The future of luxury branding: the era of consciousness

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1 The new age of consciousness

In a changing global framework, driven by **new value systems**, **environmental challenges** and an **abundance of offerings**, the high-end industry is increasingly coming under moral pressure. Criticism of the negative impact of modern industry and consumption on the environment has been around since the Club of Rome's publications in the early 1970s.[1] In the high-end industry, political and social demands led to CITES, the Convention on International Trade in Endangered Species of Wild Fauna and Flora (1973), for example, and to the Kimberly Process (2003), aimed at containing the flow of conflict diamonds. In addition, debates relating to social justice even date back to ancient times (for example, the writings of Diogenes). However, the high-end industry is currently facing more challenges than ever:

1. Scientific findings have become mainstream knowledge. Whole populations across the globe are experiencing the dramatic and life-threatening impact of the ecological crisis: floods, fires, draughts or storms.

2. The evolution of societies has reached levels that trigger constant and broad public debates about social topics (such as #metoo, fair trade or inclusion).

3. These discussions now take place on the global level and can suddenly focus on poor working conditions in a seemingly remote country whose textile industry serves international fashion brands.

4. The regulatory and advisory influence of state governments and international organisations (such as the United Nations, the OECD, the World Bank, etc.) has grown significantly in recent years. In business, the international debate about new imperatives is summarised by the acronym ESG, which stands for "environmental, social and governance".

Will these new conditions affect the raison d'être of luxury, especially given that it has historically been understood as a form of aspirational elitism for the benefit of the few, the "rich & famous" who enjoy abundance? How will luxury consumers react if their spending habits come under increasing public scrutiny? Furs have already disappeared in public. What will happen to demand if high-end products or services become twice as expensive because they are truly green and socially responsible?

Will consumers' overall spending habits change if ski slopes suddenly lack snow in winter and swimming pools are empty in summer? Is luxury losing its paradisiacal innocence in this emerging era of disillusioned consciousness, or on the contrary, is it being strengthened by the human search for social and emotional escapes, in the spirit of carpe diem? What will happen to the industry's image if it is accused of generating enormous profits at the expense of poorly treated workers and the exploitation of nature?

2 Defining high-end and exposed luxury

Without definitions, brands cannot be managed. However, consumers and industry alike are caught in a jumble of terminology: "luxury", "premium" and "prestige", often accompanied by confusing prefixes such as "casual", "hyper", "ultra", "secret", "quiet" or even "affordable". Second, luxury has been understood as something beyond the "naturally necessary" or above the "average standard of living".[2] Yet, from a consumer's perspective, the perception of what is necessary or above the average may vary according to individual circumstances: income, education, social positions, age, gender or place of residence. And perceptions can also change over time. What is considered high-end therefore unfolds in a dynamic and fuzzy semantic context of relativity.

The high-end-brand-matrix (HBM), a semantic convention used to manage businesses from a brand perspective, differentiates between luxury, premium, prestige and "prosuming" (professional consumption) brands:[3]

