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: 2017

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The Future Laboratory is one of the world's foremost trend forecasting, consumer insight and strategic innovation consultancies. Through its online network LS:N Global, it speaks to clients in 14 lifestyle sectors on a daily, weekly and monthly basis.

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Luxury Futures 2017

Report Contents

Insight Overview

In 2017, the luxury market has become accustomed to uncertainty. Following the 2016 Brexit referendum and the American presidential election, the global luxury market has struggled and the depreciated pound has turned the UK into the most affordable luxury market in the world.

In France, a new president and parliament are opening up new economic opportunities, while in Australia a recession may be looming after one of the longest periods of economic growth on record. In the face of these and other global, political and economic seismic shifts, the luxury market will have to learn the meaning of agility in the coming years.

There are signs that the industry is already doing so as it recovers from a dismal year in 2016. The stagnation it was facing last year – where the personal luxury goods market ended the year at £220bn ($279bn, €249bn) after a period of flat growth – has been replaced by slow but steady gains. In the first quarter of 2017, luxury sales returned to positive single digit growth of +4%, according to Bain & Co. It may not be the 7–9% growth rates of the glory days of the 1990s and early 2010s, but is a step in the right direction.

JIMI JIMI CAMPAIGN BY ZUCZUG AND ZEBU, CHINA

But in this age of political gambles and instability in the West, there are few things that luxury brands can count on. Although Chinese consumer spending rebounded at the beginning of the year, they are spending more domestically – as encouraged by the Chinese government. The US luxury market is essentially being held hostage to the whims of an inexperienced politician. A strong dollar and fall in tourism, driven by uncertainty about government policies, have led to a weakened outlook for the domestic luxury market, especially in locations where retail spaces are closing rapidly. On New York's Fifth Avenue, the world's most expensive shopping street, vacancy rates jumped from 10% in 2015 to 15.9% in the third quarter of 2016, according to Cushman & Wakefield.

In Europe, there has been a slight rise in consumer confidence after 18 months of dampened tourism in essential luxury cities such as Paris due to concerns over terror attacks. As London heals following the terror attack on London Bridge, Claudia D'Arpizio, a partner at Bain & Co, believes that these incidents have almost become an accepted part of life in a global city. 'It is a sad state of affairs, but people are becoming more accustomed to uncertainty being part of their lives,' she says. 'The impact of events like terror attacks on the luxury market is becoming less strong.'

THE CASUAL PLEASURE OF DISAPPOINTMENT BY BJARNE MELGAARD, NEW YORK, 2017

XINÚ PERFUMES BY IGNACIO CADENA AND HECTOR ESRAWE

If luxury cannot rely on established luxury markets, what can it rely on? This report reveals several emerging markets that are showing their robustness, such as Mexico, where Donald Trump's wall propaganda has boosted the country's appeal and local luxury brands are flourishing. Vietnam is another market that offers potential beyond the traditional BRICs and MINTs. The number of high-net-worth individuals (HNWIs) in Vietnam is projected to increase by 139% by 2025 and consumer spending is predicted to soar to £144bn ($183bn, €163bn) by 2020, according to EU-Vietnam Business Network. But beyond geographical markets, perhaps the only certainty for luxury brands is that a new luxury mindset is emerging among consumers.

Moulded by the Millennial demographic, this new mindset is shaping all aspects of luxury consumption. 'This generation is strongly influencing how the other generations are approaching fashion and luxury consumption,' says Federica Levato, partner at Bain & Co. 'There is a different kind of attitude, transparency and experience that older generations are expecting from luxury because they are now exposed to different experiences and propositions.'

STILL FROM JELLYWOLF BY ALMA HAR'EL FOR THE FIFTH SENSE, CHANEL AND I-D

If luxury cannot rely on established luxury markets, what can it rely on?

One shift that we examine in the report is how the language of luxury is changing, driven by a younger, more conscientious luxury consumer. Wealth is no longer solely defined by the bottles of wine in your cellar or the yachts you own at the marina. Instead, it is increasingly transcendent. This Millennial mindset of experience over acquisition means that luxury consumers are looking inward, focusing on personal improvement and wellbeing, and looking to leave lasting legacies. It is about transformation and the greater good rather than ostentatious displays of wealth. Luxury brands looking for steady growth need to cater for this consumer mindset and be agile and adaptable in the face of instability, because the only thing we can be certain of is that this era of uncertainty is here to stay.

