

« Luxury 2025 »

The International Luxury Business Association – March 20, 2014

Speakers : **Mr. Steve Brown** - Chief futurist at Intel
Mr. Andy Middleton - Managing Director EMEA - Stratasy
Mr. Russell Acton - Managing Director EMEA - Pivotal
Mr. Spencer Kelly - Presenter of BBC World News' technology programme, Click.
Mr. Remy Oudghiri - Head of the Trend and Proposective Department – Ipsos
Mr. Ryan Genz - CEO - Cute Circuit
Mr. Timo Resch - Vice President Product Management Grand Series – BMW
Mr. Vincent Perriard - CEO - HYT Watches
Mr. Marco Tinelli - CEO - Fullsix Group

PART ONE — TECHNOLOGIES THAT WILL CHANGE OUR LIVES ||

With: **Mr. Steve Brown** : Chief futurist at Intel,
Mr. Andy Middleton : Managing Director EMEA - Stratasys
Mr. Russell Acton : Managing Director EMEA Pivotal

Moderated by **Mr. Spencer Kelly** - Presenter of BBC World News' technology programme, Click.

The introductory video, featuring a speech by Neil Gershenfeld from the MIT presented the idea of 'Moore's Law': an observation that computers will pretty much double in power every year or two, or shrink in size by a factor of two every year or two. The smartphones almost everybody has in his/her pockets or bags today are much more powerful than the computers of just a few years ago. So in 2025: computers will be tiny, they will be faster and we will be wearing some of them in our clothes.

The first panel aimed at better understanding 3 technologies which according to Spencer Kelly are going to genuinely change the world: **3D Printing, Big Data, The Internet of Things**

1- 3D Printing

What is it? : According to Andy Middleton from Stratasys, one of the leading 3D printing corporations, 3D printing is all about what we called 'additive manufacturing' rather than 'subtractive.' That is, if a sculptor has a piece of wood and wants to make a nice sculpture he takes wood away. What 3D printing does is that it starts with nothing and actually builds up that sculpture layer by layer by jetting liquid material that hardens really quickly. It allows making objects that could not be manufactured in any other way. Today 3D Printed Products are of high quality, they are safe enough that airliners today are already using 3D printed parts in their airplanes.

What material is it possible to print with today? Four years ago, only one material could be used, it had no geometric stability, and therefore a printed object left in a warm environment would soften and expand; the technology has moved on in the last few years. Clear, hard materials, plastics and rubbers can now be printed. All of these materials can then be processed: chromed, galvanized, polished, and painted, so that one would not be able to differentiate between the final product and the 3D printed product.

3D Printing in every store?

Will there be 3D Printers in most stores with products individually made to clients' specifications and taste? Russell Acton does see a trend towards mass customization, and questions it, for him it might be a fad and certainly does not apply to luxury for which the experience in-store is as important as the product itself.

Andy Middleton points out that what is already happening is that many high-street stores (for example mobile phones companies) are using 3D printers: first, to derive traffic, two, to sell on additional goods that the customer wants (like for example iPhone covers in all possible colors). Steve Brown points out the probable role of 3D Printing and/or new technologies in retail in the near future

- Satisfy a specific customer need to purchase personalized products: Gen-Ys, the millennials, are very interested in **mass customization**.
- Away from 3D printing but in luxury retail, he mentions the concept of possible robotic

seamstresses which could play a role in made-to-measure garments. He envisions the possibility 10/15 years from now to go into a store and say, “I want this shirt, but I want it in this color, and I want it in my size, in 10 minutes.”

- **Spare Parts** : in the post-sales business, parts will be printed on demand, when needed, in the quantities needed, and without the hassle of massive inventory management.

Steve Brown does not believe in the fact that today’s structure – manufacturers, supply chain, retailer will collapse to be replaced by manufacturing at retail level. This scenario only makes sense for a certain category of products.

Mass customization and Luxury

The next question is the emerging competition from the lower end brands. Indeed, one characteristic of luxury brands is this bespoke nature of goods, the unique tailored nature of an item, what will happen to them, as 3D printing raise its quality and become cheaper allowing almost anyone for affordable prices to have bespoke products made?

To Andy Middleton, when 3D Printing of ‘luxury’ objects becomes a reality, **design** will emerge even more as the most important thing: the design will remain the core value. To Steve Brown it raises the question of the nature of Luxury in the future. It is then important to understand what Gen Y and Millenials want, they are tomorrow’s clients. Of course the question of quality will remain a key issue, whether the best way to build a quality product is using a really amazing, latest-technology, robot or to be hand-crafted; chances are that people in the future will pay extra to have something ‘built by a human being’, so it might well reinforce the positioning of very high-end, niche brands having kept a traditional know-how and way to make their products.

3D Printing and counterfeit

Right now, if one 3D prints an item home or at a local workshop, it might not be the best quality and there might be after-sales issues, but as technology improves these issues will be solved just as they have been in the 2D printing industry. So if it becomes possible to download 3D files or to scan any object to reproduce it in 3D printing, it will raise new issues in counterfeiting. To Steve Brown, they will exist but remain marginal because buying from luxury brands is buying quality, trust, service. It is also buying meaning and memories.

Future of 3D printing

It is already possible to 3D print metal parts in very very fine layers using a specific technology involving laser. So to answer a question from the audience it should be possible to 3D print gold in the future. Strasys is also currently running test to print ceramics which opens up massive opportunities and not only in the dental area.

2 - Big Data

To give a broad picture of what Big Data is about, Spencer Kelly takes the example of Politics with an anecdote concerning Barack Obama and David Cameron who are said to have their own personalized iPad app that tells them the mood of the nation on a daily basis... This is done by analyzing all of the social media, all of the things people are talking about, what are people happy/not happy about, and identifying this way the problems they need to address. In short, Big Data is spotting patterns that our brains, aren’t big enough to comprehend.

Russell Acton does not like the term ‘Big Data’ very much, he points out that it does not mean the same thing according to the users and the business they are in, but in the end, it is about enhancing and refining experiences today.

The Revolution of Big Data + 3D printing

Steve Brown indicates that every year \$ 900 billion are thrown away because of the mismatch between offer and demand (products unavailable in store to match a specific demand or products remaining unsold).

For Andy Middleton, in the future, inventory will be digital and in many cases products will be manufactured when needed in the quantities needed. So it is the end of a certain model in which products are made in large quantities and shipped around the world. As a result, a number of products will be produced locally in smaller quantities, and this applies to spare parts as well. Of course, this pattern will not apply to all goods but it will definitely be good for the planet and for anyone who's engaged in that whole product line cycle, with a lower level of waste.

Big Data is the new oil

What seems more relevant to luxury than Big Data in the manufacturing context is Big Data in the Marketing and Retail context. Big Data is about understanding clients better in order to provide them with customized communication and experience.

Steve Brown uses the analogy between data and oil. The people that make money from oil are the ones taking it out of the ground, and refining it. It is the exact same thing with data. The people who gather the data, and the people who refine it, and turn it into information, information into knowledge, and ultimately, knowledge into wisdom, are the ones who will be winning tomorrow. So his advice to manufacturers and retailers is that they should hire mathematicians, statisticians and data analysts today! Russell Acton stresses the importance of data in areas that are experience based such as Hotel, Travel etc. For new upcoming clients such as the Millennials data is key, they don't see luxury as previous generations see it, so it is key to understand what they are seeking, as for them luxury is primarily about experience.

