

The Future of Luxury

New Luxury Consumer Values

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### Abstract

Consumers of today and tomorrow are multidimensional purchasers that draw from experiences and values that affect their buying decisions. As a result, consumers hold the power, and brands will have to look beyond the traditional luxury model of quality, craftsmanship, and heritage to discover new ways to illuminate their strategy. Brands need to understand and tap into the consumer's mind to measure their subconscious needs and desires to leverage their ever-evolving mindsets and values. In 2030, consumers will evolve from collecting experiences to collecting memories. In order to identify how brands can create memories, neurologists and psychologists have identified three elements that are critical to memory creation: *sensory appeal*, *delayed gratification*, and *disruption*. In addition to memory creation, brands will need to connect with their consumers' values in order to create a customized relationship that is relevant, personal, and authentic. Today's universal values of *family*, *health*, and *time*, as identified in the BCG FIT Global Luxury Customer Survey, will evolve into *intimacy*, *legacy*, and *mindfulness* due to greater macro-trends that will impact the world socially, environmentally, and economically. With the consumer at the forefront of luxury, the future luxury model will contain two additional tenets: *memory creation* and *value connection*. In order to be relevant in 2030, luxury brands will need to focus their research on these two vital tenets and implement both immediate and long-term strategies to establish a new standard for success.

*Keywords:* Luxury Consumer, Memory Creation, Value Connection

## The Future of Luxury

### New Luxury Consumer Values

*“Elegance is not about being noticed it’s about being remembered” - Giorgio Armani*

#### **Luxury Consumer Past & Present**

Today’s luxury consumers are showing no signs of slowing down in either their consumption of products and services or their evolution of values. In a 2014 Bain Luxury Study, the total global luxury market posted a growth of 7% with 9 out of 10 categories showing positive results (D’Arpizio, Levato, Zito, & De Montgolfie, 2014). This study indicates that the luxury market continues to resonate and attract consumers willing to spend more on products and services, if they are worth it. The future is promising as the compound annual growth rate from 2014 to 2020 is expected to be 3.4% (Jones, 2015). Analysts from Boyden (2015) are predicting worldwide luxury products revenues to grow 50% faster than global GDP, driving revenues to \$350 billion by the end of 2015. As the definition of luxury is as elusive as the consumers who crave it, brands cannot rely solely on market growth to drive their business. In the past, brands dictated the style and controlled demand; today, consumers hold the power. Consumers have an active stake not only in their choice, but also in all facets of the brand proposition from creation to communication.

The global economy and digital-age have allowed accessibility and consumption to transcend borders. More than ever, consumers have touch-points and interaction opportunities that empower them to be more demanding in the brand-consumer relationship. Consequentially, the meaning of luxury today is more fragmented, subjective, and less tangible. The luxury that was once enjoyed by a relatively homogeneous group is now enjoyed by a diverse luxury

customer population in different geographies (Boyden, 2015). For luxury brands to remain relevant, they must speak to consumers with their cultures and core values in mind.

Today's consumers are multi-dimensional purchasers that draw from experiences and values that affect their buying decisions. These experiences are grounded in neuroscience and psychology, resulting in memory creation. The combination of such memories with the essential values of family, health and well-being, and time have defined today's consumer.

### **Collecting Experiences**

Consumers purchasing experiences, rather than products is not only a shift in behavior, but is also grounded in neuroscience and psychology. Professors of Psychology at Cornell University, Thomas Gilovich and Leaf Van Boven (2003), studied the distinction between experiential and material purchases. Gilovich and Van Boven discovered that experiences bring more joy than do material possessions. The happiness brought on by a purchase doesn't begin during the transaction, but rather in anticipation of the experience (Kumar, Killingsworth & Gilovich, 2014).

This research can be further exemplified through current consumer purchasing habits. The Boston Consulting Group (2014) determined that experiences that include travel, gourmet dining, and art auctions accounted for 55% of global luxury spending. The Boston Consulting Group (2013) also uncovered that the annual growth of sales of luxury experiences grew by 14%, compared with 11% for luxury goods. This research demonstrates a clear shift from consumers collecting tangible goods to collecting experiences. As a result, brands are focusing their time and effort on building unique experiences online and offline. Due to the emphasis on experiences, consumers are not only inundated with brand messaging, but also are suffering from experiential overload. Experiences are bountiful but short-lived.

### **Experiences are Fleeting**

Daniel Kahneman (2010), a Nobel Laureate in Economics, follows the principle that each moment has the ability to last no more than 3 seconds. It is estimated that humans live approximately 20,000 moments each waking day. The brain, however, cannot remember each of these experiences and chooses only select individual moments to process as memories. Dr. Kahneman (2010) explained in a recent TED Talk that humans are divided into two selves: the experiencing self and the remembering self.

The experiencing self lives the moments while the remembering self records individual moments into memory. During the process of decision-making, the remembering self has full control. As cited in Naina Chernoff's (2002) article entitled *Memory vs Experience: Happiness is Relative*, Daniel Kahneman stated, "We make our decisions in terms of our memories and basically, we maximize remembered utility..." (par. 18). This study demonstrates the importance of creating experiences that drive memory creation.

### **Memories are Forever**

Paul Reber (2010), Professor of Psychology at Northwestern University, hypothesized that the memory storage of the brain is worth 2.5 petabytes or one million gigabytes. Reber (2010) compared the brain to a digital video television recorder explaining that the TV would need to run continuously for 300 years to fill the storage space. Reber's study substantiates the brain's capacity to retain every memory it deems useful.

