VAS (E.G., RECERTIFICATION)
- + MATERIAL / PARTS MANAGEMENT

SOURCE: DHL/CSI ANALYSIS 2024

THE RISE OF OF E-COMMERCE, RE-COMMERCE AND CIRCULAR ACTIVITIES

Alongside B2B growth in Retail and Wholesale and corresponding logistics, the mix of new and complex logistics activities now call for new skills, competencies, and tools—driving the evolution of OPCs.

While B2B logistics remain dominant, DHL estimates that B2C logistics activities will increase 20% in the next five and over 50% in the next ten years. Re-commerce processing should increase two to five-fold in the next five to ten years. Similarly, circular processing should increase three to seven fold over the same period.

Anticipated shift in profile of logistics activities in OPCs

	2024	NEXT 5 YEARS	% NEXT 10 YEARS
B2B PROCESSING	86	81	70
B2C PROCESSING	12	14	17
RECOMMERCE PROCESSING	1	2-3	5-8
CIRCULAR PROCESSING	1	2-3	5-8

SOURCE: DHL/CSI ANALYSIS 2024

DHL USE CASE

Reflaunt x DHL:

A partnership in recommerce processing by working closely with DHL supply chain Poland, Reflaunt ensures a seamless re-commerce processing on their Resale as-a-Service platform.

Reflaunt's been shaking things up, by tearing down the walls of e-commerce and recommerce. Our cooperation with DHL opens the door to a seamless circular supply chain. Imagine one place handling firsthand fulfillment, returns, resale management, and other end-of-life solutions such as recycling.

- Stephanie Crespin – CEO, Reflaunt



IN-STORE



PUDO



HOME



Retailer's shoppers send their pre-owned items using Reflaunt's technology



DHL processes the returned items (grading, photo shooting, scrapping) in Psary, PL



Reflaunt lists selected items across their second-hand marketplace network



Second-hand shoppers buy their pre-loved items, which are fulfilled by DHL

DRIVING EFFICIENCY FOR LARGE AND SMALL BRANDS ALIKE

Achieving sustainable efficiencies for large or group brands and small or niche single brands requires a nuanced approach.

Volume and business scale have been barriers to operational efficiencies for smaller brands. Learning from the scale needed for efficient operations in Australia and Korea, it can be surmised that a multi-brand shared operations

facility—which includes sharing the facility itself, infrastructure, and skilled resources—can deliver efficient and sustainable operations. In Australia, this may require three to seven co-sharing to achieve the needed scale. While in Korea, the same can be achieved by three to five maisons co-sharing.

FUTURE-PROOFING YOUR SUPPLY CHAIN WITH OPCs

“The trend towards integrated B2B, B2C, and circular processing is undeniable. Smaller brands, however, often can't achieve the required scale alone. Shared facilities present a crucial opportunity, enabling access to sophisticated operations and positioning them for future growth.”

**- Dean Eichorn, Vice President –
Retail, DHL Supply Chain Asia Pacific**

Brands must adapt to the evolving logistics changes generated by re-commerce and circularity. Partnering with experienced logistics service providers helps build on current fulfillment centers for B2B and B2C operations with new re-commerce channels and aggregate new circular activities—and ultimately be future-ready with OPCs.

PREMIUM DELIVERY: BRINGING THE IN-BOUTIQUE EXPERIENCE HOME

A superior customer experience has always set luxury brands apart. As online retail grows, Premium Delivery services are helping to close the gap between online and in-boutique experiences.

When shopping for luxury goods online, customers demand exceptional end-to-end experiences. From website browsing to the final delivery experience, they crave exclusivity at every stage.

For luxury brands, the final delivery experience is about more than just logistics—it's an extension of their brand identity. And with online channels growing three times faster than offline and global online sales projected to reach USD \$65 billion by 2025*, it's never been more important for luxury brands to invest in Premium Delivery as a way to stay ahead in a rapidly shifting market.