Spencer Kelly mentions an anecdote about a research made at Cambridge University which demonstrates that just by analyzing information posted by any individual on social networks one can tell: the person's sex, your sexuality, religion, whether his/her parents separated when he/she was young, ... with 75% accuracy.

Data is precisely the reason why Google and Facebook have such high valuations: that they are the ones gathering the data, and they're refining it.

3 -The Internet of Things

Smart products

The idea of smart objects is to add features that will in turn add value to the object. Then the question is: does it change that product into a service? Steve Brown gives the example of a luxury bag which would have some intelligence in it. This intelligence would make an alarm sound whenever the bag is separated from the owner in foreign places (as opposed to familiar one such as the home, the car, ...). When having that intelligence so that the bag knows about its context, a brand may then stop selling just the bag, but possibly sells a security service around that bag and may have the owner pay a small monthly fee for it. This way brands can start to think about monetizing products in different ways, by making them smart.

Retail

Internet of things applies to retail as well. **Burberry** is a brand often taken as a reference when it comes to the use of new technologies and it is definitely into the 21st century in terms of delivering a 'smart' customer experience. Examples of using technology in store can be found in the Regent Street Flagship: the high-

definition screen, RFID tags on products that allow consumers, when touching the mirror in the fitting-rooms with the RFID tag, to get many details on the product. So, it just creates a really nice in-store experience for people, using technology.

Fundamentally it's all about experience and thinking about what people want, and using technology in the right places but not in the wrong places. Burberry experimented with using iPads at checkout, so they were on the forefront of doing that, what they found is that customer didn't like it. Customers actually liked going up to the desk and standing there having a conversation, and seeing their beautiful new products wrapped up and placed in a bag. They wanted that piece of the experience.

Consumers are looking for much more **interactivity**, particularly in markets such as China. What is observed there is the gamification of retail. Chinese culture is really built very heavily around gaming, and so creating interactive experiences in the store which are a little bit like a game has proved to be really successful.

*Tapping into **technology** and **devices***

Most high net-worth individuals have some sort of elegant smartphone, and there is a great amount of value in getting some kind of real estate on that device because it allows brands to scour invaluable information. If, when a client walks into a store, the sales attendant is able to know the products he/she has already looked at he can tell the story behind the bag, give the clients indications on other products he may like or other colors available, whether the items are available in the store, in his home town store, etc. Apple is trying to launch a standard to be able to do this within store. There's no reason why it should be just retail-based, and it could also be hotel-based or resort-based, etc.

As a conclusion, Internet of Things is also a matter of collecting data, and for that matter mobile devices are key. Russell Acton indicates that he checked all the web sites of corporations represented in the room and found out that only 25% had a site fitted for mobile devices. At a time when providing great digital experiences to clients is key, this raises two issues: migration of potential customer to other places, losing the opportunity to collect valuable data.

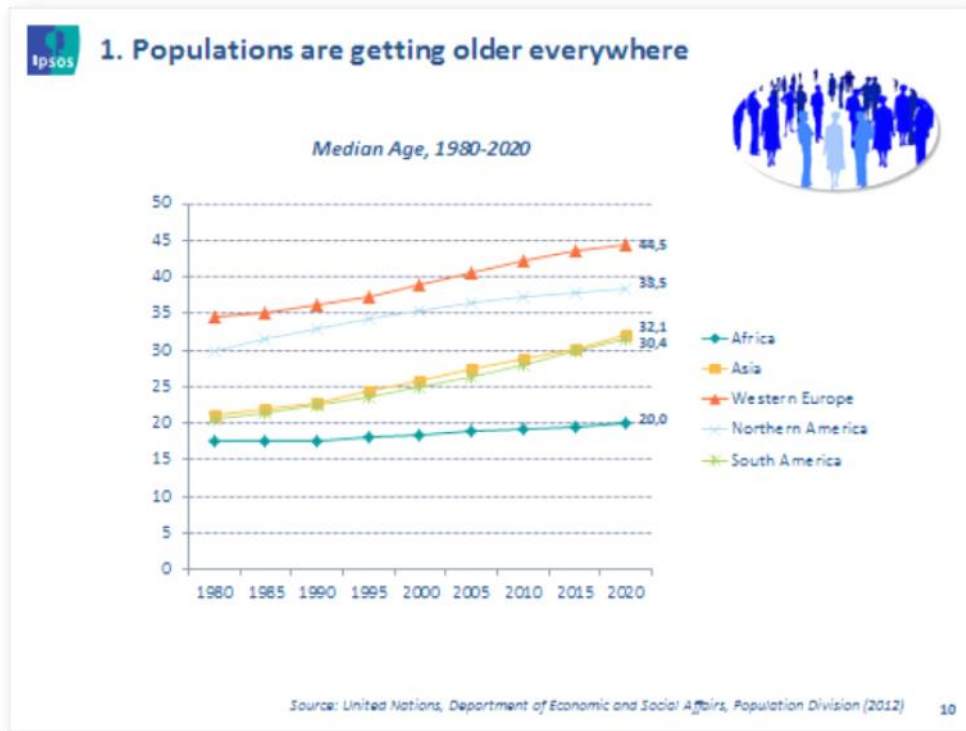
PART 2 — THE IMPACT OF GLOBAL MEGATRENDS ON LUXURY ||

By: **Mr. Remy Oudghiri** – Head of the Trend and Proposective Department - Ipsos

When trying to plan the future, one trend that stands out is technology. Although technology will strongly impact the future, it is clear that there will be other important aspects to take into account. Taking the perspective of the consumer, it is possible to understand the impact of future trends on their future needs, future habits, etc. Some trends will specifically influence luxury. Rémy Oudghiri chose to present seven megatrends that will have an impact on consumers' expectations and behaviors and as a consequence on luxury consumption.

1 - The Demographic revolution

The demographic revolution will continue, and worldwide population will grow older. The projections for 2020 show that the median age in Europe will be 45 (it was 35 in 1980). The same trend will appear in Asia, the median age there will rise from 20 in 1980 to 32 in 2020. This trend will also be applied to other emerging countries. In fact, except in Africa, populations will be aging in all regions of the world.



This phenomenon will have consequences on people's lifestyle. Today already, a boom in divorces after 60 years old indicates that people will increasingly be changing their lives at a late stage. As they expect to live longer and in a better shape they will have the desire to start all over again. This will be a strong driving force for the desire to remain young looking and attractive. For luxury players, whether in the fashion, cosmetics or spas segments, it is an opportunity to offer more products helping people to age properly. On the other hand, mature consumers are more demanding. They will be looking for new and refined experiences (such as relaxing cruises, high-end university courses), high quality products and services, and more sophistication.

