

David Report

issue 6/March 2007

YOUR PATHFINDER INTO THE FUTURE

# Future Luxury





## Our keynote

### Foreword

Welcome to issue no 6 of the David Report Bulletin. What is luxury to you? What is it to others and what will it be in the future? Interesting questions and not easy to answer. In this issue we will bring forward a couple of important trends that according to us will be crucial for the definition of future luxury.

### The explanation

According to a dictionary luxury is “the state of great comfort and extravagant living” or “an inessential, desirable item that is expensive or difficult to obtain”. But most interesting is the antonym (the opposite) of luxury - necessity. If you take this perspective, luxury is something that appeals to and feeds our lust. Thorstein Veblen's manifest conspicuous consumption from 1899 is still a working description of traditional luxury. Serge Dive, CEO of Beyond Luxury describes the inner meaning of luxury like this: “Luxury is an urge, an absolute desire to sin with the view to break our daily routine and give us the

illusion of happiness if only for an instant.”

### Yesterday

Yesterday's luxury was for the few. It was quite shallow and was desired because it separated you from the masses. The luxury of today is a growing part of society (at least in the developed countries) and more people adapt to it every day. But what happens to the concept of luxury if everyone can take part in it? Is it a contradiction? In a world where you with a mere mouseclick can buy a Guerlain perfume or a LV bag it is just not luxury any longer. Just something expensive, which isn't necessarily the same thing. Will luxury mean the same thing to our kids as it did to our parents? Certainly not. People that are born in the 80s and later will prefer to control their life and do what's fun. It is most unlikely that they will accept an executive job: the hours too long, too little time to spend with family and friends.

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## Our interview



**James Ogilvy** launched Luxury Briefing in 1996. At the time, the growth in the luxury industry was gathering momentum and over the next few years the publication established itself as an independent resource at the centre of the industry. In 1999 Luxury Briefing organised its first conference for the industry and has since held 10 of these events at which many of the

industry's key figures have spoken. Each year, the Luxury Briefing Awards of Excellence are also held in London; these are designed to recognise outstanding achievement by brands or individuals. After 10 years, Luxury Briefing remains a unique resource in the global market that is luxury.

**Through your company Luxury Briefing you organised a conference called Responsible Luxury last autumn. Please tell me about it.**

We have been doing these conferences once a year for 8 years and we try and have a strong theme for each event. Those running the luxury brands really wanted to know more about the whole question of Responsibility. In general, the luxury industry has been slow to respond to this issue, but it is clear to us that it is one of the most important things for a luxury brand both right now and even more so in the future. Currently, luxury customers are responding to the issue in different ways, and not surprisingly, car brands, for example, are having to adapt more quickly than the leather accessory brands.

**How did the luxury industry people react to your call?**

We suggested at the conference that since at a personal level we are all becoming increasingly 'green' – surely it is illogical to ignore this when it comes to running a luxury brand?

**Is the luxury industry prepared for the change?**

Unfortunately they don't appear very well prepared. Very few brands have given much thought to the subject even if they have a very good story. Of course, plenty of luxury companies use sustainable materials like wood and leather, employ artisans to make the products (and maybe support smaller communities and places). We think that in the future, customers will want to know about what is called the 'back story' – ie everything that happens before a product gets to the store. That includes things like shipping and not wasting packaging, energy consumption etc. Burberry, for example, are doing terrific things - but they do it quietly behind the scenes - it is not yet a part of their brand image.

**Will the luxury industry be able to take an active part of the BIG CHANGE?**

The luxury industry leads in a lot of different areas like

design trends and customer services. There is a real opportunity to lead in this area as well. We discussed the possibility of having some sort of symbol that would show a brand has looked carefully at its whole process.

**Will the “sex and glamour” image of the luxury industry still be around in the responsible luxury?**

Nowadays it is quite a cool thing to combine the both - green doesn't have to be ugly any longer, people have discovered that it can be part of great products. It was interesting that last spring Vanity Fair magazine did an issue called “the green issue” which was dedicated to this whole area and the response was so good that it is being repeated this year. It was important for the luxury industry, that Vanity Fair thought these issues were important.

