

## 4. Conclusion

### There is a marked shift in the buying patterns of luxury consumers

The dramatic rise in the numbers and fortunes of the wealthy in the past decade has led them to become more acclimatised to luxury and increasingly sophisticated in their buying behaviour. From the days when luxury was purchased only to display status and prestige, our panel has seen the emergence of new, more complex and sophisticated motivations. This will intensify as the global economy falters. As luxury consumers put brand promises under greater scrutiny, they will spend on those that represent genuine value and are truly special and worthy of their high price point.

### Luxury consumers are becoming more discerning in their purchases

According to our panel, the growing shift from conspicuous to discerning consumption encompasses elements such as; the promise of high quality, the rarity and exclusivity of the object, the discovery of something new and exciting, the understanding of the story behind the product and heightened awareness of the impact the product has on society and the environment. Buying luxury has evolved from being simply about indulgence and 'what you wear' to a more innate, value-driven expression of the individual.

### This is also relevant in emerging markets, like India and China

Luxury buyers in developing markets are increasingly influenced by the consumer habits of the Western world, in that they too are becoming far more complex in their purchasing decisions. According to evidence from our panel, this transformation is taking place more rapidly than previously believed and is being driven by younger consumers in their 20s and 30s in emerging markets who are playing catch-up with the attitudes of their Western counterparts.

### Brand value comes under closer scrutiny as luxury moves into harder economic times

As consumers move to fewer, better things and demand more from luxury, 'brand value' will come under greater scrutiny. For discerning consumers, this value perception will be increasingly affected by factors beyond the traditional aspects of the product such as retailing and branding to include assurances of authenticity and product traceability. The luxury promise of excellence will be expected to include exemplary sourcing and supply chain practices and these elements will become as central to brand strategy as exciting in-store environments, service, luxury personalisation and transparent and impactful communications.



### Extending the philosophy of excellence to sourcing and supply chain

The panel highlights that luxury businesses need to take a leadership position in addressing sourcing and supply chain issues and not rely solely on NGOs and consumers as driving forces. A long-term approach to sustainability needs to be taken. While no single standard exists to govern the sourcing of raw materials and supply chain practices, adopting globally-recognised initiatives and involving stakeholders can help to build a framework for operations. Over time, new industry standards will emerge, taking social and environmental responsibility out of the competitive arena.

Communicating responsible credentials in a transparent and honest way can help build consumer trust and safeguard the authenticity of a brand or product's promise. However, this must be underpinned by ongoing efforts to drive accountability and traceability across the supply chain.

### Changes point to a tougher competitive landscape for luxury players

Brands have already started responding to calls for exclusivity and deeper experiences in varying degrees, with product innovation, creativity and higher levels of personalisation. Over time, it is likely that more global brands will follow suit. Niche players will also emerge that have the ability and flexibility to capitalise on the evolving demands of more discerning consumers. The competitive landscape will intensify and success will lie with the brands that can drive customer loyalty by responding to the more complex demands of the new, discerning consumer.

“Luxury has long been associated with superior quality, design and craftsmanship. But the tide is turning with a new breed of consumers who are seeking style with substance. These new consumers desire something more meaningful than just an expensive piece; they want brands to live and breathe their values through the way they do business. Our future success is entwined with our ability to ride these new waves of change.”

STEPHEN LUSSIER, EXECUTIVE DIRECTOR, DE BEERS GROUP