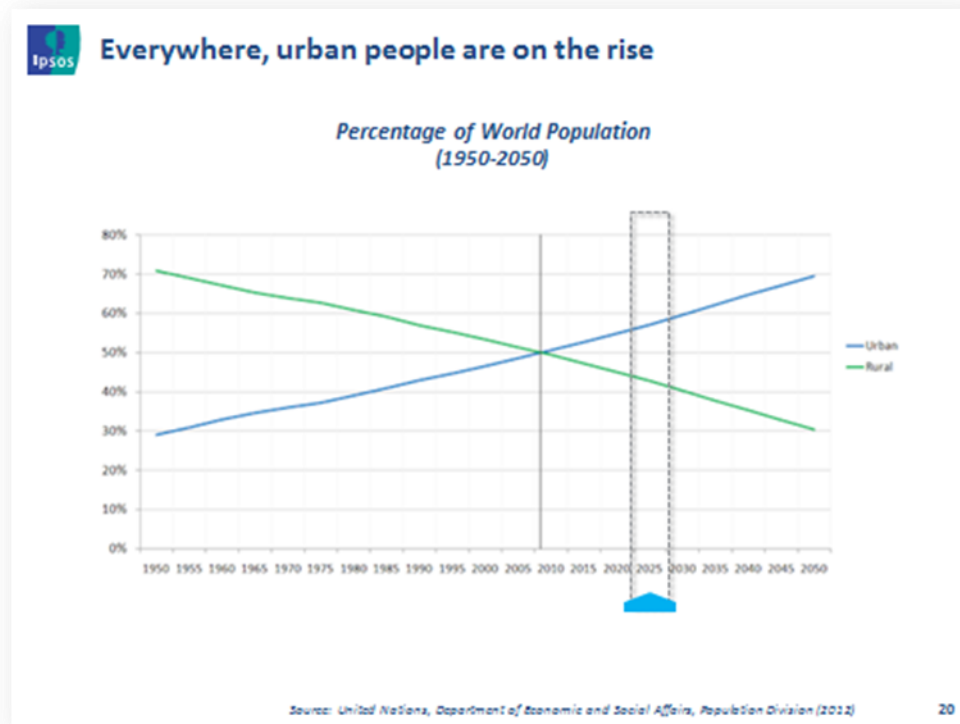
The rise of single households will represent a major demographic shift. Within two years, Sweden will become the first country in the world with half of its population "living solo". The trend is the same everywhere, including in very traditional cultures; a recent survey done in the Emirates, showed that today, 60% of the women over 30 years old are not married and are living alone. Surveys show that 'going solo' is a deliberate choice. It reflects emerging values; people, thanks to new technologies, being so connected will have the desire to be alone and take care of themselves at one point of their lives. Research shows that "solo people" are very social and want to keep connected with others. No doubt, they will be demanding more luxury experiences and luxury social events. This is an opportunity that luxury players should take into account. A need for selective entertainment places: selective bars, selective clubs will appear; and products for single people will be also one opportunity for the market. Being alone and willing to socialize they will want to remain attractive which is a strong driver for luxury consumption, and all surveys on luxury show this.

The gender gap is increasing. In China the phenomenon is gigantic. It is forecasted that in 2025 there will be an extra 35 Million of Chinese male population (the equivalent of the population of Canada). Other countries like Vietnam or India are experiencing the same phenomenon but to a lesser degree. According to Remy Oudghiri, the outcome of this situation is not clear but it will certainly generate some tensions.

These trends also generate some threats. An aging phenomenon may lead to less disposable income as it is usually the case for single households overall. Less disposable income at various levels could be a cause for social unrest and critics towards luxury consumption.

2 - The Urban Victory

Since 2012, there are globally more people living in cities than in rural areas. Urban population will continue to increase in the future.



By 2025, around 60% of the world's population will be living in cities and megacities will spread everywhere. The greatest number of megacities in the world will be located in emerging countries. In 2025, the majority of cities over 5mil people will be in Asia. This is why Asia will be so important for luxury players. Africa will slowly follow this phenomenon and will also count numerous megacities. More people will thus have the aspirations and the needs of the urban population. The urban way of living is a strong driver of the demand for luxury. One of its missions in the future will be to provide relaxing experiences to counterbalance the stress of life in megacities. Thus, one can expect an increase in the demand for experiential luxury.

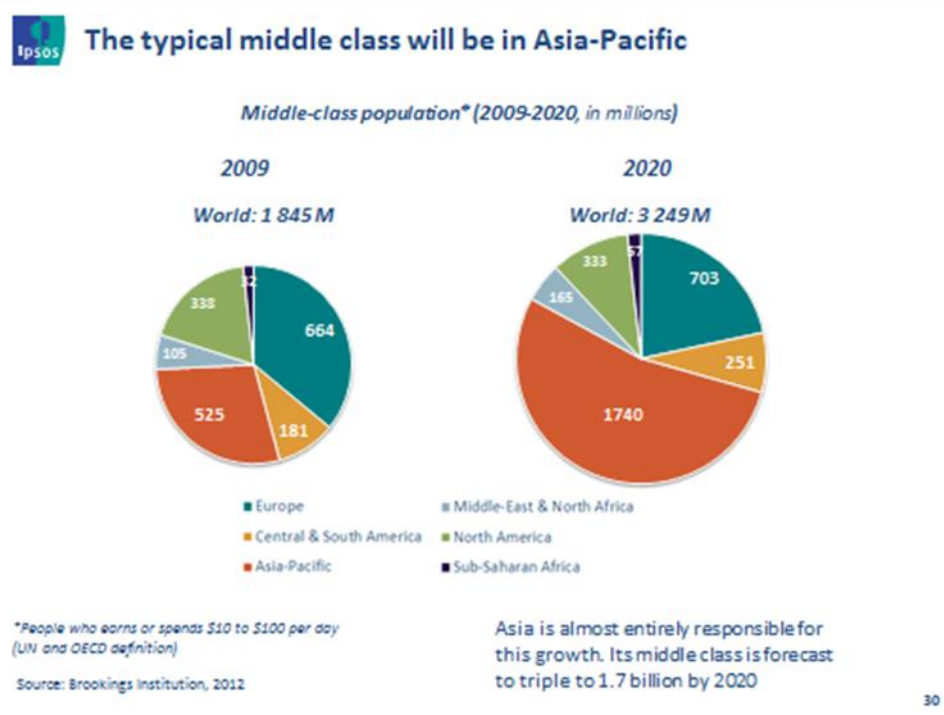
One of the missions of luxury as shown by the World Luxury Tracking today is to help people expressing their personality and style. As most people will be living in such an anonymous environment as a big city environment, this need for differentiation can only be rising, and it is good news for luxury. This trend, already existing in many countries, is especially strong in the young generations of the emerging countries, and it means that more than ever the mission of luxury will be to provide exclusive accessories or products or experiences to fulfill this need for differentiation.

In a hyper-connected, competitive and crowded environment, offering exciting retail experiences could make luxury a way to escape a stressing life; it is already the case today but this motivation may increase. So indeed, urbanization will enhance luxury's existing missions and allow this sector to tap the potential of these new consumers part of the affluent middle classes developing in megacities.

Threats associated with this megatrend mostly revolve around urban tensions that could make insecurity a key challenge: for instance security of the stores. Social inequality will also increase and the image of luxury could be threatened.

3 - Values Transformation

Values are changing worldwide. This trend will be especially prevalent among middle classes in emerging markets where middle classes growth will be strong. In Asia the middle classes are forecasted to triple by 2020. In Central and South America, they will also grow significantly (almost double). In other regions, middle classes will increase at a slower pace.



One key consequence of values transformation is hedonism, especially among the young generation. “Western values” of self-expression, the willingness to enjoy life will take a major place in people’s life. In traditional cultures as well (for example the Middle East), this phenomenon is rising. The ‘Mipsterz’ (Muslim Hipsters) phenomenon, the young Muslims, who want to be in the hype without losing their traditional culture, is an example. The emergence of magazines combining tradition and fashion/new trends like ‘Hijabella’ is a proof that it is already an existing trend. Individualism will spread and middle class will want to enjoy life as in the Western countries.