**Is the Luxury industry afraid of being labeled as “green” brands?**

I think they are probably more afraid of the media which can be very judgmental and damaging. If you make a claim that you are green the media will sadly take great pleasure trying to find fault with you or your company. But everyone has to begin the process sometime and even if you are not perfect at least you are trying.

**Does the luxury consumer really care about the new ethical and green trends?**

Research indicates that about 50% think it is very important. Some are very concerned and some don't care. The more sophisticated any market becomes, so the customers develop a more intelligent approach to luxury. Russia and China are still heading up the curve whilst in Europe and the US we starting to come down the other side. It is a challenge for the brands: for example Louis Vuitton sells a different range of products in China compared with Europe to cater for the different tastes there, where it is still much more about conspicuous consumption and status.

**Do you see a need for different luxury in different cultures - or has our world turned totally global?**

What customers are asking for can be very different. I think we have global luxury brands but not necessarily global luxury products.

**Do you see different demands for luxury from different generations?**

This is a big challenge for the brands. I think it divides into two 'age' problems. First is the new definition for Middle Age: people around 60 don't think they are 'old' any longer. Luxury brands must be careful not to forget this group. And equally, at the other end, many young people don't want luxury brands at all – they are almost 'anti-brand'. Luxury brands mustn't forget them, as these are the customers of the future. It could of course help the luxury industry to be more concerned and responsible concerning sustainable and ethical issues as these are of prime concern to the younger generation.

## Today

The concept of luxury is undergoing a huge transformation as a response to the ever-changing world around us. Over the last few years, as a result of the on-going economy boom and increased awareness, we have seen an explosion of luxury goods. The luxury segment has been divided into an uber premium trend and a more enlarged trend.

The enlarged luxury trend is about products and services that a lot of people at least in theory could afford. Imagine climbing H&M will launch an upgraded collection this spring called Collection of Style. Even if it maybe doesn't reach all the way to the luxury segment it is definitely a sign of our time!

The uber premium luxury trend on the other hand consists of product and service offerings with super expensive prices. Products like the worlds most expensive computer mouse from Fabstuff, Malmasion flatware by Christofle with handles trimmed with diamonds, Clive Christian's Imperial Majesty perfume or a clock from Zadora Timepiece are good examples of the trend. Quite unnecessary products for very few people at the very top of the Maslow's pyramid. If we are talking about living an uber premium luxury life then Palm Jumeirah and The World Islands (among a lot of other island projects going on) in the Gulf region is the place to be.

If you are obsessed with luxury products you can try out samples by entering exclusive communities like Fractional life or Limited Edition. Through renting they offer you to fly a private jet, drive a Rolls-Royce or swing around a limited edition bag from Gadino. The same goes with services. Today people pay a lot of money for door-to-door luggage delivery services like Flylite. Flylite even packs your clothes and dry-clean them if necessary. Other people dream of a membership in Quintessentially, world's leading private members' club with an irresistible package of offers, privileges and bespoke services. Another private members club called Casa Casuarina, situated in Gianni Versace's former residence in Miami,

has a membership price tag equal to a years salary for an average American.

There are fairs as well that concentrates on uber premium luxury. Millionaire fair sticks out as world's leading luxury fair and it is a glamorous spectacle with branches in Moscow, Amsterdam, Shangai and Kortrijk.

## Tomorrow

But people start to experience luxury as depthless and the expression is definitely in process to be redefined. We are spotting another more sophisticated pattern around the corner in the traditional luxury markets. "Overconsumption is no longer a signal of success," as Chris Sanderson of Future Laboratory puts it. It doesn't feel ok to buy unnecessary things when people are starving and the world is about to get overheated. It just doesn't feel right. We see a new kind of responsible luxury that is evolving from the inside. It looks quite different from luxury as we know it today. If Thorstein Veblen still would be around it is not impossible that he would have described it as conscious consumption. But future luxury will not be all about consumption. It will probably be more about cultural experiences than material possession. More about sharing than keeping. Unfortunately it will still not be available to all and every one. That's the built-in nature of luxury. It makes us feel special, kind of selected. That's why it is so important for us. Already as a small kid you want to be seen and be acknowledged.

The future development of luxury will differ between mature and rising markets. As an example China and India are in the upstart of wealth creation and the traditional demand for luxury goods first has to be satisfied.

Below we share our vision about what to come through eight different trends that in one way or another will be important in the definition of future luxury.