*SOURCE: STATISTA, LUXURY GOODS: MARKET DATA & ANALYSIS OCTOBER 2023
MARKET INSIGHTS REPORT



AN ENHANCED LAST MILE DELIVERY OPTION TO MEET EVOLVING NEEDS

According to interviews with luxury brand leaders, four improvements to Premium Delivery have been identified:



TIMING

Flexible delivery options like a two-hour delivery window, same-day or weekend delivery to cater to consumers' busy lifestyles. Customers also appreciate the option to choose delivery dates and location.



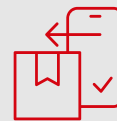
SUSTAINABILITY

With customers' increasing environmental consciousness, luxury brands are expected to use eco-friendly delivery practices such as green vehicles and packaging.



BOUTIQUE HANDOVER

Delivery in luxury branded packaging by uniformed couriers, instead of in standard e-commerce boxes, enhances the overall brand experience. Bonus features include personalized pre-delivery notifications.



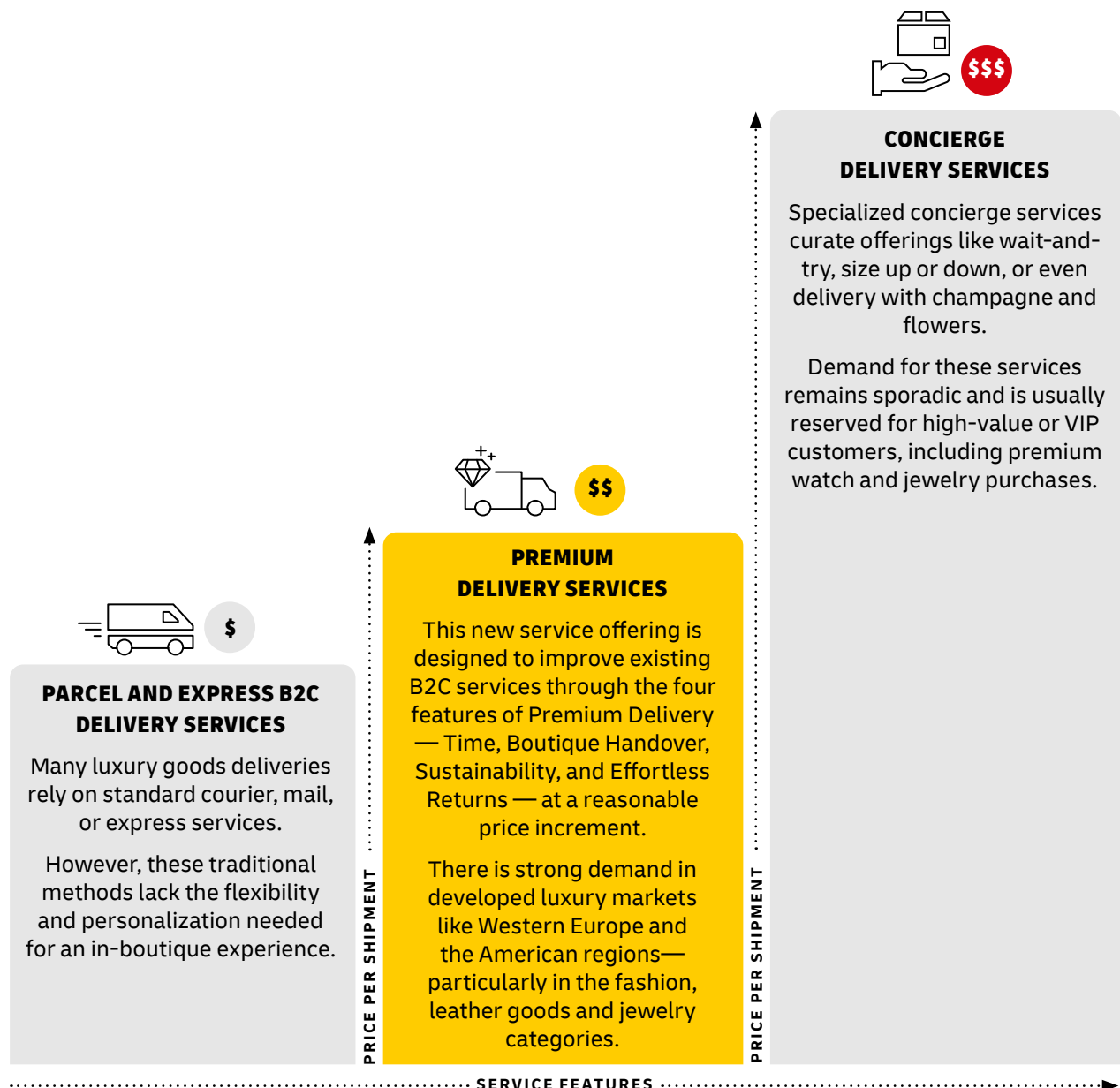
EFFORTLESS RETURNS

Streamlined processes like label-less and immediate returns help ensure ease of product returns and motivate future circularity activities such as reduce, repair, refurbish, resell and recycle.

PREMIUM DELIVERY — A BALANCED SOLUTION

Currently, almost all online luxury purchases are delivered through standard B2C services, with much smaller volumes being handled through concierge services. Luxury brands require Premium Delivery that enhances these standard B2C services through tailored features to elevate customer experience more affordably.

While Premium Delivery isn't currently offered by many large third-party logistics providers, the creation of this distinct tier of delivery service will enable luxury brands to leverage their brand experience for growth in online B2C channels.





**At DHL Express,
we recognize the
unique demands of
e-commerce within the
luxury goods sector.
Our commitment to
providing a scalable,
global solution
for premium last
mile delivery is
fundamental.**



**ASSIA BELKHODJA
HEAD OF E-RETAIL & FASHION EUROPE
DHL EXPRESS**



PUTTING PREMIUM DELIVERY INTO PRACTICE

For luxury brands, Premium Delivery is the key to closing the gap between in-boutique and online experiences. It is an imperative strategic investment as the online segment grows.

However, this new delivery service option will require volumes to scale for quality, consistency, and price efficiency. Both luxury brands and third-party logistics providers must be committed to fuel long term growth. To truly harness the power of Premium Delivery, brands should consider the following:



