

# INDEPENDENT LUXURY

THE FOUR INNOVATION STRATEGIES TO  
ENDURE IN THE CONSOLIDATION JUNGLE

JONAS HOFFMANN ✿ LAURENT LECAMP

## Praise for *Independent Luxury*

“In *Independent Luxury*, Jonas Hoffman and Laurent Lecamp tell luxury entrepreneurs how to prosper on their own, without being absorbed by one of the big luxury groups. No doubt, they will pay close attention to the authors’ message: ‘innovate or perish’. But *Independent Luxury* deserves a wider readership than that. It is a fascinating exploration of what innovation in luxury means, brimming with examples of producers of luxury that are trying to make it on their own. Anyone interested in the strange world of luxury goods will find enlightenment in this book.”

–Brooke Unger, *The Economist*

“This book on luxury is totally different from others... It is a guide for those who think innovation is the key to understanding luxury. And it is... this book is full of examples which take you on the road to discover... to understand how to manage innovation through code breakers and game changers... examples are fascinating from Martin Margiela to Tom Ford or Miuccia Prada... and you will discover the mysterious Encelade 1789... or the forest of Knysna. With this book, the reader will have access to many strategies to promote innovation as an answer to the present crisis... and a precious tool to penetrate all markets and surprise the customers of the world.”

–Christian Blanckaert, former executive VP of Hermes International,  
Visiting Professor, ESCP-Europe

“We read many books in our lives – ones we like or dislike; ones we find interesting or boring; even ones from which we benefit a lot or nothing. However, every book actually plays the role of the Wing Chun wooden practice dummy for me: a loyal training mate who teaches me the art and key point of each move. As a member of the world horology, I also read a lot of books, concerning history, culture, craftsmanship and so on. But this book opened my mind, gave me more knowledge, techniques, and perspectives, so I am better equipped to deal with the world.”

–Lei (Louise) Lei, Deputy Feature Director – Watch & Jewelry,  
*Shanghai Morning Post*

“The luxury industry is reaching the limits of its efforts to capture the attention and purchasing power of a global audience. At the same time, niche and exclusive brands are promising to be the true purveyors of luxury in the eyes of the consumer, allowing them to sustain their business models in the long run. *Independent Luxury* captures the zeitgeist at a moment when the global consumer is becoming more discerning with their expectations on what constitutes luxury. Hoffmann and Lecamp examine a wide range of independent luxury brands to offer a set of specific innovation strategies that is useful to any industry professional. They highlight a range of approaches that a new player in the industry can adopt to grow, sustain and succeed as an independent brand.”

–Burak Cakmak, Dean of Fashion, Parsons School of Design

"I bet here's almost everything you would like to know about the independent luxury. Complex facts and statistics are explained in simple words and conclusions are often unexpected. This worldwide analysis is definitely worth reading. Independent luxury brands, the endangered industry species, surely need to be studied and protected like the Knysna elephant. What elephant, you ask? Open the book!"

–Alexander Vetrov, Chief Editor, Armband Uhren Russia; Mercury Group

"The authors of *Independent Luxury* underline for their readers the importance that vision, authenticity, and people should have for luxury brands – not only on the communication level but in the way to design their products and run their businesses. I agree with them and salute their hard work to reach out to the industry and deliver a message. Their work both rings the alarm by exposing the current situation, and proposes innovation-oriented strategies to save part of what makes luxury such a special sector and keeps it alive and pulsating: the independents, who are facing heavy challenges as the consolidation movement continues.

What I find to be remarkable about this book is that it goes by what it advocates; going through it, I found a true testimony, a well-argued manifesto, shedding light on a problem of utmost importance for the luxury sector and proposing solutions supported by relevant research and numbers. It is definitely not just a bright colorful cover. Indeed, it proposes the reader with serious content with high added value. It takes on a rigorous approach and gets to the bottom of each argument, and most definitely promotes innovation through innovation.

Having been involved in luxury for many years, I would undoubtedly recommend this insightful book not only to luxury professionals, but to any individual with a certain business affinity or interest in consumption behaviors or even societal behaviors."

–Luc Pettavino, Founder and President, Only Watch

"Independence and luxury, two cult notions in the universe of successful entrepreneurs and companies, which this book presents in a novel way. Its 1001 facets are explored with great clarity and diversity, taking a global outlook."

–Brice Lechevalier, Co-Owner and Director, worldtempus.com

"It's a stroke of luck that Jonas Hoffmann understands about luxury while Laurent Lecamp understands about watchmaking and independent brands. A juxtaposition of skills that is far too rare, in particular when applied to such an unusual subject. As a result, their perspective is stimulating and their thoughts productive. All the more if you don't agree with them..."

–Gregory Pons, independent journalist, Founder businessmontres.com

"While an army-general usually reads Sun Tzu's *The Art of War* as recipe for success, while a clever politician carefully reads Robert Reich's *The Work of Nations* to manage his country's competitiveness, and while a human resources manager always keeps a copy of Abraham Maslow's theory in his drawer, an independent entrepreneur in the luxury sector now has a similar flagship publication: *Independent Luxury* by Hoffmann

and Lecamp will in my view become the cornerstone of value creation in the luxury business in the future.

This book offers holistic content, from theory and toolboxes to success stories and a practical approach with the key example of Encelade 1789. The well-described BA<sup>2</sup>RE® approach is likely to become the equivalent of the BCG matrix for all entrepreneurs wishing to achieve success in luxury.

Readers will enjoy strong sector knowledge, an insiders' view of the world of luxury, passionate writing and anecdotal evidence that courage, vision, and execution are achievable for all bold entrepreneurs, providing they have the right toolbox.

I am convinced as investment professional that this book is a 'must-read' for CEOs wishing to keep growing and bring their companies to the next level. It is also a message of hope for those who might find themselves lost amidst prevailing major corporations: with the right approach and methodology, you can do it! Read this book and fasten your seat belt, success is round the corner!"

–Hervé Prettre, Senior Investment Advisor, Geneva, Switzerland

"This book and its demonstration is inspiring in many dimensions; first because it an ode to the roots of capitalism, when economy was about entrepreneurship, innovation, and sense of inherited know how. It is also interesting in the way it makes globalization issues match with very localized thinking, where small and medium companies can compete with bigger, while not losing or even founding back their original and specific assets. Finally, it is inspiring in the sense that it also encompasses the new digital economic model in luxury as a point of leverage, too often put in confrontation with a traditional vision on luxury world."

–Christophe Pradere, CEO BETC Design

"This book takes us back to the future. Independent companies could rediscover their core values adapting to the main factors of a fierce competition. It debates to what extent this special quality is an advantage to the roots of luxury."

–Alberto Milani, CEO Americas, Buccelati Inc.

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The Four Innovation  
Strategies to Endure in  
the Consolidation Jungle

# Independent Luxury

By

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and

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# Prologue

Welcome to Knysna!

At the heart of the Garden Route on the Southern Cape of South Africa can be found a small town by the name of Knysna, a name which means “difficult to reach.”<sup>1</sup> The Garden Route also shelters a virtually impenetrable zone, a magical area: the forest of Knysna, where our new vision of luxury begins.

The mysteries surrounding this forest are numerous and tenacious. One of the most extraordinary is probably that of the Knysna elephants. Africa is home to two species of elephant: the savanna elephant and the forest elephant. The forest elephant, smaller and more discreet, is better suited to a jungle environment. The Knysna elephants, however, are not in fact forest elephants. They are savanna elephants that, over time, adapted to life in the forest. The Knysna forest, or, to be more exact, this immense jungle, was home to vast herds of elephants until as recently as the beginning of the 20th century. The development of farming, commerce and the ivory trade linked to the rise in hunting has gradually led to the decline in elephant numbers. At the beginning of the 19th century more than 1000 elephants could be found in the Knysna forest. One by one they have disappeared, against a background of general indifference. The only survivor is a single female, an elephant that the locals call “the matriarch,” a female which is the last of the line.

Attempts were made to save the population of Knysna elephants, which had dwindled to single figures, but this was possibly a case of too little too late. In 1994 forest officers decided to introduce elephants from outside the forest and three young female elephants were relocated from Kruger National Park. These three elephants, used to the dry heat of the savanna, were ill-adapted to the lower temperatures and humid conditions of the jungle. All three developed diseases due to the damp ground. When one died from pneumonia, while the other two were relocated back into a warmer zone. This is proof of just how well the Knysna

elephants had adapted over the years to their forest environment, and also shows us – alas – that no elephant from outside this environment can be introduced in order to save the species.

The matriarch is probably the last remaining elephant living in the wild, not in a protected area.

Does that remind you of anything?

Do you know how many independent luxury brands are still managing to survive in the Knysna luxury forest? Independent luxury brands have been bought up, one by one, fueling further the appetite of major groups. Champagnes, jewelry, leather goods, perfumes – all sectors have been affected. Some see this as a risk – that unique *savoir faire* will be lost, others see it as a way to develop brands that would otherwise be lost forever without the necessary financial backing.

Still, it begs the question of whether the global economy pushes groups to standardize luxury tastes for the sake of profitability and production. If this were the case, what would remain of luxury? What would remain that would be special? Does the word luxury still mean something or does it need reinventing? And what if the last elephant in Knysna symbolized this new era of luxury that seems to be gaining force – an era in which the real *savoir faire*, the intergenerational family spirit and the passion of independent creators, will be less and less present? Are the few remaining elephants of the luxury forest really facing extinction, so far removed from their ancestors that their future no longer seems guaranteed? Is local luxury destined to disappear – like the Knysna elephants – in a climate of complete indifference, without any realistic hope of being replaced?

This book has a message for those challenging this somber outlook: innovate!

# Introduction

The world of luxury is harboring an endangered species: that of the independent companies!<sup>1</sup> In an increasingly challenging and globalized luxury environment, companies are fighting to escape from the ever-growing clout of luxury “conglomerates” – Swatch Group, LVMH, Kering and Richemont. As of 2015, these “big four” own more than 100 brands and are maintaining a constant pace of acquisitions,<sup>2</sup> relying on vertical integration to secure supplies (and deprive competitors of them), which has particularly damaging consequences for independents. Most independents are struggling to survive and end up being acquired or going out of business.

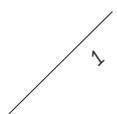
Interestingly, this same movement toward consolidation is rendering brands more and more uniform, thus creating opportunities for players able to craft unique offerings for niche luxury clientele.

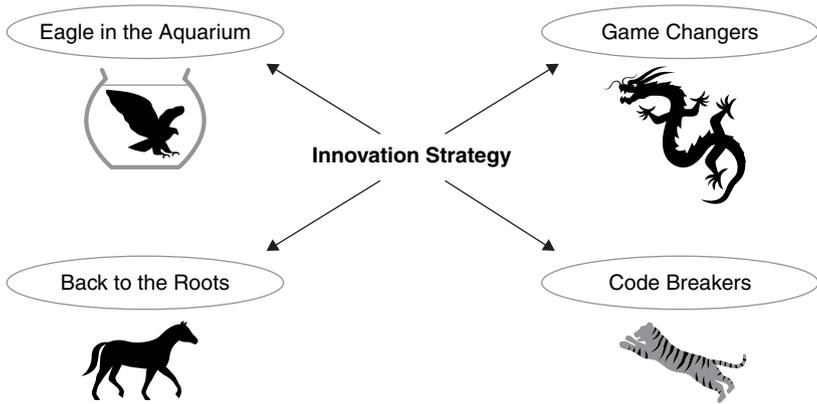
Innovation is the path to follow in this challenging journey.

This book presents four winning innovation strategies (Figure 0.1) and a novel approach to guide entrepreneurs, creators, designers, managers and those who dare to challenge the status quo to become groundbreakers.

“Back to the roots” includes independent companies innovating in the essence of luxury: extreme quality and extraordinary craftsmanship to create the ultimate sensorial and emotional experience. For companies such as Vignes, Thomas Mercer, Mirazur by Mauro Colagreco, Norlha and Brunello Cucinelli, luxury is rooted in a *terroir* and a sense of purpose permeates this endeavor. These are companies symbolized by the horse, a classical symbol of elegance and nobility.

“Code breakers” are playing with product and societal codes to culturally innovate and build the icons of today and tomorrow. Examples include Yohji Yamamoto, Miuccia Prada and Isabel Marant in fashion, Fernando and





**FIGURE 0.1** Innovation strategies for luxury independents

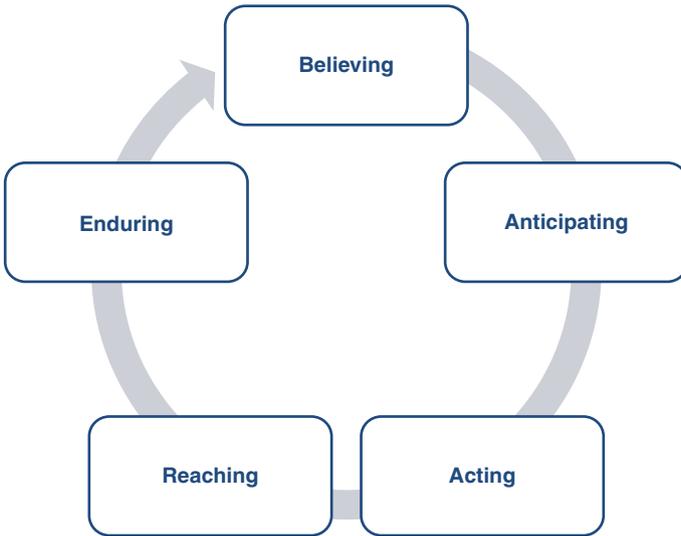
Humberto Campana in furniture design and HYT in watchmaking. The tiger – with its strength – symbolizes these luxury iconoclasts.