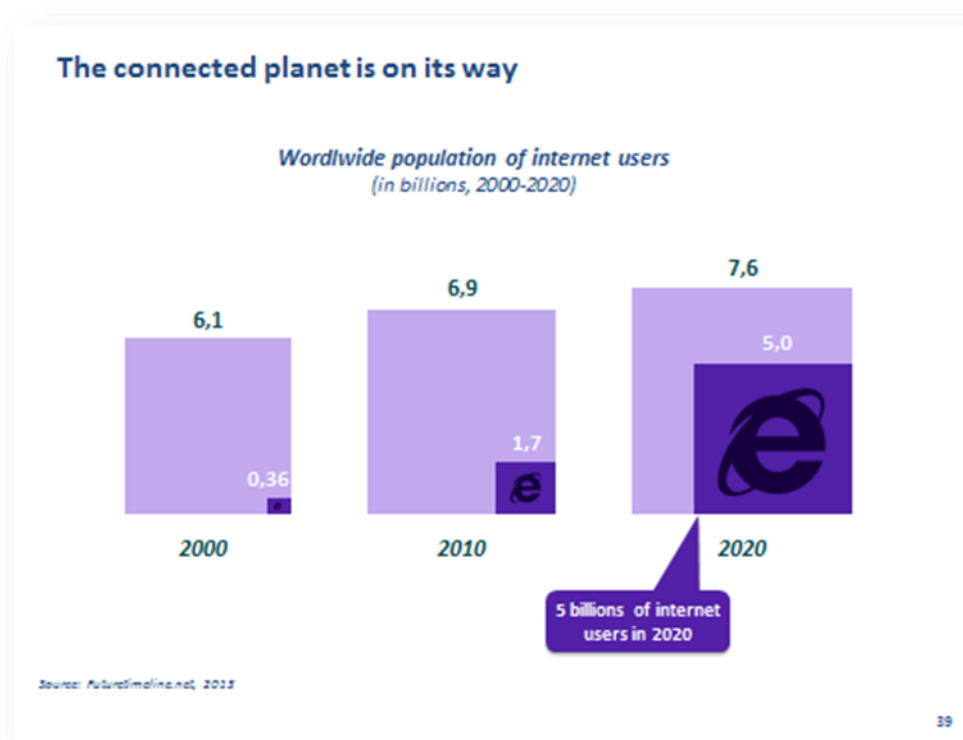
In many countries, Women are now more numerous than men. In the future, they will catch up with men and become more and more educated. This will lead to an expansion of the female market. There will also be a shift in the most traditional parts of the world. When talking about values it is important to take education into consideration. The education level will increase in many parts of the world. Countries such as India and China will have a very strong rise in the proportion of people with higher education. It means that new values, new ways to look at the world, new visions will appear maybe more critical, more demanding and of course very interesting for luxury, which provide sophisticated products and experiences. All types of people will be concerned with this trend especially the most affluent and the upper middle class, which will have this new benchmarks and new expectations in mind. With a growing expertise on consumers’ side, there will be a growing need to focus on brand’s history and know-how.

The threat is social polarization, the gap between the values of modern forces and more traditionalist ones grows and this might be a source of conflicts. There will also be social polarization of values between the rural

and the urban areas, which may lead to social unrest as it is already occurring in China, though not often appearing in the media.

3 - The New Tech Order

The whole planet will be connected soon. In 2020, it is projected that there will be 5 billion internet users.



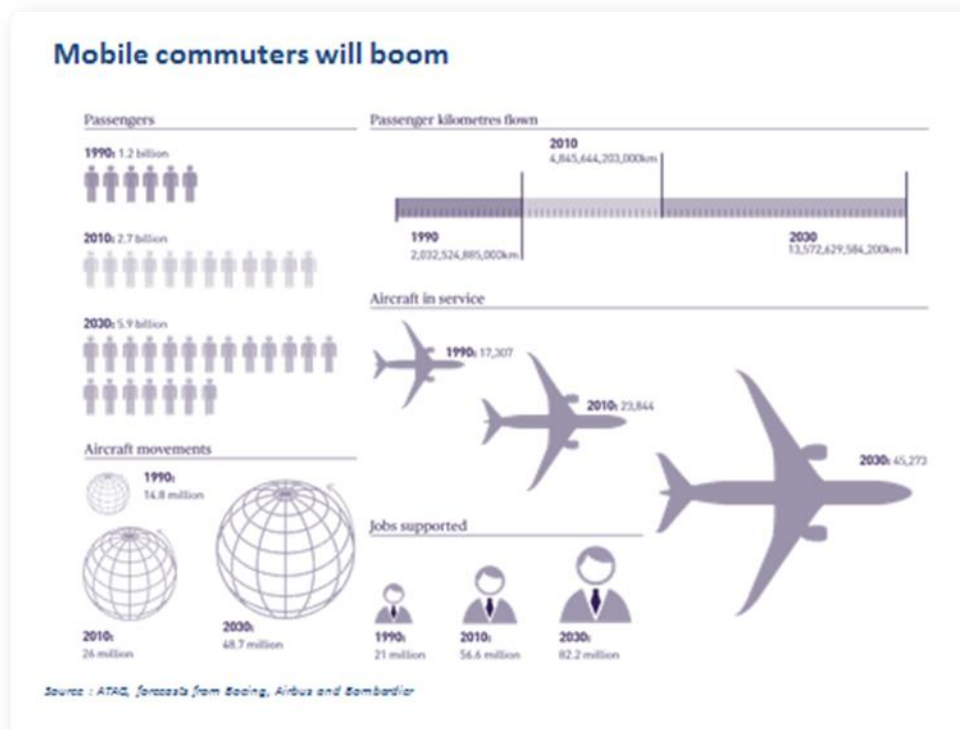
The phenomenon will raise mobile data; specialists expect the fastest development of mobile data in Asia. People will start to expect to have everything connected (this might be very important in the hospitality sector for example). Luxury players will need to raise the standards of their services and products if they want to survive. On the other hand, a market for disconnected luxury will arise. In those disconnected places, people will be able to reconnect with themselves and with others. While innovation is key for luxury, timelessness is also a strong value, so a clear positioning away for technology might also become a winning positioning.

With technologies such as 3D Printing, people will become used to doing many things by themselves. This will redefine the role of stores. The frontiers between the manufacturers and the consumers will change. Consumers won't go in stores to buy, they will go in stores for the experience and by chance they will buy. These aspects depict new challenges for retailers.

Using connection, people today show a growing interest for either swapping or buying secondhand products, this trend which is more prevalent in mature markets now could spread more widely. As consumers will become savvier they will tend to question brands more. Overall, it is good for luxury because it is already positioned to provide sophisticated goods and service, but it will need to keep very high standards.

5 - Mobility

To Ipsos the boom of mobility is probably one of the key trends. In 1990 there were 17 000 aircrafts in service, they are expected to be over 45 000 by 2030, a threefold increase... Of course, the number of passengers will boom accordingly.



The World Luxury Tracking (Ipsos/The International Luxury Business Association's observatory on Luxury clients) shows that one of the main aspirations of the population in emerging countries is to travel abroad. This aspiration is behind the boom of mobility and it is an opportunity for travel retailers who will play a strategic role in the future. The big challenge is the capacity to provide the best travel experience to travelers at every contact point and to make sure that they have the direct and right access to the product experience. Using big data in a smart way will be the key to delivering this experience.

A slowly-growing openness to other cultures may also develop, causing a widening of the scope of luxury from the 'traditional' western sense and possibly a growing interest from consumers for brands coming from other countries than France, Italy or Switzerland. The World Luxury Tracking shows already an emerging interest for products/brands from China and India, so even if it might still take some time, this will be a factor to take into consideration by luxury marketers.