IDENTIFY TARGET CUSTOMER SEGMENT

Luxury brands should first identify online customers by basket value, product categories, and expectations. This insight helps determine whether a concierge or premium delivery model would best suit their customer base.



LEVERAGE DIGITALIZATION

Technology such as real-time online tracking, flexible delivery time and venue, delivery notifications, and enhanced product authenticity and security all contribute to a customer-centric experience.



PARTNER UP TO TAILOR BRAND-SPECIFIC PREMIUM DELIVERY SOLUTIONS

Brands need to start co-developing Premium Delivery features with logistics service providers with their logistics strategy and broader business objectives in mind.

Ultimately, incorporating Premium Delivery as part of a comprehensive customer experience strategy will help luxury brands extend their exclusive brand experience, drive growth in the long term, and truly set themselves apart in the market.

SUPPLY CHAIN VISIBILITY AND SECURITY: EMPOWERING GREATER VALUE

Technology is unlocking greater visibility in Control Tower solutions — enhancing customer experience, profits, and sustainability goals.

With digital advancements like IoT and serialization technologies, Control Tower solutions are delivering greater benefits:

- 1 Accurate and timely inventory visibility** for supply reallocation to demand, while improving inventory levels, profitability, and cash flow.
- 2 Improved customer service levels** through minimal stock out and reliable availability to promise timely deliveries.
- 3 Product integrity and supply chain security** through piece-level tracking.
- 4 Better visibility across all inventories,** including raw material, finished goods, and pre-owned goods to provide brands with a holistic view of their carbon footprint and areas for improvement.

While technology, automotive, and fast-moving consumer goods sectors are already benefiting from the above, many luxury brands still work with multiple distributors and logistics partners on various digital platforms. This increases complexities and creates obstacles in the IT and logistics service provider landscape.

The same challenges are faced by monobrand serving various markets and regions. Now with new digital and technology developments, there is an opportunity to realize significant benefits.