Based on an extensive understanding of the psychology behind experiences, experiential aspects need to be incorporated into each facet of a luxury good. Luxury companies have traditionally focused on product delivery and performance. Today, consumers are shifting their focus toward experiences. As there are 20,000 moments each day, experiences are fleeting and

are subject to the discretion of the remembering self as to whether they are worth storing into memory. Brands need to invest in memory creation to ensure that their experiences are remembered past the purchasing and discovery period.

### **The Science of Memory**

Based on the BCG FIT Global Luxury Customer Survey (2015), consumers today value the memories left behind from their experiences. Consumers' behavior is influenced by their memories. As memories influence the past, present, and future, it is imperative to understand how memories are created.

Emotions play a critical role in memory creation. In 1977, Psychologists Roger Brown, PhD and James Kulik, PhD (1977) presented the term "flashbulb memory." Brown and Kulik (1977) demonstrated how emotions impact the memory creation process. The more emotional an event is, the higher the chances are that the memory will be recorded. Major news such as 9/11 is highly remembered by the public. These memories are called "flashbulb memories" because the flashbulb conveys the notion of surprise and the brevity of a photograph (Brown & Kulik, 1977). *The Scientific Journal of Memory & Cognition* published an article that proved flashbulb memories are more vivid; memory recall is more accurate and has a fuller scope of the event (Conway et al., 1994).

Based on a study published by Dr. James McGaugh (2013) in *The Proceedings of the National Academy of Sciences of the United States of America*, even mildly emotional events could help to create a stronger memory. Luxury brands have the opportunity to create stronger and longer-lasting connections with their consumers by appealing to their emotions.

Neurological studies of the brain's reaction to stimuli indicate three elements that are critical to

make the emotional connections that drive memory creation: sensory appeal, delayed gratification, and disruption.

### **Sensory Appeal**

The initial way to create memory is to appeal to the senses. All memories begin as sensory memories, introduced to the brain by each of the five senses. Richard Atkinson and Richard Shiffrin from Stanford University were the first to describe how memories work in their 1968 journal entitled *Human Memory: A Proposed System and its Control Processes*. Through their research, Atkinson and Shiffrin (1968) studied the memory creation process beginning with sensory memory's development into short-term memory. In order to create a short-term memory (see Figure 1 for Atkinson and Shiffrin's Sensory Memory Model), humans have to pay attention to their surroundings and what they are experiencing through the five senses (Atkinson & Shiffrin, 1968). According to *Life Science Magazine*, the hippocampus takes simultaneous memories from different sensory regions of the brain and connects them into a single "episode" of memory (Ashford, 2010). This episode draws from the five different senses, thus creating a single combination of events into a single lasting memory.

Each sense will have its own impact on a memory. According to Geoff Crook (2000), the head of sensory design research lab at Central Saint Martins College of Art and Design, 83% of the information people retain is received visually (as cited in Ellison & White, par. 5). Neurologically, smell is the strongest of all senses in memory creation, generating 75% of our emotions as uncovered by the Millward Brown Agency (as cited in Lindstrom, 2005). The sense of hearing has a direct impact on brand recognition. American Express (2012), explains that 95% of consumers are able to recall a brand that plays music that aligns with its identity.

Additionally, in regards to touch, 35% of consumers say the feel of their cell phone is more important than it looks (Murtagh, n.a).

The study conducted by the Millward Brown Agency (2005) further found that emotional connections are effectively made with a synergy of all five senses. Luxury brands that are communicating from a multi-sensory brand platform have the greatest likelihood of forming emotional connections between consumers and their product.

Brands will need to understand that sensory perception can drive consumer behavior. Consumers will look for brands that will invoke a ritual that begins a sensorial experience. Sensory appeal engages the subconscious in subtle ways that are very powerful. Consumers do not perceive sensory tactics as marketing messages and therefore do not react with the usual resistance to advertisements and promotions (Harvard Business Review, 2015). Sensory Appeal is the first stage in memory formation.

### **From Instant to Delayed Gratification**

Technology is putting instant gratification at the center of our world with examples such as drone delivery systems (Spary, 2015). Today, consumers live in the world of “now,” expecting faster delivery time, internet speed, and service. Although the consumer’s mind is conditioned for instant gratification, neurologically the anticipation of a reward is far more gratifying. Dr. Wolfram Schultz (1998) published in the *Journal of Neurophysiology* that dopamine, a neurotransmitter and stimulant, is released in anticipation of a reward and not when the reward is received (see Figure 2 for Dr. Wolfram Schultz’s study on the brain’s reaction to dopamine). It is the thrill of the hunt or the wait that creates pleasure, not the purchase. As a result, there is an opportunity for luxury brands to delay gratification in order to introduce the anticipatory dopamine effect into the shopping experience.

Today, the concept of delayed gratification is exemplified in e-commerce during the anticipation of product delivery. Research conducted by Forbes and RazorFish (2014) uncovered that people enjoy the anticipation involved in waiting for a purchase to be delivered. Sixty-six percent of people in the U.S., 72% in the U.K., 73% in Brazil, and 82% in China say they are more excited when their online purchases arrive in the mail than when they purchase in-store (as cited in Shao, 2014). This research poses a challenge to brands in how they can leverage the power and pleasure of anticipation as a marketing tool. Designer Raf Simons started to apply this strategy in his collaboration with Sterling Ruby, where he featured one piece of the collection per week (Woolf, 2014). This strategy generates anticipation about what the next featured item will be. This unpredictability produces a higher level of dopamine, creating a successful shopping experience (Mirenowicz & Schultz, 1994).

