



21ST CENTURION LIVING

The trends changing our perception of luxury in the 21st century

An independent report commissioned by American Express
Summer 2006

Introduction

“The word luxury has become a lazy synonym for ‘expensive’ and ‘of the moment’, and many people have accepted this definition. However, I believe that unless you can perceive quality, authenticity, a degree of exclusivity and timelessness, then price alone does not justify the luxury tag.”

Giorgio Armani, fashion designer, Italy

In these opening years of the 21st century, the concept of luxury is undergoing a sea change. Increased wealth at the end of the last century culminated in the rise of mass-market prestige and now once-exclusive luxury goods and services are being delivered to an ever-expanding middle market. This is particularly true in developing economies, hungry for the cachet previously enjoyed only by a privileged few in their society.

While there is still an enthusiastic market for traditional premium goods, contemporary luxury is becoming increasingly distanced from its late 20th century counterpart. Today, luxury is less about worth and more about values; less about exclusivity and more about experience – a state that we define as ‘new luxury’.

21st Centurion Living is an independent, in-depth study into the future of luxury commissioned by American Express, the global leader in the luxury financial services market. Its aim is to anticipate the needs of the company’s existing and future customers – some of the most affluent in the world. It has been compiled through a series of interviews with the hand-picked experts who comprise the exclusive Futures100 panel – key business strategists, designers, architects and creatives, renowned for their lifestyle knowledge. Drawn from the design, fashion, food and travel sectors, they include masters of their craft as well as the rising stars of tomorrow.

Global thought leaders at the forefront of this panel include luminaries Giorgio Armani, Heston Blumenthal, Alexander McQueen, Ian Schrager and Marcel Wanders.

21st Centurion Living examines the evolving cycles of luxury and how definitions are changing. It goes on to identify key trends in the future of design, fashion, food and travel, and concludes by exploring the future of luxury itself.

Putting it simply, **21st Centurion Living** provides a unique insight into how luxury will develop in the future. It foresees an increase in the importance of trust and service within the sector, and is essential reading for anyone in the luxury business.

The Future Laboratory, 2006

“The biggest way that luxury has changed is that it has become so accessible. Speaking from an elitist perspective, if everyone has it, then it is no longer a luxury...”

Ian Schrager, hotelier, USA

An affluent planet

The growth of the luxury market in Europe is being fuelled by an increasingly affluent planet.

The number of High Net Worth Individuals, those with net worth of at least US \$1 million excluding primary residence, grew in 2004 by 7% to 8.3 million worldwide, and by 4% to 2.6 million in Europe. ¹

In 2005, there were an estimated 4.4 million affluent individuals in Europe with liquid assets of at least US \$447,000 and 34 million Mass Affluents – those with aggregate onshore assets of US \$68,000 – \$447,000. ²

In addition, there has been a growth in the Super Rich, with the number of billionaires worldwide increasing from 691 in 2005 to 793 in 2006. The combined net worth of these individuals rose by 18% to US \$2.6 trillion over this period. ³

Within Europe, the luxury sector is benefiting not only from higher spending on luxury goods at home, but also from a burgeoning market in developing economies in Asia and Latin America.

While the increasing numbers of wealthy consumers in Europe represent growing opportunities for luxury brands, their impact reaches further than immediate profit and loss. As the competition intensifies, it is more vital than ever for luxury brands to understand their consumers if they are to win in their respective markets.

Footnotes

- 1 Merrill Lynch / Capgemini World Wealth Report 2005
- 2 Datamonitor Global Wealth Model 2006 (currency converted € to \$ 31/12/04)
- 3 Forbes Magazine 2006

“The most defining change in luxury in the last couple of years has been the move towards personalisation and customisation, which is a direct consequence of the massification of luxury. The notion that everyone around the world would be carrying a so-called ‘luxury bag of the season’ to the extent that several women could arrive at the same party with exactly the same bag, has de-valued the sense of luxury. The reaction has been an increasing desire for true exclusivity.”