Zadora Timepiece



Imperial Majesty



Computer mouse from Fabstuff



Malmasion flatware



# The Trends (that will define Future Luxury)

## Timeless Quality

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Unfortunately we buy more and more stuff at lower and lower prices. The world gets even more crowded and we are emptying its resources. The mountains of trash grows and we are even shipping dangerous waste to the third world. It is time to say no to the wear and tear society and reject the growing trend where ethical values and sustainable issues are put aside for low prices and huge volumes. Our over-consumption has to come to an end. The future consumer will seek excellence both concerning behaviour and product. We will see a new type of sustainability where quality is paramount both concerning material and design. Today we want our products to be recyclable. It means that they will probably be used a relatively short time before they get recycled. Tomorrow we want even better long-lived iconic products that also can be inherited by our children. One of the biggest challenges in the future is to find a way to adapt timeless quality thinking to technology gadgets. They are one of the worst examples of the wear and tear mentality in society in today.

As an example - very few people throw away or recycle an Omega Speedmaster or an Ant chair by Arne Jacobsen. Why? Because they are timeless pieces with great aesthetics. They pushed the limit of production possibilities a little bit forward and reflected its own time. This kind of products will always be modern. They are built on lasting values and will travel in time without infirmities of old age. Better high quality products will also create new trading sites. We will probably see a boom for luxury second hand and vintage stores, both off- and online. Unfortunately consumers of today have problems to see the difference between low price and priceworthiness. We have to start calculating the price of a product according to its total lifetime. At first sight a price at a price tag of a product with timeless quality could seem high. But if the product will hang around for a couple of generations, suddenly it turns both priceworthy and ecologically healthy.

In the future we will buy less but better products and the ones we choose will probably speak with a lower and more subtle voice. Fewer and more silent products will give space to our dreams. Dreams about a bright and happy aftertime. To care about quality is to care about our common future.



## Security and safety

A place in the sun with clean air, less pollution and a good infrastructure, close to an airport but far away from terrorism - that's a paragon of future luxury. We will not be as comfortable in big cities as we used to be.

The cutting-edge of consumer culture will find a new arena in these new urbanised country zones. Because even if people will settle far away from the rumble of the town we will still demand the perfect espresso or a yogi-tea at the local bar. We would like to buy high quality food and objects and in the evening we will hang out at the local gourmet restaurant. There will be completely new demands for service in these former "sleep-cities". We will become the cosmopolitans of the countryside where we will find the new "good life".

The ongoing development of broadband technology will make working out of the office easier and help us communicate with our friends around the world. And the day we feel an urge to hang out in Tokyo or Paris we have only a short and convenient trip to the airport.

However, travelling will look and work rather different in the future compared to today. Pollution, high transportation costs and terrorism will do its best to change our way of life. Safety will be the number one thing in our mind and our comfortable homes will work as hubs towards the surrounding world. They will be our base-camps where the information technology will be our premier tool to connect to and travel through the virtual world.



## Emotional branding

For good reasons there are a lot of talk about the environmental pollution around the world. But there is another pollution going on as well, 24 hours a day, 7 days a week. It's the mental pollution caused by the never ending advertising battle on TV and radio, in magazines and on the streets. We are bombarded with unwanted commercial messages by marketers wherever we go. It is not strange that we don't believe in the branded messages any longer. They irritate us and we don't experience them as credible. Instead we listen to our friends. They will tell us the truth about their personal brand experiences. The kind of stuff we will never see in an ad or commercial.

A lot of people have turned almost anti-brand. It will be a great challenge for companies to find new methods to converse, involve and interact with the consumers and offer them to experience the brand according to their own wishes. In the future building a relationship with your consumers and offer them relevant brand experiences will be paramount. It will be about engaging and understanding the consumers needs and develop product and services according to it. To create passion and desire and improve their lives. The brands that will understand that they are just a tool for the consumer to realize their personal dreams will survive and flourish. Act towards the consumers as you act towards your friends. Keep your promises and be honest. If you are lucky your costumers would like to start an affaire d'amour with you.

## Good Karma

One of the most important future trends will be about to make a difference and to take responsibility. It concerns both private individuals, companies and organisations. There are a couple of short phrases that describe this growing ethical trend in a good way; "good karma", "do-good", "conscious consumption", "don't be evil" and "conscious capitalism".