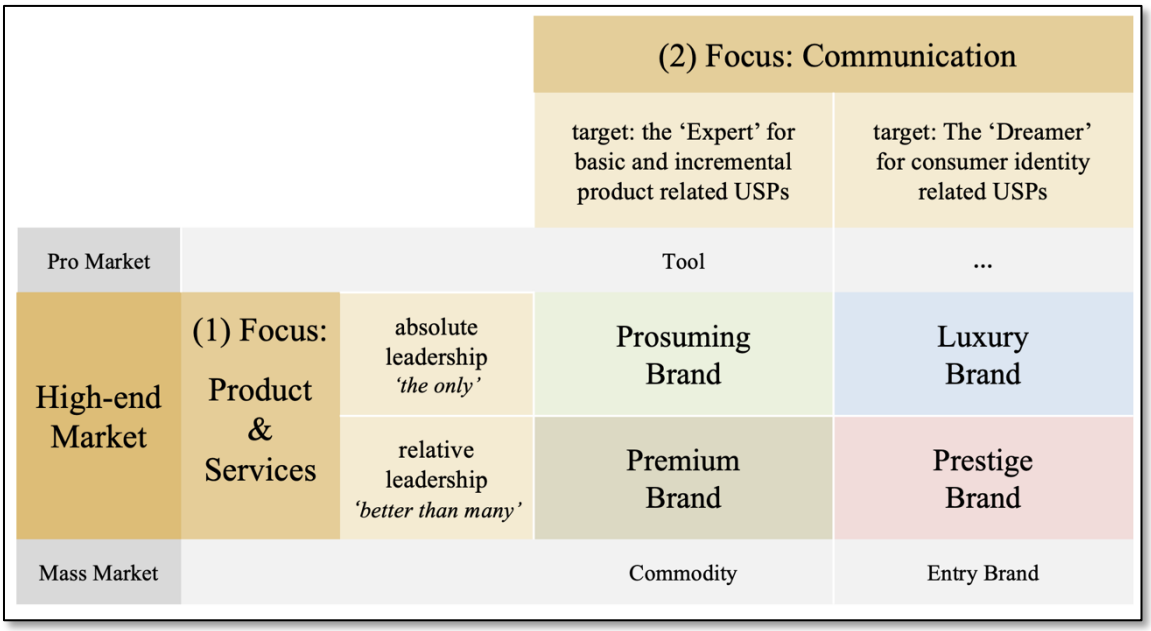

Figure 1: the High-end-Brand Matrix (HBM); Müller, F. (2013)

Two focus points are important: (1) To what extent does a brand's offer have an absolute and thus unique product advantage or is it just better than many others?

(2) Does the brand communicate merely on product related USPs or are identities provided also that allow consumers to feel powerful, young, beautiful, rich, cultivated or special in some other way? To counter the problem of relativity of terms, it is essential that the absolute product advantages are measurable. In luxury (and prosuming), this is framed in terms of world records (the "only") such as weight in carats, the number of production steps or components, the brand's unmatched age, greatest horsepower, etc. Examples of the four types of high-end brands are: Steinway & Sons, Ferrari and Christie's (luxury); A. Lange & Söhne, Gieves & Hawkes and Namiki (prosuming); Rolex, Porsche and Prada (Prestige); Lexus, Nikon and On (Premium). Each type of brand may be confronted with the same or different ESG challenges.

3 Driving forces of the new age of consciousness

The new age of consciousness in luxury is shaped by five main drivers. These can be positive or negative; they are sometimes correlated or even causal, reinforcing or weakening each other, and create both opportunities and challenges.

3.1 Driver 1: the social transformation

After 1945, the high-end industry's evolution was essentially made possible by the **social participation** of broad sections of the population. The result was an increase in income and wealth for many, and with it the **democratisation of luxury**. What was once the preserve of the elite only some 75 years ago is now available to the global middle classes with almost no restrictions: sailing holidays in the Caribbean, a German sports car, designer fashion from Paris or fine watches from Switzerland – Rolex sells more than one million timepieces every year.[4]

Social transformation is permanently concerned with the question of establishing binding values of **equality** and **fairness** and the creation of **flat social hierarchies**. The luxury industry is conceptually affected in two ways. First, luxury consumption has been the subject of social criticism for thousands of years, voiced by those who could not afford it, as well as by politicians, religious figures or moral philosophers. One of the principles of luxury is social selectivity and thus provocation. Through consumption, people want to differentiate themselves from the lower classes in a discriminatory manner or to integrate with the elites at the top. Secondly, global gains in prosperity and the democratisation of luxury are simultaneously promoting a situation in which everything is available to everyone. The presence of increasingly available and interchangeable offers weakens the historical social motive for luxury consumption. These very different factors can lead to the same outcome. Consumers find spending increasingly unattractive, either for fear of social criticism, a bad conscience or for a growing disinterest in ubiquitous pseudo-luxury. Or is it the other way around?

