

THE 2006 LUXURY CONFERENCE

Luxury Briefing moved to the Four Seasons in New York City to hold the 2006 Luxury Conference – *New Directions for Luxury* – in partnership with *Vanity Fair* magazine on May 4. Working with *Vanity Fair*'s Editor, Graydon Carter, we invited a group of innovative practitioners and observers, all of whom operate at the cutting edge of modern luxury, to share the benefits of their experience with our audience. The message was clear: brands need to cut free of old precepts and be highly aware of current social trends, in order to flourish in the modern world. Here is a summary of the points made by the various speakers on the day

Todd Cunningham, SVP Brand Strategy & Planning – Generation Y: What it will want from your business

Todd Cunningham opened with an alternative title for his presentation – The Extraordinary Search for the Individually Digital/On-Demand Life of Generation Y. He stressed the importance of seeing clearly and that to do that “requires we ask the right questions.” He referred to numerous new and non-traditional methods such as ‘brand deprivation’ tests. He recommends blogs for “immersing oneself” in that group.

Todd referred to Ray Kurzweil's prediction of “singularity” (when man=machine) within 25 years and how this already presents “a different prism for the young”

Returning to luxury today, Todd noted that one in seven US households earn more than \$100,000 and 8.9m have a net worth of \$1m+. Curiously as incomes have grown larger, spending has gone down: “Consumers are becoming paralyzed – 87% earning \$150,000+ said they would be willing to spend more on purchases if only they could find ones that better suited their needs.” Meanwhile “Generation Y is very ready, somewhat willing and barely able to engage with most brands in the future we're facing” There are now many more tools for

social networking (aka word of mouth): mobiles, e-mail, chatrooms, SMS, blog etc. “Generation Y is stressed for success: achievement is now an extra-curricular activity.” Technology is redefining the role of community and influence – it is a “thru-line to trust and connectivity.”

To capture Gen Y, allow your brand to tell stories with success and personal achievement as the end goal. Brands can help boost or positively influence the confidence of young adults. Make your brand matter in their world. “Brand Me” is the most important brand to teens and young adults. Gen Y is morally complex, with right and wrong more open than ever. Home life is more important than work life. Many are looking for spirituality. Morals, religion and diversity all play into their world. Let them decide how your brand fits and be open to listen. The brand's message and its associated imagery will be interpreted through their prism. Provide a simple, honest message. In a world that is more complex than ever, values will resonate.

www.mtv.com

Matthew Upchurch, CEO, Virtuoso – Where to next? The future of high-end travel

As a starting point, Matthew Upchurch referred to 2001 when 9/11, Sars and Iraq came together in a “perfect storm”. 2005 finally outstripped 2001 and in 2006, demand is outstripping supply. “Boundaries divide, travel unites” is his new mantra. On January 1 2006 the Boomers started turning 60 at the rate of 8,000 a day, and they now have money and time. In fact travel is the free time of the most discerning group. Additionally 200m ‘Chindians’ are coming on stream, producing a block of affluent travellers larger than the US and EU combined.

For the high-end travel business commoditisation is the big problem, hence the need to move to the “life-experience” business, where travel simply becomes the conduit. Matthew recommended Chris Crawley's “younger next year” for an insight into the mindset and attitudes of Boomers.

Matthew then identified eight trends that luxury brands should be aware of: ① Multi-generational travel (high-yield leisure for hotels and airlines) ② Eco-tourism and active

tourism: connecting with nature as good stewards

③ Spas/health – the inner self ④ Cruising ⑤ Personal enrichment: cooking, art, gardens etc ⑥ Travel with a cause: small but growing fast ⑦ Design and architecture: a sense of place ⑧ Jetset-sexual: how you get there being more important.

However Matthew sees the next major move being the convergence of luxury travel with luxury goods and services. 25% of all luxury goods are already bought when travelling. There will be more cross-marketing (eg Viking stoves on cooking demonstrations on a Silversea cruise), more product enhancement (eg Contour Travel from Neiman Marcus) and more brand extension (eg several Italian fashion brands moving into hotels).