The drivers for luxury in 2025 will evolve. The appetite for western cultures and products will remain. Luxury players will have the opportunity to increase the number of touch points, they will be able to address the consumers in many ways, and to collect more information on them. The challenge is to provide efficient global after-sale services.

The threats coming from the increasing mobility is that people will also become mobile in their mindset, more versatile, so brand loyalty may decrease. There will be an increased competition coming from a wider number of countries and possibly more indulging offers. Another major issue will be the spread of counterfeiting, eased by technologies such as 3D Printing.

6 - The Environmental Pressure

This trend could affect the perception of luxury. Scarcity of resources will increase. For instance, scarcity of water could lead to conflicts, especially the Middle East where the situation is probably the worst. Energy demand will explode far beyond the capacity of the planet. It could lead to real problems, putting pressure on prices, sourcing, etc. The decline in biodiversity could enhance the trend of "less is more" which can already be observed in big cities today.

In contrast, luxury values could be reinforced. Quality meaning also scarcity, authenticity and exclusivity will resonate with a world of scarce resources; the whole idea of durability behind quality will certainly be an asset for luxury brands. There will be opportunities for 'responsible' luxury brands working actively to protect biodiversity, and it could be a key driver for certain product categories. Transparency on manufacturing and sourcing processes will become more and more important as part of the global corporate responsibility of luxury brands.

There is a threat that consumers will perceive luxury as a superfluous and destructive sector (as all sectors), and it needs to be addressed. A possible scenario on the consumer's side is also a shift of interest, moving from pleasure towards more responsibility, so a drop in demand.

7 - The Blurring Society

Why blurring society? Because the acceleration of the changes in many fields (technology, science, medicine,...) that we are experiencing today is blurring our vision of society, of life, of everything.

In ten years from now, robots will get closer to humans and vice versa. The frontiers between machines and humans could really blur. Rémy Oudghiri mentioned the Swedish TV broadcast called 'Real Humans'. It features robots that are exactly like humans and it shows the challenges and the positive aspects of living with robots. If the program sounds a bit like science-fiction, it is not that far from reality. There is indeed a strong movement to connect human beings, to integrate either electronic tattoos or microchips into the body, and if it does not exist yet, chances are that 10 years from now it will blur the border between machines and humans.

Medicine is also blurring. Many western hospitals are integrating traditional and alternative medicine (like Chinese medicine).

Work is blurring as well. There are no remaining frontiers, people are working all the time wherever the place they are in, and this will continue. This gives birth to new concepts and trends such as the 'anti-café' phenomenon. The Café does not sell coffee any longer but rents the space people occupy for whatever amount of time they decide to spend there working; meanwhile, they may drink the amount of coffee they wish to drink.

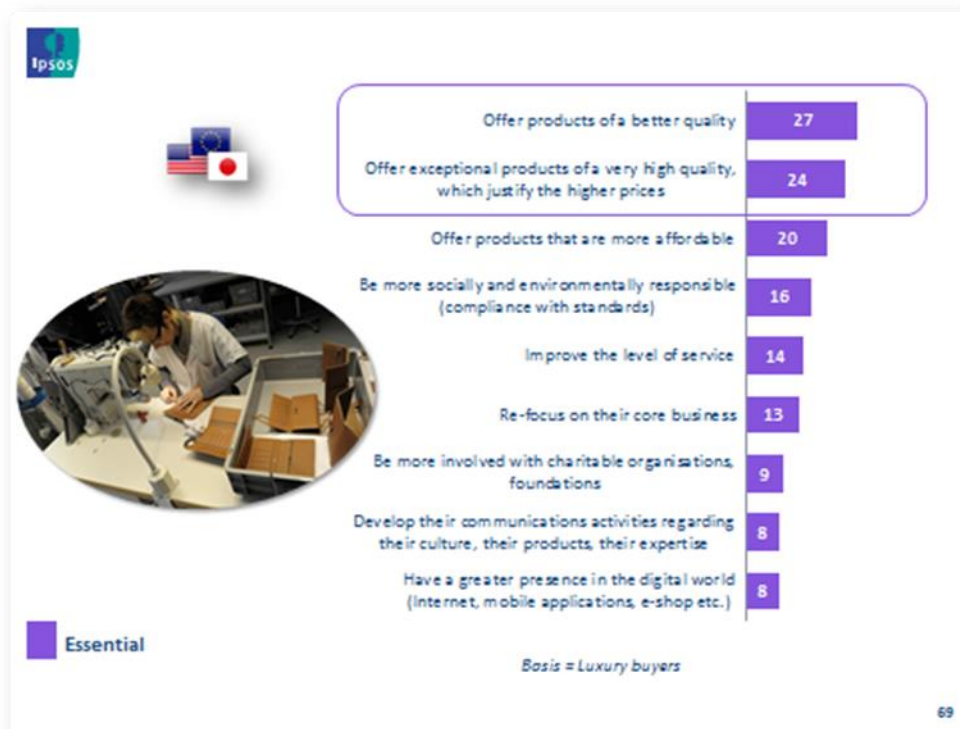
Consumption is also blurring. The consumption of the future may be functional, but also emotional and playful. An example of it is the 'bleasure' phenomenon in some hotels positioning their offer as a mix of business and pleasure.

The blurring phenomenon is an opportunity and there could be many examples of this (as shown in the previous examples). As this phenomenon can be somewhat disturbing, it might increase the demand for timeless products, of products that are not blurring. Luxury has a strong competitive advantage on that. Blurring makes things and experiences highly volatile, easily forgettable. The key will more than ever be to provide emotional, unforgettable experiences, as the World Luxury Tracking already indicates. Reassuring brands will definitely be an asset for consumers to feel more secure in a blurred society.

Between challenge and opportunity, a blurring world can create the conditions for innovative partnerships, creating innovation based on two competencies that are not traditionally put together.

And finally as the frontiers are moving very fast, luxury players need to be able to provide flexible services, customized communication, etc., which is a challenge as well as an opportunity for those who will be successful in doing so.

As a conclusion Rémy Oudghiri showed one of the many findings of the World Luxury Tracking. The question to consumers was: what would a luxury brand have to do tomorrow in order to become one of your favorite brands?



The answer is offer products of better quality. It means that the answer to the blurring society and to all these trends that will change our societies and de-stabilize some people is to provide higher quality products, a very positive and optimistic way to end the presentation.

PART 3 — OBJECTS OF THE FUTURE, EVERYTHING CONNECTED? ||

With: **Mr. Ryan Genz** – CEO – Cute Circuit
Mr. Timo Resch - Vice President Product Management Grand Series – BMW
Mr. Vincent Perriard - CEO - HYT Watches
Mr. Steve Brown – Chief Futurist – Intel

Moderated by: **Mrs. Catherine Jubin** – The International Luxury Business Association

The objective of the second panel is to reflect, on how the internet of things could apply to luxury, and what value it may add to the product. Two brands represented on the panel, Cute Circuit* and BMW** have already developed connected products, it is not the case for HYT watches***, though a very innovative brand. Steve Brown, from Intel, a partner of many brands, brings a broader point of view, with possible examples from other segments of luxury (or not).

Why Connected Garments?