Giorgio Armani, fashion designer, Italy



An affluent planet: global HNWI's increased by 7% in 2004

The evolution of luxury

The Futures100 identify four distinct cycles within the existing luxury market, as it develops in tandem with the local economy and the mindset of the individual consumer. These four cycles of luxury are outlined below:

Cycle 1 – Acquisitive luxury

The first flush of wealth is defined by flamboyance. In this cycle, luxury is all about spending and display.

Consumers wear Rolexes and drink Cristal because it is what they have seen other affluent people do. In the race to prove who has the most wealth, critical judgements about quality and craftsmanship are secondary. This is where the developing economies find themselves at the beginning of the 21st century.

Cycle 2 – Inquisitive luxury

The second phase sees the emergence of critical judgement and a more considered approach to luxury.

Consumers are more likely to invest time in distinguishing between products. For example, how an 18-year-old single malt whisky differs from its 12-year-old counterpart; suits are discreet and handmade and so on. “Luxury is the ultimate representation of quality,” says Jason Kirk, founder of Kirk Originals eyewear. “As people react against the bland, the overexposed and heavily branded conspicuous consumption, quality becomes all-encompassing.”

Cycle 3 – Authoritative luxury

Luxury consumption at this level is personal rather than subject to trends. Consumers become more proactive, demonstrating higher levels of discernment, and become archivists or collectors of the best wines, furniture or art.

It also encourages the growth of so-called ‘extreme connoisseurs’; for example the food historian who seeks out Europe’s last remaining Medici pear orchard, or the aficionado of rare avis truffles who, not content with simply purchasing them, travels to Italy to find them for himself. In the words of fashion designers Zowie Broach and Brian Kirkby of British label Boudicca: “Luxury items are the spoils of a journey of exploration – the finest souvenirs of our civilisation.”

Cycle 4 – Meditative luxury

Many developed economies are currently entering the fourth cycle of luxury. This is where luxury moves away from the product and into the realm of experience.

Consumers at this level realise that what matters is fulfilment, and seek it increasingly through learning new skills and engaging with culture or politics on a personal level. Says designer Patrizia Moroso of Moroso Design, “The concept of luxury is not tangible or material; you can understand it if you have the consciousness but you cannot simply buy it.”



Meditative luxury: Patricia Urquiola's Antibodi chair for Moroso – designed to turn sitting into an experience



What are the key emerging trends?

“These days luxury is only seen as a finished product. There is no luxury in the early stages, for example when goods are transported in lorries next to other cheaper goods. In the future, the whole life of a product should be thought about and guided by the same care and attention as the final finished piece.”

Jurgen Bey, designer, Studio Jurgen Bey,
The Netherlands

Definitions of luxury are on the move. The cycles are influenced by both the socio-economic status of the individual within their regional economy, and their personal mindset. Typically, as an individual's socio-economic status develops, so too does their attitude to luxury consumption.

In the 21st century, four key attitudes in consumer behaviour are shaping the luxury market and influencing the way providers run their business:

- The desire for experience
- The thirst for knowledge
- The importance of value
- The commitment to consuming with a conscience

As consumers progress through the luxury cycles, each one of these attitudes becomes increasingly prevalent. Examples of this are highlighted in the pages that follow from the design, fashion, food and travel sectors.



Changing notions of luxury: Jurgen Bey's Lightshade-shade from the 'Life of Products' collection, Droog Design

“Luxury is about having things that are unique, that are not ubiquitous. Legitimacy is important; people are looking for legitimate experiences. The hollow brand is dead.”

Tyler Brûlé, founder of design collective Winkreative and Wallpaper*, UK

Experience

The luxury consumer's desire for experience is driving the sales of intangible products that appeal to the emotions. "After the Industrial Revolution everything was about craftsmanship; then we moved into the service economy and out of this we are moving into the age of experience," says international hotelier Ian Schrager. "It has gone beyond service to doing something that gives you the highest and best experience."