“Eagle in the aquarium” companies are disrupting the way that luxury companies create, deliver and capture value. Globalization and digitization are powerful enablers to reconfigure resources at the levels of funding (e.g. crowdfunding), design (e.g. 3D design), manufacturing (e.g. 3D printing), distribution (e.g. online platforms), marketing and communication (e.g. online social networks). The eagle in the aquarium symbolizes these invaders in the luxury ecosystem.

“Game changers” are building breakthrough innovations at the product and business model levels. Comme des Garçons, Études Studio, Iris van Herpen, MB&F and W Motors are independents taking bold initiatives in a fascinating and inspiring journey. The complex and powerful dragon symbolizes this group.

How to innovate? A thorough analysis of these four innovation strategies uncovers a common pattern composed of five stages: the BA<sup>2</sup>RE<sup>®</sup> luxury strategy approach (Figure 0.2).

It all starts with the creator/entrepreneur worldview and purpose. *Believing* refers to the vision, the identity, the DNA of the company, its guiding values and aesthetics. This belief can evolve in the same way that living organisms evolve, but it has a certain stability. It is what enables energy and resources to be focused.



**FIGURE 0.2** The BA<sup>2</sup>RE® luxury strategy approach

Innovative creators and entrepreneurs are constantly *anticipating* to grasp changes and act on them. They sense *l'air du temps* and are often the “right person, in the right place at the right time.” They combine analysis and feelings to draw forth intuition on what is next, often reaching out to a certain number of stakeholders such as artists, designers, cultural organizations and media experts that can nourish them and later on help to legitimize a breakthrough proposal.

*Acting* refers to crafting the offer for a certain group of clients. It is a world of strategic choices: What is the offer? Who are the clients? What are the resources, capabilities and processes necessary to construct, deliver and capture value?<sup>3</sup> Here, for most luxury offers we are talking of niche markets.

Then comes the central moment of the encounter with the client. *Reaching* refers not only to winning clients, but transforming them into fans and advocates for the brand. How to reach first the hearts and then the minds of clients? The goal is to have a core of top influencers and clients to espouse the offer (and the message). This is a world where storytelling, distribution choices and experience take center stage.

*Enduring* is the capacity to be more than a one-time hit or fad company. It is a process. It is necessary to constantly assess how the company is performing,

and adjust if there are deviations – this is an endless learning journey. At the personal level it demands stamina, resilience and the capacity to generate luck.

This book is divided into seven chapters. Chapter 1 analyzes the luxury landscape. We start by delving into the Swiss watchmaking industry, presenting a stormy outlook for independent watchmakers. We then take a broader view of luxury, enlarging the context to understand current challenges and opportunities: the leading role of Chinese consumers, the digital revolution, the high concentration of wealth, sustainable luxury, luxury lifestyle, the growth of travel retail and the turbulent geo-economic and geopolitical environment.

Chapter 2 explores innovation in the luxury industry under its different faces, giving particular attention to the role of independents. We explore issues such as the role of the investor and business model innovation. We then introduce the method that led to the identification of the winning innovation strategies, and an in-depth presentation of the BA<sup>2</sup>RE® luxury strategy approach.

Chapters 3 to 6 present each innovation strategy with detailed case studies of groundbreakers. Each chapter concludes with a presentation of how companies pursuing the innovation strategies followed the five stages of the BA<sup>2</sup>RE® luxury strategy approach.

Creating an exceptional product or service has been the cornerstone of luxury for centuries. Chapter 3 (“Back to the Roots”) presents the cases of Vignes *haute maroquinerie*, Sheme shoes, Mirazur restaurant by Mauro Colagreco, Thomas Mercer marine chronographs, Louis Moinet watches, the 1.618 Sustainable Luxury movement and Brunello Cucinelli men’s and women’s wear. These innovators are taking these categories to new heights by passionately crafting offers of exceptional quality.

Chapter 4 (“Code Breakers”) focuses on cultural innovators, brands that boldly challenge and change existing systems of meanings. Martin Margiela and Tom Ford in the 1990s, Miuccia Prada and Yohji Yamamoto since the 1980s and Isabel Marant more recently, have all been consistently exploring new paths in the luxury fashion field by venturing into unknown territories and redefining fashion’s existing codes. They themselves became cultural icons, personifying a challenging, rebellious attitude toward mainstream conventions. Fernando and Humberto Campana in furniture design and HYT in watchmaking further enrich this analysis.

Chapter 5 (“Eagle in the Aquarium”) presents companies that are disrupting the way value is created, delivered and captured in the luxury ecosystem. It is

a daunting task, but globalization and digitalization are opening windows of opportunity at an accelerated pace to reconfigure resources and value creation systems. Cases such as Dubois et Fils, Julien Fournié and Dassault Systèmes FashionLab, Holition and Digital Luxury Group are presented.

Chapter 6 (“Game Changers”) presents independents building breakthrough offer and business model innovations. Comme des Garçons, Études Studio, Iris van Herpen, MB&F and W Motors are taking bold initiatives to take their product categories to the next stage in a fascinating and inspiring journey.

Finally, Chapter 7 presents how the BA<sup>2</sup>RE<sup>®</sup> luxury strategy approach helped the creation and development of Encelade 1789, an independent company that is taking *haute horlogerie* savoir faire and its high technicality to reinvent and revitalize men’s accessories (such as cufflinks and writing instruments). We end our innovation journey by coming back to Knysna.

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# Luxury Landscape: Challenges and Opportunities for Independents

## Introduction

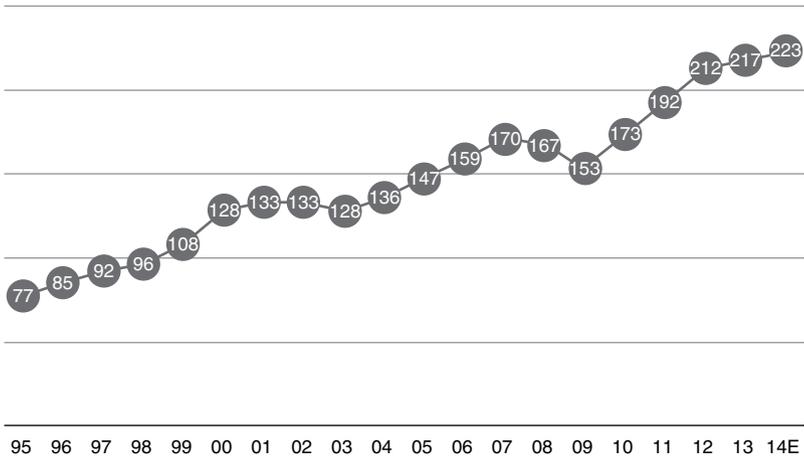
This chapter analyzes the luxury landscape and how it affects independent luxury companies. We start by looking at one of the mainstays of the luxury business, the Swiss watchmaking industry, to reveal a stormy outlook for independent watchmakers. We then widen the context to examine the luxury industry as a whole, to get a better picture of the major forces shaping current challenges and opportunities, namely:

- 1) the leading role of Chinese consumers;
- 2) the digital revolution;
- 3) the high concentration of wealth;
- 4) sustainable luxury;
- 5) luxury lifestyle;
- 6) the growth of travel retail;
- 7) the turbulent geo-economic and geopolitical environment.

## A new normal for the coming years

The luxury industry has been on an unimaginable journey since the mid-1990s. The personal luxury goods market alone grew threefold, from a world-wide turnover of €77 billion in 1995 to an estimated €223 billion in 2014.<sup>1</sup> Its expansion was broadly constant throughout this period and was particularly

impressive in the aftermath of the 2009 financial crisis with double-digit growth in the 2010–12 period (Figure 1.1).



**FIGURE 1.1** Evolution of worldwide personal luxury goods market (1995–2014E – € billions)

Source: Bain & Company and Fondazione Altgamma Worldwide Markets Monitor 2012–14.

The Boston Consulting Group (BCG) estimated “the luxury market, as defined by consumers” to be valued at US\$1.3 trillion in 2012.<sup>2</sup> Besides personal luxury goods (apparel, leather goods and accessories, watches and jewelry, cosmetics), the BCG adds luxury cars and “experiential luxury.” This includes, among others, works of art, home and furniture, technology, alcohol and food, travel and hotels, spas and yachting.<sup>3</sup>

As consumption in Europe and the US declined throughout the decade from 2000 and even more in the 2010s, the Chinese became the main luxury consumers. This golden period for the Chinese came to an end in 2012. The change of leadership in China with the ascension of Xi Jinping and the ensuing anti-graft campaign, combined with the continuous gloomy situation in Europe, characterizes a “new normal” for the luxury industry,<sup>4</sup> in which double-digit growth figures are gone and the main consulting companies forecast yearly growth in the 3% to 5% range for the years to come.<sup>5</sup>

In comparison with the gloomy forecast generally for European and Western economies, these figures may sound excellent, but as any marketing tutor would explain, satisfaction depends on expectations, and expectations for

the luxury industry have soared over the past years. Consequently, financial markets are “disappointed” and most luxury groups lost stock market value at some point in 2014.<sup>6</sup>

Companies are struggling to cope with this new reality, especially in sectors such as liquor and watches. These once-favored gift items are no longer in fashion. Plans for retail footprint development have been halted and companies are refocusing their efforts on their most exclusive items where margins are higher.

In addition to these lower growth forecasts, currency fluctuations made a striking comeback due to monetary policy changes in Japan, the US, Europe and China. Since most luxury companies consolidate revenues in euros, this impact has been significant. In 2012, 2013 and 2014, growth in personal luxury goods at constant exchange rates was 5%, 7% and 5% respectively, whereas at current exchange rates it has been 10%, 3% and 2%, thus putting an extra burden on smaller companies that have to hedge for this volatility (see Table 1.1).<sup>7</sup>

**TABLE 1.1 Currency variation between euro, US dollar, yen and yuan (2011–14)**

	2011		2012		2013		2014
<b>EUR/ USD</b>	1.29	2% US dollar devaluation	1.32	4% US dollar devaluation	1.37	11% US dollar appreciation	1.21
<b>EUR/ JPY</b>	100.24	13% yen devaluation	113.52	27% yen devaluation	144.86	0,6% yen devaluation	145.80
<b>EUR/ CNY</b>	8.23	1% yuan devaluation	8.33	1% yuan devaluation	8.41	11% yuan appreciation	7.47

Source: www.oanda.com, currency value at 31 December of each year.

Let’s now take a closer look at the Swiss watchmaking industry, a textbook case of the situation facing independent luxury companies.

## ／ The Swiss watchmaking industry

Swiss watchmaking is dominated by large groups to which most of the major watch brands belong. The largest of these groups is Swatch which, as of 2014, had brought together 18 different brands under one roof with the acquisition of Harry Winston in 2013.<sup>8</sup>

## H A R R Y W I N S T O N

Imagine the scene: a brand and its founder are riding high on success and sales are soaring. Then comes the moment when the founder envisages handing over the business, if possible to a member of the family, or to an investor or group. This is what happened to the Harry Winston brand, bought up by Swatch in January 2013 for a mere CHF913 million.<sup>9</sup> This example is interesting on a number of levels. It portrays the different stages in the evolution of a luxury brand created by a visionary, from its beginnings, through handover to his family, to the sale to a major group, not to mention all the financial difficulties faced along the way.

Harry Winston founded his company in 1932 at the age of 36. He was not a stranger to the world of business and luxury; his father, a Ukrainian immigrant, had opened a small jewelry store in New York City at the end of the 19th century. The success of the Harry Winston brand grew regardless of the difficulties of the postwar period, the first cracks appearing only after the death of its founder in 1978 and the handover of the company to his two heirs. Family infighting left its mark on a brand that had been, and still is, recognized as the official jeweler to the British Crown and Hollywood stars. It is difficult to forget the immortal lines of Marilyn Monroe in the movie *Gentlemen Prefer Blondes*: "Talk to me Harry Winston, tell me all about it." She was speaking of course not about the man himself, but about a girl's best friend, her diamonds.

The favorable economic climate at the turn of the millennium with the renaissance of traditional watchmaking and the rise of the luxury industry enabled the Harry Winston brand to bounce back. Its size, however, (neither big nor small) prevented Harry Winston from finding sufficient cash flow to support the company's growth strategy. When Harry Winston was bought up by the Swatch Group in 2013, one-quarter of the amount paid corresponded to the level of debt alone.

Thus, the brand of the stars (Elizabeth Taylor, Madonna and Sharon Stone, to name but a few), created by a visionary businessman who had avidly watched his father in a little jewelry store in New York City, passed just 80 years later into the hands of the world's greatest watchmaker. A fitting birthday gift for Harry Winston if the two corporate cultures prove to be compatible.