In 2004, when Cute Circuit was founded, there were already many discussions around the disappearing computer which was supposed to simply vanish... Ryan Genz and Francesca Rosella (co-founders of Cute

Circuit) asked themselves the question to know where the intelligence would then be, and to them it was obvious that the coolest idea was to have intelligence on the body, much more than the home for example, because it would open new ways to communicate and to them perfectly fitted fashion.

Who are the clients and how do they use the connected garment?

There are two different types of clients. For the Haute-Couture, they are celebrities wearing the outfit for a red carpet occasion, it can be a way to include their fans into the occasion and communicate with them live, or just making a statement with a very innovative and stunning outfit.

For Prêt à Porter it is more about pure fun. People wear the garment to show off, to celebrate and sometimes just to stick out and feel special.

The patterns are activated through an application existing for i-phone and Android, which allows the owner of the garment to choose the pattern they put on it from designs provided by Cute Circuit. But they are also given some tools allowing them to convert their own videos, so they can communicate the way they think is the most fun.

Connected garments are often times very functional, Cute Circuit's are glamorous or fun, can the gap be filled and how?

To Ryan Genz glamour and self-expression is a very important function. What technology does is that it allows garment being more versatile. A hundred years ago if one wanted eveningwear that sparkled, it was done by attaching Swarovski crystals to it, or a sequin (or a whole bunch to sparkle a lot) and you could not turn the sparkle off, but a Cute Circuit garment sparkles whenever the owner wants it to sparkle. So it can be adapted to different social situations.

Other applications of connected garment can be sharing an emotion, which is possible with the hug shirt which allows sending hugs to love ones at a distance, provided the sender and the recipient both own hug shirts. The shirt does have sensors, the sender hug him/herself, it is recorded into the sender's mobile phone, sent to the recipient's mobile phone who can accept which transfers the feeling of the hug to his/her shirt.

This product was presented to students who thought they could use the technology to cheat on tests and to Ryan Genz it is precisely what makes a concept successful, when people start doing other things with them that what was intended. Ryan Genz also mentioned a suggestion that was made to him which would be for example that a shirt could give 'premium hugs', recorded by a celebrity for instance, than the owner would be able to send 'premium hugs'.

In 10 years from now, will all garments be connected?

For Ryan Genz, couture with technology inside is definitely the future. Technology will allow new ways of interacting with people or the environment through the garment. Steve Brown adds that he thinks that every piece of clothing might allow people to monitor their health that it may not be limited just to a specific category such sport equipment or garment for elderly people.

How does connectivity apply to automobiles? What are the functions available for BMW clients? What is the penetration of this service?

Timo Resch indicates that interconnectivity has been a topic in the automobile industry for the last couple of years. Before that, there have been ups and downs in these projects and BMW was pioneering the idea of interconnectivity with emergency call systems. It was 1997, and BMW was one of the first car manufacturers to

offer this feature, at least in Europe. The topic of connectivity went away for a while but BMW kept working on the project and today it is a clear differentiator between brands.

There are many features that can be offered through connected services like “connected drive”:

- Help in case of car breakdown (diagnosis, advices...)
- Emergency calls in case of accident.
- Remote functions as unlocking, “find my vehicle”, a/c-heater
- Internet, Twitter, Facebook, ... on board.
- Apps geared at enhancing the pleasure of driving
- And a whole array of different services/activities are available

The system is available in all cars, but the owner needs to pay for the option to activate it and the penetration depends upon the models, the higher in the model, the highest the penetration is (it ranges from 10/20% at the lower end to 100% for the upper range)

It is not easy to describe the users' profiles, but regional differences may be pointed out. For example the concierge service is not widely used in Northern Europe while in China BMW records 250.000 calls per month, it is also much used in the USA. What is important is to give clients a wide choice, and then they use whatever they feel is useful for them.

Which evolutions to expect for connected cars in the 10 coming years?

For Timo Resch in the automotive industry, evolutions will come essentially from adding new services. The research shows that on average people spend 55 minutes a day in their car. The objective is to help them to make the most of this time. So, autonomous driving is something that all manufacturers, not just BMW are very heavily researching on. And this will be definitely one of the areas where, in the next couple of years, there will be a lot of help for driving in congested traffic. It is a lot of research, because beyond technology, there are regulatory and safety issues. Safety has to be perfect before the services can be offered to the public.

Luxury watch manufacturers are investing heavily on R&D, is connectivity an area they are looking at?

For Vincent Perriard, the question is precisely between high end and low end manufacturers. In the lower end, brands are working on this topic and outside the watch industry as well. A corporation like Apple is trying to recruit expertise in Switzerland to work on the i-watch project. So, to Vincent Perriard, there will be a shift in the lower end offer, but he does not think luxury watch clients will be interested in connectivity, they are looking for something different (movements, complexity, craftsmanship...). The motivation to purchase a luxury watch today is far beyond being able to know the time (which is given by the other devices they own such as smart phones), it is about status, know-how and passion. The Generation Y being a very connected one, they will be interested by smart watches, but when they'll grow older and will have more money they will be looking for a watch that will give them a status and status being linked to know-how and heritage, they will turn to more traditional luxury watch brands.

To him the role of connectivity in the high end watch segment is limited to the use of internet and the ability it gives brands to connect with their clients, create a sort of club through which they can communicate with them and enhance their services.

Are craftsmanship, know-how and beauty incompatible with connectivity?

Steve Brown mentions the Breitling Emergency Watch, which is completely consistent with their brand. This watch is targeting adventurers; it has a little button which can be pulled in case of accident. It is a geo-locator, it

is not super-intelligent, but it is a good example of technology being put in a watch, totally consistent with the brand's image, providing craftsmanship and status, and turning the product into a service as well. Steve Brown insists on the latter, as technology is evolving fast, chips becoming smaller and smaller, cheaper and cheaper, it will become increasingly easier to put intelligence into products and to him marketers should pay close attention to this.

Steve Brown expands on the notion of changing totally the way one can look at a product through an example of some research made jointly by Intel and Carnegie Mellon (American University specialising in research and located in Pittsburgh). The product was a headlight for cars which, by adding a camera to the car and powerful calculation, could anticipate the raindrops trajectory in order to avoid having light projected on raindrops hence allowing drivers to see better in the rain. He takes this example to encourage the audience to embrace the intelligence which within ten years will essentially be free and will allow them to make a difference.

Should luxury watch brands fear competition from upscale smart watches?

The smart watches market is forecasted to reach 45 million units a year in 2017. It then could be considered as a mass market, and taking the analogy with the cell phone market, one can think that some smart watch manufacturers will then come up with proposals of very up-scale products.

Vincent Perriard does not worry about such competition. There were similar fears in the 70's when quartz watches appeared and that some envisioned the death of traditional luxury watch making. What happened was exactly the opposite, 5-10 years later the market was as prosperous as ever.

The second reason to him is that innovation is not necessarily linked to connectivity. There are many more ways to innovate than adding connectivity to a watch and by bringing together liquid with the mechanism of a watch, HYT proves it with eleven pending patents. Luxury manufacturers will keep innovating to provide unique products which may not have to be connected.

The third reason is the structure of the market; manufacturers still have a lot to do in order to improve customers' experience, on one hand by improving their data and their digital footprint, and also because there will be dramatic evolutions at distribution level; distribution is still a very weak point which today does not allow to create the great customers experience luxury brands need. So the next ten years will witness real changes with this regard, and give many opportunities for luxury watch brands to further develop.