In the travel, food and hotel sectors, the traditional star system is being challenged by the arrival of über hotels like the Burj Al Arab, the self proclaimed seven-star hotel in Dubai. Racking up endless accolades can negate hard won cachet, so a growing number of French, Italian and English chefs are opting out of the star system and embracing other ways of measuring luxury. Nowhere is the desire for experience having more impact than in the travel sector, since today's affluent travellers seek far more than just a standard tour. "There are two types of connoisseurship," explains Michael Gross, contributing editor of Travel + Leisure magazine; "One is where you follow the herd and buy what is generally considered to be the best. The other is true connoisseurship, where you are able to separate exclusivity from cost. This requires the luxury of time to develop the required knowledge."

Whether travelling to exotic or more conventional destinations, many now seek the kind of interaction that leaves them with lifelong memories, rather than just souvenirs and a suntan. This can be a simple form of luxury, like the best-quality local food and wine in authentic surroundings; a more extreme form

would be hiking to a remote peak to experience the ultimate solitude. Where hotels are concerned, the world's best are now looking to provide far more than a conventional five-star experience. They are becoming more extravagant, yet intimate and personal – more like homes away from home. The Faena Hotel + Universe in Buenos Aires exemplifies this trend, by providing an Experience Manager who serves as receptionist, butler, steward and personal assistant: "Our hotel doesn't have a reception because we consider it a big house where we welcome everybody and anticipate our guests' needs," says Alan Faena, owner of the Faena Hotel + Universe. "The guest doesn't need to seek out service, because the service goes to the client."

In design, the concept of experience is also growing. Emotionally engaging architecture is lifting the retail experience out of the ordinary. In Japan, Jun Aoki's flagship Louis Vuitton store in Ginza is perhaps the boldest example: embedded with translucent marble squares that when lit from within give the illusion of a 'breathing' building. "My policy as an architect is to offer something new for the customer," says Aoki. "The role of the façade is to expound the brand's identity, and to uplift the environment and the city at the same time ... I thought if the building could breathe like a creature, its existence could be much softer and lighter. I expressed this idea by glimmering light. At midnight, it goes to 'sleep'."

At Louis Vuitton's Paris flagship store, the seventh floor art gallery is integral to the store, and has become a tourist attraction in its own right.



The dining room at the Faena Hotel + Universe, Buenos Aires, designed by Philippe Starck; where guests are met by Experience Managers



Chocolate shopping taken to new levels: Pierre Hermé's Tokyo boutique designed by Masamichi Katayama and Wonderwall

Consumers are more inclined to purchase a luxury product when it is designed to appeal to more than one of the senses. Hence the rise of gastroboutiques like Pierre Hermé in Paris and Tokyo or Habits Cult in Milan, where exquisite food is combined with a luxury shopping experience; and the increased prominence of cutting-edge designers like Marcel Wanders, Barnaby Barford and the Campana brothers, whose works are becoming tomorrow's collectables by blurring the line between furniture and art.

Increasingly, stores will be run like ateliers, with art and fashion sitting side by side and fashion retailers regarded as dealers or sourcers in the artworld sense as a private concierge. These cultural retailers are epitomised by the new Prada epicentres, the first of which is in New York and integrates performance and retail space. The Curiosity Shop by Paul Smith in London is another example. Here association with its ideals can lift the fashion industry away from pure commerce. To fulfil the desire for experience, the Futures100 identify a need to re-invest in design-driven brands and services. They foresee a need for luxury brands to move away from being simply purveyors of product and to expand their service to the consumer.

Experience – the business implications for luxury brands

Experience culture means that global luxury brands must work harder than ever to impress their customers. Faultless service is expected, 24/7. This is no longer

regarded as an added extra that should be paid for, but delivered as standard. True experience brands allow us to engage with them via all the senses, which is why they are so prominent in the travel and leisure sectors. "The brands that are successful are the ones that create the greatest dreams" says Victor Luis, president and CEO of Baccarat, France.