The second watchmaker we consider is Richemont (or La Compagnie Financière Richemont, to be more precise), which owns 13 watch brands. The third group is Rolex, which owns the Tudor and Rolex brands. Unlike Swatch Group and Richemont, both of which are listed companies on the Zurich stock exchange, Rolex is a non-listed company owned by the Hans Wilsdorf foundation. The fourth major group we look at that is involved in Swiss watchmaking is the French group LVMH, listed on the stock exchange. These four groups can be quite legitimately described as “superpowers.” The first three, for example, were single-handedly responsible for 43% of the total turnover of the watchmaking industry in 2011.<sup>10</sup>

Alongside these four groups can be found a number of independent family companies. Among the most important are the brands of Patek Philippe (in the hands of the Stern family),<sup>11</sup> Audemars Piguet (owned by the Audemars and Piguet families), Chopard (Scheufele family), Breitling (Schneider family) and Bucherer (owned by Jörg G. Bucherer).

Bucherer, which was created in 1888, is still owned and managed by the third generation of the family in the person of Jörg G. Bucherer, chairman of the board of directors, and has around 1600 employees. The company has a chain of stores throughout Europe: 15 exclusive stores in Switzerland, nine in Germany, one in Austria and one of the world’s largest watch and jewelry stores in Paris.

In these temples of luxury, pride of place is given to illustrious brands such as Rolex, IWC, Jaeger-LeCoultre, Chopard and Longines. Other Bucherer Group members include Kurz AG jewelers and Swiss Lion (in Switzerland), and brand-specific boutiques. Since 2001 Bucherer has also had its own brand, Carl F. Bucherer (25,000 timepieces sold per year, equivalent to a turnover in excess of CHF100 million; it manufactures its own movements).<sup>12</sup> This watch brand was created by Jörg G. Bucherer, the current heir, in homage to his grandfather, the company’s founder – a touching story with a level of personal involvement that is typical of companies run on family capital.

The current environment in this market is increasingly complex for new arrivals to penetrate. The large groups, regardless of their financial power, practically control the manufacture of watch movements. This is the case of the Swatch Group. And therein lies the problem. Any entrepreneur who wishes to launch their own watch brand must be aware of these obstacles and have huge reserves of, among other things, courage and tenacity.

*The large groups,  
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practically control the  
manufacture of watch  
movements*



FIGURE 1.2 Bucherer store at l'Opéra in Paris, France – one of the world's largest watch and jewelry stores. Courtesy of Bucherer AG



**FIGURE 1.3** Interior of Bucherer store at l'Opéra in Paris, France. Courtesy of Bucherer AG

This phenomenon can be explained by the recent trend for large watchmaker groups to verticalize their production processes, that is, to reduce their dependence on external suppliers and subcontractors and bring them in-house. This widespread trend started at the end of the 1990s and necessitates costly investments that a young or independent brand is rarely able to bear. Large groups on the other hand are thus able to strengthen their supplies and have greater control over the manufacturing process, improving mid- to long-term visibility at the same time. Swatch Group, with at its head the remarkable visionary Nicolas Hayek (who died in 2010 at the age of 82), was the first group to launch hostilities in the late 1980s. The movement increased pace during the 1990s with other groups such as Rolex, Richemont and LVMH joining in. LVMH and Richemont also chose to follow the lead of the Swatch Group in the 1980s by buying up watch brands. For example, LVMH bought up Zenith in 1999 while Richemont bought up Jaeger-LeCoultre in 2000. With their own factories these groups were then able to expand their production capacities.

This wave of acquisitions enhanced the value of those suppliers who possessed strategic expertise in the production of cases, dials and hands, for example, and of course the hairsprings. The acquisition of these specialist workshops by large groups meant that it was nigh impossible for smaller brands to obtain supplies and they were forced to find new sources, which were increasingly expensive. Entrepreneurs or creators of independent brands

who found themselves in financial difficulties due to this new context had little choice but to sell up, leading to the emergence of new groups. A textbook case is that of the watchmakers Hautlence,<sup>13</sup> and Moser & Co (the latter even having its own watchmaking workshop),<sup>14</sup> both of which were bought in 2012 by Georges-Henri Meylan (former CEO of Audemars Piguet), a man with incredible business flair and a real connoisseur in the world of watchmaking. At the very height of the financial crisis he had the foresight to buy up brands at an excellent price, thus securing his own manufacturing facilities. The new group he created gained in strength, which in turn allowed him to envisage further acquisitions, and, in any case, to record an increase in sales volume as soon as the crisis was over, as well as a much sought-after and highly valued production capacity.

It is worth drawing attention here to the extremely unusual case of the watch brand Cyrus,<sup>15</sup> which as a still-young company at the beginning of 2012, managed to become a major stakeholder in an independent manufacturer in Le Locle, Switzerland, which itself had bought up two new suppliers. In this way Cyrus aimed to ensure the greatest possible independence in both the production and manufacture of watch movements.

The case of Cyrus, however, remains an exception in the world of watchmaking; many independent watchmakers are at the mercy of the larger groups for their supplies. The decision some years ago of Swatch Group to cut the delivery of certain parts and mechanical movements to third-party brands had had a profound effect on the watchmaking industry as a whole – and for that reason deserves our closer scrutiny.

Since its creation, the Swatch Group has enjoyed a largely dominant position in the mechanical movement market of *ébauches* (in watchmaking this is the unassembled basis of the movement with all its components) and assortments (all the associated regulating components of the movement, the balance, dial, hands, hairspring and so on). In 2002, ETA, the company that manufactured *ébauches* and complete movements, was bought by Swatch Group, which in 2006 decided to reduce and then to permanently stop the delivery of *ébauches* to clients outside the group. Given that nearly 80% of all watch movements produced in Switzerland at this time were based on the ETA *ébauche*, this decision had devastating consequences for all other watch manufacturers. The Swiss Competition Commission (ComCo) was called in to investigate and an amicable settlement was reached, allowing deliveries to be phased out more gradually until 2010. This agreement did not resolve the problems, however, as since 2011 *ébauches* have no longer been delivered to companies outside the Swatch Group – a fatal blow for many independent brands.

And the story does not end there. At the end of 2009, Swatch Group indicated that it wished to stop delivery of all complete watch movements and assortments to external clients. The world-leading Swiss group wished to focus on its own brands and (understandably) cease to supply its competitors. In 2010 ComCo was once again called upon and an investigation to determine whether Swatch Group's decision constituted abuse of its dominant position was conducted the following year. ComCo's provisional measures stipulated that Swatch Group should continue to ensure delivery of movements and assortments to companies outside the group for the duration of the proceedings, with deliveries being officially reduced from 2012.

A climate of panic descended on the independent watchmakers. Companies that depended directly on supplies from ETA had few alternative sources.<sup>16</sup> The small number of companies that could supply "solutions" (Sellita and Soprod, for example) were asking high prices as they were unable to produce the same volumes as Swatch. Worse still, some alternatives were already partly owned brands – this is the case, for example, of Vaucher (75% owned by Parmigiani and 25% by Hermès) and La Joux-Perret (taken over by the Japanese group Citizen in 2012). Some independents considered joining forces to invest together in the manufacture of ébauches and assortments, but the funds necessary for such an operation are enormous and the time needed to reach such a level of commercial maturity is too long. Knowing that the Swiss watchmaking industry continues to evolve in isolation – and with an "every-one for him or herself" approach, where personal rivalries largely outweigh any spirit of cooperation – it is not difficult to imagine the result of this dark series of events.

The forecast for what is to come is clear. One after another, independent Swiss watchmakers will be bought up by large groups or will simply disappear. A few may manage to survive, but at a considerable cost.

One solution remains, however, that of quartz. Independent watchmakers quickly realized that a return to the quartz movement from the mechanical movement may constitute a solution and prove to be the path to success. This was the choice made by the brand Frédérique Constant, and a good choice, it seems. That said, the reputation and superiority of mechanical watches over quartz watches cannot be disputed. The solution of using quartz movements, which was adopted at least for part of its production by Frédérique Constant, will not be considered by all brands, especially those which work in the mid-to high end of the market. Brands that belong to large groups but remain more or less dependent on the Swatch Group (see Table 1.2) see a more secure future for themselves due to the financial weight of these groups and

**TABLE 1.2 Brand dependence on external sources of mechanical movement supplies**

	Highly Independent	Partly Independent	Highly Dependent
<b>Swatch Group</b>	All the brands		
<b>Richemont</b>	Vacheron Constantin	Cartier	Baume & Mercier
	Jaeger-LeCoultre	IWC	
	Piaget	Panerai	
	Roger Dubuis	Montblanc	
	A. Lange & Söhne		
<b>LVMH</b>	Zenith	Hublot	TAG Heuer
			Dior
<b>Others</b>	Patek Philippe	Breitling	Raymond Weil
	Audemars Piguet	Chopard	Victorinox
	Girard-Perregaux	Franck Muller	Mondaine
	Parmigiani	Maurice Lacroix	Oris
	H. Moser & Cie	Ulysse Nardin	
		Bucherer	
		Corum	

Source: Vontobel Equity Research. Credit Suisse Economic Research.

their capacity to invest to acquire independence. Other brands, however, face a more challenging test. They have to demonstrate, and quickly, an unparalleled spirit of creativity if they hope to survive this crisis, while at the same time being subjected to scorn by a number of specialists.

In short: our feeling is that the watchmaking market is becoming increasingly one of market foreclosure. These few remaining independent watchmakers may be likened to the Knysna elephants in Africa. What was once a thriving population, living in harmony, has been reduced to a few survivors in an increasingly reduced space, victims of intensive farming and a persistent search for higher yields. The war for the watchmaker of the future will not be won only on the field, but also through vertical integration, and regardless of whether the environment of these last surviving independents is the price to pay.

Founders of independent brands face a tricky choice: either to invest in communications (which seems to be an inevitable condition for sales given the current climate) or to continue the costly search for some form of independence. Many independent companies currently find themselves on the brink, and the

coming years will see conditions to enter the market become more complex, to such an extent that only large groups will be able to get the lion's share.

Even if luxury entrepreneurs know how to learn from their failures, to assimilate them in order to reconstruct and reinvent, one obstacle remains, an obstacle that cannot be overcome by sheer force of conviction and passion – that of cash – the cash needed to put convictions into practice. Even as recently as 2005 it was possible to launch a watch brand without having one's own movements or a specific "watch" image. Today, the market comes down heavily on new entrants who do not possess the necessary expertise. Education is upward – in a market as mature and competitive as watchmaking, for example – and extraordinarily demanding.

Due to the size and disproportionate financial capacities of the large groups they can invest more easily in vertical integration, as well as horizontal (by buying out the competition or other brands). This same power allows groups to put enormous pressure on local distributors, encouraging them to favor their own brands over independent brands. Groups can develop their own single-brand stores in the most strategic places, which are also the most costly to rent, thus gradually squeezing out weaker competition. Despite this gloomy context, there are some success stories: Ulysse Nardin, for example, had the foresight to invest in vertical integration and the development of single-brand stores located in less expensive and less competitive areas, but ones which offered good potential in terms of turnover. It developed its influence in Ulan Bator, the capital city of Mongolia, by opening a single-brand store. It must be said, however, that this brand has a long tradition of watchmaking (as indeed have the other independents, Patek Philippe and Audemars Piguet), which acts as a protective shield in these turbulent times. Ulysse Nardin is indeed an example of one of the extraordinary success stories in watchmaking led by independents. Whereas the brand was on the brink of bankruptcy in 1983, Rolf Schnyder – an independent – decided to buy it out and managed to transform it into a highly profitable and financially healthy business, straightening it out to make one of the finest independent brands in Switzerland (not to mention one of the most innovative). Before his death in 2011, Rolf Schnyder would have expressed the wish (and took the necessary steps) that his brand should never be sold to a group, a wish that was not respected. In 2014, Ulysse Nardin was sold to the French luxury group Kering, completing the group's watch division already composed of Girard-Perregaux and Jeanrichard. Once again, an independent brand was absorbed by a group.

Other independent companies, headed by entrepreneurs, will face a more difficult situation, especially if they are positioned at the low to mid-range, both in production and in distribution. They are weakened by their size, which fails to give them any real bargaining power with either distributors or suppliers.

The programmed hardening of conditions to obtain the label *Swiss Made* (1971 legislation, revised in 1992) has dealt an inevitable blow to independents, particularly those in the low and mid-range, and once again will lead to the disappearance of some of them. This new provision will in turn upset the watchmaking environment and reduce the probability of success for new entrants in this range to almost zero. So, what exactly are the conditions needed to obtain the internationally recognized label? A watch can only be labeled *Swiss Made* if it complies with certain conditions:

1. The movement must be Swiss (this means that the movement must have been controlled in Switzerland; the parts used in the manufacture must make up at least 50% of the value of all the component parts).
2. The movement must be assembled in Switzerland.
3. The manufacturer's final inspection must take place in Switzerland.

But the rules governing the *Swiss Made* label are unreliable and can easily be abused, fooling the final customer and, in the long run, damaging the image of the industry as a whole.

A draft legislation known as *Swissness* has therefore been proposed, stating that in future the *Swiss Made* label will only be awarded if at least 60% of the production costs are incurred in Switzerland. The proposal is currently being examined by the Swiss parliament.