Steve Brown agrees with Vincent Perriard that not everything needs to be connected, but nevertheless he points out that until the i-phone was released there have been a lot of smartphones which did not really take off. And the reason why was because they were still trying to use the language of computing: keyboards, and pointers with a pen.... It wasn't until they invented the new language of touch that suddenly they took off.

For him, early smart watches that have been launched have not learned that lesson. They are still using the language of smartphones, but when a language appropriate for the wrist and a new way of interfacing with it will come up then they may take off. Timo Resch adds that having gone through many test sessions with consumers it is clear that what they want great functionalities, but more than anything else, things that are easy to understand and fun to use. Ryan Genz also thinks that the potential of a new product is based upon its ability to deliver new experiences that simply did not exist before.

Vincent Perriard mentions a Korean project combining both concepts, the one of a very traditional high-quality watch with the smart watch, by having a glass that becomes frosted when touched and turns into a screen interconnected with the phone. It is still at the project stage, but it shows that the research is going towards mixed products.

Looking ten years ahead what can we expect?

Vincent Perriard underlines, that luxury is not necessarily big corporations and mass products, and that for corporations such as HYT, catering at very wealthy clients, it is all about interconnection, but a physical one. Their clients ultimately want to talk to the watchmaker and he does not see this changing in the near future.

To Steve Brown basically the products of the future are the ones that will allow improving the quality of life and helping people go through the day. They can take different forms, but for luxury marketers beyond products, one of the key issues is how to use technology to connect with clients, maintain and deepen, the relationship that they have with them.

Timo Resch adds that for BMW the challenge is, through the products and their features, to provide their clients freedom, allowing them to enjoy great experiences, to be more flexible, to spend more time to actually do what they enjoy doing. It is a strong trend, and it will probably also lead to different ways of selling and servicing the cars in the future. So, in the next 5/10 years, the corporation will have to reinvent itself on such matters.

Ryan Genz has the final word stating that technology should not make life more complicated but more fun.

* [Intel/Cute-Circuit video](#)

** [BMW Connected Drive Video](#)

*** [HYT Watches Video](#)

PART FOUR — CONNECTING WITH CLIENTS IN 2025 ||

By: **Mr. Marco Tinelli**— CEO - Fullsix Group

Marco Tinelli began the presentation stressing out that forecasting how media will look like in 2025 is a very challenging question. Indeed, it is already really difficult to predict how they are going to look like next year. The approach of his presentation is thus as pragmatic as possible.

What will the media landscape look like in 2025? Nobody really has the answer. In the past 10 years players have arrived out of nowhere, and have taken the media scene nearly totally and nobody would have been able to predict the emergence of such media as Facebook (2004) You tube (2005), WhatsApp (2011), Snapchat (2013), etc. When the iPhone was launched in 2007 everybody believed it was not going to work, and together with tablets, it contributed to redefine the media landscape... Unexpectedly, in a few years, the entire world has changed.

To illustrate the complexity of this fast-moving environment and the necessity to be pragmatic, Marco Tinelli used the example of Fullsix working with Budweiser. They were approaching China via advertising directly on the web and it was not very efficient. Then Fullsix tried to approach Chinese consumers on mobile through video. In a few weeks they moved from having 100.000 people on the Budweiser properties on the web to having 9 million monthly on mobile.

This example shows how fast the world of media is changing. This is why nobody knows how it is really going to work in the future. But, even though the future of media is unclear, some elements are already predictable.

What is known about the future of Media?

All media will become digital and agile. If press still exists in 2025, it will be in a new way. This is illustrated by the recent purchase of the Washington Post by the owner of Amazon who explained it by saying: "I'm buying this because it's like buying a horse company when Ford launched his car business. I'm going to own something which will be for very rich people in the future, but that nobody else will be using".

Digital media does not exclusively mean that the signal that comes is digital. It means that it will be agile, that people will be able to change it, it will be real time, and there exist many factors which will make it a superior media. For instance, television is going to work exactly like the internet is functioning today. In fact, Youtube is the footprint of the future of television. Today most Luxury advertisers still allocate a majority of their budgets to TV and there is an emergency for them to understand the new possibilities of these new media, because in the future they will all be digital and agile.

As a result, media are going to be data rich. Luxury players (and other players as well) will be able to understand what people want to see, when they are going away from content, who they are, etc. It will be possible to tailor content so the relationship between media and consumers will be data-rich in both ways. All media will also be multi-screen and multi-format, it could be in watches and glasses, in the ear directly, on the skin, on a tee-shirt, etc.

All media are going to be social. People are going to comment on the content, the products, etc. They are going to lump contents, tweet them, mash them up, cut them in pieces, and redistribute them all the time. This may worry luxury brands, they may not like this idea, but they'll have to learn to find ways to tackle it because it will happen. Marco Tinelli mentioned that social media is not going to disappear. For him, Facebook has never been stronger than it is today. It is in people's lives much more than any other brands. In his opinion, even if it might not be the same Facebook in the future, social media will remain. Indeed, people enjoy sharing what they are seeing, they want to show and tell their friends, parents and this phenomenon will continue.

Some people think that all media will be owned by Google in 2025, which obviously the greatest winner of the past 10 years is in the media industry, since it has become the biggest media company in the world.

Are these big trends just big trends? What does it really mean for the brands?

Media Revolution is about Data

First of all, media is not going to be only about content anymore but about data. Nowadays, on the data side, big media groups are more interested to understand what content they will distribute to whom, than trying to figure out what additional forms of content will prevail. Media snacking creates new forms of content, but the real thing is data. The issue is that people do not know how data works yet, they tend to think it is about technology, but it is not. For Marco Tinelli, even if technology has made data available data is not about technology but about consumers, product, and value. So, his message is clear, data should not be left into the hands of IT services, because their role is just to provide the tools to the people who are going to use them: business people, marketing people and product people.

The digital age brought four changes: New channels, data revolution, new content, and the agile revolution.

New channels will be available. Media has moved from buying on four big media plus cinema to seventeen different touch points that people have to manage. This will continue, there are going to be other channels. New channels will ask for new forms of content. This is an opportunity for creative industries. Indeed, new content means a need for people to think content in different ways; creative people will be the key.

The enormous disruption will not be the new content but the data revolution, because data enables the marketers to become agile. Data helps them to react; data brings brands in the age of human interaction with

people. Marketers will have the opportunity to say different things to different people; decide not to speak to some people, etc. And on the other hand, consumers will realize that if they see one brand's ad, it is because this particular brand has decided that they should see it. This agility, the ability to measure, to be smart, to be human will make the real difference.

Towards less advertising

What does it mean? First, there is going to be less advertising. Indeed, it is more effective to broadcast two ads people are interested to watch, and to people who are meaningful to the brand; than to broadcast many ads that are of no interest for the viewer. When TV was invented it was not meant to cut programs for 6mns long advertising breaks featuring 12 ads in a row; it does not make sense since most viewers are not the proper target. It would be better if they were to feature two ads, which would be the ones people are interested in seeing; of course they may then be more expensive. This is already happening online today and it is the reason why Google is rich, because they run less advertising, speak to less people but speak to the relevant people, in the right way.

CRMEDIA

The second point is that media and relationship marketing are becoming the same. Luxury industry and many other industries have ignored CRM because until 10/15 years ago it was fastidious (and expensive) putting information in envelopes, sending them to people... Then more recently it became sending text messages, emails, etc. Media are becoming CRM, it will be the same logic but in nicer formats, with video, interaction, gaming, involving content.