Employees must be empowered to make on-the-spot decisions to ensure that the customer's experience is seamless. We are also likely to see increased flexibility within the management structure, as more collaborative, fluid and creative work environments replace traditional chain-of-command structures.

In short, to capture the increasingly experience-driven luxury consumer, businesses must become more imaginative, engaging and design-orientated.

“The luxury market reflects a general shift in the greater consciousness, from an object-driven society to one that is experience-driven.”

Martin Kastner, owner, Crucial Design, USA

Knowledge

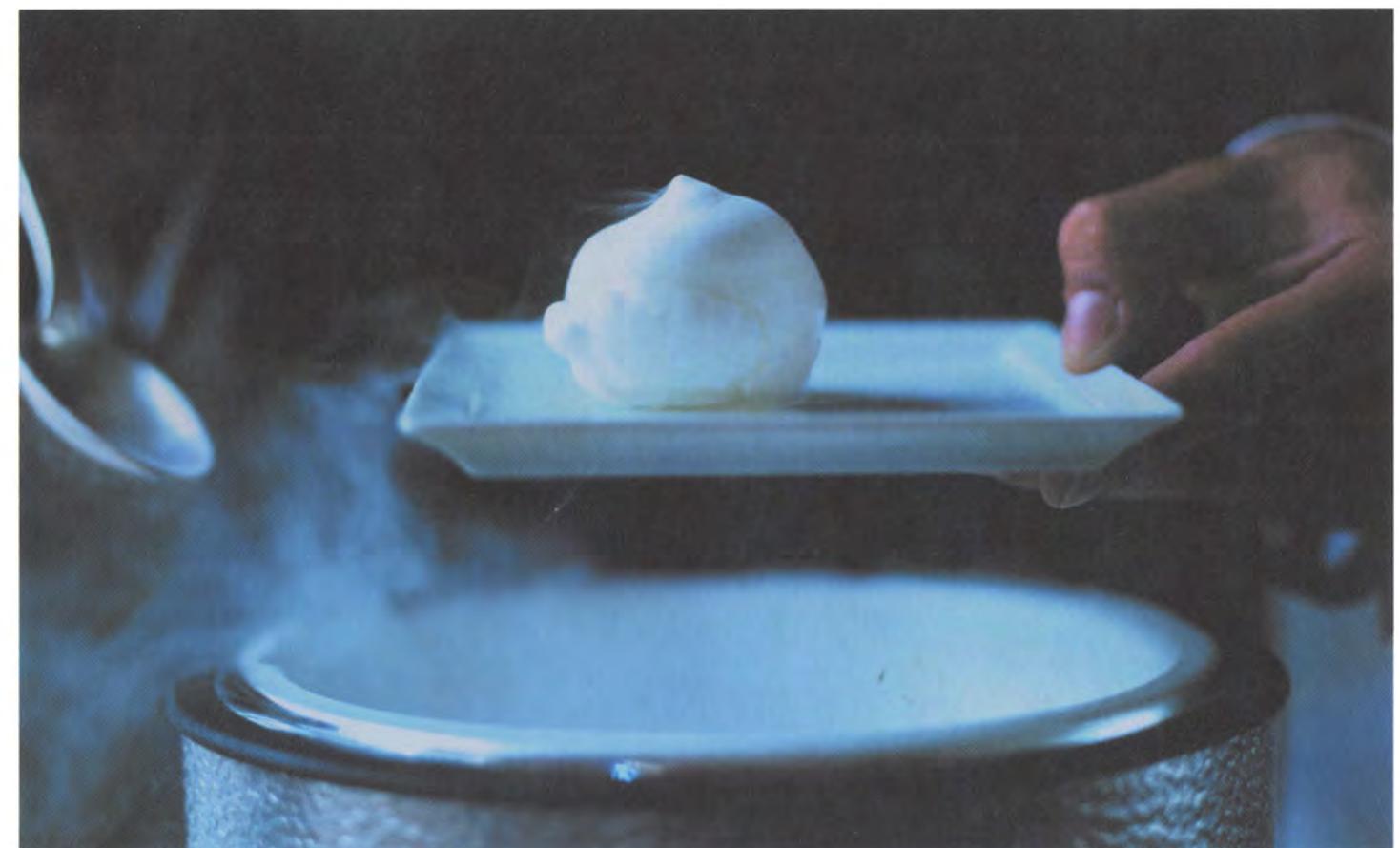
A new generation of luxury consumers are using their knowledge to seek out the best rather than the most expensive. Like the wine enthusiast, who sources an \$8 bottle of wine from a supermarket that tastes just as good as anything from the cellars of the world's most exclusive restaurants. Or Isabella Dalla Ragione, an Italian agronomist, who used Renaissance still life paintings as the starting point in her quest for the Fiorentina pear – uncultivated since the Medici era.