Is the fascination with luxury growing because of rising equality? The answer is both, because the social mechanism of elite consumption will continue to work where a) people are given more financial leeway for consumption through economic growth, e.g., in developing countries or among the younger generations, and b) where social ambitions are particularly important due to either very poor or on the other hand egalitarian civilisations and therefore the desire for symbols of hierarchical advancement remains alive. Hence, brands will have to react to the growing conceptual contradiction between growth (luxury for all) and exclusivity (social selectivity).

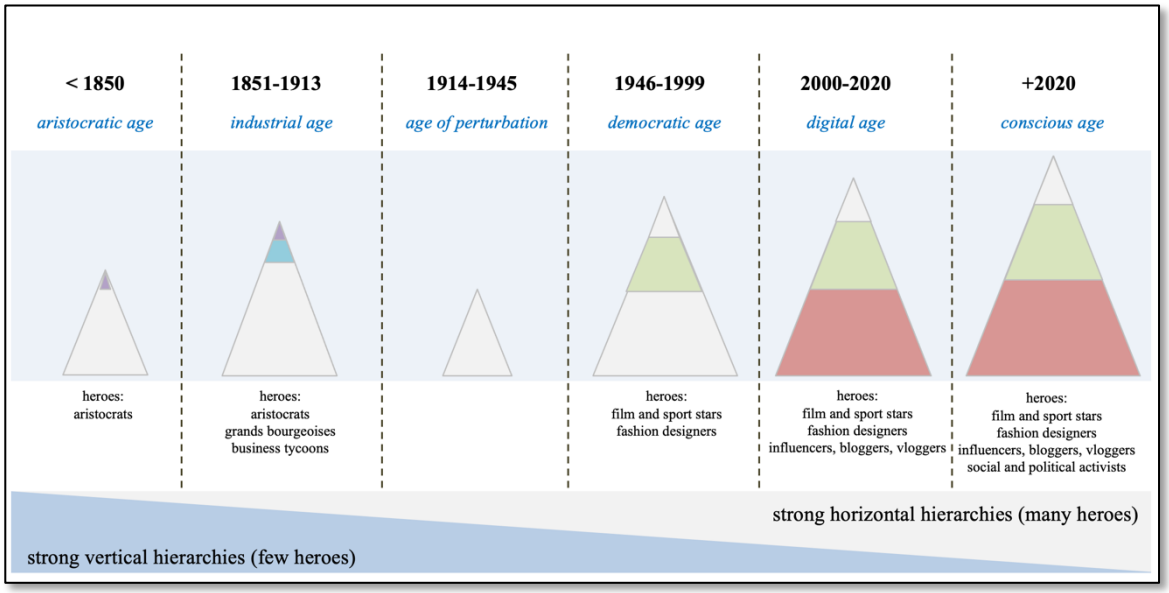

Figure 2: the democratisation of luxury - social hierarchies and heroes over time

But there are more dilemmas. The fashion industry, for example, has been criticised for its seemingly outdated classical ideal of beauty or the social role of women. At the same time, after decades of openly homosexual fashion designers representing LGBTQ values (lesbian, gay, bisexual, transgender and queer), its **tolerant attitude** is being challenged by the conservative "anti-woke" movement. And these heated debates are not limited to national levels. In many regions of the world, sexual preferences are viewed differently than in Western countries. Ideologically charged conflicts arise due to particular configurations of the historical, religious or cultural norms of the respective society. For globally active luxury brands, this creates the challenge of having to take up contradictory positions in different markets at the same time.

The complexity of the social transformation for the luxury industry is also evident with regard to less controversial topics. While people's desire for the right **work-life balance** opens enormous opportunities for the catering, hotel and travel industries, it also represents a challenge. "Quiet quitting" in the USA and "laying flat" in China are growing signs of a society that wants to slow down and escape materialism. A similar trend is **casual Friday**. With the

fine office suit going out of fashion, English bespoke tailors are experiencing a severe loss of customers.