### **Disruption & Unexpectedness**

Disruption, positive or negative, gives tonality to a memory. Memories are easier to recall if there are changes in the story, significant moments, or the ending. Dr. Kahneman (2011) explained that our brain tends to color the entire story with the intensity of the ending. Wael Asaad, an Assistant Professor of Neurosurgery at Brown University, and Dr. Read Montague, a Professor of Neuroscience at Baylor, explain that people crave the unexpected and that the unexpected drives learning (as cited in Redick, 2013, par. 6). As a result, disruption has the ability to introduce new stimuli that can affect consumers' beliefs and behaviors.

Consumers' craving for unpredictability has led brands today to be focused on the surprise and delight factor. As a result of the science behind disruption, brands need to focus on driving disruptive and unexpected moments during the consumer journey. Brands have the power to create a great memory by paying attention to every single detail but more importantly

by being disruptive. The unexpected will capture the attention of the consumer and transform a common experience into a positive long-term memory, which will increase consumers' connection to the brand.

### **Consumer Shift to Core Personal Values**

According to the BCG FIT Global Luxury Customer Survey (2015) conducted in the US, China, and India, today's luxury consumers are shifting away from the traditional hallmarks of the luxury industry and becoming focused on core personal values. Exclusivity and rarity, which for hundreds of years have been the cornerstones of what made luxury desirable, ranked within the top three values only in India, but were not a priority for the U.S. and China (BCG FIT Global Luxury Customer Survey, 2015). This result did not occur in the U.S. and China because brands are widely accessible, purchased, and experienced.

Across each of the three markets surveyed, Family, Health and Well Being, and Time ranked as the top three values (BCG FIT Global Luxury Customer Survey, 2015). These values are essential and timeless to individuals. While the traditional luxury model values of quality, craftsmanship, and heritage are still applicable (see Figure 3 for the Traditional Luxury Model), this new set of universal values has an equally important role in the decision-making process.

The combination of similar values across markets and generations, predictions of an ageless society (Cosmetic Design, 2014), and rising international visa (Willett, 2015) and travel rates (Amadeus, 2014) could indicate that the consumer is beginning to be more homogenous. However, this is not the case for today's or tomorrow's consumer. The 2014 Capstone Research entitled *Engaging the New Beauty Customer* identified that as people are checking the "other" box, it is becoming increasingly more difficult to target consumers using traditional demographics such as age, ethnicity, and household income (Greenwald et al., 2014).

Consumers' needs and desires are constantly shifting based on the day, the situation, their mood, or their location. Consumers are more distracted than ever before. According to a 2015 Microsoft study, the human attention span has declined from 12 seconds in 2000 to 8 seconds in 2015 (as cited in Leon, 2015, par. 2). A goldfish's attention span at 9 seconds (as cited in Leon, 2015, par. 5) is longer than that of a human being.

The challenge that brands face today is how they can accurately merge products and experiences that speak to all types of individuals. In order to fully react to the seismic macro-economic and societal shifts that continue to force evolution within the luxury industry, brands will have to transcend the traditional luxury model of heritage, quality, and craftsmanship to discover new ways to inform their strategy. Brands must focus on the consumer and look beyond emotion and stereotypes to understand the mind of consumers and to measure their subconscious needs and desires in order to leverage their ever-evolving mindsets and values. In doing so, they will identify the evolution of these values and how they can be incorporated into future strategies.

### **Universal Consumer Values**

Consumer values have shifted today and are now part of consumers' DNA during their decision-making process. These universal consumer values include:

**Family:** In the BCG FIT Global Luxury Customer Survey (2015), 3,000 participants were asked what they would do if they had an extra hour in the day; 1 in 3 participants chose to spend more time with family. This survey uncovered that family values ranked at the top of the survey regardless of age, income, religion, or location. Undoubtedly, the timeless value of family will continue to play a crucial role in consumer values today and tomorrow.

**Health & Wellness:** In the BCG FIT Global Luxury Customer Survey (2015), 97% of participants were kept up at night due to concerns with health and wellness. According to Nielsen's 2014 research titled *Health and Wellness in America: The Consumer Perspective*, “Health is trending in the U.S. from superfoods like kale to new exercise fads like yoga and CrossFit, healthy habits are on the tip of the American public's tongue” (Nielsen & NMI, 2014).

**Time to Oneself:** As time is often referenced as the most precious commodity, the BCG FIT Global Luxury Customer Survey (2015) found that 92% of participants stated that “time to oneself” was most important behind family and health. This statistic demonstrates the growing importance of the consumer’s need for self-reflection, self-management, and relaxation.

Family, health, and time are the universal values of today’s global luxury consumer. In order to understand how today’s universal values will evolve in 2030, forward-looking macro-trends were identified.

### **Macro-Trends of 2030**

The Macro-Trends for 2030 were identified based on their substantial impact on the economy, environment, and society.