Here more than anywhere we see the power of the internet. Says Jon Snyder, owner of Il Laboratorio del Gelato in New York: "The knowledge economy will drive the future. People will have a library of resources at their fingertips and it will be less easy for producers to pull the wool over their eyes ... Awareness has increased dramatically and that cannot be denied or ignored."

In fashion and design, the knowledge economy is most apparent in cross-platform luxury collaboration, for example Bang & Olufsen's work with NASA to create the ultimate hi-fi. Technology-based luxury pools the best ideas from the worlds of art, design, fashion

and science, to create products that inspire wonderment in jaded luxury consumers. By mixing old world crystal with new world LEDs, Swarovski chandeliers can now blow kisses, send SMS texts or resemble futuristic aeroplanes. "Luxury is the human part of design; it is pleasure," says designer Patrick Jouin. "At the end of a drive, your car will give you no pleasure if it's only geared towards function. You remember the pleasure, not the function."

The significant role of knowledge can be seen most clearly in the food sector, where the rebooting of interest in the world of food stems ultimately from increased responsibility for one's own wellbeing. Again, cross-platform luxury is apparent: the rise in molecular gastronomy led by Spain's Ferran Adrià and Britain's Heston Blumenthal, is becoming another pillar in understanding food. Good nutrition, and the quality and provenance of food are key. As Ferran Adrià, chef at El Bulli explains: "The nut is as good as caviar; rice is as good as lobster. This is the philosophical thinking on which my work with food and the senses is based."



Where food and science meet: Green tea and lime mousse poached in liquid nitrogen by chef Heston Blumenthal. Photograph David Loftus



Authoritative luxury courtesy of Hotel Puerta América, Madrid, Silken Hotels. Bedroom designed by architect Zaha Hadid

Supporting this is the increased knowledge of consumers who, buoyed by rising personal wealth and the desire to spend more intelligently, are embarking on food pilgrimages and food safaris – eating their way around the world in new, innovative ways.

Knowledge – the business implications for luxury brands

Luxury consumers will want brands and services which help them develop their knowledge networks and enable them to seek out new collaborations. Cross-platform luxury is the beginning of a merging of skills and services, which luxury brands will need to distil into every product and service. In France and Austria wine retailers are being re-cast as wine libraries, appealing to the more discerning consumer. The emphasis is as much on learning as drinking and selling.

Likewise, inspired hoteliers have noticed that we no longer stay in hotels merely to experience their services, but also to develop our knowledge of modern architecture. A good example is the Hotel Puerta América in Madrid where architects and designers such as Arata Isozaki, Norman Foster, Marc Newson, Ron Arad, Richard Gluckman, Javier Mariscal, Victorio & Lucchino and Zaha Hadid have created rooms or public areas, allowing guests to appreciate showcased examples of their favourite designer's work.