Admittedly, the 50% rule is far too flexible because it applies to the movement, but not to other parts of the watch, such as the dial or hands. These parts are generally produced in Asia, specifically in China and Thailand, at costs that are incomparable with those available in Switzerland. It would be unwise, though, to judge too hastily those watchmaking groups that use the services of Chinese or Thai companies. While cost obviously plays an important role in the decision to manufacture certain parts abroad, it must also be pointed out that some of these parts could not be made in Switzerland in reasonable time-frames due to a real lack of production capacity.

What would be the consequences for brands if the *Swissness* project was to succeed? First, they would have to bring foreign production back to Switzerland to meet the new, stricter criteria. But between suppliers that have been bought up by groups (and limiting delivery to third-party brands) and those suffering

from overcapacity, a tough game of supply and demand would ensue. Prices would rise to meet rising demand and delivery times would increase. Ultimately, it would be the price of the end product that would increase, sometimes considerably, while delivery times would be longer. Independent companies in the high-end range would be less affected as the majority of them already satisfy the new *Swissness* criteria. In addition, the sale price is already high and a price increase would have less of an impact than for entry-level or mid-range brands. It is these brands that could become less competitive faced with foreign demand. To limit the increase in costs related to the implementation of *Swissness*, these brands would have to choose lower-quality parts, which would probably be delivered late due to the higher demand. We always seem to arrive at one and the same conclusion: investment in internal production capacities is essential.

\* \* \*

Consolidation and the threat it poses to independent luxury companies has reached a crescendo in the last few decades. It is without doubt the most important business model innovation in the luxury sector.<sup>17</sup> In the 1980s, the arrival of new faces that were more enterprising and knowledgeable about the changing rules of the game, particularly the financial aspects, gave a boost to what we call the luxury industry, the most visible symbol of this being the formation of conglomerates such as LVMH, Kering and Richemont. Revenues from the top luxury groups are proof of their “firing power” (Table 1.3).

**TABLE 1.3 Major luxury groups’ revenues**

Group Name	Selected Luxury Brands	Revenue (bn)
LVMH	Louis Vuitton, Fendi, Bulgari, Guerlain	€30.638 <sup>1</sup>
Richemont	Cartier, Van Cleef & Arpels, Chloé, IWC, Montblanc	€10.649 <sup>2</sup>
Kering	Gucci, Bottega Veneta, Saint Laurent	€10.038 <sup>1, 3</sup>
Luxottica	Ray-Ban, Persol, licensed eyewear brands	€7.652 <sup>1</sup>
Swatch Group	Blancpain, Breguet, Omega, Harry Winston	CHF 9.219 <sup>1</sup>

Source: Company Reports (<sup>1</sup> Fiscal Year 2014; <sup>2</sup> Year to Year end of March 2014; <sup>3</sup> 68% of sales from luxury).

Consolidated companies maintain a clear advantage over independent luxury companies with their limited resources. As Francesco G. Birindelli stated in our 2012 book *Luxury Strategy in Action*, most (independent) actors in the luxury business share the same characteristics:

Their companies are:

- small (up to €100 million gross income) and medium (from €100 to €500 million gross income);
- family owned;
- have their administrative and production sites in high-cost countries (mainly France and Italy – and Switzerland for watches – representing up to 80 per cent of the total revenues of the sector worldwide);
- employ limited human resources, from some hundreds to a few thousand employees.

All these elements define the craftsmanship, entrepreneurship, vision and taste of the owner, who is often also the founder, who has the necessity and opportunity to keep the entire chain under control, from production to retail distribution.<sup>18</sup>

While such consolidation makes sense given the economies of scale and resources necessary for global development, the consequences on independent companies are radical, as we saw above. This is all the more true in the case of vertical consolidation aimed at securing supplies and resources, as this effectively deprives independents from accessing these resources.

If Hermès, for example, decided all of a sudden to no longer supply precious leathers such as crocodile, python or iguana from its Milan operation, how many independent leather goods companies would be in troubled waters?

For these former family businesses this is coupled with the growing appeal of financial markets that have been a tremendous lever for their development. But financial markets and listed companies also mean obligations to publish quarterly results and to focus on the short to very short term. Investors of capital in a listed company are looking to maximize profitability in the shortest time. They are not concerned whether the company has a century-old history or whether it will still be here in five years' time. It is not their problem.

Remo Ruffini, the president and artistic director of the Moncler group, in an interview for *Luxury Society*,<sup>19</sup> expressed a view shared by owners of independent luxury companies: "But in private equity, numbers are numbers. They only think about numbers, they don't always think about what is best for the company, because they go into companies to exit and to invest in another company. Obviously they have to work like that [...] For me it is different, I am the company, Moncler is my company and I am always thinking in terms of ten years, twenty years, thirty years. I don't think about three months or six months or three years."<sup>20</sup>

This is the reality faced by all players in the luxury industry, with considerable consequences in a sector where the signature is everything. Once the aura is lost, it is difficult to get it back. Just ask Calvin Klein or Pierre Cardin...

Our goal is not to speak ill of financial markets; on the contrary. They play an essential role in financing companies that would have trouble growing if they had to rely on their own funds. We simply wish to highlight the ongoing tension that exists between trying to maintain brand equity while maximizing results for investors. This arbitration needs to be made at the highest level as the temptation to reap short-term results through excessive brand extension is always present. While this could be packaged by suggesting that the brand is offering a “lifestyle,” the risk of dilution is real.<sup>21</sup> Major luxury brands are therefore facing the tricky equation of balancing exclusivity and accessibility: “no sustainable business even for an absolute luxury brand without a certain accessibility, no future without a capacity to refresh the dream factor and exclusivity perception.”<sup>22</sup>

Interestingly, existing conglomerates are prisoners of the “capitalist’s dilemma” spotted by Clayton Christensen and Derek van Bever,<sup>23</sup> looking after performance-improving and efficiency innovations instead of market-creating innovations. They need to look after their stock market performance that is guided by a financial logics pushing for performance in the short run versus building performance over the long run. Scale is needed and, as a consequence, niche opportunities abound for independents.<sup>24</sup> Of course, cash is necessary to nurture market-creating opportunities that will take five to ten years to unfold, but capital is abundant, even overabundant nowadays.

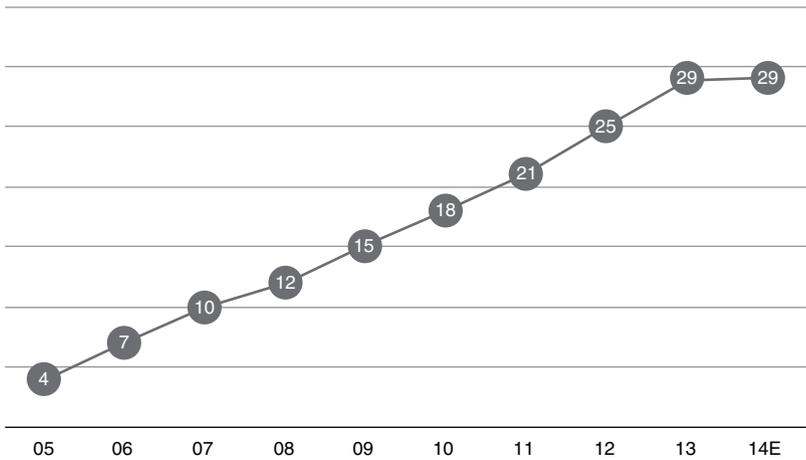
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We now turn our attention to the forces that are currently shaping the luxury landscape as a whole, starting with the role of the Chinese luxury consumer.

## Leading role of Chinese consumers

One of the most striking changes witnessed in recent years has been the evolution in the consumption of personal luxury goods from the Chinese mainland, as documented by Bain & Company and Fondazione Altagamma.<sup>25</sup>

From a mere 1% in 1995, the share of the luxury goods market made up by Chinese consumers reached 30% in 2013 and remained stable in 2014 (Figure 1.4). To put it simply, three in every ten luxury goods sold today are destined for a client from mainland China.



**FIGURE 1.4** Evolution of mainland Chinese luxury consumption (in % – 1995–2014)

Source: Bain & Company and Fondazione Altgamma Worldwide Markets Monitor 2012–14.

Impressive, mind-blowing – adjectives fail to describe such a robust and rapid development. China itself is expected to become the world’s number one economy by purchasing power parity (PPP) in the 2010s.<sup>26</sup> McKinsey and KPMG predict that by 2025 China will have 13 cities included in the world’s top 50 cities by nominal gross domestic product (GDP): Shanghai, Beijing, Chengdu, Chongqing, Foshan, Guangzhou, Hangzhou, Nanjing, Shenyang, Shenzhen, Tianjin, Wuhan and Xi-an.<sup>27</sup>

BCG estimates that the affluent Chinese (annual household disposable incomes of between US\$20,000 and US\$1 million) will grow from 120 million people in 2012 to 280 million people by 2020, representing 20% of the total population and 30% of the urban population.<sup>28</sup> These clients “trade up for emotional benefits, seek status and recognition, demonstrate sophistication, pay more for convenience, and buy with a shrewd investor’s eye.”<sup>29</sup> These affluent Chinese consumers are emerging in smaller cities; women are becoming decision makers; some are searching for luxury experiences and the second-generation affluent – or “sugar generation” – is starting to play a central role. Some forecasts estimate that the share of Chinese clients in the luxury industry could reach 44% by 2020.<sup>30</sup> While this increase is not as exceptional as in previous years, the outlook for the Chinese luxury market remains positive.

What effect has China’s anti-graft campaign had on luxury consumption? Ostentatious government-related gifts and high double-digit annual luxury



consumption growth have certainly disappeared but this has in part been offset by overseas luxury purchases and will eventually be replaced by the increase in self-reward (pleasure) luxury consumption.

Desire for luxury is well-established in China (as it is in Brazil and other emerging economies) and the important role of the group has not changed in society. What is changing, however, is how achievement and social status is expressed. Who are the luxury consumers in China today?

A number of market segments can be identified:<sup>31</sup>

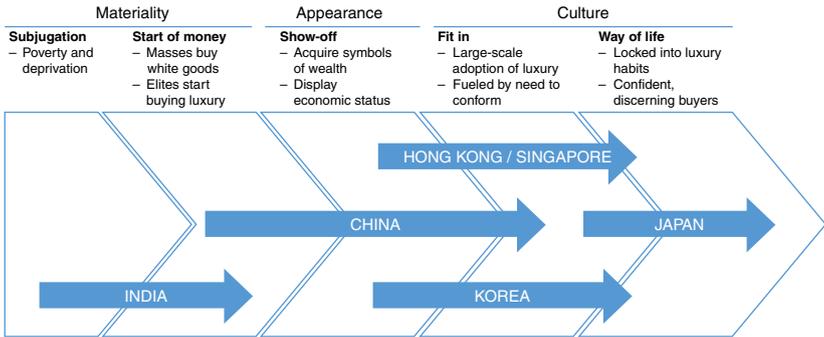
- Ultra-high-net-worth individuals (UHNWI): these consumers have assets of more than \$30 million; they are the global elite, “collectors” of art and acquirers of prime real estate.
- Successful entrepreneurs: typically male, aged 30–45, with high assets and high income (above RMB150,000), and a luxury attitude characterized by ostentation and status. They are big spenders on watches, business gifts and small leather goods.
- Newcomers: men and women of mid-level income (RMB60,000) from tier 3 and 4 cities with a luxury attitude characterized by ostentation and status. These consumers are attracted by big brands and lower prices, buying skincare products, bags and watches.
- Sugar generation: a more discerning market segment. These are the second-generation luxury consumers. They have high (inherited) assets but their income is irrelevant (can be low). Coming mostly from tier 1 and 2 cities and being status- and taste-oriented, they are aware of luxury brands and are attracted to niche brands. They are heavy users of the internet, have traveled and are moving toward experiential luxury.

Updating the 2006 canvas from Radha Chadda and Paul Husband in their book *The Cult of the Luxury Brand: Inside Asia’s Love affair with Luxury*,<sup>32</sup> we could say that Chinese consumption stretches through a number of stages from “start of money,” through “showing off” to “fitting in” (Figure 1.5).

What are the current trends in the Chinese luxury market?

The first trend is a shift from owning to experiencing, from showing off to connoisseurship. Chinese clients have a fast-evolving taste for brands, moving from Louis Vuitton to Miu Miu and then to Bottega Veneta.

The first trend is a shift from owning to experiencing, from showing off to connoisseurship



**FIGURE 1.5** Asian countries’ stages in luxury consumption

Source: Adapted from R. Chadda and P. Husband, *The Cult of the Luxury Brand: Inside Asia’s Love Affair with Luxury* (London: Nicholas Brealey, 2006). Courtesy of Nicholas Brealey International.

They are looking for new and niche brands, which is welcome news for independent companies. In China, more than anywhere else before, “logo fatigue” is preventing companies from over-presence. The slowing pace of store openings is proof: rarity tops the list of brands’ core values, Hermès thus becoming a benchmark to many.

The Chinese consumer is on a steep learning curve, thanks to the internet, foreign travel and more domestic travel facilitated by the development of airline and fast train traffic between the regions and cities of China. Chinese customers, because of the attractive tariffs, buy more than 70% of their luxury goods abroad;<sup>33</sup> queues of Chinese are a common sight outside luxury boutiques on Avenue Montaigne in Paris, Via Montenapoleone in Milan or New Bond Street in London.