CONTROL TOWER SOLUTIONS: BETTER VISIBILITY FOR BETTER FINANCIAL OUTCOMES

Middleware technologies are now helping to integrate legacy inventory data generated by IoT and other sources into Control Tower solutions, such as manufacturing, brand/outsourced/partner warehouses, goods-in-transit, retail stores, and different markets and regions.

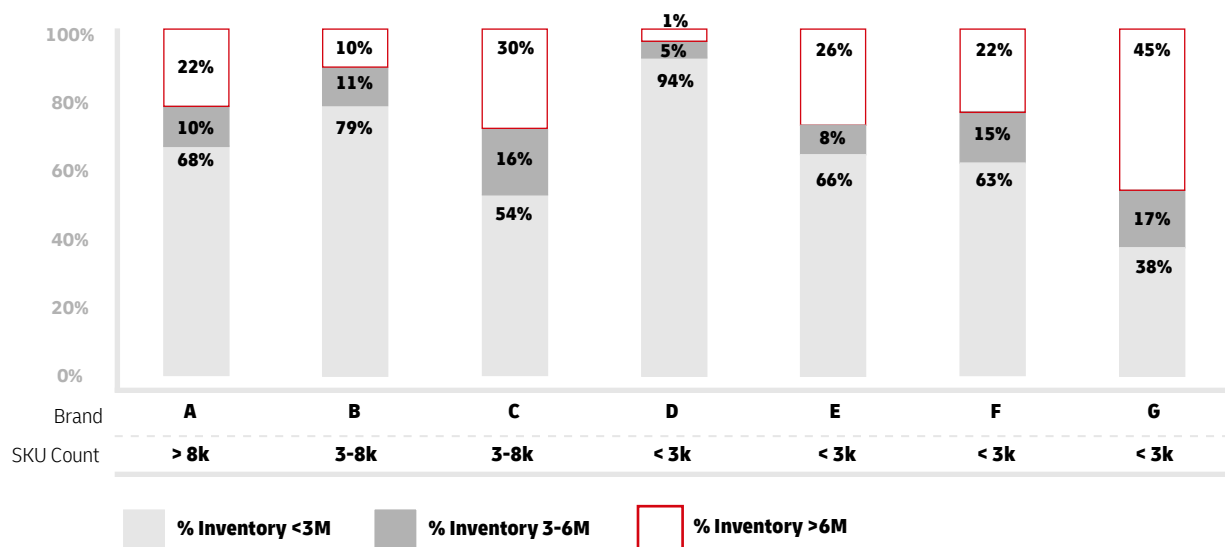
With a holistic capture of inventory data, Control Tower solutions can facilitate decision-making and optimize both classic and seasonal inventory by reallocating stock to meet higher demand areas for quicker turnover, better cash flow, and increased profits.

This is relevant in today's dynamic local market economic changes, and the changes in travel purchases in key cities like New York, Paris, Madrid, Zurich, Dubai, Hong Kong, Shanghai and Singapore, etc.

Good visibility across markets and regions also open up opportunities to reposition inventories to channels and markets with higher demand. For example, winter/summer seasonal inventories can be moved between Northern and Southern hemisphere markets, and classic items can be repositioned for market-specific promotional actions.

SNAPSHOT OF LOCAL DISTRIBUTION CENTER (LDC)

Inventory age of a sample fashion brand (share in % of inventory)



SOURCE : DHL ANALYSIS 2023

MINIMIZING STOCK-OUTS AND ENABLING AVAILABLE-TO-PROMISE

Traditional first-come, first-serve, manual call-check-reserve methods can no longer serve the evolving luxury business and customer landscape.

With full supply chain visibility, Control Tower solutions are rebalancing inventories to meet changing demand, improving availability of the right

products and preventing stock-outs or shortages. Combining visibility with business-driven allocation rules also enables reliable Available to Promise for targeted high-value customer segments, especially for online purchases—ensuring consistent brand experience across each market and channel.