Matthew finished by observing that as mass (commoditisation) and the high-end (experiential) polarise, so benchmarks will rise.

www.virtuoso.com

PANEL The way ahead for luxury – pumped up or pared down? Moderated by Jacques-Franck Dossin, Goldman Sachs

JFD: What is the key to success?

John Demsey, Global Brand President, Estée Lauder: The key to building a luxury brand is the combination of great product, good packaging and selective distribution.

Jim Gold, President, Bergdorf Goodman: Some brands are more discreet than others about their branding and logos. However even the ones that are discreet still want to be recognised – they make this discretion a selling point and want to be recognised for this. It's more difficult to sell a product if nobody recognises who made it, even if it's a good product.

Gordon Campbell Gray, Owner, One Aldwych: It should always be

about product – not who's wearing it. Being part of a pack is not luxurious. We are in a changing world too now, where luxury is moving away from old standards. Where once oil was an expensive commodity, the new commodities will be water and purity.

JFD: So is luxury about being pumped up or pared down?

JD: Sense of self is not about ostentation. Trends co-exist, some taking an element of each. It also depends on the geographical region.

JG: Logo'd bags and understated brands can co-exist and be sold together but even the people who buy understated bags want them to be recognisable to their peer group.

GCG: It's all about quality and purity. Luxury is wonderful but it needs to be underpinned by values.

JFD: Is the business model getting riskier due to increasing dependence on fashion? Is it more about brand than quality?

GCG: As brands get bigger they deteriorate. You can do the numbers but they won't be great. People need to make the effort to seek out individuality.

JG: We have to care about every product in our store and every element of our brand.

JD: This starts with looking at who your consumer is and their perceptions of luxury – this is why there is so much opportunity. People are starting to look at heritage and so much beyond just face value.

JFD: Is the way that people are using luxury different? Has the industry lost its way?

JD: For some top brands being a luxury brand can be by-the-by. MAC is a culture brand and was never meant to be a luxury brand. It broke through because it did something completely different. There is a tipping point between being niche and being big and you are going to lose some customers as soon as other people get to know about the brand and have access to it.

JG: Some brands fall in and out of fashion and become niche, so there is room for all of them.

GCG: Our customers are intelligent: we will remain small and niche but exquisite. They come to us as they know what we do and the standards that they can expect. We don't rely on ridiculous gimmicks: I went to a hotel in the desert recently which looks out on an indoor ski slope. Can you imagine the effect on the environment? And all just to set itself apart from the others around. We just want to do everything at the very top level.

Jeffrey Miller, Creative Consultant and Luxury Briefing columnist – *The End of Luxury*

Jeffrey Miller began by noting that, “for every cash-happy Muscovite luxury enlists to its ranks, there are five others about to go AWOL.” He perceives a definitive turning point. We have reached a point of “culture jam” in which we receive a series of jolts to our psychic state. “Are customers actually living this luxurious life?” he asked. Jeffrey also wanted to know, “How has the meaning of luxury devolved on our watch? Consumption is OK if it is not an end in itself.” The feeling of “never having enough” has become pervasive with consumer culture exerting a strong gravitational pull. However, in the face of terrorism, global conflict, toxins and other social forces, he warned that, “the consumers are growing tired of the message. ‘Celebrity’ has become a pejorative term. Embellish your brand with goodness and restore luxury to its lofty heights.” He noted with some relief that, “Fashion is back to recognising the zeitgeist.”

Under the banner “The end is the beginning”, Jeffrey then gave 10 points for luxury brands to attend to.