Daniela Walker, insight editor, LS:N Global

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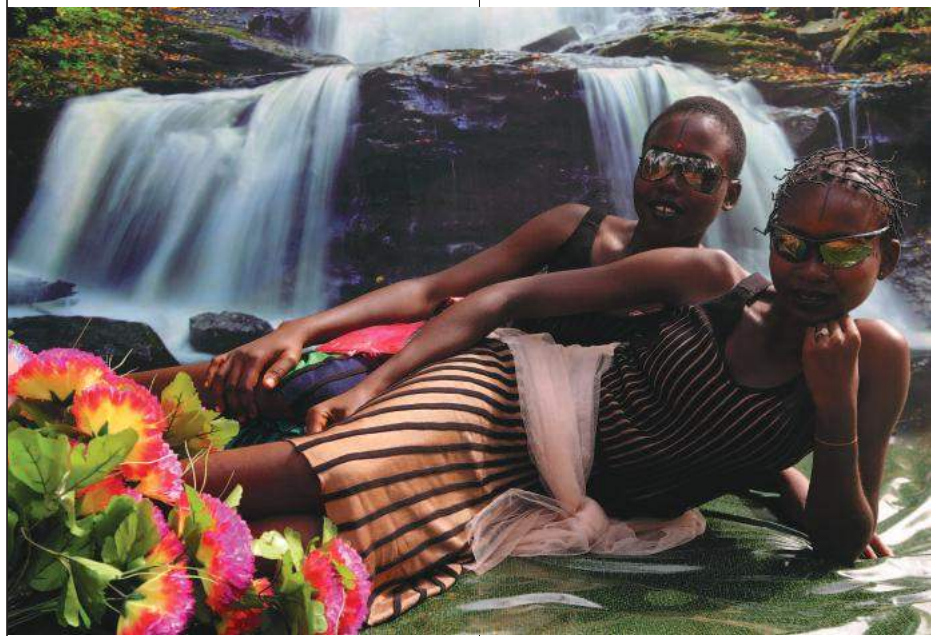
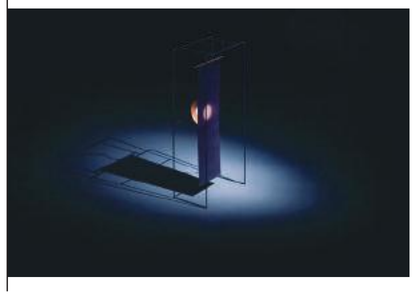
‘Luxury brands must stop relying on the stalwart markets of America and Europe, where political uncertainty reigns. While Chinese consumers are beginning to spend more at home, it’s time for luxury brands to consider other emerging markets.’

Martin Raymond, co-founder, The Future Laboratory





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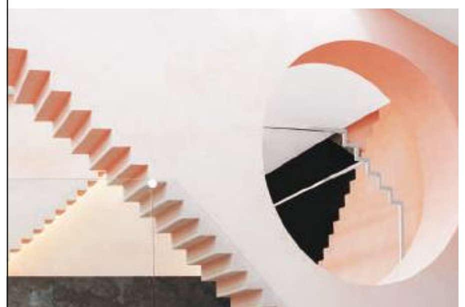
PASSAGES BY PANTER & TOURRON

UNITY IS STRENGTH BY AKINOLA DAVIES JR AND IBRAHIM KAMARA FOR KENZO, NIGERIA. PHOTOGRAPHY BY RUTH OSSAI

DIMORESTUDIO INSTALLATION FOR MILAN DESIGN WEEK, 2017



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EDITORIAL BY ADA SOKOL AND JEANNE-SALOMÉ ROCHAT FOR NOVEMBRE MAGAZINE

Y-3 SPRING/SUMMER 2017 CAMPAIGN BY ADIDAS

THE VISION-AIRS: EXPERIMENTS IN STYLE BY PAULA CÁNOVAS FOR NIKE LAB

NOVELTY STORE BY ANAGRAMA, MEXICO

MK2VR BY BONSOIR PARIS

Market Insight

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The world of luxury is no longer as stable as it once was. After a tumultuous year in which global politics, social structures and security have been tested, our collective anxieties have undoubtedly had an impact on consumers' mindsets and attitudes towards luxury.

The market is in a state of flux. Major players, confronted with the need to remain relevant and desirable, are changing their strategies to gain mere percentage points of growth. Hard luxury stalwarts are facing new challenges as emerging affluent consumers find new, experience-led ways to exhibit their wealth.

Despite these feelings of uncertainty, the overall luxury industry grew by 4% in 2016 – the third consecutive year of modest growth – to an estimated £941bn ($1.2 trillion, €1.1 trillion) in retail sales value, according to a Bain & Co study commissioned by Fondazione Altagamma. According to Bain, this level of growth will continue through 2020 – a pace considerably slower than the rapid expansion of the industry in the mid-1990s to the late 2000s. In their 2017 Spring Update, Bain & Co predicts that the global personal luxury goods market will grow by 2–4% at constant exchange rates to reach £223–228bn ($284–290bn, €254–259bn) in 2017.

SHIMO BY ADA SOKOL AND ETIENNE GARACHON

'This year looks promising so far,' says Claudia D'Arpizio, director of the Milan Office of Bain & Co and lead author of the company's Spring Update. 'After a difficult 2016, the first quarter of 2017 brought some relief to the luxury industry. Factors such as the continuous repatriation of Chinese consumption as well as a positive outlook in Europe both for locals and tourists will help drive overall market growth during the remainder of the year.'

According to Euromonitor's Luxury Goods in the US study, the strong dollar is discouraging tourists and investors from spending in the country, with some travelling to Europe for holidays and shopping. Luxury sales to domestic shoppers remain weak in the US owing to the economic uncertainty driven by the November 2016 presidential election and consumers cutting back on discretionary spending.

The bastion of luxury goods sales, China, relished a wave of young affluent Chinese shoppers who spent at home rather than in Europe or Hong Kong in 2016. The growth rate for local luxury sales exceeded that of overseas purchases by Chinese tourists by 5% in 2016 – the first time that this has happened since 2001. China's overall contribution to the global luxury market was 30% in 2016.

Consequently, Hong Kong recorded a 22% decline in purchases of jewellery and watches in the first seven months of 2016.