78% OF CONSUMERS WOULD PAY MORE FOR A TRACEABLE PRODUCT

SOURCE: TRACEMARK'S SUSTAINABLE LUXURY CONSUMER REPORT 2021



As luxury brands start to directly manage the growing pre-owned customer channel in the future, they will also need to enhance their supply chain visibility. Adding individual asset-level tracking in Control Tower solutions can help better manage re-commerce processes and related circular refurbishing activities to ensure product integrity and value for both sellers and buyers.

With supply chain visibility, Control Tower solutions can capture and report a brand's supply chain performance metrics, logistics cost, customer service level, and carbon footprint. Data analysis can then create targeted action plans to improve specific logistics cost, service level or carbon emission levers.

As end-to-end supply chain visibility becomes more achievable through digitalization, brands are now able to consolidate and bridge data gaps in their supply chain visibility. DHL perceives this as one of the most important actions needed for brands to not only extract existing business benefits, but also enable a flexible and robust supply chain in this ever-changing business landscape.

Brands must start deploying Control Tower solutions to identify, optimize, and act on business and customer opportunities in inventories, customer experience, product integrity, and carbon emissions.

THE ROLE OF SECURITY IN LUXURY GOODS LOGISTICS

The luxury goods logistics industry—particularly last mile delivery—faces significant security challenges. Recent trends have shown an increase in both the frequency and sophistication of threats.

CURRENT SECURITY CHALLENGES IN LUXURY GOODS LOGISTICS

PHYSICAL THREATS

There has been a worrying rise in the use of force during crimes. Incidents such as robberies, break-ins, and rolling hits have become more frequent. These attacks are not only direct threats to the safety of delivery personnel but also jeopardize the security of goods being transported.

INSIDER THREATS

The involvement of insiders in the theft and sabotage of deliveries adds a layer of complexity to security. Insiders may misuse their access to secure areas and data, facilitating crimes that are harder to detect and counter.

E-COMMERCE FRAUD

The proliferation of e-commerce has been accompanied by a corresponding rise in related fraud, often orchestrated through dark web channels. Common schemes include:

- Fake transport IDs that mislead customers and businesses about the legitimacy of the delivery process
- Delivery disputes such as claims of “empty box delivery” or receipt of counterfeit items
- E-return fraud, where returned goods are swapped with inferior or different items
- Phishing and hacking attempts to gain unauthorized access to customer or company data, further exacerbating the risk of fraud



ENHANCING SUPPLY CHAIN SECURITY

There are a few simple measures brands can take today to improve the security of their supply chain:

BETTER PACKAGING AND HANDLING

To counter the risk of tampering and theft, the use of tamper-evident packaging and security seals is recommended. Such measures allow customers to immediately verify whether a package has been interfered with during transit. If a package shows signs of tampering, customers can refuse delivery, thereby reducing the risk of accepting counterfeit or stolen goods.

CUSTOMER AWARENESS AND RESPONSIBILITY

Informing customers about the importance of inspecting packaging at the point of delivery is crucial. They should be advised to look for signs of tampering and understand that accepting a compromised package could diminish their ability to claim fraud. This not only empowers customers but also places a degree of responsibility on them to help prevent fraud.

STREAMLINED CLAIM PROCESSES

Reducing the timeframe within which claims can be made is essential for preserving valuable investigative leads. A shorter claim window encourages timely reporting and reduces the period during which evidence might be lost or degraded.

RIGOROUS INVESTIGATION PRIOR TO REFUND

Before processing refunds, a thorough investigation should be conducted. Transport companies possess a variety of tools and resources that can help determine the legitimacy of a claim. Proper investigative processes can help identify fraudulent activities and prevent unwarranted losses.

LEGAL AND POLICE INVOLVEMENT

In cases of suspected fraud or theft, customers should be encouraged to report the incident to the police. This is vital not only because they are the direct victims but also because false reporting is often subject to severe penalties. Making police reports a required step adds an additional barrier against fraud.



“**Security is in our DNA. With our state-of-the-art security infrastructure, our security trained staff and our security expertise: we are the industry benchmark for the safe and secure delivery of high-value and theft-targeted goods globally; be it through our secure network; or via tailored solutions.**”

**SVEN BOSCH
VP SECURITY EUROPE
DHL EXPRESS**



SECURITY IS KEY AND ALWAYS WILL BE

Luxury goods logistics is fraught with security challenges old and new.

