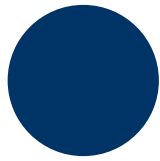


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The Future Laboratory is one of the world's foremost trend forecasting, consumer insight and strategic innovation consultancies. Through its online network LS:N Global, it speaks to clients in 14 lifestyle sectors on a daily, weekly and monthly basis.

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‘Millennial consumers have normalised products, moments and engagements that were once seen as crafted, curated and cultured, while Gen Z, who live, shop, converse and socialise online, now expect all brands to do the same – but on their terms’

Kathryn Bishop, foresight editor, The Future Laboratory

The Shape of Luxury Brands to come...

As Covid-19 accelerates changes already under way in the global luxury and retail sector, The Future Laboratory co-founder Martin Raymond looks at what this means for the future of consumers, shopping and the architecture of brands.

Domenico de Sole, chairman of Tom Ford International, is nothing if not succinct about Covid-19: ‘The impact has been unbelievably painful.’ It has, but in the long term it is likely to change global retail for the better, according to Bain & Co partner Claudia D’Arpizio, because ‘the coronavirus crisis will force the industry to think more creatively and innovate even faster to meet a host of new consumer demands and channel constraints. There will be a recovery for the luxury market but the industry will be profoundly transformed.’

She’s right, but we shouldn’t blame all changes on the virus itself, as Reengineering Retail author Doug Stephens reminds us. Retail was already ‘exploding and in freefall’, he points out, with Covid-19 simply acting as an ‘accelerant on an already burning platform’.

As The Future Laboratory findings suggest, the platform was primarily burning for two reasons – technology, and an increasingly vocal and self-actualising consumer – for that, read Generation Z and mid-20something Millennials, who will make up 55% of luxury shoppers by 2025, according to Bain & Co.

Kathryn Bishop, editor of The Future Laboratory’s annual Luxury and Hospitality Futures report, is clear about the latter’s impact: ‘Millennial consumers have normalised products, moments and engagements that were once seen as crafted, curated and cultured, while Gen Z, who live, shop, converse and socialise online, now expect all brands to do the same – but on their terms.’

New Retail Paradigms:

All of this is giving rise to more innovative and tech-based ways of doing business as brands race to respond. Innovations include direct-to-consumer (DTC) brands such as Millennial-focused watch brand Shinola or luggage and travel platform Away that use Instagram, TikTok and WeChat to speak to consumers directly; fast fashion retail rental offers where brands like H&M, Nuuly, Banana Republic Style Passport and Selfridges are turning the notion of ownership on its head; retail media studio models like US beauty brand Morphe, or Alexander McQueen's McQ retail platform that allows creatives to develop their own content that can be used to 'boomerang' the McQueen label into new markets via the fan networks and followers these co-partners already have.

Online Chinese retailer Secoo is also using live-streaming apps such as Kuaishou, along with existing fan bases, to drive DTC luxury sales. On one day in June 2020, the brand sold \$14.8m (£11.3m, €12.5m) of products, including Louis Vuitton accessories, Prada bags and Armani watches, in less than five hours.

'Along with luxury live-streaming,' says Holly Friend, who heads The Future Laboratory's Youth, Media and Tech hub, 'we are also witnessing the rise of virtual reality pop-ups; peer-to-peer marketplaces; social media selling; the growth of resale and circular retail platforms such as US-based Depop, Letgo, Rohvi, ThreadUp and Mercari; even SMS service models developed by skincare brands like Versed or interiors store Burrow – all of which means that we have a plethora of ways to engage with even the most niche and future-facing consumers.'

And many of our established luxury brands are doing just that, she points out. Burberry's augmented reality shopping tool, for instance, lets people overlay and explore its products – sneakers, a handbag, an item of clothing – with links to purchase if they wish do so, while Gucci uses Snapchat for sneaker try-ons, with users snapping and sharing how they look with their followers.

In the US, Ralph Lauren has taken a similar stance, with a mix-and-match wardrobe for a customer's Snapchat Bitmoji avatar that imitates

the brand's real-world collections. As Snapchat head of fashion and beauty Selby Drummond tells us: 'The entire industry knows that augmented reality try-on is going to be incredibly important to the future of commerce.'

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Along with augmented reality (AR), virtual reality (VR) is similarly democratising luxury with new kinds of experiential offers and retail opportunities, explains Andy Ku, creator of ADA, a fantasy-driven game that provides access to a simulated luxury lifestyle complete with chic virtual spaces and fashion to match from brands such as Dior, Prada and Marine Serre.

'The game upholds the tenet of scarcity by offering a limited number of brands' virtual garments on a play-incentivised first-come first-served basis – even when they cost only a few dollars to buy,' he says. And Covid-19, he believes, along with the way more luxurians are buying and socialising online, will drive this trend even further.



PROJECT EARTH BY SELFRIDGES, LONDON

‘I think my generation will learn to appreciate what they have, rather than complaining about what they don’t have. In the next 3–5 years, we will alter our consumption patterns wisely. We will think twice about what we plan to buy – is it a need or a want?’