Luxury consumers' purchasing habits are evolving. According to Bain & Co, luxury cars remained the top-performing segment globally in 2016 – up 8% – followed by luxury travel, beauty, fine wines and spirits, and fine food. There is a clear shift towards experiences over hard goods. 'Luxury brands are now competing with the plastic surgeon and the luxury travel agent. For a similar price, you can have a Louis Vuitton handbag, a facelift or a trip to the Maldives,' says Erwan Rambourg, global co-head of consumer and retail equity research at HSBC in New York.

GROOMING RETREAT BY MARIANA DE DELÁS AND GARTNERFUGLEN ARCHITEKTEN

Alternative Opportunities

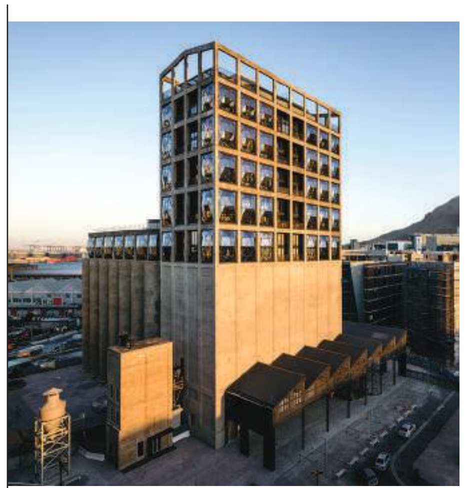
While China accounts for around one-third of global luxury purchases, shrewd brands are exploring the emerging luxury markets and new affluent customers that will future-proof their sales.

A report by AT Kearney examines Sub-Saharan Africa's potential for luxury brands. By the 2040s, it could be the 'biggest, fastest, strongest and most attractive region for retail in the world', according to the consultancy firm, which compares it to China in the late 1980s.

This potential is echoed by Bain & Co, which highlights the rising number of luxury consumers in countries such as the Democratic Republic of the Congo (DRC), Angola and South Africa. Willing and able to spend, consumers from the DRC and Angola are venturing north to more established luxury hubs such as Nigeria, where they shop for luxury goods at stores such as Polo Avenue in Lagos' upmarket Victoria Island.

Other promising markets set to lead the charge in luxury retail include Vietnam, Iran and Mexico. Vietnam's economic development over the past 25 years, described as 'remarkable' by the World Bank, has translated into higher incomes, driving a new wave of high-net-worth individuals (HNWIs) and millionaires, and positioning the country as ripe for luxury brand investment.

In the Middle East, Abu Issa Holding, one of the region's largest retail and luxury goods distributors, will expand into Iran this year. CEO and chairman Ashraf Abu Issa anticipates positive growth and increased tourism in the years ahead for what he claims is an underserved luxury market. 'We will start with five or six stores in Tehran, and plan to open a similar number each year for the next five years,' he says.



THE SILO HOTEL, CAPE TOWN

Spending on luxury goods in Japan grew by 10% in 2016, driven by a shift towards value for money and low ostentation, especially among ageing consumers whose tastes have matured. Some 6.37m Chinese consumers, driven by the weak Yen, visited Japan in 2016 – the first time the 6m mark has been reached – according to the Japan National Tourism Organization, helping to bolster luxury purchasing. According to Euromonitor, the number of arrivals in Tokyo and Osaka grew by 35% and 52%, respectively, in 2015. Arrivals to the Japanese coastal city of Fukuoka grew by 80% in the same year thanks to an influx of cruise ships from China full of middle-class consumers ready to spend.

'This year looks promising so far. After a difficult 2016, the first quarter of 2017 brought some relief to the luxury industry.'

Claudia D'Arpizio, director of the Milan Office of Bain & Co and lead author of the company's Spring Update