By adopting a multi-faceted approach—including better packaging, customer education, streamlined claims processing, thorough investigations, and the use of advanced technology—companies can significantly enhance the security of their delivery processes.

These measures not only protect the goods themselves, but build customer trust by ensuring a safe and reliable delivery service.



SUSTAINABILITY FOR LUXURY BRANDS: A RENEWED FOCUS

In this era, where consumers value quality over quantity, championing sustainable logistics is critical for luxury brands to enhance perception.

Nowadays, discerning customers expect more from brands when it comes to environmental responsibility, causing a pivotal shift towards sustainable logistics. Luxury brands must now re-evaluate their approach and offerings to align with ethical consumption trends.

DID YOU KNOW?

65% of consumers now take into account a company's commitment to sustainable development when deciding on their purchases*

Higher-income shoppers are most drawn to buying sustainable luxury**

Gen Z and Millennials are most likely to spend on sustainable luxury**

*SOURCE: BOSTON CONSULTING GROUP / COMITÉ COLBERT 2022
**SOURCE: RETAILX GLOBAL LUXURY 2Q24

KEY SUSTAINABILITY STRATEGIES IN LUXURY LOGISTICS

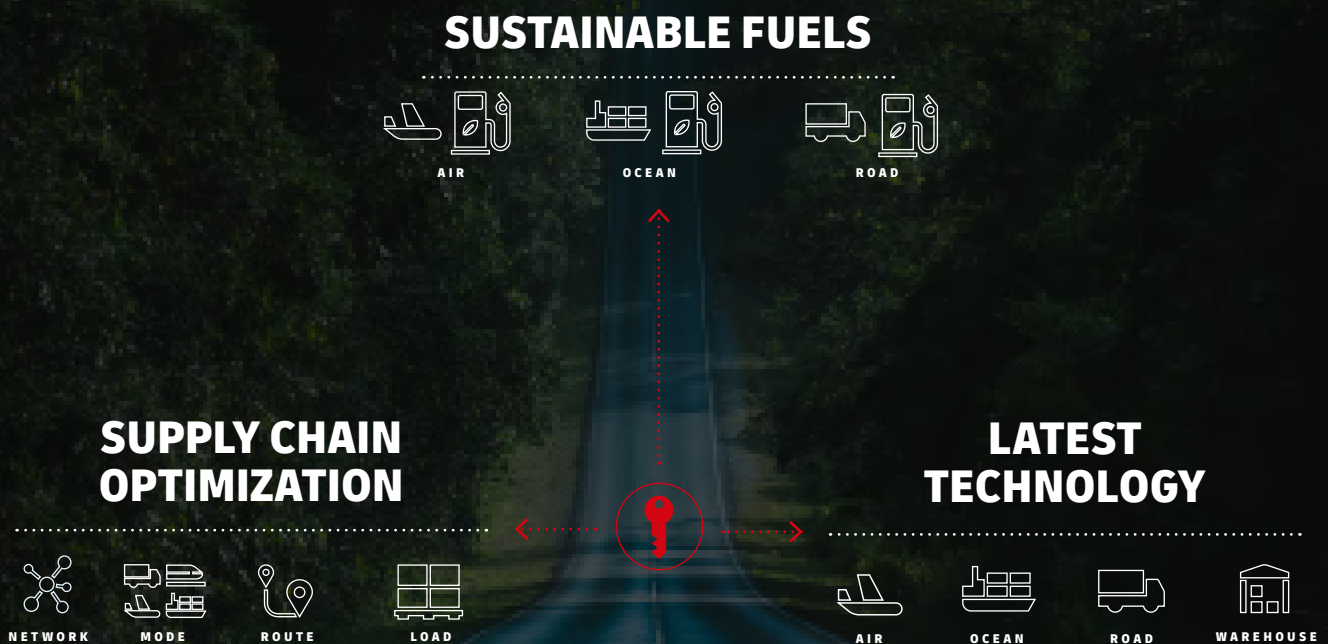
As climate change becomes more pressing, luxury brands now face scrutiny for their environmental impact. Many have set net-zero targets for 2050, 2040, or as early as 2030 with the Science Based Target initiative (SBTi).