**Macro-Trend 1: Closer Digital and Physical Connections.** KPMG (2015) predicted that the world’s population will reach 8.2 billion people in 2030. This population explosion will increase the demand for information. “Around 40% of the world population has an internet connection today. In 1995, it was less than 1%” (Miniwatts Marketing Group, 2015). The rise of digital technology and availability of information has created a third tidal wave in the marketplace. According to Miniwatts Marketing Group’s live Internet World Stats (2015), 86% of North Americans have access to the internet; whereas, Africa and Asia have 26% and 24%, respectively. In addition to increased digital connectivity, consumers will physically be living

closer together. According to KPMG (2015), more than 60% of the world's population is predicted to live in cities by 2035 with the majority of this urban growth occurring in Africa and Asia.

**Macro-Trend 2: Strain on Global Resources.** As a result of the growth in population, there will be a greater demand on all resources in 2030. The Few Resources Org (2015), founded by Professor Madison Powers at Georgetown University, predicted that water scarcity will be the number one greatest global crisis in 2030. By 2025, 1.8 billion people will be living in countries or regions with absolute water scarcity and two-thirds of the world population could be under stress conditions (Few Resources Org, 2015). This inevitable fact will further ensure that luxury consumers need to be choice conscious in their consumption of resources and tangible goods.

**Macro-Trend 3: Insatiable Desire for Time and Convenience.** According to a 2014 Business Insider article entitled *The On-Demand Economy is Revolutionizing Consumer Behavior*, \$4.8 billion has been invested in on demand services like Uber and Grubhub (Jaconi, 2014). These time saving and convenience driven services are expected to grow at an annual rate of 50% (Jaconi, 2014). A key driver of this trend is the consumer's ongoing search for more time and flexibility. To further support this information, the BCG FIT Global Luxury Consumer Survey (2015) uncovered that 91% of respondents said they would rather rent their wedding dress than own one as the dress is needed only for "a brief moment in time." This demonstrates the consumer's preference to have access to luxury goods at a moment's notice, but not have ownership.

### **Emerging Consumer Values of 2030**

As a result of the dynamic macro-trends of 2030, the traditional core consumer values of family, health and wellbeing, and time evolve to intimacy, legacy, and mindfulness (see Figure 4 for a visual depiction of the consumer value evolution).

#### **1. Family evolves to Intimacy in 2030**

As more digital connections are made and consumers everywhere can glean information, the luxury values of tomorrow are intimate, inclusive, and more democratic. Based on the BCG FIT Global Luxury Consumer Survey (2015) in the U.S., 9% of consumers ranked “exclusive” or “rare” as the least important value when purchasing a luxury item. Ten percent of U.S. consumers said “brand status” was important and 42% said “product and service quality” was the most important factor (BCG FIT Global Luxury Consumer Survey, 2015). It is an important consideration for brands today to think about how their online positioning reaches the masses in a very approachable, non-elitist way that drives consumers to want to be part of the brand.

Today, consumers have a thorough understanding that they are not homogenous, they are not of “one size fits all” mentality. As a result, consumers want unique, one-of-a-kind experiences and brands. Moving forward, consumers will evaluate brands just as they evaluate their relationships with a partner, spouse, or best friend.

Intimacy will be the new luxury consumer value moving forward as trust, transparency, and loyalty rise to the top of the evaluation scale for consumers to select a luxury brand. In the BCG FIT Global Luxury Consumer Survey (2015), 44% of consumers said their next luxury purchase over \$500 will be purchased online. The one-to-one interaction online between a consumer and a brand proves that there is a need for luxury brands to build intimate relationships with their consumers before, during, and after a purchase. According to SoulCycle’s Vice

President of Culture and Training Amy Peck (2015), “Consumers want to feel valued and heard.” Brands need to create a customized relationship with their consumers by being relevant, personal and authentic. Crafting an authentic brand persona “strengthens emotional connections” (Herskovitz & Cristal, 2010, p. 21). As such, brands have to be thoughtful, generous, and sensitive to the consumers’ values and preferences. They need to truly be customer centric and collaborators.

## **2. Health & Wellness evolves to Legacy in 2030**

The consumer of the future is looking not only to be a part of a brand’s story, but is proactively seeking to make an impact. KPMG (2015) estimated that by 2030, half of the world’s population will be part of a social network, or in other words, part of a greater story. Today, the shift towards consumption consciousness has begun. The brand mission of high-end outdoor clothing company, Patagonia, is to “build the best product, cause no unnecessary harm, use business to inspire, and implement solutions to the environmental crisis” (Patagonia, 2015). Patagonia represents a strong point of view and humbly appeals to those consumers whose philosophy is like-minded.

To further make an impact, brands are aligning their business models to consumers’ consciousness of their carbon footprint and their preference of access versus ownership. The shift from owning to sharing is a clear indication that the consumer is in the driver seat, dictating the need for brands to minimize their carbon footprint. In the future, consumers will prefer a brand with substance over style. The most sustainable brands will have a holistic business model that benefits their employees, customers, and the earth. As a result, a brand must be relevant to the consumer and his/her community. Patagonia’s program entitled “The New Localism” aims to inspire and empower local communities to make a change in the world (Patagonia, 2015).

Through localized content, consumers are interested, curious, and amazed on how a global brand can intimately be a part of a small community. Generating such emotions from a consumer can lead to admiration and advocacy (Libert & Tynski, 2013).