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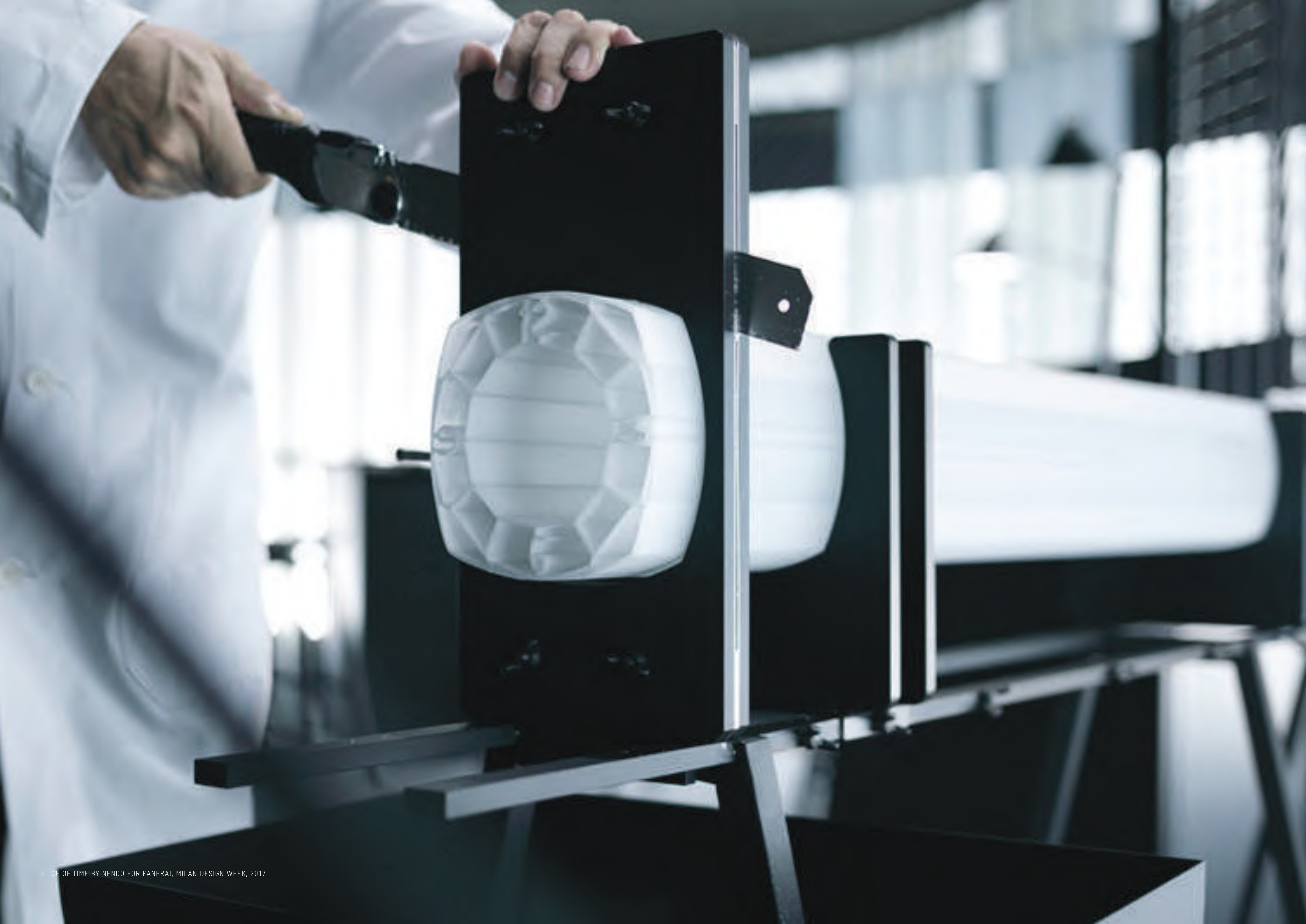
In 2015, Euromonitor predicted that there would be 8.3m middle class households in Mexico in 2016, up by 20% since 2010. With a further 3.8m households expected to be recognised as middle class by 2030, Mexico has a burgeoning population of digitally savvy shoppers with a large amount of disposable income. 'Mexico offers one of the brightest landscapes in Latin America with its large, youthful and expanding population hungry for web-based luxury products,' says Fflur Roberts, head of global luxury goods at Euromonitor.

SALOONI, LONDON. PHOTOGRAPHY BY DARLYNE KOMUKAMA



SLICE OF TIME BY NENDO FOR PANERAI, MILAN DESIGN WEEK, 2017

Manufacturing is increasingly a means for luxury brands to make a statement.

MANIFATTURA BULGARI BY OPEN PROJECT, PIEDMONT

Geo-political Manufacturing

With President Trump pushing to re-shore US manufacturing, luxury goods manufacturing has been thrust into the geopolitical spotlight. Manufacturing is increasingly a means for luxury brands to make a statement.

Trump's campaign to revive manufacturing in the US resulted in the withdrawing of the nation from the Trans-Pacific Partnership (TPP), severing trade links with 12 nations including luxury manufacturing hub China. But while Trump hopes to inspire with his rhetoric of 'America First', luxury brands operating on its shores face more immediate challenges such as sourcing an expert workforce, equipment and technologies to make even the simplest of production lines feasible.

Marcus Wainwright, co-founder of fashion label Rag & Bone, highlights another inconsistency in Trump's plans. 'A skilled US workforce has largely disappeared, and the ones who are trained are largely immigrants – at least in our sewing business.'

Several brands have recognised the potential and marketing value of 'Made in America', re-shoring operations to the US and creating new factories.

US menswear brand Brooks Brothers has re-shored much of its manufacturing over the past decade to circumvent the surplus stock and lower price points created by cheaper, high-volume manufacturing in the Far East. Today, the brand's bespoke shirts, 70% of its suits and 100% of its ties are made in the US – a fact that drives sales growth and positive brand sentiment, according to senior vice-president of manufacturing John Martynec. 'US manufacturing becomes a marketing tool.'

In Los Angeles, Louis Vuitton, a brand prized for its European connotations, has a facility that produces handbags that carry a Made in USA label, and a repair centre. Following a meeting with President Trump, chairman and CEO of parent company LVMH Bernard Arnault announced that the company is eager to open more factories in the US. But there will be challenges as well, especially when it comes to finding raw materials that are not available in the US. For example, China and India are the two leading silk producers, so even if more brands pledge to move manufacturing to the US there will still be a need to import materials from other nations.

THE LIQUID FACTORY BY REEBOK, US

01 COMPACT SUV PRODUCTION BY LYNK & CO

Intrinsically linked, quality and country of manufacture remain a key signifier of luxury, embodying craftsmanship, prestige and sustainability for brands. Some 93% of Chinese luxury customers buy luxury goods because of their premium quality, according to Deloitte.

Burberry has invested £50m ($65m, €57m) in a new manufacturing and weaving facility in England that will employ more than 1,000 local people and highlight the notion that its brand must embody what it preaches – Britishness. British automotive company McLaren has also announced the development of a new manufacturing facility that will create more than 200 new jobs and provide a £100m ($129m, €114m) boost to the UK's economy.