Brands must now consider ways to reduce all scopes of carbon emissions. While a lot of them focus on reducing direct emissions from company-owned and operated facilities (Scope 1) and indirect emissions from 3rd-party facilities that supply energy for company owned and operated facilities (Scope 2), these only account for a fraction of total emissions.

In fact, over 90% of indirect emissions occur in the value chain of the reporting company (Scope 3), including supply chains, transportation, and product usage. In order to meet their net-zero target, brands must start to decarbonize their supply chains—and this begins with enhancing transparency of where the greenhouse gasses occur, setting reduction targets, and allocating budgets.

There are three critical levers for decarbonization of supply chains: optimization, sustainable fuels, and adopting latest technology.

*SOURCE: CDP DATABASE, MCKINSEY, GHG PROTOCOL



1. SUPPLY CHAIN OPTIMIZATION

By assessing supply chain design and identifying opportunities for carbon reduction during the production journey, luxury brands can achieve efficiency without compromising the integrity and craftsmanship they're proud of. This can be done by simply shifting transport modes, opening up regional distribution hubs harnessing or leveraging technologies like advanced route optimization software and predictive analytics to streamline processes and minimize impact. However, optimizing current operations can only take you so far down the road to decarbonization.

**LUXURY BRANDS CAN
ACHIEVE EFFICIENCY WITHOUT
COMPROMISING THE INTEGRITY
AND CRAFTSMANSHIP THEY'RE
PROUD OF.**



2. SUSTAINABLE FUELS

Currently, sustainable fuels, like biofuels and synthetic fuels, are luxury brands' best option to reduce greenhouse gas emissions in their supply chains, especially in airfreight shipments.

There's a reason why air freight is the most popular logistics solution for luxury goods. Compared to sea freight, its speed reduces the time luxury items are exposed to potentially damaging conditions. The pressurized and temperature-controlled environment is also more stable for sensitive luxury goods and ultimately the speed-to-market makes sure that consumers can be served from global and regional warehouses without a compromise on the lead time.

Although the net environmental impact depends on the source, production process, and application, today's sustainable aviation fuels (SAF) can effectively reduce lifecycle emissions of typical aviation fuel emissions by over 70%. As production ramps up, companies can now switch away from fossil fuels to meet decarbonization targets in the short and mid-term.

The expansion of e-commerce—whether it's via luxury brands' own channels or multi-brand marketplaces—indicates increasing operational complexity and environmental risks. Sustainable aviation fuel (SAF) therefore presents an opportunity for luxury brands to re-evaluate and maintain their high-quality online distribution strategies, while achieving significant emissions reductions to fulfill their commitment to a decarbonized future.

This is also a time for luxury brands to demonstrate leadership by addressing some of the root causes of growing emissions, such as reducing the movement of goods via strong demand management and inventory visibility systems, setting up regional and local warehouses, and collaborating with logistics partners via green freight initiatives.

Since the global Covid-19 pandemic, there's been a surge in demand for e-commerce:

10-12%

of global luxury sales across Europe were e-commerce in 2019

>12-15%

of global luxury sales across Europe were e-commerce in 2020

15-20%

of personal luxury purchases is projected to take place digitally by 2025

USD \$65 billion

projected revenue in personal luxury sales in 2025

SOURCE: STATISTA MARKET INSIGHTS 2024

3. LATEST TECHNOLOGY

Adopting the latest technology across the supply chain is a crucial component of decarbonization. Electric vehicles and sustainable fuels are already being deployed in road freight operations. While in warehouses, energy efficient options and more advanced decarbonization levers have now become the new standard.

Investing in innovative green delivery options like Battery Electric Vehicles (BEVs) for 'green mile delivery' is a game-changer to ensure supply chain decarbonization and noise reduction, while helping brands meet heightened customer expectations for a green last mile delivery.