Other trends in consumer behavior that are worth mentioning are the growing role of women in decision making; personalized consumption; age denial; counter-behaviors to environmental hazards; and affective consumption.<sup>34</sup>

The consequences of these shifts include:

- A move from logos to quality: a growing number of clients pay attention to the quality, craftsmanship and heritage of a luxury product, in addition to the logo.
- Mastering the client experience: service is central and requires consistency along all brand touchpoints (online/offline for example), where every detail counts. After-service is a clear opportunity for differentiation.

Human resource (HR) challenges are obviously important: turnover, training and incentives are top priorities for HR directors in the region.

- Localizing marketing strategies: some (British) companies have crossed the Rubicon and have given marketing autonomy to local Chinese teams, such as Dunhill in its beautiful Trafalgar fashion show.<sup>35</sup> This means more than just adding dragons, horses or any other appropriate zodiacal symbol to a product.

Challenges nevertheless abound in the Chinese market: intellectual property, tariffs and protectionism are just three examples of issues that companies are facing and about which the European Cultural Creative Industries Alliance has been lobbying the Chinese government to take action.<sup>36</sup>

Another significant challenge facing the luxury companies, not only in China but in the luxury industry in general, is that of the impact of the digital revolution. This brings us to the next section.

## Digital revolution: social, mobile, data

The move to digital has been revolutionary, as countless reports from our colleagues in telecom, IT and consulting firms can confirm, but a third industry revolution is currently taking place with the convergence of digital, data, social and mobile.<sup>37</sup> The roots of this revolution lie in advances in computing and information and communications technologies in the late 20th century with the invention of the personal computer, the worldwide web and machine intelligence.

The luxury industry was rather slow to integrate the first wave of web developments and to adopt web 1.0 tools. It embraced web 2.0 more readily and is now quite active in online social platforms such as Facebook, Twitter, Weibo, Instagram, Wechat (Weixin) and the like.<sup>38</sup> This was a logical response to a world well-equipped with smart devices. Smartphones, tablets and so on have become the first touchpoint for a luxury brand, especially amongst youngsters.

It is important to remember that clients in “emerging” markets such as China, Brazil or India are younger than the traditional luxury clientele, and are eager for novelty. Operating online social networks such as Weixin and Weibo correctly in China can be a powerful vector of differentiation. The internet has also given birth to a new generation of opinion leaders in the luxury industry, such as blogger Brian Boy, *vlogger* Zoella<sup>39</sup> or street fashion photographer Scott Schuman.

Online luxury sales grew tenfold from 2004 to 2014 (from €1.3 billion to €12.2 billion) and major brands are now pushing sales strongly through their own operated websites, e-tailers and retailers on line.<sup>40</sup> Accessories, apparel and beauty are the categories with the highest online penetration. The US is clearly a first mover and China will follow when brands enact this market. For the time being, players such as Glamour Sales, a flash sales specialist, have been positioning in China as a reliable partner for luxury brands that are apprehensive about selling online directly. It is important to notice that, even as recently as 2013, 40% of luxury brands still did not sell online.<sup>41</sup>

For companies, this convergence of digital, social, mobile and data is having a major impact on the value constellation of the whole company, as the Internet of Things (IoT) and many other developments disrupt the way that companies have been functioning in recent years. Analytics, for example, enable the optimization of innumerable operations in manufacturing, logistics and digital collaboration; 3D printing accelerates and reduces costs in the conception and development process; cloud computing enables mobility and flexibility; and so on. As the French accelerator *The Family* puts it: the barbarians are at the gate.<sup>42</sup>

This digital disruption is fundamental and will be explored in greater depth in Chapter 5.

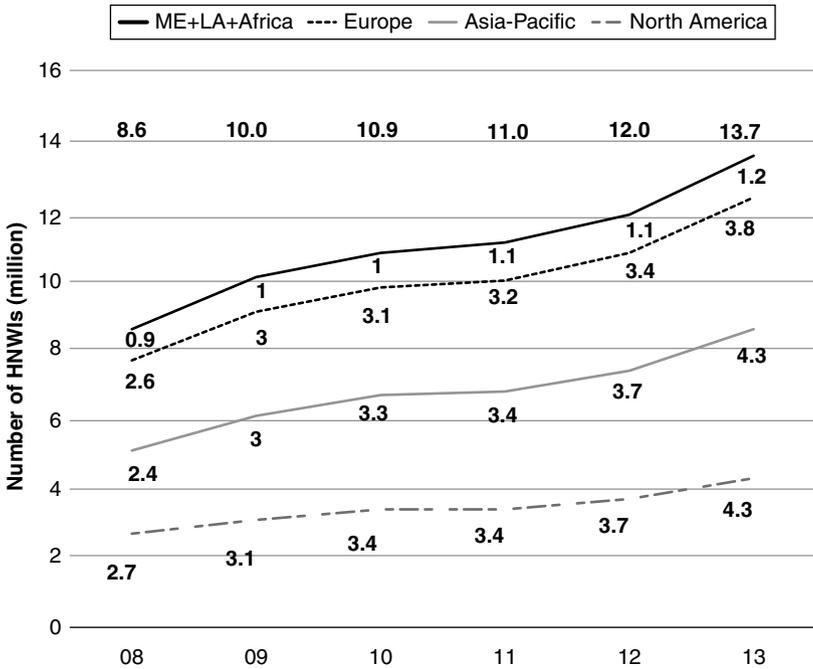
## ／ The high concentration of wealth

The unlikely celebrity status gained by Thomas Piketty, the French author of the best-seller *Capital in the Twenty-First Century*, is testimony to one of the key features of the last few decades: “exponential wealth concentration around the globe.  $r > g$ : in a world where the return to extant capital ( $r$ ) is greater than the general rate of growth ( $g$ ), society will be destined to an ever greater concentration of wealth and inequality.”<sup>43</sup>

Indeed, the number of high-net-worth individuals (HNWI) (with investible assets in excess of US\$1 million), ultra-high net-worth individuals (UHNWI) (with investible assets of more than US\$30 million) and the exclusive billionaires’ club keep growing at a rate above the global GDP growth rate, with a compound annual growth rate (CAGR) in the 2008–13 period of 9.9%

this convergence of digital, social, mobile and data is having a major impact on the value constellation of the whole company

(Figure 1.6). This wealth is expected to grow at an annualized growth rate of 6.9% in the 2013–16 period.<sup>44</sup>



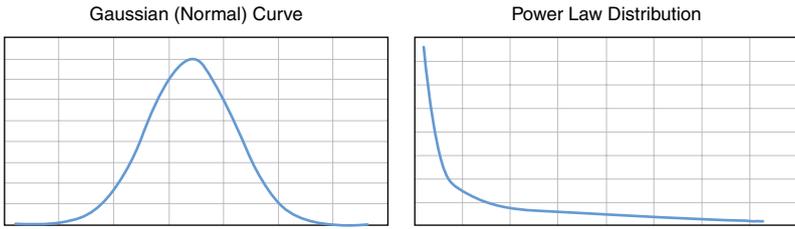
**FIGURE 1.6** Evolution of high-net-worth individuals (2008–13)

Source: Capgemini and RBC Wealth Management (2014), World Wealth Report.

The reasons for this growth include the liberalization of financial markets since the early 1980s and the globalization of economic exchanges, both supported and accelerated by the technology revolution of internet and mobile communications. Wealth concentration and inequality will continue to be a central topic on the political agenda for years to come and are a source of interest for the luxury industry.<sup>45</sup>

As Bain & Company and Fondazione Altgamma reports illustrate, luxury consumption does not follow a normal (Gaussian) distribution but rather a power law distribution (Figure 1.7).<sup>46</sup>

From the estimated 330 million luxury consumers in the world, 45% (approximately 150 million) purchase “true luxury” products at price points of around €1,250. Purchases from this group represent 85% (approximately €190 billion) of the estimated €220 billion global personal luxury goods industry (Table 1.4).



**FIGURE 1.7** Normal distribution vs power law distribution

**TABLE 1.4** Luxury consumer groups

Consumer Group	Type of Luxury Purchase	Average Price Point of Purchase (€)	Number of Individuals (millions)	% of Luxury Consumers	Yearly Revenue (€ bn)	% of Global Market
Ultimate	"True Luxury"	100,000	0.15	0,05%	~15	6.8%
Ultra		25,000	0.9	0,27%	~22	10.0%
Superhigh		10,000	3.9	1,18%	~38	17.3%
High		2,500	10.05	3,05%	~25	11.4%
Core		1,250	30	9,1%	~40	18.2%
Entry		500	105	31,8%	~50	22.7%
Premium to Luxury	"Premium to Luxury"	150	180	54,5%	~30	13.6%

Source: Bain & Company and Fondazione Altgamma Worldwide Markets Monitor 2012–14.

These high-net-worth individuals (HNWI) represent a gold mine for bespoke absolute luxury offers.<sup>47</sup> Some examples we have presented in our previous written works include Richard Mille watches, Dassault Falcon FX private jets and Reuge musical boxes.<sup>48</sup> We can also mention Thomas Mercer marine chronographs, W Motors and Vignes, which will be discussed later in this book. Services include demand for "freeports" to store and showcase artworks and other valuable pieces.<sup>49</sup> This stratification is good news for entrepreneurs and for independent luxury makers, given that niche offers have been and will continue to be a favored entry door into this universe.

## ／ Sustainability goes mainstream

Resource scarcity is here to stay. In a previous book,<sup>50</sup> we explained how companies can move through the ladder of eco-efficiency/eco-design, circular



economy and functional economy. The luxury industry is under close scrutiny from non-governmental organizations (NGOs) such as Greenpeace and the WWF,<sup>51</sup> given their aspirational character for the emerging middle classes. Key opinion leaders, often hired as brand ambassadors, also keep companies in check. Luxury conglomerates such as Kering and LVMH have been particularly active in integrating sustainable considerations in their operations.

Given the current pollution issues and other environmental hazards in China, it is possible that a tipping point may be reached sooner rather than later where sustainability will become if not a core element, then at least a powerful differentiating attribute for a millennial luxury clientele. A signpost in this direction is the nomination of Burak Cakmak, previous vice-president of corporate responsibility for the Swarovski Group and Kering, as Dean of Fashion at Parsons School of Design, New York.<sup>52</sup>



**FIGURE 1.8** / Shanghai, China (end of November 2013); one of the worst blankets of smog ever experienced in the city's history; the concentration of 2.5 $\mu$  particles per million was above 600 – the World Health Organization's maximum daily exposure recommendation is set at 25 $\mu$  PPM<sup>53</sup>

This is an opportunity for new entrants, as the premium Brazilian fashion brand Osklen demonstrates.<sup>54</sup> An interesting initiative is the 1.618 Sustainable Luxury movement in France that has been showcasing companies developing

a new, more ethical luxury based on art, creativity, innovation and sustainability. Chapter 3 presents how sustainability and purpose represent an opportunity for independent companies and entrepreneurs.

## Luxury lifestyle

A consequence of the growing sophistication of the Chinese luxury consumer is a move to more experiential luxury offers. This is a movement already observed in mature luxury markets such as Japan and Europe and it is not new per se. What is new is the scale brought by the arrival of Chinese luxury consumers.

This transition from personal luxury goods to “experiential luxury” had been spotted in 2012 by the BCG, which noted that the growth in this “experiential luxury” group was stronger than in the personal luxury goods group (Table 1.5).<sup>55</sup>

**TABLE 1.5 “Experiential Luxury” importance**

“Luxury Market, as defined by Consumers”	Categories	Market Size (€ bn)		CAGR (2010–12) (%)	
Personal Luxury Goods	Apparel	60	~285	10%	11%
	Leather goods and accessories	65		13%	
	Watches and jewelry	120		11%	
	Cosmetics	40		8%	
Luxury Cars	Luxury cars	320	~320	13%	13%
“Experiential Luxury”	Arts	70	~715	9	14%
	Home and furniture	50		11	
	Technology	150		25	
	Alcohol and food	60		12	
	Travel and hotels	335		11	
	Other (e.g. spas, yachting)	50		11	
Total		~ €1,300 bn		13%	

Source: BCG-Ipsos Market Research (2014), Shock of the New Chick.

Italian companies such as Armani and Bulgari have been among the first to stretch their brands to include service offers in hospitality. The “Battle of the Palaces”<sup>56</sup> in Paris is a fascinating showcase at the high end of this spectrum. Besides the traditional Parisian palaces, such as the Ritz, Crillon,<sup>57</sup>

Plaza-Athénée, George V, Meurice, Park Hyatt Vendôme and Royal Monceau Raffles, most of which are the property of Saudi princes and Middle Eastern billionaires, a new breed of palaces is coming into play: the Mandarin Oriental on Rue du Faubourg Saint-Honoré, the Peninsula on Avenue Kléber and the Cheval Blanc (owned by LVMH) on Rue de Rivoli in the former Samaritaine building. With rates above €1000 per night, these palaces cater to a rather exclusive clientele. Cheval Blanc is indeed a case to be followed, given the backing of LVMH and the fact that hospitality is a completely different business from that of product-based business models.