Across the Channel, Hermès has boosted local leather production to meet rising demand in Asia for its iconic Birkin and Kelly handbags. Chanel acquired four of its silk suppliers in 2016 in a bid to protect its supply chain and boost production. It also took a majority stake in a French tannery and a minority stake in a 129-year-old tulle and lace manufacturer. 'Through these investments, Chanel is re-affirming its commitment to the long-term sustainability of a high-quality segment and ensuring the longevity of the silk-weaving industry in France,' said Bruno Pavlovsky, president of fashion at Chanel.

Focus : The Post-Brexit Landscape

Following Britain's vote in June 2016 to leave the European Union (EU), the value of pound sterling fell to its lowest level against the dollar in 31 years.

According to research by Luca Solca, head of luxury goods at Exane BNP Paribas, the Brexit vote has made the UK the cheapest market for luxury goods in the world.

The economic effects of the vote are increasingly apparent, especially in regards to tourism. In August 2016, sales in the luxury watches and jewellery category rose by 74% and consumers spent £5m ($6.4m, €5.8m) on Rolex watches at Heathrow Airport. In December, tourist spending rose by 23% year-on-year, driven by Asian and American shoppers looking for luxury bargains, while visitors from Taiwan and Hong Kong spent 177% and 115% more, respectively.

According to Qing Wang, director of the luxury and innovation hub at Warwick Business School, the rise in tourism is driven by both the drop in the value of the pound and the experiential element created by Brexit. 'The essence of luxury is rarity, exclusivity, heritage and craftsmanship,' she explains. 'Britain may now be seen

Brands are reacting to new financial and logistical challenges in this uncertain landscape.

THE BURBERRY FEBRUARY 2017 CAMPAIGN

as even more exclusive for wanting to preserve its heritage. Smaller luxury heritage brands could really capitalise on that image.'

Beyond the optimism generated by the increase in tourism, there is still cause for concern, including the long-term impact of Brexit on firms' ability to acquire skilled employees. In a recent survey, 86% of Walpole members said that they employed non-UK European nationals in their businesses, while two-thirds said that their firms would struggle to recruit staff if the UK no longer accepted the free movement of labour. 'At the moment, it's a very dynamic situation in which creative talent moves across borders,' says Wang. 'It's a worry that people would no longer feel like Britain is an attractive place to work.'

Brands are reacting to new financial and logistical challenges in this uncertain landscape. The Society of Motor Manufacturers and Traders (SMMT), whose members include Rolls-Royce, Bentley and Porsche, released a statement in March that demanded the government 'safeguard competitiveness' as 'no deal in two years would undermine the £71bn ($92bn, €82bn) UK automotive industry'.

Some brands are changing their price points. To balance out sterling depreciation, Russian luxury jeweller Fabergé announced that it would increase its British pricing by 10% from March 2017, while high-end speaker brand Sonos will raise its prices by 25% in response to the increased cost of importing materials. Similarly, Richemont Group, LVMH Group and Rolex raised their UK prices by approximately 10% after Britain's vote to leave the EU made luxury watches in the UK 20% cheaper than those in other countries.

In India, brands in the luxury automotive sector including Rolls-Royce, Bentley, Aston Martin, Range Rover and Ferrari cut their prices to capture the attention of the country's millionaires and billionaires, who comprise 2% and 5% of the world's millionaires and billionaires, respectively, according to Knight Frank.

THE DYSON INSTITUTE OF TECHNOLOGY, UK

Focus : Meme Culture

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According to The Millennial State of Mind, a study conducted by Farfetch and Bain & Co, Millennials will represent 40% of the global personal luxury goods market by 2025. Similarly, Hitwise estimates that half of all website traffic to luxury brands Louis Vuitton, Gucci and Burberry is driven by aspiring Millennials. And according to Forrester Research, 66% of Chinese Millennials aged 15–29 are high-income earners.

GUCCI INSTAGRAM CAMPAIGN

With the luxury online channel predicted by Morgan Stanley to grow at a compound annual growth (CAGR) rate of 15% annually through 2020, it is perhaps not surprising that luxury brands are embracing digital culture to capture the attention of Millennials.

F Is For…, which was launched by Fendi in February 2017, is a digital platform aimed at young, connected consumers. The website is dedicated to producing content for a Millennial audience and does not feature shoppable links. Created by a team of Millennials at Fendi, it aims to be an authentic extension of the Fendi brand. 'It's a way of communicating 'what is Fendi?' and 'what is the value of the brand?' to Millennials,' says Cristiana Monfardini, worldwide communication director at Fendi.

NEW WEBSITE DESIGN FOR BALENCIAGA BY BUREAU BORSCHE

Gucci, another luxury player looking to capture the attention of digitally native consumers, developed a series of memes for its #TFWGucci campaign to promote its latest watch collection. Tapping into the popular That Feeling When (TFW) meme, the campaign is the latest in a series of digital Gucci projects that harness young consumers' online behaviour such as #GucciGram and #24HourAce.

'It's not an audience that can afford the luxury brand,' says John Yuyi, a Taiwanese artist who participated in the project. 'But with the power of internet viral culture, people just can't ignore it. It's huge and can spread across the world in a matter of minutes.'

According to statistics from Dash Hudson, the use of memes paid off in terms of exposure. Following its release, the campaign reached more than 120m people, received just under 2m likes and had an average Instagram engagement rating of 0.5%. Though 0.5% may seem low, it is higher than the industry average of 0.4%.