### **3. Time to Oneself evolves to Mindfulness in 2030**

In today's age of hyper convenience, consumers find luxury in goods and services that make everyday tasks easier (The Trend Hunter, 2013). As consumers become more deeply gripped with technology, instant access will become the norm and time will become more precious. Google engineers have discovered that Internet users will visit a website less often if it is slower than a close competitor by 250 milliseconds (Lohr, 2012). Additionally, Mintel (2015) estimates that four out of five online users will click away if a video stalls while loading. For individual brands in 2030, every millisecond with the consumer is paramount whether online or in-store.

Future luxury consumers will be more cognizant of how they spend every second of their day as their time is precious. Brands as a result, have to compete for the consumer's limited time. Mintel explains that people are looking for immersive experiences that help them feel "something reminiscent of a different time and place" (Glasgow, 2013, par. 5). As a result, brands need to show consumers that their time is celebrated by transporting them on a journey.

The BCG FIT Global Luxury Customer Survey (2015) revealed a deep understanding of future luxury consumer values. As consumers translate the three universal values of family, health and wellness, and time into the emerging values of intimacy, legacy, and mindfulness, luxury brands will need to find new ways to connect with these values. Greater macro-trends of digital connectivity, loss of time, need for convenience, and a greater understanding of the larger impact of brands will all shape tomorrow's consumer and the new luxury model in 2030.

### **The Future Luxury Model in 2030**

Due to a heavily saturated marketplace, brands have to find new ways to grab the consumer's attention. In a study conducted by Goo Technologies (2014), 82% of consumers surveyed said they ignored all forms of online advertising. In order to break through the clutter, a brand must connect with a consumer's values and create lasting memories. In contrast to the traditional luxury model that is rooted in heritage, quality, and craftsmanship, the new luxury model will evolve to include: Memory Creation and Value Connection (see Figure 5 for the Future Luxury Model). Consumers will no longer focus on collecting products and experiences; they will collect memories. The Future Luxury Model will use science, technology, and consumer data to create memorable experiences. Brands will use this model to ensure that they are creating an individualized relationship with each of their consumers. This model can be used to understand opportunities for the future or can be used as a tool for the ideation process.

### **Luxury Brand Strategies for Today & Tomorrow**

The luxury consumer will approach luxury brands differently, and luxury brands will focus on appealing to their ever-changing hearts, minds, and desires. Consumers in 2030 will be driven by the power of individuality and the desire to lead a meaningful life. Like technology and medicine, investors and doctors are personalizing their products and services to address the individual as unique. In order to speak to the consumers of tomorrow, luxury brands will need to create new long-standing memories and deep emotional connections through the consumers' values. As a result of combining behavioral psychology and the neurology of the consumer with the consumer's evolved values, Neuro-Insights were created. These insights will serve as the basis for luxury brands to develop short-term and long-term strategies (see Figure 6 for an overview of the short-term and long-term strategies).

### **Short-Term Strategy**

Brands need to have a short-term strategy that is immediate, efficient and tangible. “The Consumer First” strategy puts the consumer at the center of the luxury brand’s strategy. It is shifting the traditional product focus model to a consumer centric model. The cliché of today’s consumer-centric model is still predominately product focused.

**The “Consumer First” Strategy.** In order for brands to be set up for success, brands need to optimize their consumer research to gain a deep understanding of today’s and tomorrow’s consumers. Successful consumer centric companies such as Google and Amazon dedicate 14.9% (Google, 2014) and 10.4% (Amazon, 2013) of their revenues on developing new products and services that change and improve the consumer’s experience. Currently, it is estimated that the leading luxury beauty companies dedicate an average of 3% of their revenues on research and development (see Chart 1 for a graphical depiction of research and development investment; estimate based on average research and development expenditure from L’Oréal, Estée Lauder Companies, and LVMH Group). To remain competitive, luxury brands have to move beyond their traditional research model and increase their investment in research and development to 8% of total revenues. Luxury brands must re-allocate their research and development funds to consumer centric innovations that focus on the individuality of the consumer rather than the innovation of the product.

A best practice example of meeting the consumer’s needs is Amazon’s implementation of “anticipatory shipping.” Amazon uses previous orders, product searches, wish lists, shopping-cart contents, returns, and even how long an Internet user’s cursor hovers over an item to ship consumers products before they are ordered (Bensinger, 2014). Luxury brands, today, can leverage this information from their retail locations and E-Boutiques to share a season’s newest

innovation that aligns with the customer's preferences, colors, and styles. These products could be sent directly to his/her home to review and test rather than inviting the customer in-store.

This not only saves time but also provides a highly customized experience.

### **Long-Term Strategy**

While short-term strategies like the "Consumer First" strategy is an immediate fix, the long-term strategies will take time to implement. These long-term strategies were created in order to build long-lasting relationships with the consumer, while also appealing to the future consumer's values.

**"Mood-Metrics" Strategy.** The luxury consumer's mood changes by the minute. Luxury brands are challenged to understand a consumer's mood in the retail environment. In 2030, brands will have the ability to read these mood shifts and garner information to provide products and services that meet the consumer's needs and desires. A 2013 study conducted by Aalto University in Finland was able to map out human emotions in the body in response to signals in the central nervous system. This study mapped emotions including happiness, anxiety, and love (Nummenmaa, Glerean, Har, & Hietanen, 2014).