On a more anecdotal note, the “pastry battle” in Milan also demonstrates the interest of big groups to enter “experiential” sectors such as gastronomy: Prada and LVMH had battled to buy Cova, a traditional pastry place in Milan, with LVMH eventually having the final word; and after a while Prada announced that they obtained a majority stake at Marchesi, another traditional pastry shop.<sup>58</sup>

A driver for this shift is the relatively young age of clients in China, Brazil, India and other emerging markets, around 40 years old on average, compared with over 50 for clients of traditional luxury markets. Younger clients are more eager to experiment, to search for experiences rather than badges of status. Bain & Company and Fondazione Altagamma talk of clients in a “new paradigm” that are looking for the right (versus high) product quality, where in-store experience should bring tailored entertainment (versus detached selling ceremony), and in terms of service, they desire anticipation and personal touch (versus needs response and customer relationship).<sup>59</sup>

*Younger clients  
are more eager to  
experiment, to search  
for experiences rather  
than badges of status*

As a consequence, product companies are expanding their service side. The store manager of the Brazilian flagship of a major leather goods company recently explained that under certain circumstances she would send the entire collection of bags to a client’s home to allow her to make her selection in comfort without the need to come into the store. In China, most flagship stores have a VIP space and some, such as the Dunhill mansion, even have a restaurant and cigar-smoking area for its clients.

We also place under this move from product to service the call from Bain & Company and Fondazione Altagamma for a more consumer-centric luxury company.<sup>60</sup> They urge companies to structure their six key operational

activities according to consumer segments and consumer-dedicated key performance indicators (KPIs):

- strategy definition and planning;
- collection development and merchandising;
- retail network development;
- execution through excellent front line;
- performance measurement;
- “ready-to-consumer” organization.

Companies are recommended to become more demand driven rather than offer driven; in other words, to become better in servicing.

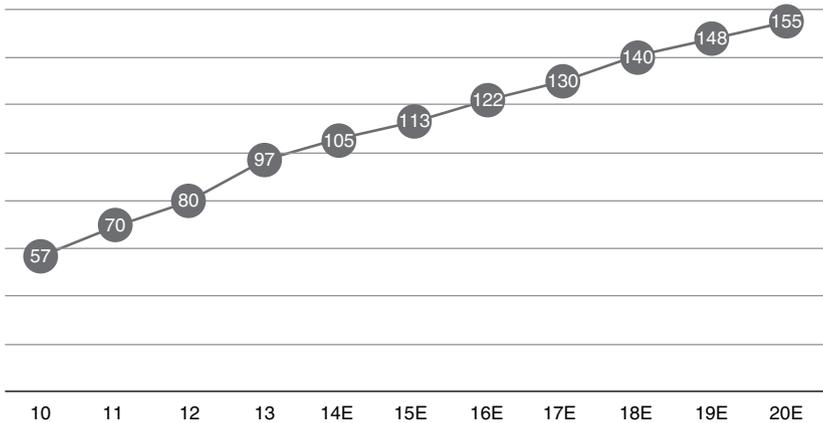
Technology would certainly make it possible to produce a plethora of indicators, but the importance of uniqueness should not be forgotten. One of the reasons that several big names have suffered in recent years is that they have pushed for standardization and consistency all over the world, resulting in a “McDonald’s” kind of experience, to use the (in)famous expression of Tom Ford.<sup>61</sup>

In contrast, we could mention the delicious anecdotes about Leila Menchari, *décoratrice en chef* of the Hermès store at Rue du Faubourg Saint-Honoré, who is known to design, create and order items, many of which are one of a kind, to be used exclusively to decorate a specific window at the Hermès store, but which will not be for sale, no matter how important the client may be. This reminds us that sometimes seduction is correlated to inaccessibility. Christian Blanckaert, the former President of Hermès International, has many tales of clients who wanted a particular bag and just could not believe that no matter how much they offered the item would not be sold.<sup>62</sup> Keeping the desire alive...

The shift from product to lifestyle represents opportunities for niche experiential offers, from craftsmanship, boutique hotels to bespoke traveling and concierge services. It remains to be seen as to how much of an impact the shift from product-based offers and business models to service-based offers and business models (e.g. software as a service) will have on the luxury industry. Some observers suggest that the so-called “sharing economy” is increasing in the luxury sector, citing the sharing of property such as private jets, yachts and other high-ticket items.<sup>63</sup> BCG, for example, rebranded “service” as “experiential” when referring to companies such as Rent the Runway, Lacquerous, and Bag Borrow or Steal.<sup>64</sup> We discuss this point in depth in Chapter 5.

## The growing role of travel retail

A continuous increase in airline traveling and high tariffs for luxury goods in several emerging markets highlights an interesting feature of the current luxury scene: the growing role of travel retail. For example, HSBC points out that China's outbound tourism is expected to triple in the 2010s from 57 million to 155 million passengers (Figure 1.9).<sup>65</sup>



**FIGURE 1.9** Evolution of China's outbound tourism (in million passengers per year)

Source: HSBC Global Research (2012) based on data from China National Tourism Administration and WTO estimations.

Besides the obvious attraction of price, the reasons that the Chinese prefer to shop abroad include: holiday indulgence (i.e. most people will be more open to spending during holidays), gift giving, better shopping experience, snobbery and quality assurance.<sup>66</sup>

Projections of air traffic show an impressive development in Asia. According to KPMG, by 2025 the top 20 hubs for long-haul flights will be mainly situated in the Asia Pacific region (Table 1.6).

Given that the Emirates airline's fleet of A380 planes is larger than that of all other airline companies combined, it is no surprise that Dubai features at the top of such a ranking, but becoming the world's number one hub for international flights is an exceptional achievement for a city of less than 2 million inhabitants in the middle of the desert. Dubai is a prime example of the luxury lifestyle described in the previous section. The emirate is all about experiential luxury – from some of the world's top hotels to impressive new

**TABLE 1.6 Top 20 hubs for long-haul flights by 2025**

Ranking	Airport	City	Country
1	DXB	Dubai	United Arab Emirates
2	PEK	Beijing	China
3	HKG	Hong Kong	China
4	LHR	London	United Kingdom
5	JFK	New York	United States
6	CDG	Paris	France
7	SIN	Singapore	Singapore
8	DEL	Delhi	India
9	PVG	Shanghai	China
10	LAX	Los Angeles	United States
11	NRT	Tokyo	Japan
12	BKK	Bangkok	Thailand
13	BOM	Mumbai	India
14	FRA	Frankfurt	Germany
15	SHA	Shanghai	China
16	SYD	Sydney	Australia
17	CAN	Guangzhou	China
18	GRU	São Paulo	Brazil
19	SFO	San Francisco	United States
20	ICN	Seoul	South Korea

Source: KPMG (2013) based on WTO estimations.

construction projects such as the New Dubai for the Expo 2020 in Dubai. And, next door, Abu Dhabi and Doha are investing serious means to catch part of the East/West airline traffic, with Etihad and Qatar airlines.

McKinsey and the other major consulting companies are increasingly talking of luxury cities such as London, Singapore and New York that are becoming hubs for travelers and wealthy luxury clients,<sup>67</sup> with estimates of up to 70% of luxury goods purchased by Chinese, Brazilians and Indians being made abroad.<sup>68</sup> Bain & Company and Fondazione Altagamma note that all markets, with the exception of Japan, China and South America, are currently driven by touristic spending: 50% of revenues in Italy, 55% of revenues in the UK and 60% of revenues in France.<sup>69</sup> In the United States, one-third of all purchases are made by tourists. Of particular importance are Latin American clients, particularly those from Mexico, Brazil and Venezuela. In Asia, the Chinese are the top foreign nationality in Greater China, South-East Asia and South Korea.

Dubai has become an interesting travel retail destination, being the hub for wealthy Middle Easterners, Indians, Africans and Russians, as well as commuting Asians and Westerners.

L'Oréal has gone as far as to say that this travel retail boom has created a "sixth continent." Sales of goods in airports, on cruise ships and in duty-free shops are expected to represent more than €100 billion by 2022.<sup>70</sup> Cosmetics – skin creams and make-up – are the leading category, making up close to one-third of the share. L'Oréal is a strong leader in this sector but competition is expected to intensify in the years to come.

Tourism and travel retail obviously represent an opportunity for independent companies. First, because the clients are coming to them, companies are able to check interest from clients from a particular region. This is the case for Vignes (presented in Chapter 3), which, despite having only five points of sale (in France, Switzerland and Japan) has a diverse international clientele. Second, companies can expand through this channel before deciding to venture into an international market, as the premium fashion brand Façonnable, for example, is currently doing at selected airports.

## **The turbulent geo-economic and geopolitical environment**

The luxury industry is not immune from influences outside its own sphere, reminding us that changes in the economic and political environment around the world have an impact on luxury companies. For example, the consequences of geopolitical tensions in the Pacific where China is attempting to transform its economic development into military and geopolitical influence, in Eastern Europe where Russia is flexing its muscles, and in the Middle East where instability appears to be the only certainty, cannot be ignored and companies need to hedge carefully on international expansion. A glorious quarter of a century of expanding globalization and openness in international trade has come to an end. The growing role of state capitalism and the gloomy economic situation in the West has even been fueling questions on the interest of democracy in the presence of failing institutions.<sup>71</sup>

For example, non-luxury conglomerates have been voicing concerns on China's growing protectionism and other burdens for developing business in the country, such as the new visa policy. Luxury companies are easy targets

for propaganda, as the “quality” problems detected by Chinese customs in products of Hermès and other big names in recent years demonstrates.<sup>72</sup> It does not help that each province (similarly to American states) has specific regulations and interpretations of national regulations.

A similar analysis can be made of the so-called next-11 group of countries identified by Goldman Sachs and Jim O’Neill, the originator of the BRIC(S) concept.<sup>73</sup> Bangladesh, Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, the Philippines, Turkey, South Korea and Vietnam. While South Korea, Mexico and Turkey are a reality for luxury companies, it will take time for the others to have the adequate infrastructure and retail settings necessary to host luxury retailing.<sup>74</sup> In addition, the risks involved in setting operations and hedging against volatile political contexts may outweigh potential profits. For the time being, it is the high-net-worth individuals (HNWI) from these countries who remain interesting prospects for luxury companies.

It comes as no surprise therefore that several luxury companies are rediscovering the United States as an interesting destination, identifying unexploited potential in several tier 2 cities. One clear consequence of geopolitical instability is currency volatility, as stated earlier in this chapter, and this puts an extra strain on independent luxury companies’ limited resources.

Navigating this growing turbulence in the geo-economic and geopolitical environment is not a task for beginners. Scenario planning is a valuable approach to help top managers to identify key uncertainties and develop contingency plans (see box at the end of this chapter). It is the approach followed to identify the major forces described above, and a pillar in the *anticipating* stage of the BA<sup>2</sup>RE® luxury strategy approach.

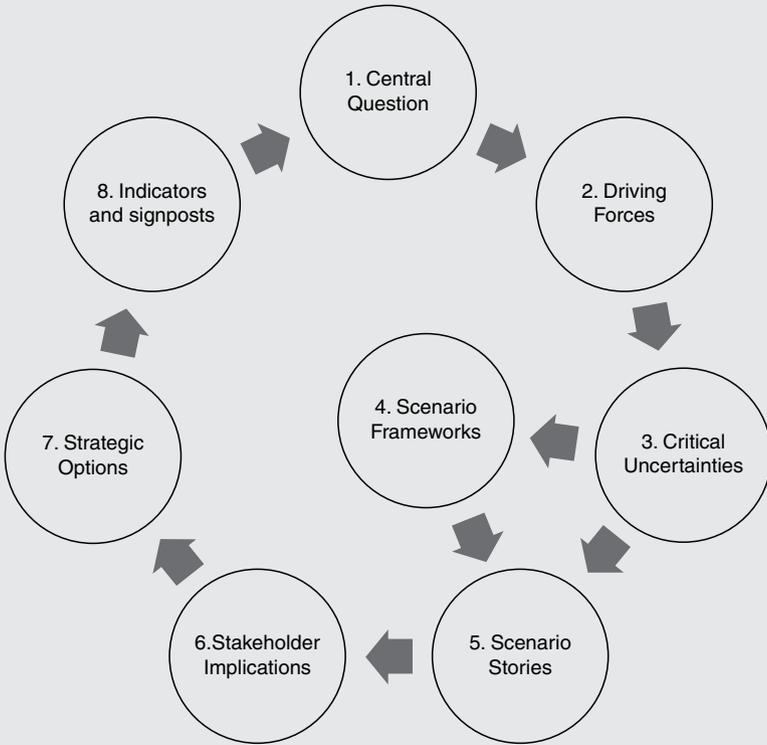
\* \* \*

This chapter has presented the current outlook of the luxury sector with a particular focus on the case of the Swiss watchmaking industry. Times may be challenging but they are also fascinating. Schumpeter’s creative destruction is playing full-on as globalization and digitalization shake the foundations of company organization and management that prevailed during the 20th century.

In the early 21st century the times are paradoxical: abundance and scarcity, speed and mindfulness, distance and proximity, timelessness and immediacy, exclusivity and accessibility, tradition and innovation. And paradoxes constitute fertile ground for innovation...