Each contact on media will be desired by both parties (the media owners and the consumers). In the future, people will say "I do not want ads from these people on my television." People will be able to choose who speaks to whom, advertising will be considered as an added-value. People will have the possibility to choose to know more about great watches, about cars, etc. For instance, a person who just bought a BMW, will have the possibility to say "please stop sending me BMW ads, can you just speak to me about something else because I just bought it?", it is a substantial change. In the future, consumers will know that if marketers speak to them, they have been allowed to do so. On the other hand, marketers will know that consumers who accepted to see their ads are really interested by the brand. It will change the way advertising content will be built.

Data is God

Data has many purposes for brands, but the main one is relevance. The purpose of communication is not to bother the recipients but to entice them. So data is based on relevance: it brings performance and cost leverage.

The strength of Google is that they own the data. So if a marketer wants to communicate to somebody who is looking for watches, he needs to pay Google. They know when someone starts searching for a specific product or service. If brands do not want to remain dependent from those who have the data, they must collect data themselves. Indeed, there will be an enormous battle between advertisers and media who both are going to own the data, and whoever has the best data will be the best bidder, because media will be bidding-based. Players who will not have the data are going to have to pay for it, it will be very expensive, and will not give them an edge over competition. The smaller a brand/business is, the more it will need data because it will then become more accurate. In a way, not collecting data means throwing money away.

Agile consumers' experiences

Data for what? To provide agile consumers' experiences, which, according to Marco Tinelli, no one does today. For the moment, the service is not good enough to provide agile experience. The means are already available; data is cross-channel and should allow consumers to have a seamless experience of the brand. It should no

longer be acceptable that a client who has had a first experience of the brand on internet is not recognized at retail level and has to start all over again. As service is going to be data-driven everywhere it will be easier to offer a consistent global experience of the brand.

Strong brands will shine

In the future strong brands will shine further. There are many brands which have very little to say and in a world where content will be all over the place it is a problem. But, more than ever, content will need to be great, authentic, extremely creative and strong. Brands that produce authentic, qualitative, exclusive, relevant content will win. So, luxury brands have an edge, because they are true, meaningful, and have something to say.

Connected shop

Marco Tinelli reminded the audience about Palm which used to design phones that were like computers and did not succeed because it did not make much sense. In his opinion, the same thing is happening in stores nowadays. People are designing interactive stores which sometimes do not make any sense. To illustrate this he showed the audience a video of a shopping mall which created a digital shopping corridor. The shopping corridor scans women and according to what they already purchased makes some proposals of products matching their purchase and available in the shopping mall. For him, this idea does not really add value for the consumers. Indeed, why use such a service when you may look and try the real items? Technology should be used to bring useful features.

Connected shops will be extremely useful if they bring magic in shopping. For instance, jewelers could have 3D jewels floating in the air. The connected shop will help the brand's sales attendants to know what people want when they come in the store. They will be able to know about them, what they have done before, etc. Data is about creating true emotions, knowing the people, building a personalized relationship, and reaching people in a different way. For the moment, all the touch points are missing data.

Synchronize Data... To create emotions

There are two sorts of data: synchronization data and individual data. Synchronization data is used for media synchronization. It is the intensive use of analytics to change campaigns and boost performance. Synchronization data enable to measure the performance, to understand what happens. Thanks to synchronization data, marketers are able to notice instantaneously if an advertising campaign is effective or not and to react and adjust their campaigns extremely quickly.

Individual data is used for creative synchronization. It is about understanding consumers, the insights, and the right moment to speak to them. It enables to deliver relevant messages at the right person at the right moment on any channel. These two sets of data are extremely different. And if marketers want to progress in the new media world, they have to understand that these two practices are extremely different.

In the future, many opportunities will evolve but the issues will be linked to organizational problems. Due to data, corporations will need to change the way they are working especially advertisers.

Now that we can do anything... What will we do?

Indeed, data creates a new science which enables marketers to do nearly anything they want. They can start online, go on television, bounce in store; they can do it differently for different clusters, etc. The possibilities are overwhelming but it creates a new question, "since we can do anything, what will we do?" it is very difficult to answer. It is not an easy question, but one thing is sure marketers should not throw data away but collect it, organize it and keep it in a smart way.

Marco Tinelli's message is that it is not the role of IT people to organize data, their competences are databases

but their job is not to understand people it is the marketers' and the advertisers' job. They need to map out what they want to know about people, what is useful for them in order to be more efficient or relevant for them. Then data can be found, be organized and become relevant.

There are different categories of data: behavioral data coming from online behavior, legacy data coming from what people have bought, look-alikes, etc. If marketers and advertisers are clear on what they want to know, data is not a technology problem. In fact, data is an intellectual, advertising and marketing issue.

Break the Silos...

In order to optimize the use of data, companies should break the silos. More often than not, the marketing department does not speak to sales, sales does not cooperate with communication, etc. all agreeing that IT does a poor job! This is a big problem because data influences the whole company. It touches creativity, product, sales, etc. Data might be one of the rare elements bringing the company together; breaking the silo effect will avoid companies to lose opportunities.

... And build seamless experiences around the client

Luxury brands are very good at taking care of the entire experience. Buying a luxury product is not only about the product, but about the experience, the way one buys the product, the store, the way sales attendant is talking to him, etc, all the elements count and contribute to the brand experience. Companies should be obsessed by the quality and details on the entire client experience whatever the channel because if it is not up to the clients' expectations they are going to lose them. The entire experience managed by data will make the difference. In order to stand out, marketers should leverage brand assets & DNA to produce exclusive content. Luxury brands that have a lot to say should take this opportunity.

Marco Tinelli pointed out a very important aspect for him: craftsmanship is not 'change proof'. Due to the digital age, the mindsets of people are changing, the way they are changing their lives is an opportunity to re-build 'the myth.'

Most luxury brands highlight their founding fathers, who have built these brands by being extremely modern; because there were on going revolutions and they understood their times Vuitton or Hermès created the myth fulfilling the need for more mobility; Coco Chanel by understanding changing women's aspirations and so did Yves Saint-Laurent... We are also living a revolution today. Luxury cannot ignore data and technology because it is a true occasion to reinvent the myth.

Companies like Apple are doing it. Apple entered into the world of luxury brands and they are meaning to stay. Indeed, they are selling their phones three to four times the price of Samsung's phones and they still have a great success. It became a luxury brand because Steve Jobs built 'the myth.' This is what the future is about; changing people's lives and making it easier and it was a very luxury-driven approach.

Fail Fast

In order to succeed, marketers need to be pragmatic, try things: data will tell them if it works, if not, they will be able to change it, stop it fast. It means that the fundamental culture needs to be changed. The question becomes: is it a problem when it fails? Or is it a problem when marketers do not recognize when they fail and continue doing it? The real purpose of data on the measurement side is to be able to measure quickly what happens and to encourage people to understand fast if it fails. The fail-fast approach is a very difficult approach, because telling people, "it is okay if you fail, but if you fail you need to fail very quickly" is an unusual management style. In the future, companies won't be good on media if they do not learn the fail-fast approach, and this was Marco Tinelli's strong message to end his presentation.

To sum up, Luxury in the future will more than ever need to be at the forefront of innovation, enhancing the quality of the products, bringing more value to the clients through exceptional experiences, personalized services and innovative partnerships. To achieve this, the key is **data**; luxury corporations immediately need to reevaluate their structures, the winning ones will be the ones giving the priority to client's knowledge in order to build an individual and strong relationship with each client. The final message is very positive; technology will allow strengthening the human dimension of the relationship between brands and their clients.