If we look into the trend of conscious capitalism it is in some sense idealistic in the support of philanthropic or humanitarian causes. Just a couple of years ago the managing director of a company who's focus was not to maximise short-term profits was proclaimed as naive. In the future it will be the other way round - if your only focus is maximising the profit, you will be lost. You have to carefully balance the opinions and wishes of all your stakeholders including costumers, shareholders, employees and society at large. We have to share the resources on earth and to act with "good karma" will be a generic feature for future brands.

Charity will reach much bigger proportions. The more prominent figures (like Bill Gates, Warren Buffet and Bono) the longer the tail. The in-crowd will continue to line up at conscious conferences. Some recent examples include "Responsible Luxury", "Karma Capitalism", TED and "Doors of Perception" which all have had ethical and conscious themes lately.

From the consumer point of view responsible purchasing is a growing trend. Piers Fawkes wrote recently in his psfk blog; "When you ask yourself how Uniqlo can sell fashionable denim for \$39 a pair (including tailoring) you start to wonder how many small children in Asia did it take to make just one purchase." We will not accept that kind of products and behaviour any longer.

The same goes for the abuse and cruelty against animals. We will see the number of vegans and vegetarians explode. It will be impossible to sell beauty products that are tested on animals. Products out of skin, fur and non-ecological cotton and wool will consequently decrease drastically. Stella McCartney and Katherine Hamnet are the prominent figures and thousands of creative designers will follow in the making of stylish products out of the new postulations.

We will demand transparency. Companies can achieve success by doing good and as a socially conscious consumer you have the power of change in your hand. Anna Lappé from the Small Planet Institute puts it like this; "Every time you spend money, you're casting a vote for the kind of world you want". Consuming doesn't have to be all bad.



## Seize the Day

Time has turned into luxury. True luxury. Time is more or less one of the only things you can't buy with money. That's why it is so desirable. Whatever we think about it, the biological clock is ticking for all and everyone. When you ask people what they want most in their lives, the most common answer is to have more qualitative time. The good thing about the story is that qualitative time is actually something most of us can achieve.

According to us it is a luxurious thing to wake up in the morning and do exactly what you want. The kind of day when no one tells you what you have to do and you don't have any requirements that have to be fulfilled. The kind of feeling as when you are on vacation, but on an everyday basis. Something the Italians refer to as dolce fare niente - the beauty of doing nothing at all - except for relaxing... We call it to seize the day - to have time for the one you love, your family. To invite your friends to a nice dinner. To make every day extraordinary - enjoyment of the pleasures of the moment.

Time allows place for dreams. Time allows you to find harmony...how many people live in total harmony? Time gives your imagination and your creativity space. Time enables you to reflect. The great luxury in the future will be about taking control over your own time, because it will never come back.

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## Supreme Regionalism

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There will be a great wish for authenticity in the society in the future. The ongoing globalisation is erasing regional specialness with the speed of a bullet. The same look-a-like hotels and airports, giant shopping malls or super-brand luxury stores are popping up all over the world. At the same time smaller supreme specialist stores are forced into bankruptcy.

Brand recognition will probably be as important in the future as today. But if we hold for true that a brand is (only) a perception in a consumers mind, the physical deliverance of great products will be even more important. The products are the true messengers of a brand. If they are produced in faceless factories in China in even growing numbers they will not be experienced as authentic and credible any longer. A lot of production in western society has already moved or is about to be moved to low price production countries. But we see trouble and a strong and dangerous backlash towards this mentality. There are three major issues as we see it. The first is about economy and environment. In the future it will be impossible to ship products around the world when the oil price rises to extreme levels. It is not smart out of an environmental perspective with the knowledge of the climate change we have today. It is not an excuse to buy carbon emission offsets in this case - better not to ship long distance at all! Secondly, we will also see a rise of production costs depending on higher salaries in the third world. The third issue is about ethics and credibility. It is difficult to guarantee and control fair trade issues with a production thousands of kilometers away. We have seen a lot of examples of this already.