Leveraging the research from Aalto University, "Mood-Metrics" technology will be able to sense and decipher a consumer's current mood in an in-store experience. Using infrared cameras in a retail environment, consumers emotions will be mapped and transmitted to a sales associate's hand-held device (see Figure 7 for a rendering of the "Mood-Metrics" application). This application will allow the sales associate to cater to the consumer's exact needs, leveraging past consumer mood profiles in order to identify the best ways to greet the customer, to identify the value she holds, to call out her mood preference between product selection, and to provide recommendations on how to close the sale.

“Mood-Metrics” will have an immediate impact on the business. The ability to accurately decode her mood will increase conversion with the high-touch service experience and will reduce returns by being able to deliver products the consumer actually needs. “Mood-Metrics” will positively impact gross to net sales, creating a more financially healthy business model.

**“Metamorphic Branding” Strategy.** The luxury consumer’s preferences are constantly evolving. Brands will need to evolve and adapt to this chameleonic attitude. In 2030, the consumer will be given the opportunity to tell his/her individual story through a lifetime of changing, editing, and refreshing their valued possessions. The future of luxury is unlimited personalization; whereby, the first experience is as memorable as the last.

In order to resonate with the ever-changing consumer, brands need to act as a blank canvas for consumers to create their own masterpieces. In 2030, brands will need to include an additional component into a product’s life-cycle, which we call “Metamorphic Branding.” Through this strategy, consumers will be able to bring their treasured possessions back into the store to re-fashion products in ways that are uniquely individual and personalized. Products that were once considered aged and finite can become evolving memories and treasured in new and different ways. In beauty, “Metamorphic Branding” will follow a similar chameleonic approach. In 2030, color cosmetics will have the ability to morph and align with the consumer’s environment and physical state. For example, a daytime natural make-up look will transform to a night-time dark lip and smoky eye in the evening.

### **Conclusion**

In 2030, the consumer will be the center of the luxury business model. Luxury brands will be challenged to build lifetime one-to-one relationships based on consumers’ deep-seated

needs and values. For the luxury consumer, wealth will be measured by the collection of memories and the accumulation of meaningful experiences. To build towards the future, luxury brands need to focus their investment and research to understand the consumer.

In order to better prepare luxury brands for the future, brands must ask themselves the following critical question: *If your brand was a memory, what would it be?* Through extensive research, it was uncovered that this question will play a critical role in determining the success of luxury in 2030. If this question is answered today, luxury brands will establish a new paradigm for success measured by the longevity of the brand and its revenues.

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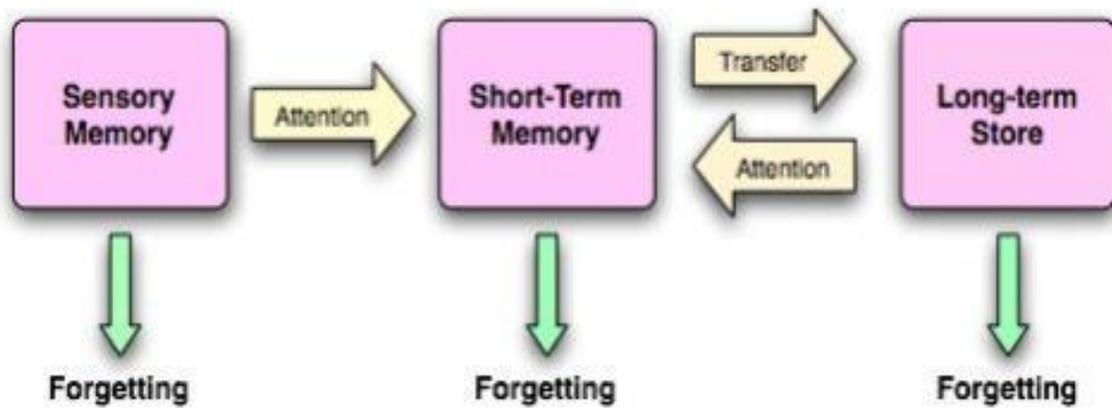
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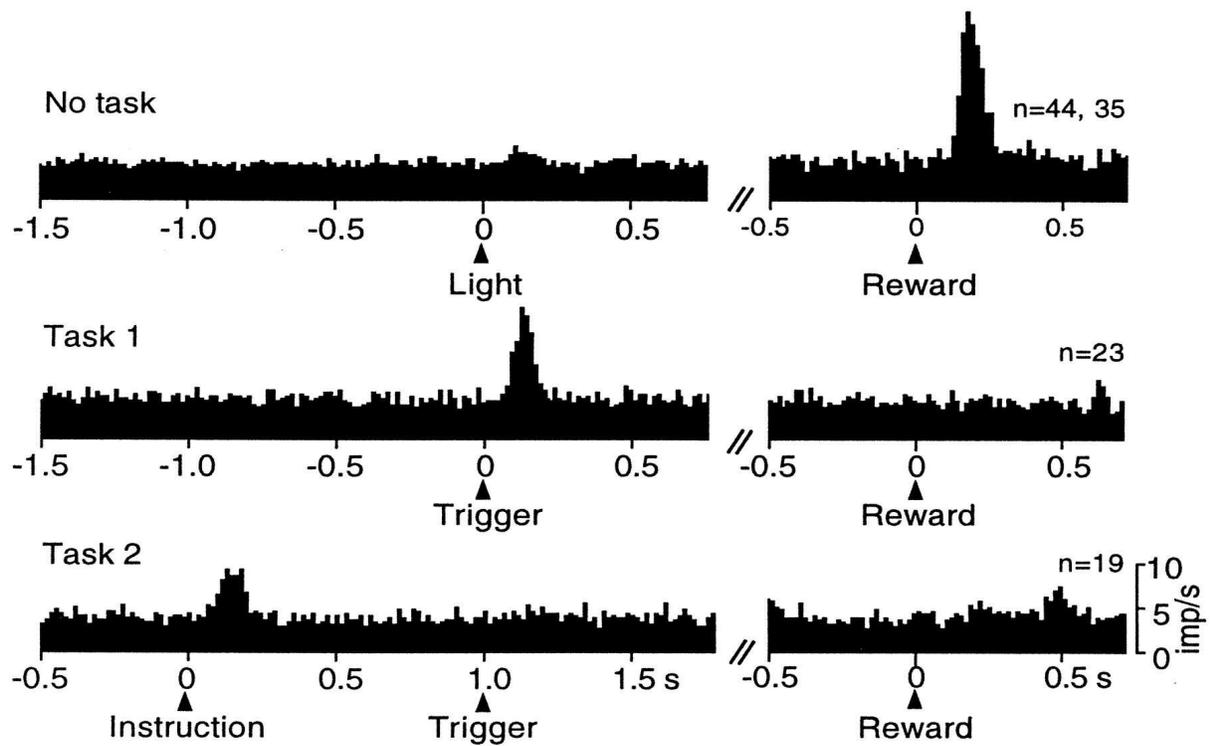
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*Figure 1:* Atkinson and Schiffrin's Sensory Memory Model. This model is used to identify the memory making process and how sensorial experiences are processed through the Sensory Memory.