- ❶ International patience with the US is wearing thin.
- ❷ Reduce toxicity: boycott carcinogens.
- ❸ Stop promising so much and delivering so little: when are we going to get properly ‘clean’ in hotels?
- ❹ Reduce options and become an authority.
- ❺ If you have to use a celebrity, make sure it is someone who is making a difference.
- ❻ In most cases, service should be renamed ‘lip service’. Make it genuine.
- ❼ Use good manners as a business credo.
- ❽ Use oxytocin – it prompts warm relations.
- ❾ Do some good – it makes for good business.
- ❿ Start right away.

Contact via [Luxury Briefing](#)

Murray Moss, Founder and Co-Owner, Moss – *A lesson in retailing*

Having started, then sold, a successful fashion business Murray Moss was drawn towards the interiors market. He broke down conventional ideas and set up in New York's ‘gallery district’ rather than the ‘furniture store district’. “In SoHo in 1994 they had strict rules about what could be set up so I called my operation a gallery and would display a waste paper basket as if it were an exhibit. This is why the store looks as it does.”

Moss was also keeping with the zeitgeist, observing that people were increasingly design-savvy: “The fashion industry has now moved way beyond functionality, and the same thing was happening with interiors. The store design meant that we could tell a story through product design rather than by

product category. It also meant that very expensive things could sit beside cheap.”

There is also an interesting retail philosophy at work: “My store is set out like a museum. In a museum people look at things carefully as they presume that they are more than what they seem. They want to know about them and give them their full attention. The fact that the pieces are locked up means that there is also an element of ritual about the process of crossing the barrier and unlocking the object. People move so fast now and I wanted to slow them down so that they would pay attention.”

www.mossoonline.com

PANEL *Style influence – who really holds the power?* Moderated by Ben Elliot, Quintessentially

BE: What is the balance of luxury versus mass-tige?

Susan Korb, Creative Director, Harry Winston: Harry Winston sells itself as ‘jewellery to the stars’. If we stepped away somebody else would move into this niche and we would lose our market positioning. Celebrity is the opium of the masses and until another one comes along, that is what the bottom line is about. You can decide not to play the game but that takes a lot of bravery.

Djordje Stefanovic, Executive Director of Communications, Ermenegildo Zegna USA: In 1910 Zegna was about the community around the brand as well as luxury and quality. There is a very sophisticated luxury customer, but there is also a mass customer. Then there are new markets like India, China and Russia which all need to do the flashy hedonism thing before they grow up and learn.

BE: To what extent does the consumer dictate the trends?

Michael Gordon, CEO, Bumble & Bumble: Consumers don't know what they want. They are surrounded by so much cheap rubbish that they often have no idea. You have to do the right thing and present it to them.

DS: The generations have got closer so it is easier to span them and broaden your appeal. You need to do what you do with integrity.

SK: Stick to the principles of what you do but work out what the consumer wants and tailor it.

BE: Can celebrity association be a negative thing?

SK: The spell of celebrity is already broken. People know too much about them and know they have been paid. It's more about community issues now.

MG: People just want to look good now. They're not aware of their age and that is part of the celebrity culture. Then there →

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← is this celebrity spirituality— spirituality can't just be a place where you go when in trouble. It's such a shame you can't have a business and keep it small. We put good stuff in our bottles and I hope people understand that.

DS: We have to give celebrities some credit. I have seen more hybrid cars in Los Angeles than amongst many of the people in other areas who just talk about them. Celebrities can do good – look at the *Vanity Fair* 'green' issue.

Nick Jones, CEO, Soho House Group – *A New Kind of Luxury*

Much of the success of the Soho House brand has been about listening very carefully and providing what people want. Nick Jones talked about how Babi ng ton House had changed the nature of country house hotels by removing the chintz and providing meals and many other services whenever the customers wanted them.

He believes the exclusivity of clubs is still relevant in the

modern world but his insight was to update it. Soho's success in London and New York has been largely to do with the crowd you attract. He also revealed that a new outpost of Soho House is to be set up in Miami as the city is now used all year round (and many New Yorkers go there), and speculated on the possibility of a second New York property as well as one in LA.