Will future consumers see a Swedish designed but Chinese produced Orrefors glass vase as Swedish? Don't you think that some of the authenticity is getting lost in the Chinese mass-production? Maybe some of the substance and history as well? If we turn our face to the furniture industry, clever British designer Jasper Morrison has made great pieces in a Scandinavian vein for the Italian brand Cappellini. How do we label his pieces? As British, Scandinavian or Italian design?

We live in a high-speed information society and we would like to put it like this; when design has turned global, production is still local. A great possibility to differentiate product offerings and create substance is materialising out if this fact. We will see a new Supreme Regionalism grow as a reaction to the present standardisation. Inside this trend we will find a new cultural luxury. Locally produced and controlled products with textures and flavours with a unique twist, made with great craftsmanship. Supreme desirable products that will attract all our senses and stick out from the noise as original and genuine.



## Individual editions

# 8

This trend is a spin-off from both the Timeless Quality and the Supreme Regionalism trends. We would like to bring it forward because it appeals to strong motive powers in modern society.

It is about limited-editions. Why are we so attracted by them? What kind of fascination make us want them so badly? The globalisation forces us to buy the same products from the same brands all over the world. If we generalise, it doesn't care if you live in Stockholm, New York, Moscow or Cape Town. You still find the same brands in your grocery store or at the local mall. The limited-edition series offer something else; individuality. The fewer distribution points the more desirable is the product. Just the knowledge of the existence of it makes us feel special. It doesn't need to be a product. Small residential development projects like 40 Bond in New York by Ian Schrager is another example of this trend. You will be able to own something unique and be part of something exclusive, something you share with just a few selected persons. Limited-editions are desirable because it attracts and flirts with your persona. We will see a reaction towards the standardised global assortment and meanwhile the limited-edition series will help us feel individual and special.

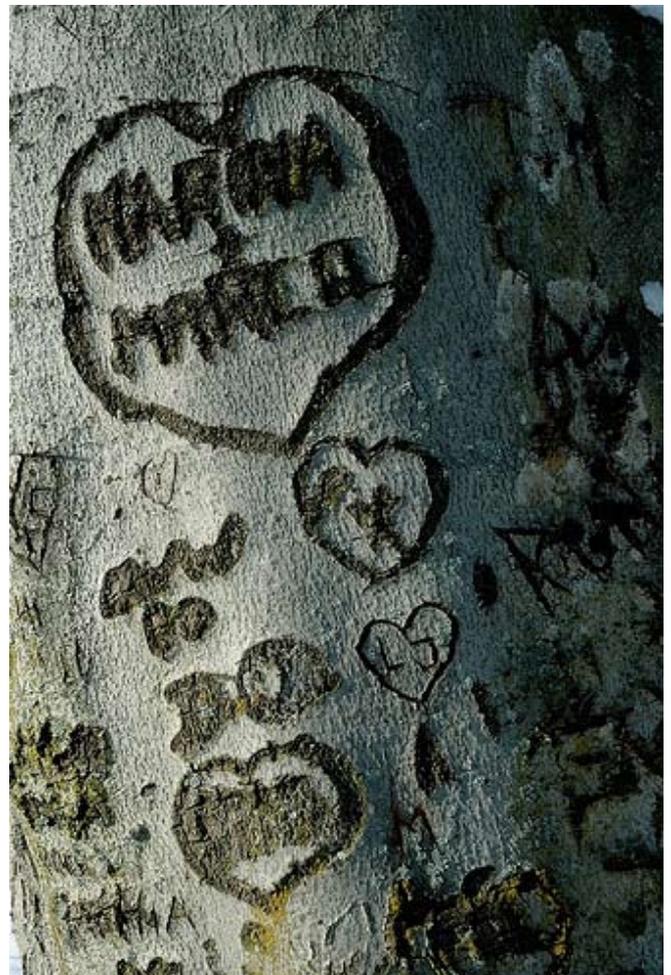
## Food and health

# 7

Health is turning into one of the biggest luxuries in our time when most food has converted into mass-produced semi-finished products. This food is cheap, yes. But it is not good for your health because it often contains too much salt, sugar and other accessory food factors. Briefly, it can be described as refined waste (Jamie Oliver's description of the British school lunches).

As a result of all the bad food fatness has evolved into a huge lower class problem in society today. Only fifty years ago it was the other way round. Then it was a sign of wealth to be able to eat and consequently it was the upper class that was overweight.