Although internet culture provides a strong entry point for brands looking to tap into a younger demographic, brands are also looking at digital design. Last year, digital artist Lucy Hardcastle created Intangible Matter, a digital experience developed in collaboration with Chanel and i-D. Using sound and graphics, the artist explored the sensorial experience of fragrance.

'I think the emergence of this kind of work is really exciting as a new way to communicate and experience ideas,' says Hardcastle. 'In the same way that virtual reality pieces are most successful as empathy machines, WebGL is a really interesting way to tell a story, or in this case create something that is physically impossible in the real world.'

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When he gets mad at you for being 3 hours late but you're too fire to deal with that kind of attitude

#TFWGUCCI

The 1%

In a climate of political and economic instability, the number of ultra-high-net-worth individuals (UHNWIs) globally is expected to grow by 42% over the next 10 years – and by 12% in Europe and 91% in Asia.

Some 60 people saw their wealth move past the £774m ($1bn, €890m) mark in 2016, according to Knight Frank, while the number of individuals with £23m ($30m, €26m) or more in net assets rose by 6,340. The majority of these UHNWIs are split between the US and Asia, two markets that will cultivate UHNWIs in the decade ahead. According to New World Wealth, the number of UHNWIs in China will grow by 140% over the next decade.

According to Knight Frank, the UK will boast the highest number of UHNWIs in 2026, up 30% from 2017, despite the political and economic uncertainty caused by Brexit. 'London attracts talent from around the world and will continue to do so,' says Liam Bailey, head of research at Knight Frank. 'It is more accessible for wealthy people, more convenient, more connected and more open than other cities.'

THE MARC NEWSON HOURGLASS FOR HODINKEE

AU PONT ROUGE DEPARTMENT STORE REDESIGN BY RAFAEL DE CÁRDENAS, ST PETERSBURG

For European nations such as Germany, France and Italy, growth in the affluent population will be much slower. 'Here, growth will be constrained by growing religious tensions, a combination of rising taxes and higher state pension obligations and public healthcare costs, and the loss of high-skilled jobs to Asia,' says Andrew Amoils, head of research at New World Wealth.

However, Knight Frank predicts that by 2026, several markets will be brimming with UHNWIs. Seen as 'safe havens' from political upheavals, Canada and Australasia's UHNWI populations are expected to grow by 50% and 70%, respectively.

These new markets will drive the movements of affluent individuals, with UHNWIs relocating to other countries and taking their wealth with them. In Asia, Vietnam's ultra-wealthy population is expected to rise by 170% over the next decade as political and economic reforms boost healthcare, manufacturing and average household incomes.

According to Knight Frank, 46% of UHNWIs in Latin America, 42% in the Middle East and 41% in Russia and the Commonwealth of Independent States (CIS) are likely to buy a new home outside their country of residence in the next two years. 'UHNWIs will be impelled to move abroad due to economic or political risk at home or be drawn to locations that offer a superior quality of life, more economic and personal security, and better education and job opportunities for their offspring,' says Oliver Williams, co-founder of Wealth Insight.

According to Knight Frank, the UK will boast the highest number of UHNWIs in 2026, up 30% from 2017.

In response, luxury brands are opening locations in emerging markets. The high-end Takashimaya mall in Vietnam's Ho Chi Minh City, which opened in 2016, features a range of luxury stores including Versace, Bulgari and Montblanc. In Australia, labels such as Miu Miu and Missoni have set up shop in premium locations in Melbourne, while sales of cars such as Mercedes-Benz, BMW and Audi grew by 11% in 2016, compared to 2% growth for the rest of the industry.

Focus : Second-hand Luxury

Online luxury resale is on the rise, driven by increased accessibility and falling disposable incomes.

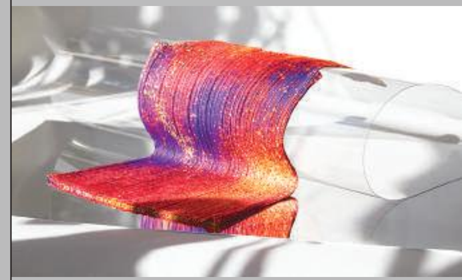
According to a study by fashion resale platform ThredUp, the online and offline apparel resale market is worth £14bn ($18bn, €16bn), and is expected to almost double to reach £25.7bn ($33bn, €29.5bn) by 2021.

While the ThredUp study highlights the growing popularity of online resale, a high percentage of second-hand shoppers are high earners. Of ThredUp's customers, 10% have assets worth more than £780k ($1m, €890k) and 36% earn between £195k ($250k, €224k) and £780k ($1m, €890k). These high earners were 35% more likely than low-income shoppers to try second-hand shopping.

Vestaire Collective, The RealReal and ThredUp, three of the best-known luxury resellers, have each raised more than £78m ($100m, €89m) in venture capital. The online resale market is growing at a CAGR of 35%, compared to a CAGR of 8% in the offline resale market.

According to James Harford-Tyrer, founder of luxury fashion resale company Cudoni, the boom in online luxury resale is driven by a rise in accessibility. 'Increased accessibility has significantly contributed to market liquidity,' he explains. 'And where wealthier individuals have seen their peers engaging with the secondary market, there is perhaps less of a stigma attached to it.'