S C E N A R I O P L A N N I N G <sup>75</sup>

Scenarios are stories about the future. Good scenarios are plausible, challenging and rigorously constructed to address the most critical questions that decision makers need to face. They represent stories about the future context that are relevant, plausible, challenging and divergent (Figure 1.10).



**FIGURE 1.10** Steps to develop scenarios according to the World Economic Forum

Source: World Economic Forum (2011), Mining and Metals: Scenarios to 2030.

Scenario planning consists of eight steps:

1. Formulating the central question: interacting with the client and the project team allows the time-frame for the scenario development and its overarching goal to be defined.

2. Driving forces: identify the social, technological, economic, environmental and geopolitical driving forces shaping the company (or sector) environment.
3. Key uncertainties: categorize driving forces considered to have the biggest potential impact into:
  - predetermined forces: being relatively predictable in their evolution;
  - key uncertainties: having significant impact and highly uncertain.
4. Scenario frameworks: build two to four scenarios using inductive or deductive approaches.
5. Scenario stories: develop scenario stories to provide a vivid and challenging view of the future.
6. Stakeholder implications: analyze the consequences of the scenarios in terms of opportunities and challenges for the company's strategy and for its main stakeholders.
7. Strategic options: identify actions that could be taken to benefit from the opportunities and/or overcome the challenges.
8. Indicators and signposts: identify a set of indicators to observe which scenario is unfolding and define monitoring activities.

Scenarios are different from forecasts. A forecast presents one future based on assumptions, it is a linear projection where uncertainty is implicit. In scenarios, uncertainty is explicit. It takes the complex current realities to develop multiple futures to challenge established assumptions. Multiple and divergent paths are thus produced.

Scenarios are often used to provide top managers with tools to anticipate potential hazards, but they are also a powerful tool for creating opportunities: new businesses, new markets and new connections by freeing thought from the constraints of the past. The interconnection between scenario planning and design thinking has been the theme of the latest Oxford Futures Forum held in 2014.

# Last Chance for Knysna: Innovation

## Introduction

The message we develop in this book is clear: independent brands must differentiate through innovation. Innovation is probably *the* key strategic choice to survive in an aggressively competitive and economically destabilizing environment. In other words, innovate or perish!<sup>1</sup> In this chapter, we present innovation in the luxury industry under its different faces, giving particular attention to the role of independents. Issues such as the role of the investor and business model innovation are explored. We then introduce the method that led to the identification of the winning innovation strategies: “back to the roots,” “code breakers,” “eagle in the aquarium” and “game changers,” concluding with an in-depth presentation of the BA<sup>2</sup>RE<sup>®</sup> luxury strategy approach.

## Defining innovation

It may be helpful to begin by clarifying the easily confusable terms: invention and innovation. Invention is something new, scientifically or technologically speaking. It is commonly associated with technology and intellectual property (IP).<sup>2</sup> The new materials used in watchmaking or in fashion are examples of inventions. Inventions may result in marvelous objects but, equally, they may find little social use, nor a public following. This is the case in haute couture where many creations and inventions in form (material, silhouette, cutting and tailoring), function or style remain on the catwalk, or in collections and

museums, without ever being offered for sale.<sup>3</sup> A key lesson is that developing a market is as important as developing something new. Innovation is an invention which has found a market or an audience.<sup>4</sup> It is both a result and a process, the new product or service being the result of this process.

Innovation is thus about change and is therefore neither an easy nor a smooth journey. As Norbert Alter explains, “innovation is not a rational, economically sound or peaceful action; on the contrary, it is a rough and eventful path along which passionate interests, beliefs, and behaviors meet.”<sup>5</sup> Innovation is thus inherently complex and dialectic, and is characterized by dilemmas and uncertainty.<sup>6</sup>

And how about creation? Luxury is a creative industry, thus creation is an intrinsic characteristic of luxury.<sup>7</sup> The association between creation and innovation in the luxury industry is so close that many actors consider them as synonymous. If it is true that creation is the origin of invention and innovation,<sup>8</sup> it does not necessarily lead to them. In the fashion industry, for example, each new season brings creations, some of which may include inventions, such as new fabrics, but few will be innovations.

When Jean-Claude Ellena develops a new fragrance for Hermès, this is an act of creation. When Karl Lagerfeld designs a new ready-to-wear collection for Chanel, this is creation. It results in new products, but less often in innovations. On the other hand, when the designers Rei Kawakubo and Yohji Yamamoto come to Paris bringing with them a new aesthetic, then there is innovation, a change in the codes currently in force in the fashion industry. And it is thanks to the creative spirits of Charles Frederick Worth,<sup>9</sup> Coco Chanel, Enzo Ferrari, Michel Jordi, Pierre-François-Pascal Guerlain, Thierry Hermès, Louis Vuitton and Ferdinand Porsche, to name but a few, that we have so many innovative luxury products. That said, being a brilliant creator is not everything. Claude Montana and Christian Lacroix are there to remind us that genius does not necessarily lead to a profitable and lasting business.

Innovation thus supposes a rupture, whether in terms of consumer behavior, or how things are done in a company. Apple’s iPhone is a good example. The first iPhone was an innovation which incorporated a number of inventions at its core (all well patented), and was built on a business model innovation: the iTunes/App Store ecosystem that enabled recurring revenues on top of those generated by the agreements with telecom operators. Then, each new generation of iPhone brings incremental improvements: more ergonomic design, flatter, new choice of colors, more efficient camera. Even if occasional

inventions may be present, each new generation of iPhone represents a new product, not an innovation.

Another example of innovation is the case of W Motors' Lykan Hypersport (the most expensive vehicle in the world, created by independents and launched in 2013) that will be examined in Chapter 6. At the heart of this exceptional car, the classic GPS "TV" screen has been replaced by a holographic screen. The intrinsic concept of GPS (maps, distances, points of interest) is the same, but the way this information is accessed is original, and, as it has never before been applied to the field of GPS, it is innovative. The user can interact directly with the hologram by touching it. Unlike other systems currently being developed, there is no wall between the user and the hologram. This is an innovation incorporating an invention.

#### C R E A T I N G   A   F E R T I L E   G R O U N D F O R   N E W   I D E A S

Whether we are talking about innovation or invention, one thing is clear: unless we see the world differently, there will be no ideas. And without ideas, there will be no invention and no innovation.

Ideas themselves need a creative environment to grow and flourish. And this environment is based on three fundamental pillars:

- observation;
- curiosity;
- the capacity for wonder.

Observation allows us to identify what exists, and therefore what does not yet exist. This means being constantly on the alert to assimilate as much as possible and to understand what is possible.

Curiosity, meanwhile, is the childlike quality that we should all aim to keep. A child wants to know and to understand everything. All attempts to answer a child's questions are met with a tireless "why?," a series of questions and answers that will continue until the adult tires of it.

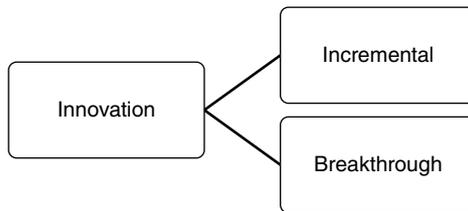
Curiosity is essential; the constant desire to learn more sends a positive message to the world. It means that we are interested in

what is going on around us and in learning more. Through the law of action–reaction,<sup>10</sup> the universe will boost our curiosity and push us toward new ways of thinking. From a more scientific point of view, this curiosity will help create new synaptic connections and the neuroplasticity necessary for the development of associations, the driving force of creativity.<sup>11</sup>

Lastly comes the capacity for wonder. Without wonder there is nothing. We can be astonished both by what exists and by what does not exist. We must be careful, however, not to make the mistake of separating ourselves from this feeling of wonder. It is not enough simply to be astonished; the feeling must be integrated and internalized. It must be assimilated and made one's own.

These three elements (observation, curiosity and wonder) are key qualities possessed by individuals who are at the origin of notable creations, inventions or innovations.

Innovations can be characterized depending on their nature:<sup>12</sup> incremental or breakthrough (Figure 2.1).<sup>13</sup>



**FIGURE 2.1** Nature of the innovation

Incremental innovations bring a minor change to the market, demanding only small adjustments in consumer behavior or the company's processes. Breakthrough innovations, on the other hand, represent a quantum leap, altering established codes and practices, imposing major changes for companies, clients and stakeholders.<sup>14</sup> They shift categories' boundaries. Coco Chanel's little black dress or suit represented breakthrough innovation, as the very codes of women's dress and the role of women in society were broken. Breakthrough innovation helps create a new market and value network. In the technology field, the internet and smartphones are such examples.



Incremental innovation, by contrast, does not create new markets or value networks but rather evolves existing ones with better value.

One important lesson to be learnt is that breakthrough innovations are often the result of new, independent entrants; it is not established companies that will revolutionize a market in which they have a comfortable position.<sup>15</sup> The better-established the company, the more resistant it is to radical changes. It is far simpler for a company to use its position to develop brand extensions, buy up competitors and diversify its markets than to break with a product category and undermine its results.

breakthrough innovations are often the result of new, independent entrants

This is what happens in the technology industry, but also in entertainment where the major studios tend to produce blockbusters and sequels, and are more or less allergic to experimental formats or art-house movies. Hence the vitality of festivals such as Cannes and Sundance. But when an innovator such as Pixar emerged, Disney ended up associating with it.<sup>16</sup>

The model of companies such as Cisco, Google, Microsoft or Facebook, who have relays throughout Silicon Valley to identify emerging talent, is the same as in the luxury industry where the heavyweights keep a lookout for innovative brands or creators.

## Independents and innovation

Great innovations have often been the result of independents,<sup>17</sup> of those free spirits who want to change the world. The ultimate motivation for these characters is what Steve Jobs called a “burning passion for innovation,” a disease that eats away at you and haunts you, greatly expressed in the cult Apple advertisement *Think Different*: “Because the people who are crazy enough to think they can change the world, are the ones who do.”<sup>18</sup>

We can cite, for example, the invention of the telephone, or the incandescent light bulb. While the authorship of these inventions may be disputed, the fact remains that individual personalities were behind them and developed them.

The example of the telephone is particularly interesting as it reveals a problem that inventors often face – that of being credited for their inventions. In 1876, the Scottish-born scientist and inventor Alexander Graham Bell filed an

application for a patent for a system of voice transmission only hours before a similar application was filed by the American Elisha Gray. A long legal battle ensued to determine who would be credited with an invention that would have such a huge economic and industrial impact. The battle was won by Graham Bell, and he was the first to successfully transmit a voice message over wires.

The story does not stop there, however. An Italian by the name of Antonio Meucci demanded the cancellation of Graham Bell's patent, claiming that he had made a provisional application in 1871 but was unable to renew it due to a lack of funds. Meucci died without receiving the recognition he deserved, recognition that came much later, in 2002 in fact, by the House of Representatives of the United States.<sup>19</sup>

This case illustrates one of the major difficulties facing inventors: that of funding. It is a common problem and explains why inventors can rarely be found at the head of their companies after a few years, being forced little by little to give up their place to those who have the financial means to develop the invention and to transform it into a successful innovation.

#### T H E R O L E O F T H E I N V E S T O R

Unless you come from a very wealthy background, the question of funding will be raised, sooner or later. The rule is clear, written in stone: "No funding, no development."

An idea, however brilliant, is nothing without financial support. This support often poses a problem for an independent entrepreneur as it involves giving up shares in his or her "baby" to a private investor, a foundation or a consortium, which more often than not has no qualities other than that of being able to inject the necessary cash into the development of the company – all the same, no mean feat.

Our only recommendation is that any future entrepreneurs should be extremely cautious and pay the utmost attention to the choice of their future financial partner: the founder's professional (and personal) future depends on it. At least three criteria seem relevant in the choice of investor:

- patience;
- financial clout;
- expertise in the specified field.

Patience is, in our opinion, a fundamental criterion. Any company needs time to build and develop. It is possible of course, or desirable even, to create products that are instantly successful, but, generally speaking, these are just a flash in the pan, with no lasting success. In the luxury industry, instant success is rare. Luxury is primarily an emotion in reaction to an expertise, and this expertise, by its very nature, requires a certain time to mature. Long-term vision is therefore essential. Being patient and staying faithful to a clearly defined vision from the outset will allow a brand to be built on lasting values. A financier who understands that will be willing to invest without seeking profit at any cost or, at least, immediate profit. A financier must have confidence in the investment and, above all, must recognize and respect the qualities of the creators and developers of these products/services that are being invested in. Everything needs time to prosper. The most sincere answer to the question "how long does it take to build or develop a luxury brand?" is "it takes the time it takes." No one can predict exactly when a product will take off.

Of course, this message is easier to maintain when dealing with a financier who can afford to be patient and wait, which brings us to our second point, financial clout. A financier prepared to invest in a specific domain must always consider whether losing the whole of an investment would be fatal. The financier must be willing to take a risk and to accept the consequences. It is not always easy, however, for an entrepreneur or a company seeking investment to know exactly how financially sound an investor may be. As Warren Buffett is fond of saying, it is only when the tide goes out that you see who has been swimming naked. A fragile investor can cause the company to collapse very quickly.

Our third and final point concerns expertise of the investor. An investor, in order to be able to understand the strategy in place, must have some understanding of the field being invested in. Without this level of understanding, it is highly likely that when the first difficulties appear, the investor will choose a new strategy, put the entrepreneurs under pressure and feel entitled to interfere, thus increasing the risk that the company will fail.