Consumers will demand intellectual stimulation, and expect very personal and specific levels of service. In the words of designer David Collins: "Some companies which have built up their business by producing really beautiful, bespoke products now have such pressure to create new materials all the time, that the very essence of why their business was so special in the first place – quality, authenticity and provenance – has become diluted by the need to constantly outsource and turn luxury into a mass market."

“After years of being really obvious, luxury today is much more private. Luxury is about the knowledge and understanding of product, authenticity and personal attitude.”

Bill Amberg, leather designer, UK

Value

In the 21st century there is a distinct move towards a more enlightened value-consciousness among the wealthy. Value is about the worth to the individual, rather than the cost.

For consumers searching for the ultimate in value luxury, financial outlay becomes almost insignificant since the value of the item to them is far greater than its cost. Couture fashion, the pinnacle of bespoke clothing, exemplifies this trend. Buyers value impeccable tailoring honed by centuries of tradition, attention to detail, personal fittings and one-off exclusivity – to them, this is value luxury. As Giorgio Armani says: “I believe that luxury will increasingly reside in the unique, the special, the one-off, the rare, and so it is to this that we must look for future trends in luxury. I also think that luxury will become more about experience, and perhaps less focused on product.”

In design, value luxury is the pleasure of owning just one unique Ming vase rather than an entire collection of lesser pieces. However, value luxury does not necessarily mean the most expensive product, it will depend on the individual's sense of value – whether that be the ultimate in bespoke or an item hand-made by a friend. This is reflected in bequeathing items to the next

generation: their value may not be high in material terms but will be great in sentimental ones. In line with the shift towards inconspicuous personal consumption, value luxury also encompasses ‘fractional luxury’. The wealthy value the freedom that a personal jet provides – yet instead of owning a Learjet outright, some prefer to lease a share in one. In the words of Simon Cooper, COO of The Ritz Carlton Hotel Company: “Luxury is certainly not measured by price any more, but value is a word that still counts.”

Value – the business implications for luxury brands

For a brand to succeed in the value luxury sector it must have a strong emotional appeal. Each individual consumer's perception of value luxury will be different – the emotional, intangible aspects of a product become as important as the physical ones.

What's more, consumers seeking value luxury are looking to gain the greatest possible pleasure from an item, experience or service. So brands must continue their quest to be the best in their sector as consumers take a less-is-more approach, spending more on one thing that they really love than a number of things that do not fulfil their concept of true value.



Value for money on a luxury level: Cabat handbag by Bottega Veneta

“In the luxury market there has been a shift towards product that is not loud, does not look like money and is not identified with money. I think there's a renewed interest in real value: the value of the make of the product, its design integrity and the value of the service that surrounds it.”

Tomas Maier, designer, Bottega Veneta, USA

Conscience

The Futures100 panel notes that a combination of wealth and eco-awareness is creating entirely new categories of conscience-driven luxury. "People now want to know the real stories; they're asking more questions, and the choices they make are intelligent," says Lady Bamford, owner of Daylesford Organic. "They want to know where products come from, whether they come from cheap labour. Spiritual wealth is the most important."



Where luxury won't cost the earth: Vumbura Plains resort, Botswana. Photograph Mike Myers

In these environmentally-conscious days, people are seeking ways to pursue a luxury lifestyle while leaving the lightest possible eco-footprint. In travel there is a rise in Cause Related Tourism (CRT). Millionaire consumers in their 30s and 40s are flocking to CRT resorts like North Island in the Seychelles, or the luxury resort of Vumbura Plains in Botswana. Tariffs reflect the efforts taken to minimise environmental impact. "Eco-luxe is a naff phrase, but it sums up the combination of good design with natural materials in a really quiet environment. In other words, it's about neither guilt nor gilt," says Glen Donovan, co-founder of exclusive travel agency Earth.