Demographics is part of this complex social transformation, which is why it is also important for the future of luxury. The efforts of the high-end industry to appeal to young consumers is not only driven by their current relative high income or any inherited wealth, but also by a desire to build customer loyalty as early as possible. This is becoming increasingly necessary, as many countries face ageing and declining populations. By 2050, the proportion of 0-59-year-olds will fall from 85% today to 78%,[5] and some studies predict that the world's population will peak in the same year.[6] Meanwhile, a drop below 600 million people is forecast for consumer-friendly China by 2100.[7]

One aspect of this demographic situation is the increase in **single-person households**. In Europe, 39% of all adults live alone or as single parents.[8] The loss of former family structures is accompanied by a decline in historical middle-class values and rituals. Sunday lunches are rarely shared across generations anymore – to the chagrin of the manufacturers of porcelain tableware and silver cutlery, once an expression of a dynasty's wealth and social status. On the other hand, single people without children, freed from the obligation to care and save, have their entire income and assets at their disposal and can enjoy them here and now – an opportunity for well-targeted branding and product customisation.

3.2 Driver 2: ecological challenges

The pressure on companies to do something about the **ecological crisis** is growing, and this also affects the luxury industry. One accusation is that a small number of people are exhausting a large number of resources. Studies show that the consumption habits of the world's richest 1% produce twice the carbon emissions of the poorest half of the global population combined.[9] The second accusation is related to the first, the complaint being that luxury products – due to their world-record character – consume a relatively high number of resources per unit (e.g., travel by private jet). Hence, the luxury industry is said to disregard two sustainability principles: respecting the scarcity of natural resources, and minimising the impact of its activities. This criticism also applies to the other three high-end brand types of prestige, premium and prosuming, albeit in a weaker or different form. On the other hand, one argument in defence of luxury products and services is that they often have a long life-cycle due to their high quality and craftsmanship, meaning they can be considered environmentally friendly.

3.3 Driver 3: stricter governance

The third driver of the new age of consciousness is a result of the first two: **governance**. The goals of governance are fairness, accountability, responsibility and transparency. Companies that act in accordance with these rules thereby ensure their legality and legitimacy. This includes not only topics such as labour laws or environmental protection guidelines, but also the fight against corruption and money laundering, which has long been an issue in the luxury industry. The European Union supply chain law, for instance, will put a new legal spotlight on high-end companies to reveal and improve their value chains regarding local working conditions in developing countries (gold, diamonds, textiles) or the consumption of natural resources (leather). The implications are two-fold: defining constantly and globally positive brand images against a new transparency will get more challenging and the investments into social and green offerings will make high-end products and services much more expansive thus shaking existing pricing and therefore business models.

3.4 Driver 4: economic growth and increasing wealth

In 2022, the luxury industry saw a record turnover of 1.5 trillion euro,[10] after growing at an average annual rate of 5.7% since 1998. In 2022, there were 21.7 million people worldwide with disposable assets of more than 1 million US dollars.[11] The number of ultra-high-net-worth individuals (UHNWIs) and high-net-worth individuals (HNWIs) is set to rise further. In China alone, McKinsey expects the number of high-income or upper-middle-income households to reach 400 million by 2030, more than in Europe and the USA combined.[12] Similar growth is also forecasted for India and Brazil. By 2030, the combined GDP of these three countries will be greater than that of the G7 countries, and by 2050, it will be 33% higher.[13]

Industrial growth and the democratisation of luxury are two sides of the same coin, bringing with them the risk of profaning the mythos of elite consumption (“luxury socialism”). This is exacerbated by additional factors such as increasingly interchangeable products and e-commerce platforms, which present similar offerings in similar-looking online channels, often with discounts. Previously exclusive goods are degenerating into banal commodities. Overproduction, discounts and grey markets are counterproductive to the exclusive aura of luxury. In the new age of consciousness, the growth of an industry generates increasing criticism of its environmental footprint. And global supply chains mean that brands also bear responsibility for the failings of their international suppliers. The high-end industry may become a victim of its own success – the complexity of the business is increasing, and so are the risks.