Falling disposable incomes also play a part, says Harford-Tyrer. 'Lower household disposable income, combined with the price of first-hand designer luxury increasing above the rate of inflation means that the only way people can afford luxury is on the second-hand market.'



HIGHER STUDIO

For China's growing middle class, affordability is an increasingly key factor when purchasing luxury products. According to McKinsey & Co, 76% of China's urban population will be considered middle class by 2022, and 54% will be considered upper-middle class thanks to the growing number of highly paid jobs in China.

Many Chinese middle-class consumers earn less than £27k ($35k, €31k) annually and are looking for off-price luxury products. Chinese upper-middle-class consumers are driving rapid growth in luxury goods consumption, which has risen by 16–20% each year, according to McKinsey.

While online luxury resale is on the rise, the prevalence of counterfeit goods has a direct impact on consumers' desire to buy second-hand goods online. According to the Organisation for Economic Co-operation and Development (OECD), the global counterfeit goods market is worth more than £350bn ($450bn, €402bn). In the EU, the counterfeit goods market costs the clothing, footwear and accessories industry £21.5bn ($29.5bn, €26.3bn) of revenue each year, according to official EU statistics.

VESTIAIRE COLLECTIVE COLLABORATION WITH CHLOË SEVIGNY

Ebay has announced plans to launch a new service designed to tackle the rise of counterfeit goods on its platform. Ebay Authenticate, which is monitored by a network of professional authenticators and targeted at sellers and buyers of luxury items, is designed to boost consumer confidence and will be released later this year. The RealReal takes a similar approach, using its pool of in-house professionals, which includes gemologists, horologists and garment experts, to guarantee the authenticity of its products.

For Harford-Tyrer, brands need to collaborate with consumers to combat falling levels of trust. 'The real and immediate opportunity is for brands to team up with resellers to contribute to authentication and quality assurance,' he explains. 'That way, brands get control of their images and an influence over the secondary market, and buyers get extra peace of mind when making a purchase.'


GIVE ME YESTERDAY EXHIBITION AT FONDAZIONE PRADA, MILAN

Focus : Mexico's Luxurians

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Thrust into the political spotlight and growing as an independent region, Mexico's luxury market is steadily increasing in size. According to Euromonitor, luxury goods retail sales in Mexico grew by 9% to reach £2.8bn ($3.6bn, €3.2bn) in 2016, making it the largest luxury market in Latin America and bucking the trend of slow market growth over the past few years.

In physical retail, high-end shopping centres are being constructed across Mexico in a bid to attract affluent consumers. Luxury brand Hermès has opened five stores in Mexico over the past decade. According to Zenith's 2017 Luxury Advertising Expenditure Forecast, luxury ad spend in Latin America will increase by 5% between 2017 and 2018.

For Claus Sendlinger, founder and CEO of Design Hotels, the luxury sector's success depends on new applications of Mexican culture. 'If you look at the traditional values of Mexico – the craftsmanship and culture – it's such a diverse country,' he explains. 'It will happen around the awareness of local pride, but be repackaged.'

Christian Louboutin is one of several luxury brands that are tapping into this mindset with its Mexicabas Tote Bag. Designed in collaboration with Taller Maya, a foundation that works to preserve traditional Mexican local craft and ensure the long-term economic stability of artisans in Mexico, the handwoven bag is adorned with traditional ornamental features that reflect the country's rich culture.

LUTECA FURNITURE COLLECTION

Although President Trump is perceived by some as a thorn in Mexico's side, his administration's obsession with the country is driving much of its growth and a greater appreciation of its culture. In 2016, tourists generated a total economic impact of £15.2bn ($19.6bn, €17.5bn) in Mexico, a 10% increase over 2015, according to the MSLGroup for the Mexico Tourism Board. Rising interest in Mexican culture is driving consumers to boycott US brands in favour of their Mexican-made equivalents. According to Bloomberg, Starbucks sales fell by 9% in the first quarter of 2017 in Mexico, driven largely by anti-Trump sentiment, explains Valentín Mendoza Balderas, an analyst at Banorte. Mexico City fashion and design trade show Caravana Americana welcomed 30% more international buyers looking for 'fashion and crafted luxury goods' in March 2017 than it did in 2016.

BARRO DE COBRE MEZCAL. PACKAGING DESIGN BY STUDIO SAVVY

Mexico's growing middle class is another key driver. Some 14.6m households – 47% of all households in the country – belonged to the middle class category in 2015, and this figure is expected to rise to more than 18m by 2030. As the segment grows, so too will its interest in luxury products, with spending on high-end products rising by 6% in 2016. Other consumer demographics are experiencing rapid growth. According to Knight Frank, Mexico was home to 173,400 dollar millionaires in 2016, and this group is predicted to increase in size by 40% over the next 10 years.

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In physical retail, high-end shopping centres are being constructed across Mexico in a bid to attract affluent consumers.

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VOGUE MEXICO, JANUARY 2017
PHOTOGRAPHY BY MICHAEL SCHWARTZ

Luxury AI

For so long, luxury and the customer experience have been intrinsically linked – the surroundings, the manager that remembers each client's name, the personal level of service. But the luxury experience will increasingly be facilitated not by humans but by advanced artificial intelligence (AI).

AI is helping luxury brands to develop future-proof approaches to retail, marketing and service. Businesses such as Dior, Net-A-Porter and Starwood Hotels have integrated AI into their web apps and chatbots into their customer service platforms. However, hyper-connected future bricks-and-mortar stores embody the opportunity for AI to surprise and delight luxury shoppers, and make the shopping experience entirely seamless.