Contact: www.sohohouse.com

Dana Telsey, CEO, & Jim Hurley, MD, Telsey Advisory Group – *Luxury Brands: the view from the financial markets*

Dana Telsey and Jim Hurley started with the financial state of the luxury industry: in 2005 (excluding travel) it was worth about \$100bn, 5% up on 2004. Between 1995 and 2005 the performance of luxury stocks has been 5x better than world indices.

They then set about identifying the "Ten Top Trends":

1 Stores are busy and sales are strong: they expect the acceleration of 2H 2005 to continue. 2 Japan continues to improve; the US is strong; the EU is picking up. 3 Emerging markets are performing well. 4 Accessible luxury: it can help and it can hurt. Uniqueness will be important. 5 Product innovation continues to be key. 6 Craftsmanship and greater integrity. Take control of the supply chain. Big and small brands need to have control. 7 Design matters, not price. Good designers are in short supply. 8 Large 'star' brands are not as

modern as we thought. New products and other categories are keeping them. 9 The industry generally is in a strong financial position and cash rich. There may be more M&A activity but there is a shortage of good managers. 10 Time is the rarest and most valuable commodity.

What next? Dana and Jim highlighted the products now sold by the likes of Target, Walmart and H&M. They believe that the concept of membership, clubs and status are strong ones, that we may see more in the way of exclusive credit cards with attached benefits, that there will be more emphasis on value. In keeping with the 'time' theme, they see the creation of experiences and memories as important devices for luxury brands to consider.

Contact: www.telseygroup.com

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Chris Sanderson, Director, The Future Laboratory – *Understanding Nu Luxury in the Face of an Austere Climate*

Chris Sanderson opened with some comparisons that help illustrate what 'Nu Luxury' is about:

- Less about product More about experience
- Less about cost More about values
- Less about visibility More about discernment
- Less about extravagance More about essentialism
- Less about surplus More about selectivism
- Less about customisation More about uniqueness
- Less about surface More about experience
- Less about commerce More about culture
- Less about sales per sq ft More about wonder per sq ft

He recommended the practice of 'triangulation' to predict where things are going: observe, interrogate, intuit. He introduced the notion of 'austerity' which he sees as an evolution of an environmentally-motivated age. He acknowledged it has little to do with the 'BRIC-luxe' economies which have different motivations. He noted the rise of the 'NeoCons', who have a

conservative view of culture, values, social attitudes and outlook, but 21st-century conservatism is different. 25% of consumers say they are voting with their purchases: Fairtrade and other ethical sales in the UK have grown from £500m in 1998 to \$26bn in 2005. We want answers to questions politicians won't answer. The Jonsers (typified by Bono) are taking over from the Boomers (Mick Jagger): they are concerned with civic values, manners and the collective good instead of personal rights.

Nu-austerity is the next big trend for consumers in their 30s and 40s who are increasingly turning their back on the ostentatious and wasteful. The desire is for nostalgic simplicity and sustainable production and they are looking for that in retailing. Chris sees exciting opportunities for a modern version of bespoke, which incorporates the latest materials. The successful luxury brand of the future will be defined by integrity, innovation and imagination.

Contact: www.thefuturelaboratory.com

Graydon Carter, Editor, Vanity Fair

Graydon Carter closed the Conference by considering 'the big picture' for luxury brands. He believes that we are at a turning point in the zeitgeist and it revolves around the environment. "Ignore this at your peril," he cautioned, "luxury goods and being green are not mutually exclusive." He gave examples of how even big companies like General Electric are trying to become "super-green", and how green is now seen as modern and therefore cool. Graydon commended Al Gore's film *An*

Inconvenient Truth to the audience. He commented on the luxury customer of tomorrow, citing his own teenage children who have lists of companies they will not deal with. But he ended on a note of optimism for luxury brands, observing that whether it is clothing or technology, this powerful market wants things that are well-made and which will last. He concluded that there are immense opportunities for those who get it right.

Contact: www.vanityfair.com