But the new age of consciousness also includes positive arguments linked to growth. With more than a million direct or indirect jobs, the luxury industry is the largest employer in France.[14] Luxury is not only economically significant in manufacturing countries such as Italy or Germany, but also in many others where importers, wholesalers, communication agencies and the media benefit from the industry. Despite globalisation, many companies still operate in their historical locations, which results in shorter supplies chains than in other industries. Old, traditional craftsmanship is kept alive by the demand for high-quality products from authentic manufacturers. And the industry's billion-dollar turnovers translate into tax revenues that fund social systems, environmental protection and so on.

3.5 Driver 5: innovation

The fifth driver of the new age of consciousness is innovation. Over the past three decades, technological progress – digitalisation in particular – has revolutionised the high-end industry. The volume of internet-generated insights about customers' levels of product knowledge, needs, emotions or buying behaviour has grown exponentially. New manufacturing processes and materials define new or better products and services: 3D printing, LIGA fabrication, silicone materials, blockchain, digital assets such as non-fungible tokens (NFTs), the metaverse, artificial intelligence (AI), etc. But what does technological progress and innovation mean for the luxury industry in the context of ESG?

On a conceptual level, luxury and innovation go hand in hand. Innovation is about world records by definition because it creates novel offerings that are unique – at least temporarily. And innovation is becoming very important, especially to improve the industry's productivity and sustainability track record. Here are a few examples:

- By evaluating data and information, offers can be created that are better tailored to the needs of target groups. Ideally, this helps to avoid overproduction (fast fashion), for example.
- Products that are more durable, more functional and more efficient to produce will strengthen the industry's reputation, whether it is leather made from mushrooms or diamonds created from air.
- Blockchain and tokens make it possible, for example, to trace products and financial transactions back to their source in order to monitor compliance with laws and standards (place of extraction, production volumes and prices, flow of value chains, misuse of funds or corruption).

- Digital one-to-one communications offer ever more opportunities for informing customers and the public about a company's ESG efforts in a targeted and timely manner.

Innovations also contribute to equality. NFTs enable ownership of digital fractional rights to exclusive goods, at relatively low prices, while the metaverse with its avatars will enable users to experience luxury virtually.

At the same time, however, innovation also creates challenges that are far from insignificant:

- ESG-related innovations are shaking up business models and brand positions. Green mobility, for example, is putting pressure on manufacturers whose branding has so far emphasised the performance of their combustion engines.
- The efficiency of innovation comes at a cost: the example of jewellery or watch cases made from precious metals using 3D printing illustrates the social indifference of technological change, replacing old craftsmanship and with it human labour.
- NFTs support the democratisation of luxury and thus its further demystification.
- Innovation puts luxury pricing under pressure, as the example of lab-grown diamonds shows.
- The cacophony of social media increases the noise in customer communication. Fake news and a lack of seriousness from influencers, bloggers, vloggers, etc. undermines the credibility of luxury brands.
- Innovations create new contradictions: using the blockchain as a corporate governance tool leaves an enormous footprint due to the digital mining process.
- Innovation can boomerang: gains in manufacturing efficiency are not used to produce fewer goods, but the same quantity or even more than before. Such effects can also occur at the consumer level: people buy more electric vehicles in the belief that they have a smaller environmental footprint, thereby offsetting any positive sustainability effects.

3.6 Implications and possible scenarios for the high-end industry

The imperatives of ESG in the new age of consciousness require high-end companies to adapt and thus to change. Brands know this, as evidenced by their diverse and growing activities in this field.

More than 60% of Hermès' 2022 annual report is devoted to ESG alone.[15] In 2020, the privately held Chanel group invested 35 million US dollars in Sunrun, a solar park for low-income families in California. In 2021, LVMH, Prada, Cartier, Mercedes-Benz and OTB joined forces to create Aura, a company dedicated to developing a single global blockchain standard, while in 2022, the wholesale chain Bucherer acquired the NFT start-up Adresta. Since 2019, Watches & Wonders, the main international trade show for watches, has dispensed with female models. Hennessy, a cognac producer, is committed to regenerating 50,000 ha of forest by 2030. Chopard now only uses ethically sourced gold for its jewellery and timepieces, and the Swiss watch industry already recycles 50% of the gold it needs each year.[16] In 2021, LVMH introduced a hotline where employees and external stakeholders can report violations of its code of conduct. Fashion brand Brunello Cucinelli is a pioneer in offering a first holistic ESG orientated positioning in luxury – which an astonishing success.