In recent years, conscience has played an increasingly significant role in the luxury food sector. For almost a decade, European consumers have been concerned with artisanship, provenance and a sense that the product is ethically produced. But food is under the collective microscope of artists, designers and scientists like never before, even attracting extreme connoisseurs.

And for many, spending on premium foodstuffs constitutes the ultimate luxury. Says Heston Blumenthal, internationally acclaimed chef at The Fat Duck, "We used to spend our money showing people how much money we've got. Now we're spending our money on supporting our moral concerns: the food we eat, the traceability of our food, the benefits of good food; not just for us but for the environment and local communities."

Conscience consumption is apparent in both mainstream and luxury fashion – via ethically sourced materials crafted by indigenous people, as found at markets and boutique retail outlets.

Conscience – the business implications for luxury brands

Green has become the new gold, and luxury brands ignore this shift at their peril. In particular, brands in the fashion, food and travel sectors must demonstrate that they are 'good global citizens'. Adhering to fair-trade principles throughout the supply and manufacturing process, sourcing sustainable materials and contributing to local communities are necessities in brands sought by the conscience luxury consumer. Designer and architect Ron Arad encapsulates it as: "Driving a hybrid car, eating organic food and buying only green products."

In addition, luxury brands will need to become more philanthropic. For example, hotels like Kasbah Du Toubkal in Morocco use profits to fund waste management systems and medical services for surrounding villages. The luxury market is increasingly concerned with sustainability, eco-values, ethical pursuits and the three T's: truth, transparency and trust. Luxury brands will need to embrace these qualities, to appeal to ever-growing numbers of conscience-driven luxury consumers.

"Luxury is about buying freedom ... but it relates less to objects than to a way of life."

Alan Yau, founder of Wagamama, Hakkasan and Yauatcha, UK

Conclusions

“I think the world needs a bit of stability when it comes to luxury. Less is definitely going to be more and the quality of the less is more important than the value of it.”

Alexander McQueen, fashion designer, UK

The Futures100 have identified how experience, knowledge, value and conscience will be integral to the future of luxury. These consumer behaviours have become increasingly prevalent as the affluent progress through the four existing cycles of luxury. And now they are leading the way into a new, uncharted cycle.

In Enlightened Luxury, the fifth cycle, the lessons learnt at each previous stage – the value of money, discernment, a desire to learn and collect and appreciation of the intangible – distil into a singular state. Here the emphasis is on only ever buying one of something – even if it means waiting for the best, the most luxurious, the most perfect.

As French chef Alain Ducasse explains: “Technology will be sufficiently sophisticated so that it disappears,



Particular and crafted luxury from Alexander McQueen's Autumn 2006 accessories collection

leaving nothing but its facilitating aspects to make life more fluid and streamlined. We will concentrate on what is essential: that is, harmony, the pleasure of everyday living, the touch of materials, the subtlety of scents, the harmony of sounds.”

Conspicuous consumption defined 20th century luxury for the Super Affluent. Accumulating ‘things’ became routine, and these consumers are increasingly seeking something more. In the market of tomorrow, luxury brands and service providers must cater for a new breed of affluent consumer. 20th century concepts of service are simply the starting point for a new era of service culture. Ilse Crawford, interior designer and British Elle Decoration launch editor, says “Luxury is about feeling human at the ultimate level, being alive at its most intense.”

Putting it simply – what we buy is becoming less important than how, when and why we buy it. Inconspicuous consumption may be a term we will have to grapple with more and more, as luxury's fifth cycle demands that we become stewards of the planet's resources rather than plunderers of it.

“Luxury is now more hidden, disguised under a blanket of innovation, intention and meaning. Before it was just about spending money – now it's about content, meaning and excitement... What defines fashion is the knowledge of what is fashion. What defines luxury is the ability to know and decide...”

Marcel Wanders, multi-disciplinary designer, The Netherlands