Just a couple of decades ago it was a luxury to eat food from the other side of our planet. In the future it will be a luxury to be able to eat locally grown healthy organic food from around the corner of your house. And we are not only talking about the rural areas. We will see a development of urban agriculture as well, which will allow you to find locally produced food right in the middle of the cities. We will demand to know what we eat, how it is produced and by whom. Slow food is an eco-gastronomic organisation that are pushing for small scale and local production to maintain human culture and biodiversity. They counteract fast food and fast life. Today, with high environmental costs, most food travel around the world before it ends up at our dining tables. Tastes edulcorates and pesticides are used on regular basis. By choosing well tasting food that does not harm the environment and animal welfare you are choosing life... and health.



## Our private eye - Malmö

### When knowledge is the real luxury

By Björn Jeffery

In a connected world, information is the currency. Luxury, therefore, is not about the excess of anything but rather the complete opposite. Knowledge that is concise, and on point. It's knowing how to find it which is the admirable factor.

Times are good. Money is flaunted everywhere. 28 inch rims, chain pieces, designer outfits - the whole thing. But these consequent overstatements of wealth have turned them into commodities. When the pièces de résistance can be acquired by the masses, real or fake, it devaluates its worth. The bling is officially dead.

Luxury is about desiring the best, and most exclusive, of anything. And while mainstream luxury up until now has focused on material things, the new luxury is to be found within the realms of experiences.

Imagine looking for the best cappuccino when visiting a new city. Money can not buy this information, as there is no one to pay in order to get hold of it. You either know how to find out, or you don't. Probably, the coffee is to be found in a back alley with a barista that makes her own perfect blends. And a cup of it is probably not more expensive than a tall latte at Starbucks. Luxury is no longer a monetary matter.

The shift in wealth - from money to information - distorts the way our society is built. The current class system falls apart when the participants of it no longer recognise what is valued high and low. The new rulers are the ones with the most knowledge, or the ability to obtain the necessary information. The ones that are most connected.

Back to the cappuccino example. Imagine if everyone knew that this was the best coffee in town. The place would be packed. The coffee would taste just as good, but the complete experience wouldn't be. Partly because it's crowded and you have to wait in line to get your coffee, but also because it's nothing special any more. The exclusivity is gone.

Because of the factor above, the incentives to share this new wealth outside your network, are very few. This type of networked knowledge is the complete opposite to the old saying "the more the merrier". The fewer people in the loop the better. Assuming that it's the right people, obviously.

Sharing this knowledge wouldn't necessarily be appreciated anyway, as the experienced luxury will vary from each network. There is no longer an it bag, or one furniture designer. It's all about story and context. There is luxury for everyone to be found, within the chosen framework of taste or feeling.

So if you want to experience luxury within the next few years, you better make sure that you're connected. With the right people.

For you.

Björn Jeffery works as an internet strategist at Good Old in Malmö, Sweden. If you found this piece interesting he recommends that you read Netocracy by Alexander Bard and Jan Söderqvist. Or his own blog at <http://www.goodold.se/blog/trend/>

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## Our windup

Are the luxury savvy consumers willing to accept the new standards? Yes they are! The future luxury as we see it is not revolutionary, it is necessary and a sign of our time. As you have seen above there are different trends that in one way or another will define future luxury. It has different faces, it's up to you to find your personal version of it. Luxury is about to change from a commodity to an experience. The 21-century humans are more and more concentrating on inner development of body and soul. The psychological insights and effects influence more and more: in a society where you can buy everything, you need something else to fulfil the meaning of life in a true existential spirit!

## Our calendar

To not miss events in the near future concerning design, brand strategy, creative communication, trend forecast and future visions. Please visit David Report home page for a complete event calendar.

### Hibrand

March 16-17 in Moscow, Russia

### World retail conference

March 28-30 in Barcelona, Spain

### Spring Trend Open day

March 28 in London, United Kingdom

### Include 2007: designing with people

April 2-4 in London, United Kingdom

### Web 2.0 Expo

April 15-18 in San Francisco, USA

### Milan furniture fair

April 18-23 in Milan, Italy

### Karma Capitalism

May 8 in Hamburg, Germany

### Front end of innovation

May 9-11 in Boston, USA

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