The high-end industry faces several dilemmas: growth vs. exclusivity, growth vs. sustainability, modern Western values vs. traditional values elsewhere. The result is a further polarisation of the industry's pyramid into a shrinking luxury and prosuming top and a larger, ever-growing prestige and premium market at its bottom ("pseudo luxury"). In the new era of consciousness, it is difficult to make predictions about the future of the high-end industry. However, past growth rates are unlikely to be repeated, as expansion is now limited by three major factors: a) social and political interference forcing companies to align with ESG, b) the rising cost of ESG compliance, with significant implications on product pricing, and c) changing demographics. In business modelling, the notion of "less is more" may become the new paradigm for success. Brands will be increasingly forced to choose between mass and class.

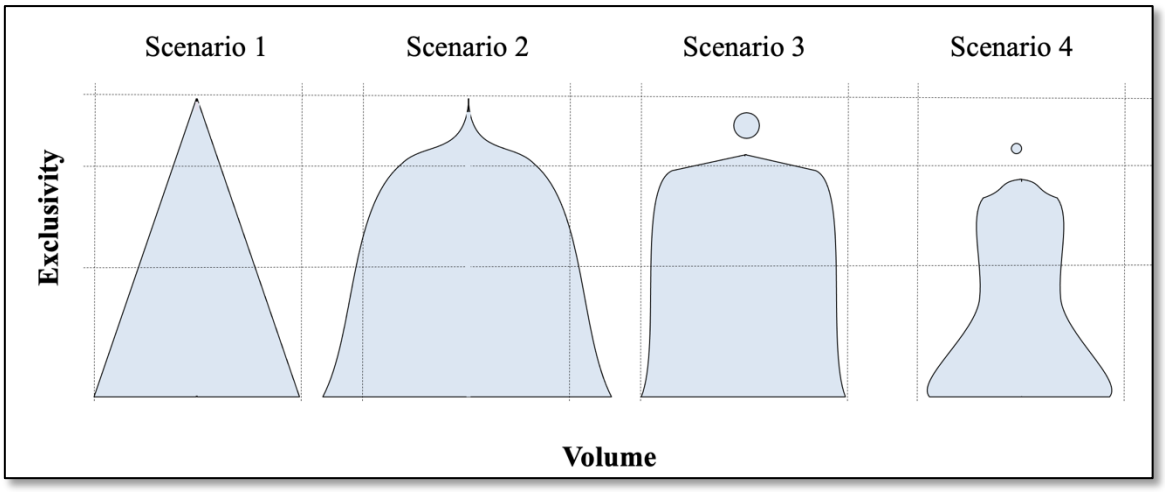

Figure 3: Possible scenarios for the high-end luxury industry

4 Recommendations for contemporary luxury branding

Companies will need to adapt to this new age at strategic and operational level. Yet, given the diversity of segments, company sizes and types of products and services, no single set of recommendations can be applied to all stakeholders, be they suppliers, brands, trading companies or service providers.

4.1 New consciousness policies for high-end branding

When it comes to ESG, the starting point for adaptation and proactive action is long-term business modelling. In contrast to the pre-ESG age, three factors must be considered: 1. Companies need to gain as precise as possible an understanding of the new business environment. 2. Companies must carry out a comprehensive analysis of how much they need to invest in ESG, and how much they are likely to earn in the future. 3. Companies need to be willing to take risks in a world of changing values, where a commitment to addressing environmental challenges while continuing to offer social selectivity can help them to position themselves in the luxury market. What are the basic policy options? The ROSEFEM (resist – obscure – switch – expect – focus – embrace – mix) model outlines the possibilities:

Policy	Risk	Cost
1. Resist: Disregard ESG and continue former business models; especially suitable for local, niche luxury brands that appeal to closed social circles or consumers that do care less about ESG	long-term: very high	short-term: low, long-term: very high
2. Obscure: Charity, greenwashing, purchase of emission rights	long-term: high	short-term: medium long-term: high
3. Switch:		
3.1 Dodging of social provocation and moving brand to prosuming; suitable for luxury brands	long-term: high to very high	medium to high
3.2 Dodging of social provocation and moving brand to premium, especially suitable for prestige brands	long-term: high to very high	medium to high
4. Expect: Adapting to circumstances but no prominent communications on ESG; strategy of being prepared in case of public questions	low	medium to high
5. Focus: Focus partially on ESG where it fits current branding: e.g., crafts, tradition, creating jobs	short-term: low long-term: medium	medium to high
6. Embrace: Become an authentic ESG brand: green and social as central part of positioning and actively communicated	short-term: high long-term: medium	high
7. Mix: 1-6 applied to different markets or product categories	depends	depends

Table 1: Basic policy options in high-end branding

4.2 New consciousness strategies for high-end branding

Once the basic policy has been determined, high-end brands need to identify and select the strategic options at their disposal.

First, they need to understand their **target audience** by conducting market research on information levels, involvement and attitudes, needs and expectations of current or potential customers regarding ESG topics, also considering price elasticities (value pricing on ESG attributes), etc.

Second, they need to build a **business case**. Potential sales are derived from the size of possible customer groups and knowledge of their willingness to pay, the required ESG investments and profit and loss scenarios. The complexity of these forecasts should not be underestimated. If a company launches an online platform for vintage products, its customers may stop buying new items for a number of sales cycles, for example. Such undesirable substitution effects need to be anticipated (e.g., pre-owned watches).

Third, once the customer segments have been determined and the business case is deemed to be positive, the type of high-end brand needs to be selected. Each of these offers certain advantages and disadvantages in ESG terms, as the **summit-brand matrix** shows:

	Advantage	Disadvantages
Luxury	• Less overall polluting quantities • Socially provocative (elitist) • ESG "world record" possible • Higher ESG pricing	• High consumption of resources per unit • Socially provocative (elitist) • Cost of ESG
Prosuming	• Less overall polluting quantities • Less socially provocative (elitist) • ESG "world record" possible	• High consumption of resources per unit • Cost of ESG
Prestige	• Big business • More egalitarian	• Higher polluting quantities • Cost of ESG
Premium	• Big business • Egalitarian	• Higher polluting quantities • Cost of ESG

Table 2: the high-end-brand matrix in the new era of consciousness

Fourth, companies need to define their exact **positioning and communications**: the number of environmental or social responsibility topics they want to pursue, their storytelling, tone, level of emotionality and so on.

4.3 New consciousness tools for high-end branding

Today, a comprehensive set of tools is already available to implement ESG standards in high-end branding. On the environmental level, they focus on products (quality), eco-design (packaging), recycling and up-cycling, circularity or stock reduction. Companies can express their respect for natural resources by funding environmental programs, buying emissions certificates, supporting environmental organisations, etc. They can minimise the footprint of their activities by shortening their supply chains, lowering their emissions, integrating circularity into their enterprise resource planning (ERP) or introducing traceability tools (e.g., blockchain). And they can strengthen their corporate social responsibility (CSR) through involvement in fair trade initiatives or the introduction of social benefit programmes, whistle-blower protection schemes or diversity and inclusion agreements within their business units.

To succeed, however, the right operational conditions need to be in place: sufficient funds and management capacities, an open and transparent corporate culture, and appropriate structures, procedures and tools.[17]

5 Conclusion

In this new era of consciousness, born of social changes against the backdrop of an existential climate crisis, brands are faced with the following question: To what extent should they adapt, and should they do so proactively or reactively? The industry will be forced to change as the challenges will be as demanding as never before. Brands that recognise this in good time, accept it and see it as an opportunity will be more successful in the future than their peers.

6 The authors

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7 Notes

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