Tanvi Uttamchandani, 17, Mumbai

Proactive Consumers Rising:

However, while technology is facilitating many of these changes, the real drivers behind such transformational shifts are Gen Z and mid-Millennial consumers who increasingly describe themselves as ‘conscious’, ‘collaborative’, ‘creative’, ‘conversational’ – and when they feel justified – openly ‘critical’ and ‘cancelling’ of brands that demonstrate poor global citizenry.

Equally happy to describe themselves as ‘activists’ – as the September 2020 issue of Vogue worldwide indicates – for them, this is an upbeat, all-encompassing term that refers to more positive views on everything from race to climate awareness rather than a word used to describe someone who is politically active.

As Dazed Media’s The Era of Monomass report suggests, more than 60% of the 3,510 Gen Z and Millennial consumers interviewed across 12 markets including India, the US and the UK share similar ideals, with all saying that they would find it difficult to engage with brands that demonstrate negative views about the many conscious consumption choices both generations now make.

Affluent Gen Z and Millennials are also demonstrating very clear views about wealth, affluence and the nature of luxury itself. According to China’s luxury newspaper, Jing Daily, in the wake of Covid-19, Gen Z, Millennials and Chinese luxury shoppers, like their Western counterparts, are increasingly embracing more balanced views about consumption, sustainability and meaningful purchases.

This is a pattern echoed by The Future Laboratory’s Communities, a network of Innovator and Early Adopter consumers that we interview on a regular basis. As 17-year-old Tanvi Uttamchandani from Mumbai told us: ‘I think my generation will learn to appreciate what they have, rather than complaining about what they don’t have. In the next 3–5 years, we will alter our consumption patterns wisely. We will think twice about what we plan to buy – is it a need or a want?’

According to deVere’s banking group, older 30 and 40something wealth owners and HENRYs (High Earners, Not Rich Yet) are demonstrating similar behavioural characteristics. Some 26% of its clients from over 100 countries have sought environmental, social and governance (ESG) investments since May this year alone, says CEO and founder Nigel Green. ‘The global pandemic has

brought into laser-like focus how the health of our planet affects human health, which, in turn, affects the way we all live and work.’

And Gen Z, along with their older Millennial counterparts, are very much about making a positive, proactive and balanced contribution to how we live, work and protect our planet, affirms Nadya Powell, co-founder of brand and systems change-maker Utopia.

‘Whenever I speak to a young person, they all want to be businesspeople and they have every respect for commercial credibility, but they don’t feel it should be at the cost of the planet. Bigger than sustainability is the expectation that a business will behave really well. It’s about belonging.’

79% of Gen Z believe that brands are never honest enough when talking about how environmentally friendly their products are, with 66% of Millennials believing the same thing

Source: Futerra

Belonging perhaps, community certainly, and a brand’s purpose without a doubt – or rather how brands demonstrate their purpose in relation to the mindsets and beliefs of consumers themselves. Why? As US brand reputation and PR management firm Edelman explains, nearly two-thirds of global consumers are now ‘belief-driven buyers [who] choose, switch, avoid or boycott a brand based on where it stands on the political or social issues they care about’. In other words, if brands don’t mirror their target audience’s concerns, they are less likely to endorse them online or enter their stores.

‘Brand purpose helps you continually re-orientate your core capabilities to remain relevant,’ believes

‘Whenever I speak to a young person, they all want to be businesspeople and they have every respect for commercial credibility, but they don’t feel it should be at the cost of the planet. Bigger than sustainability is the expectation that a business will behave really well. It’s about belonging’

Nadya Powell, co-founder, Utopia



Scott Omelianuk, co-founder of HumanConsult.io, a consultancy that specialises in keeping brands relevant and agile. Or to put it simply, 'brand purpose is a means to help you understand why you matter to people'.

That said, Gen Z and 20something Millennials are still equivocal about purpose, believing that some brands – perhaps with the exception of brands like Patagonia, Everlane or Warby Parker, which have embraced 'purpose' from the time they were launched – are merely using it to drive value and market visibility rather than to instil values and embrace and imbed long-term change. As brand change and sustainability agency Futerra reveals, 79% of Gen Z believe that brands are never honest enough when talking about how environmentally friendly their products are, with 66% of Millennials believing the same thing.

And their instincts are probably correct if you take the findings of Business in the Community's Responsible Business Tracker into account: while 86% of businesses it surveyed had a 'purpose statement', a shocking 83% have yet to consider what this means across departments, or in terms of setting clear team goals or targets.

'Brand purpose helps you continually re-orientate your core capabilities to remain relevant'

Scott Omelianuk, co-founder, HumanConsult.io

But this doesn't mean that we should abandon purpose altogether, merely that it needs to be framed in a more realistic, manageable and collaborative light – especially when speaking to target consumers. According to Futerra, which refers to this group as The Honest Generation, 58% of Millennials and Gen Z consumers would trust a brand more if it shared its challenges and 'work in progress' to become better global citizens.