THE STORE OF THE FUTURE BY FARFETCH

Farfetch's Store of the Future concept, which debuted in London in April 2017, is a prime example of just how seamless a phygital luxury retail experience AI can deliver. It features clothes rails that collect data on customer interactions and interactive mirrors that enable shoppers to view their online wish lists, request different sizes and pay for products from the comfort of the changing room.

Online, advances in AI are driving luxury marketing and advertising.

'Physical retail accounts for 93% of sales today, and even with online growing at speed, it will account for 80% by 2025,' says José Neves, founder and CEO of Farfetch. 'Retailers need a way to collect information about their customers while they are browsing in-store just as they collect data from online searches.'

As consumers increasingly use voice commands to search for products, luxury brands will look to have more of an everyday presence on consumers' devices in a bid to provide a personalised shopping experience. Today, Google Home and Amazon Echo systems enable brands to effectively embed themselves into the daily conversation. According to comScore, half of all searches will be voice searches by 2020, while McKinsey predicts there will be 29m connected homes in the US by the end of 2017.

Luxury car-maker Mercedes-Benz has integrated voice technology into its car dashboards to enable owners to remotely start or lock their vehicles and send addresses to the in-car navigation system from the comfort of their home. 'We want to be part of our customers' lives 24/7, not just when they are in our cars,' says Nils Schanz, head of Internet of Things and wearable integration at Mercedes-Benz Research and Development North America.

HANSEL & GRETEL BY AI WEIWEI AT PARK AVENUE ARMORY, NEW YORK

Online, advances in AI are driving luxury marketing and advertising. The appeal is two-fold – not only does AI marketing ensure a brand's advertising is targeted, responsive and personalised in order to reap the best results, it also helps to streamline the vast amount of information that luxury consumers are presented with when browsing online.

AI company Adgorithms has developed Albert, an AI marketing platform that adjusts and optimises digital campaigns based on the data it receives. The company has worked with the likes of lingerie brand Cosabella, Made and Harley-Davidson to help optimise their online campaigns. For Cosabella, the integration of Albert resulted in a 37% increase in overall website sessions – a group of user interactions with a website that take place within a certain timeframe – and a 155% increase in revenue. The company has also vowed to never use human marketers again. For Harley-Davidson's website, the platform generated a 183% increase in user transactions.

Albert is particularly useful for luxury brands that are looking to cultivate a niche audience. 'If the brand is only targeting 1% of consumers, you want to make sure that you hit 100% of that 1%,' says Or Shani, founder and CEO of Adgorithms. 'Traditional agencies target consumers by demographics, which means that they only reach 70–80% of potential buyers. Albert enables you to target micro-audiences and create long-term connections that result in a steady growth of value.'

Focus : First-class Futures

With airlines such as Lufthansa, Singapore Airlines, Etihad, United Airlines, Qantas and Virgin Australia having either reduced the number of or removed first-class seating from some of their aircraft, the highest tier of commercial air travel may soon be a thing of the past.

CRYSTAL AIRCRUISES IN COLLABORATION WITH THE PENINSULA HOTELS

First-class seating is increasingly being squeezed out by improvements in brands' business-class offerings, which now often provide comparable levels of luxury at a much lower price point.

'With these suites that you see on some luxury carriers, the demand for that is pretty limited,' says Ben Smith, president of passenger airlines at Air Canada. 'There is a very small market that sits between business class and a private jet that wants to fly in first class. From the biggest financial centres, perhaps.'

THE ALESSI FOR DELTA COLLECTION

One of the key factors that once differentiated first and business class was the provision of a lie-flat seat, something that a decade ago only the wealthiest travellers could afford. Now, the majority of carriers offer this as standard in business class, and in March Qatar Airways announced that its new Q Suite business class cabins would feature doubles beds – the first available at that price point. With most consumers now carrying their own media devices, in-flight entertainment is also no longer a key point of difference.

This leaves hospitality as one of the last unique selling points behind purchasing a premium ticket. 'I think dining is one of the only factors that can differentiate first from business class on most carriers – that extra level of luxury in terms of the gastronomic offer and quality of service,' says Christopher Brunning, Americas regional manager at luxury travel company Brown + Hudson.

Recreating a luxury restaurant experience in the sky is now paramount to convincing flyers to upgrade. Key to this is working with the right culinary talent. In 2016, American Airlines announced a partnership with British Michelin-starred chef Mark Sargeant, who will create a new menu for first-class passengers travelling on routes from the UK. From July, first-class passengers on Air France will be able to enjoy cocktails designed by renowned Ritz Paris bartender Colin Field and created by crew members who have undergone specialist mixology training.

Consumers who fly on holiday company Crystal's new private jet will come even closer to on-ground levels of luxury. The jet features several dining areas where passengers can eat in restaurant-standard levels of comfort. Dishes will be cooked by a private chef and passengers can enjoy a glass of wine from what the company claims is the world's largest in-flight wine cellar.

It's not just food and drink that airlines are looking to improve. Tableware has become an increasingly fierce point of competition. Singapore Airlines has created a range of elaborate crystal wine glasses in collaboration with Lalique for its first-class customers, while Delta has partnered with design house Alessi to produce a new range of crockery and glassware for its premium cabins, with pieces designed by such industry luminaries as the Bouroullec brothers.