*Source:* Ricker, J. (n.d.). The standard model of memory. Retrieved from

<http://sccpsy101.com/home/chapter-5/section-6/>



*Figure 2:* Dr. Wolfram Schultz's Study on the Brain's Reaction to Dopamine demonstrates that the anticipation of a reward produces more dopamine than receiving the reward.

*Source:* Schultz, W. (July 1, 1998). Predictive reward signal of dopamine neurons. *Journal of Neurophysiology*, vol. 80, no. 1, 1-27.



*Figure 3:* This image depicts the Traditional Luxury Model which is rooted in quality, craftsmanship, and heritage.

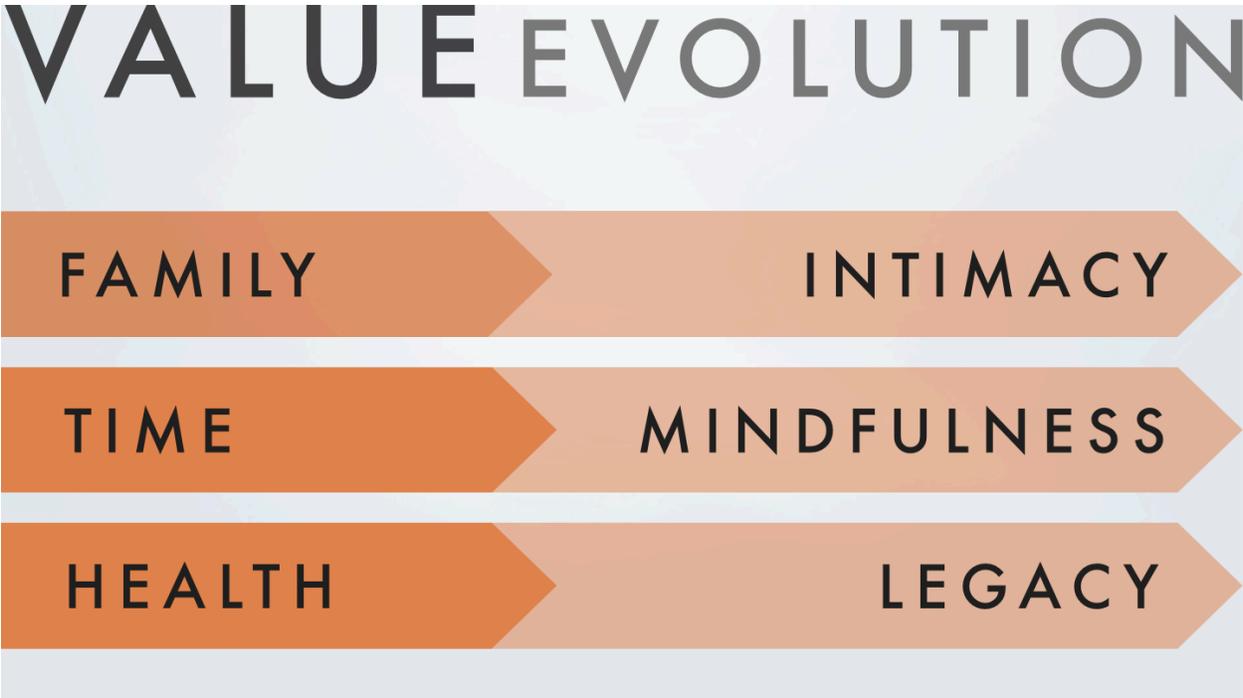


Figure 4: This image depicts the evolution of universal consumer values from today to 2030.