Similarly, nearly half (46%) of Gen Z say they look for more honest products when purchasing. More relevantly, as we discovered in our work on post-purpose branding earlier this year, many consumers – particularly Gen Z, Millennials and Gen X – while wary of brands that talk about purpose, are keen to listen to them, and engage in positive dialogue, debate and open collaborations if

they embrace a more proactive sense of social betterment. So that means instigating positive change, delivering on it and constantly setting new targets to achieve, even if those targets come with a price.

As Unilever CEO Alan Jope more succinctly put it: 'Principles are only principles if they cost you something.' And to demonstrate this, he has already begun closing or selling brands that are environmentally damaging, or have a questionable social or ethical footprint.

Rising and established brands across beauty, fashion and jewellery such as Everlane, Reformation, Moyo Gems, Prada, Noah and Allbirds are following similar betterment pathways. Some are working with miner creatives who are pioneering ways of extracting gems from the earth, while others are using external auditors and oversight measures to ensure that their betterment principles are realised throughout their activities.

Prada, for example, has signed a \$59m (£45m, €50m) five-year loan with banking group Crédit Agricole against repayment terms that are conditional on the brand meeting key targets around sustainability – including environmental and societal goals – with interest rates reduced if these are achieved.

De Beers Group has set betterment goals to operate carbon-neutral mines, develop ongoing partnerships with host communities, and implement ethical, environmental and social standards across its value chain, which currently cover more than 346,000 people. These standards are independently audited on an annual basis.

Similarly, footwear brand Allbirds has launched a global Carbon Fund and will impose a carbon tax on itself to ensure its business success incorporates eco-initiatives. For its Millennial founder Joey Zwillinger, the reasons are clear: 'If you don't measure your carbon emissions and pay for it, you're part of the problem.'

US cult streetwear brand Noah takes a more humorous, but equally honest and transparent approach: when it launched one of its jackets made from Econyl recycled nylon on Instagram, it did so with the following statement: 'We've said it before, and we'll say it again: we're not a sustainable brand. But this jacket is almost entirely recycled and cruelty-free. Sometimes you get lucky.'

58% of Millennials and Gen Z consumers would trust a brand more if it shared its challenges and 'work in progress' to become better global citizens. Similarly, nearly half (46%) of Gen Z say they look for more honest products when purchasing

Source: Futerra

Data Phygital Branding Comes into its Own

Beyond Covid, we predict that, as markets re-adjust, this push to betterment (as opposed to purpose) will become even more manifest and key to the success of future conversations with customer mindsets – mindsets that will require you to be meaningful, agile, live, diverse, ethical, federated, gender-fluid, trans-friendly, hyper-accountable, community-focused, educational, but also essential, transformative and experiential in your brand pillars and executional offer.

Especially the latter, as online becomes the default way we engage with brands, and experience the way we live, breathe, contribute and collaborate with them as they become media, entertainment, educational, wellness hubs where the physical places they inhabit are transformed into collaborative rather than transactional spaces.

These phygital realms – a blend of the physical and the digital – like their online counterparts, will be increasingly dependent on advanced data analytics to deliver those hyper-bespoke, highly agile, wholly transparent products, services and brand experiences that consumers increasingly expect. It is a world, as customer service expert Leslie O’Flahavan explains, where ‘customers want their self-service to feel as seamless as a conversation with friends’.

54% of Millennials and Gen Z said they wanted to connect with brands that enhance their spirit and soul

Source: *Vice/Virtue*

But they also want the data they actively hand over to brands to work for them – or rather, for brands to work their data for them. So, if you are using their data to calibrate your pricing models, improve delivery cycles, hone designs, reduce manufacturing costs or make your logistics chains more circular and carbon-neutral, they will expect to be informed and rewarded for this.

According to Chris Miglino, CEO of digital marketing and consumer data management platform SRAX, ‘within the next three to five years,

every consumer will own all of their information and get compensation for that information’ in terms of reduced charges on the clothing they rent, the products they buy or the net contribution using their data adds to a brand’s bottom line.

The rise of 5G, and the increased push towards live interactions and engagements between brand teams and consumers is also speeding up our ability to design products, as well as feel, see, touch, hear, even smell brands in the virtual realm as low-latency networks facilitate kinetics, haptics, synaesthetics and real-time rendering in ways that allow brands to become fully immersive entertainment ‘bubbles’.

Otherworld, a series of virtual chambers that allow you to touch, see, hear and feel a mysterious island paradise while engaging with friends in real time, already does this, while Virtual Super Land’s transformative retail happening at Fred Segal’s flagship store in Los Angeles recently used green screen technology to cleverly jump between the physical and digital worlds. Here, when shoppers pointed their phone’s camera at the clothes, the app animated items with renderings of solar systems, Renaissance sculptures and brand logos. The brand now uses AR, VR and MXR (mixed virtual reality) as a core part of its consumer activation programme.

In a recent study by Vice and creative agency Virtue, 54% of Millennials and Gen Z said they wanted to connect with brands that enhance their spirit and soul – brands, in other words, that offer us a sense meaning, hope, better, more spiritual and ethereal ways to engage with them – but also, and perhaps more tellingly as we become more proactive in designing these brands – to engage and communicate with us.



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