DHL'S MOVE TO ELECTRIC

DHL Group operates 36,200 e-vehicles currently—30% of the global fleet—with the goal to electrify 60% of last mile delivery vehicles by 2030. Benefits of this include reduced CO2 emissions, a quieter, cleaner delivery process that contributes to a more positive image for luxury brands, and

increased agility in delivery with the inclusion of electric bikes and trikes. In addition, the first large battery electric powered trucks are on the road for larger shipments and longer distances.



CIRCULARITY: TRANSFORMING LUXURY LOGISTICS

Today, circularity is more than just a trend in luxury fashion—it's a transformative strategy that impacts every aspect of operations, including logistics. By aligning the timelessness of luxury goods with the principles of sustainability, circularity has opened up a new paradigm for luxury brands that honors both craftsmanship and the environment.

WHY SHOULD LUXURY BRANDS EMBRACE CIRCULARITY?

1. ENHANCED BRAND IMAGE AND CUSTOMER LOYALTY

With inflation and the rise of the online pre-loved luxury market, an increasing consumer segment for high-quality second-hand products has emerged. Despite cost-effectiveness, more consumers are making purchasing decisions based on a brand's ethical and environmental values.

2. RESOURCE EFFICIENCY

Designing goods that can be repaired, repurposed, or recycled helps maximize the lifecycle of materials and reduces demand for virgin resources.

3. REGULATORY COMPLIANCE

With regulations now encouraging circular economy practices, promoting circularity can help brands avoid potential penalties and restrictive measures.

4. NEW REVENUE STREAMS

While efficient material use contributes to cost savings, brands can also create new revenue streams through resale or refurbishment services.

Over 25% of consumers around the world are buying second-hand clothing, with around one in ten actively buying second-hand luxury goods

SOURCE: RETAILX GLOBAL LUXURY 2024

SUSTAINABLE PACKAGING: AN EXTENSION OF BRANDS' SUSTAINABILITY COMMITMENT

As consumer awareness grows, there's a pressing need for luxury brands to adopt sustainable packaging solutions. Brands known for their sophisticated packaging must now strike a balance between minimizing their environmental impact while delivering a luxury experience. And with an increasing appetite for 'minimalist opulence'—a style that demonstrates understated, minimal luxury—there's an opportunity for brands to be creative and light the way in sustainable packaging.

SUSTAINABILITY AS A COMPETITIVE ADVANTAGE

In the future, sustainability will be inseparable from luxury. Adopting sustainable practices will help brands enhance consumer loyalty, distinguish themselves, and demonstrate leadership. Sustainable logistics encapsulate efficient, environmentally responsible delivery that adheres to the modern standards of luxury consumers. More than just a competitive advantage, sustainability has become a non-negotiable for customers, employees, and regulators.



**30% of total e-commerce
emissions currently comes
from external packaging**

SOURCE: DHL, DELIVERING ON CIRCULARITY 2022

CONCLUSION

MAJOR OPPORTUNITIES LIE IN LUXURY LOGISTICS

From substantial projected growth to the emergence of key trends like the rise of pre-owned luxury, omnichannel retail, and the growing focus on sustainability and innovation, it is evident that the luxury goods industry is undergoing significant transformation.

Throughout this report, we have explored critical aspects of luxury logistics, including supply chain archetypes, visibility, security, Premium Delivery services, and the importance of circularity and sustainability. This has highlighted the challenges and opportunities inherent in managing luxury logistics while offering strategic insights into how brands can navigate the evolving landscape to maintain operational efficiency and brand integrity.

As luxury brands further regionalize their supply chains and adapt to shifting consumer preferences, technological advancements, and regulatory pressures, they must place sustainability, innovation, and customer-centricity at the heart of their logistics strategies. By leveraging Premium Delivery services, adopting sustainable practices, embracing circularity, and working alongside an experienced logistics partner, they can meet the expectations of discerning consumers and position themselves for future growth and competitive advantage in this dynamic industry.

To speak to DHL about how we can support your luxury logistics journey, contact us today at

eretail.fashion@dhl.com