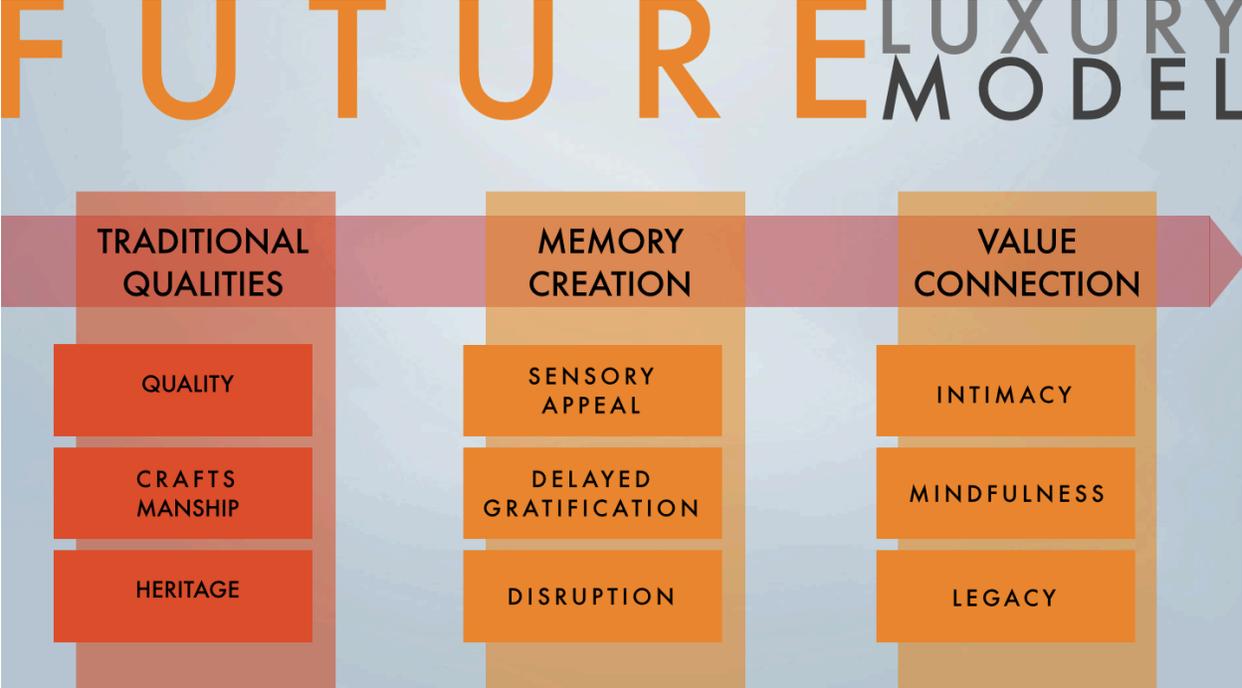


Figure 5: This image is of the new Future Luxury Model. Two new tenets emerge: Memory Creation and Value Connection. Luxury Brands will need to connect with the consumer in a more intimate way in order to understand the new definition of luxury.



*Figure 6:* This is an overview of the Short-Term and Long-Term Strategies that are recommended to be implemented in order to resonate with the future luxury consumer.

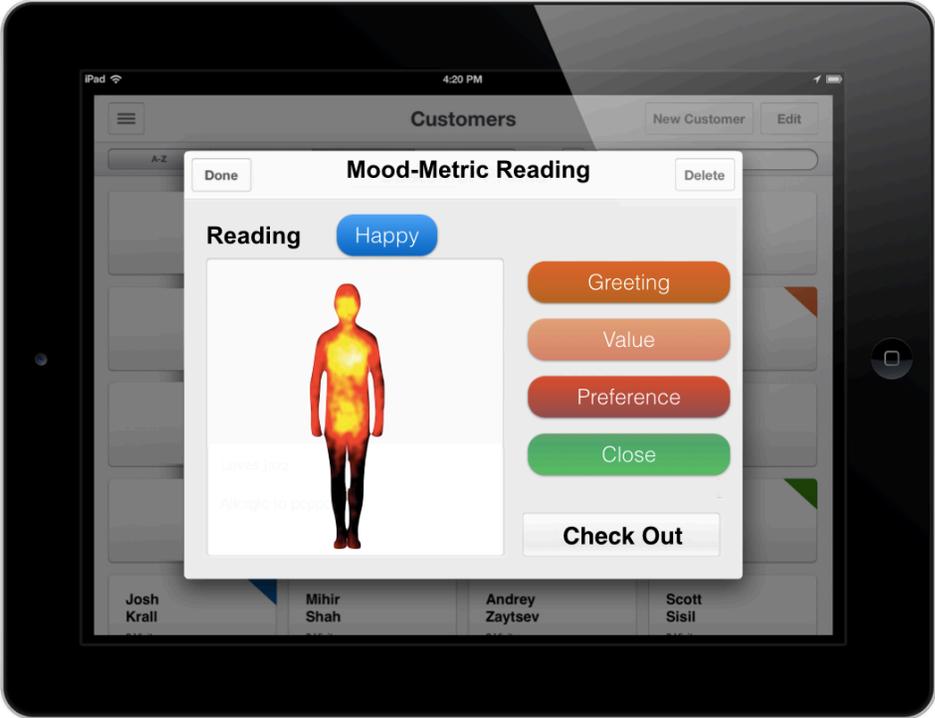


Figure 7: The rendering of the Mood-Metrics Application is included to show how a sales associate will be able to read a consumer’s mood and provide a customized high-touch level of service.



*Chart 1: Research & Development Comparison between Google, Amazon, and Leading Luxury Beauty Companies*