

### CAPSTONE 2015: The Future of Luxury (Sponsored by LVMH)

*Students partner with BCG to field original research for a deep dive into consumer motivation*

The Beauty Industry's Think Tank took on a whole new meaning for FIT's Cosmetics and Fragrance Marketing and Management (CFMM) Master's Degree program on June 3. For the first time-ever, the graduating students fielded original, quantitative, consumer research as part of their Capstone projects, the culmination of the two-year degree.

With research partner The Boston Consulting Group (BCG), the students surveyed 3,000 consumers in the U.S., China and India on values and definitions of luxury. The resulting *BCG FIT Global Luxury Customer Survey* provided essential data for the Capstone presentations on the topic of The Future of Luxury. "This year we wanted to create a new first with the Capstone research and we formed a partnership with The Boston Consulting Group to produce original proprietary global research on luxury consumer values," said Pamela Baxter, president and CEO, LVMH Perfumes & Cosmetics, North America, and president, Christian Dior Couture Inc.

LVMH sponsored the 2015 Capstone presentation, reprising a role established in 2007 with the first Capstone investigation of luxury in collaboration with IDEO.



Amanda Bopp (Luxury Platforms) and Laney Marx (Consumer Values) present findings from the *BCG FIT Global Luxury Customer Survey*.

### 5 Themes for the Future

Beauty has long been the entry point into the luxury market. But the concept of luxury is fluid and expected to move beyond product to include experience by the year 2030.

"We believe that there are five key themes that are essential for luxury brands and underpin the students' research projects," said Sarah Willersdorf, partner, BCG, at the Capstone presentation on June 3, which had approximately 700 members of the beauty industry in attendance.

The five key themes identified by the research are:

1. Introverted values such as quality, exclusivity and craftsmanship continue to outpace extroverted values based on status.
2. Consumers are increasingly spending on luxury experiences over luxury purchases, particularly in developed countries.
3. Online is increasingly important to luxury shoppers and many luxury brands are still behind where they need to be.
4. For the first time, *word of mouth* is the number one influencer of luxury purchases.
5. Interest in rental and subscription programs for luxury goods continues to grow, especially in China and India.

The foundation for these themes appeared again and again in the Capstone presentations. Divided into three groups, the students investigated the topics of luxury from three perspectives: New Luxury Consumer Values, New Luxury Platforms and New Epicenters of Luxury.

### Consumer Motivation

"We asked over three thousand luxury consumers, 'what would you do if you had a twenty-fifth hour in the day?' One



Nola Lawless (Epicenters) describes the evolution of market configurations, moving from zone and country management to city strategies.



Group leader Corey Moran (Consumer Values) describes projected luxury market growth.

in three consumers chose to spend the extra hour with family," said Laney Marx, an account executive with Google and co-leader of the *BCG FIT Global Luxury Customer Survey*. When asked what was most important to them in their lives, "ninety-two percent of the respondents said that time to oneself is most important," added Winnie Cho, global marketing manager, skincare at Elizabeth Arden, and a member of the consumer values group.

As consumers, particularly millennials, embrace personal time over public, renting rather than owning, and meaningful values over status, just imagine how the wedding of the future might look.

"The *BCG FIT Global Luxury Customer Survey* tells us that millennials are more

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Group leaders Thomas A. Reedman (Epicenters) and Amanda Bopp (Luxury Platforms) present innovative marketing models.



Brooke Burdine (Consumer Values) discusses new ways of understanding what is important to consumers.

interested in renting versus owning than prior generations,” said Priyanka Malhotra, a brand building manager at Unilever and a member of the luxury platforms group. “In fact, seventy-five percent say they would be willing to rent a wedding dress.”

### Clear Skies for Luxury

But in no way did the Capstone research indicate a struggling future for the luxury market, in fact, it posited just the opposite. “The future of luxury is bright, Bain [Bain Luxury Study, 2014] predicts that the luxury industry will see a 3.4 percent compound annual growth rate through 2020, which beats most GDP growth predications,” said Corey Moran, director of marketing at Coty Prestige and group leader of the consumer values study.

However, where, how and why shoppers will purchase luxury goods will change.

“Transparency is an emerging value marked by increased customer interest in understanding where products come from and how they are made,” said Ms. Malhotra. “The BCG FIT survey finds that sixty percent of customers cite authenticity and provenance as purchase drivers. Customers want behind-the-scenes access and visibility into product inspiration and creation.”

“Our research has revealed the unconventional and the unexpected,” said Lauren Haffer, global marketing manager for Matrix and a member of the epicenters group. “Our

industry must rethink boundaries, rethink locations and rethink markets from the way that we define them today.”

“According to BCG research, consumers in cities like Beijing and Shanghai actually have more in common with their counterparts in Paris and Tokyo than their neighbors in Zhenjiang and Panjin,” said Amanda Spencer, also of the epicenters group, and associate director at Zenith Optimedia. Ultimately, the group recommended that brands couple zone and country level management with city level strategies. “Tourism, technology and transmigration will continue to accelerate change and transform the luxury market with a major focus in cities,” said Thomas A. Reedman, global marketing director at Kiehl’s and group leader of the epicenters study.

According to the presentation, a key challenge for any marketer is the short attention span of consumers, which, reportedly, is shorter than that of a gold fish.

However, that wasn’t a problem for the industry executives attending the event. Many were seen taking copious notes on the invaluable research.

### Capstone Research Online

The slide presentation from the Capstone event, highlighting the research insights of the BCG FIT Global Luxury Customer Survey, can be found online at the CFMM program [website](#). On the same page, you will find white papers, infographics and videos of the three student research projects: New Luxury Consumer Values, New Luxury Platforms and New Epicenters of Luxury. In addition, Dr. Joyce Brown, FIT president, added her impressions of this year’s Capstone research on her blog, [On My Mind](#), on the college’s website.

Videos of the student presentations are available for sales meetings, executive retreats and workshops.



Sarah Willersdorf of BCG, Pamela Baxter of LVMH, FIT President Dr. Joyce Brown, and CFMM department chair Stephan Kanlian.

### Capstone Encores

In fact, the industry has already taken notice of this unusual opportunity to hear original research, requesting individual presentations at corporations and conferences. On July 7, Dr. Brooke Carlson arranged for the students to present their research at Macy’s headquarters in New York to over 60 Macy’s beauty team members including Muriel Gonzalez, executive vice president and GMM, cosmetics, fragrances and shoes, and Nancy Schmidt, group vice president, DMM, prestige cosmetics. The presentation ended with a panel discussion including a Q&A from the attendees.

Following that, the students and Dr. Carlson were invited to present The Future of Luxury research in a sold-out session at the Cosmoprof North America conference in Las Vegas on July 12. In addition, at the recent Cosmopack International Business Forum and Exhibition held in New York at the Hilton Mid-Town on September 16, Dr. Carlson emceed the educational forum, and also moderated a panel entitled *From Green to Clean—Branding Insights*, which included recent graduates Corey Moran and Amanda Bopp, who shared highlights and insights from their Capstone research.

And this fall, Professor Stephan Kanlian is leading two panels with BCG and the student research leaders, presenting at the Luxury Interactive conference in [New York](#) on October 13, and at Luxury Interactive Europe in London on [October 26](#). ■

### In The Press

*News stories about Capstone 2015*

- [Women’s Wear Daily](#)   [Happi](#)
- [Luxury Daily](#)   [Bloomberg](#)
- [CEW Beauty Insider](#)   [PR Newswire](#)

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