An investor's knowledge and understanding of the field often goes hand in hand with knowledge of the customers, suppliers, outlets – essential for the launch, development and success of a company.

A regrettable number of independent Swiss watchmakers at the beginning of the 2000s were supported by one or more investors who then gradually withdrew and jumped ship, unwilling to invest the money promised, or to wait to reap the first benefits. Some investors even went as far as to eject the founders and take the reins of the company, and suffered the consequences. In all but very few cases this led ultimately to the fall of these companies. When the head has been cut off, the body has a hard time walking, even with golden crutches.

Before moving to luxury innovation, we take a brief look at an interesting case of innovation, that of Paul Galvin. The name does not ring any bells? He is, nevertheless, one of the entrepreneurs whose career has been marked by the biggest number of failures! He launched, at the beginning of the 1920s, a battery business that failed in 1923. A new attempt a few years later resulted once again in bankruptcy. From this inauspicious beginning Paul Galvin went on to create a company called Motorola (a name which came to him one morning while he was shaving), a company which, during the lifetime of its founder, launched major innovations from radio receivers for the police, to car radios, not to mention walkie-talkies and high-power transistors. Even the forerunner of the hand-held mobile telephone was a Motorola creation.

Success for Paul Galvin was the result of trial and error, a result of searching, trying, following the wrong path, making mistakes.

A philosophy that Albert Einstein eloquently summed up:

"anyone who has never made a mistake has never tried anything new." This means that getting things wrong sometimes, or perhaps often, is a necessary part of innovation. Success can come along to crown a series of mistakes.

*getting things wrong  
sometimes, or perhaps  
often, is a necessary  
part of innovation*

But, when success does come along, what happens then?

The examples of failure just described may be the result of a hostile external environment, regardless of the entrepreneur's own determination and energy. A more conducive environment can provide dedicated and visionary entrepreneurs with exceptional success. One of the best examples of this sort of success is without doubt that of John Rockefeller, oil tycoon and owner of the biggest fortune in the history of mankind. At the age of 18 and annoyed by the refusal of his boss to increase his salary (a positive response to his request would have completely changed the course of his life), he decided to create his own company. The success of this decision was helped by a unique and unpredictable external factor: industrial production in the United States would increase fivefold between 1860 and 1900. Energy supply was becoming a crucial question for the country and black gold would provide the answer. Rockefeller, understanding the important role that oil would play in the economy, quickly created a large refinery. He then proceeded to apply the principles that Swiss watchmakers have started to apply more recently to their own industry, that of controlling the whole chain, from production and storage to marketing. Within nine years he took control of 90% of oil production in the United States, a situation that is not unlike that of the Swatch Group today. And just as the Swiss ComCo intervened in the case of Swatch, American politicians tried to intervene to limit the excessive powers of John Rockefeller. The fact that one man could control production and appropriate virtually the entire market did not go down well with the US political class. In 1911 the US Supreme Court ordered the dissolution of all of Rockefeller's subsidiaries. Forced to give up, John Rockefeller nevertheless became the wealthiest man in the world through the sale of his shares. Would this success have been so rapid and absolute if the context was different, during an economic crisis with multiple competitors, and large, vertically integrated groups, for example? This is doubtful, however brilliant and visionary the entrepreneur.

As we have written elsewhere, innovation takes place in a wider context.<sup>20</sup> Identifying the idea is the first step, but one must also be able to develop and market it. If Steve Jobs had been adopted by a family living in Europe, the story of computing would have been different. It was because he was brought up in the San Francisco area that he accumulated a certain knowledge, that he met Steve Wozniak, and that he found a fertile ground for the rise of Apple. It is not by chance that great minds come together; it is this critical mass that generates meetings and associations that give birth to new ideas: Swiss watchmakers, Parisian fashion designers, Italian stylists and so on.<sup>21</sup> Adjusting to a changing environment and adjusting to contingencies is indeed fundamental in any entrepreneurial venture.

## E F F E C T U A L   E N T R E P R E N E U R S H I P

Effectuation is a concept brought about by Saras Sarasvathy,<sup>22</sup> which sheds new light on venture development. The starting point of expert entrepreneurs is their actual means, represented by three questions:

- 1) Who am I? (Traits, abilities and attributes)
- 2) What do I know? (Education, experience and expertise)
- 3) Who do I know? (Social and professional networks)

Answering these three questions leads to the identification of possible effects (courses of action) out of those means (what can I do?).

Early interaction with stakeholders is central because it helps to get them "on board," consequently providing new means and redefining the goals of the venture. Goals are built "on the fly" and change as a consequence of interactions and contingencies. This process follows an iterative pattern where new means form the basis for new interactions and so on. That does not mean an absence of strategy, but rather an openness to adapt, given new opportunities and circumstances.

As a result, expert entrepreneurs are shown to follow certain principles in their action:<sup>23</sup>

- affordable loss (finding ways to reach the market with minimum expenditure of resources such as time, effort and money);
- strategic partnership (building partnerships rather than doing a systematic competitive analysis);
- leveraging contingencies (the ability to turn the unexpected into the profitable).

## Luxury innovation

Do luxury companies innovate? The question may seem odd, but the high importance attributed to tradition in this sector shows that some luxury companies are looking often to their rich past and archives rather than preparing for tomorrow. In times of exceptional technological development, the focus is given to craftsmanship. And it is often less risky to revisit a heritage icon or piece than to try something new.

## TECHNOLOGY AND LUXURY

Technological developments are one of the drivers of innovation in the luxury industry. Since ancient times, the best of technology and of human ingenuity has been used in the service of luxury. Tombs such as the pyramids or the Taj Mahal are examples of the huge resources that were mobilized for the sake of luxury.

The work undertaken by Jean-Baptiste Colbert, Secretary of State under Louis XIV, to provide France with prestigious manufacturers such as the Gobelins tapestries and the Saint-Gobain glassworks is in the same vein.<sup>24</sup> We are dealing with craftsmanship and its systematization, the use of technology in industry's support services.

Let's take the case where technology and technique are at the heart of the offer of a luxury product. We are leaving the domain of pure artistic creation. It is still present, but is driven by new technological possibilities. This is the case in the field of mobility, where cars, planes and boats are technological constructions. Watchmaking is another example, as is the cosmetics industry. In these industries, technology opens up new possibilities and the unique object is then developed through teamwork. A charismatic leader may be present, but the luxury offer will be developed by teams of specialists.

In the automotive industry, the magnificent engines that go into, and form, the uniqueness of cars such as Ferraris, Lamborghinis and Bugattis are the work of teams of engineers who incorporate state-of-the-art science and technology to create a unique object. This is similarly the case in the construction of yachts by Ferretti, mega-yachts by Blohm + Voss or Benetti, and private jets by Dassault or Embraer. Virgin Galactic, to take a more extravagant example, is simply a technological achievement at the service of a unique, rare and hugely expensive experience. In watchmaking, complications are an additional example, such as those developed by Greubel Forsey or the composites introduced by Richard Mille in the fabrication of his watches.

Cosmetics is today one of the most advanced sectors in terms of nanotechnology research and development (R&D), with extensive research from L'Oréal, for instance. Sometimes innovation is a

simple technique but at the same time ingenious: take the first wristwatch, developed by Cartier for the aviator Alberto Santos-Dumont, which allowed him to check the time while flying without having to take his hands off the controls to find his pocket watch.

Why should luxury companies innovate? Innovation brings growth, gains in productivity, purchasing power and job creation.<sup>25</sup>

It is a great opportunity for independents and incumbents should be aware. The BCG 2014's Most Innovative Companies report presents an interesting result: "Companies in rapidly developing economies are particularly aggressive pursuers of innovation. The majority of strong innovators from the BRIC nations currently generate more than 20 per cent of their sales from new products and services created within the past three years."<sup>26</sup>

Luxury players will eventually emerge from new markets and we can bet that technology and innovation will play an important role. Will there be a battle between "old luxury" and "new luxury"? If this scenario ever does take place, history is on the side of the new... Luxury companies, at least in Europe, are advised not to lose the edge in one of the only sectors where Europe is still the benchmark for the world.

Conversely, a question that aspiring luxury entrepreneurs often ask our consulting practice is: how can we develop a luxury company in China, Brazil or Nigeria if we do not have the heritage of France, Italy or Switzerland? Should we buy a "dormant" brand from the West and revive it? Should we dig into the past of our country and culture to find appropriate heritage?

Although "looking to the past" may be one way to create a luxury brand, we find it is more promising to "look to the present" and "look to the future."<sup>27</sup> The reason is simple: several established luxury companies and creators were once disruptive and rebellious against the mainstream. Coco Chanel and Miuccia Prada were anything but conservative and reverential in respect to tradition. They broke the social codes of their time and built the iconic brands we know.

For established companies, the challenge is also to innovate on tradition and manage the paradox of time in order to avoid becoming a museum brand.<sup>28</sup>

It is important to remember here the wise words of Richard Normann on the need for organizations to reframe and reinvent themselves:<sup>29</sup>

Organizations are embodiments of our achievements of the past, and they are endowed with our ambitions, (...) there is a clear difference between exploiting a “business idea” within a formulated paradigm, and the creation of novelty which requires new frames of reference, (...) As change increasingly comes to characterize the world around us, more often than not the problem is that the dominating ideas reflect a “reality” of the past, not the “reality” of the present nor the future. (...) Thus, the failure of success.<sup>30</sup>

We cannot underline strongly enough the fundamental uncertainty of today’s business environment due to globalization and technological change. Since formulas for lasting success and superior performance are transient,<sup>31</sup> companies are learning and adapting on the fly. For example, one of the side effects of a once-proven recipe for coherence and consistency in managing brand identity is that the points of sale look the same all over the world.

#### B U S I N E S S M O D E L I N N O V A T I O N

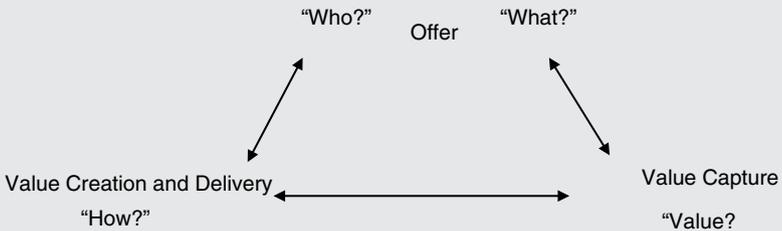
Innovation can also take place at the business model level. Business model innovation (BMI) is a “reconfiguration of activities in the existing business model of a firm that is new to the product/service market in which the firm competes.”<sup>32</sup> Resources and capabilities are indeed being continuously reconfigured. Companies “acquire” new resources through in-house innovation, mergers and acquisitions, or partnerships in the value constellation. They also reconfigure existing resources in multiple ways.<sup>33</sup>

Thus, a company eager to evolve its business model can act at three levels (Figure 2.2):<sup>34</sup>

- “who?” and “what?” questions, that is, at the offer/value proposition (new product, new service, new customer experience, and so on);
- “how?” questions, that is, value creation and delivery (optimization of the value creation processes, reconfiguration of activities or key resources, innovative partnership approach, and so on);<sup>35</sup>

- “value?” questions, that is, at the value capture (new income sources, dynamic mechanisms of price fixation, better control of the costs, transformation of fixed costs into variable costs, and so on).

Or a company can act on a combination of these approaches.<sup>36</sup>



**FIGURE 2.2** Business model innovation

Apple is the ultimate example of business model innovation – for example, with the revolution it brought to the music, telecommunications and publishing industries. The iPod was a device with a revolutionary value proposition (a seamless music experience) that, in association with the value architecture reconfiguration brought by the iTunes platform (sales of music tracks versus whole albums), completely changed the revenue model of the music industry.<sup>37</sup> They succeeded a few years later with the iPhone, the iPad and the creation of the App Store.

Multi-sided platforms have been a formidable model for business model innovation as Amazon, Vente-Privée, Etsy and many others demonstrate. Technology has been a catalyst for a number of business model innovations in recent years, but this has not altered the fundamental structure of business models.<sup>38</sup> For example, at the margins of the luxury industry, Zara’s creation and logistics systems are a remarkable business model innovation.

Business model innovation matters because it provides greater average total shareholder return than traditional innovators



according to the BCG.<sup>39</sup> It is often new entrants that bring business model innovation, but established companies in different sectors have shown that it is possible to be ambidextrous (that is, to exploit new businesses and explore new opportunities).<sup>40</sup> New business models can indeed be experimented in parallel with an existing business model, in a business unit or by creating a spin-off, and by supporting intrapreneurial behaviors and projects.<sup>41</sup> This is welcome news to established independent luxury brands.

What is the track record of business model innovation in the luxury industry in recent decades?

The main business model innovation in the luxury industry has been the consolidation movement initiated in the 1980s by LVMH and Swatch. Several cases presented in the following chapters will show proof that luxury independents are great business model innovators as well.

## **The winning innovation strategies for luxury independents**

In turbulent times, several independent luxury companies and entrepreneurs have boldly decided to innovate. We pay homage to these groundbreakers by presenting their inspirational case studies.<sup>42</sup>

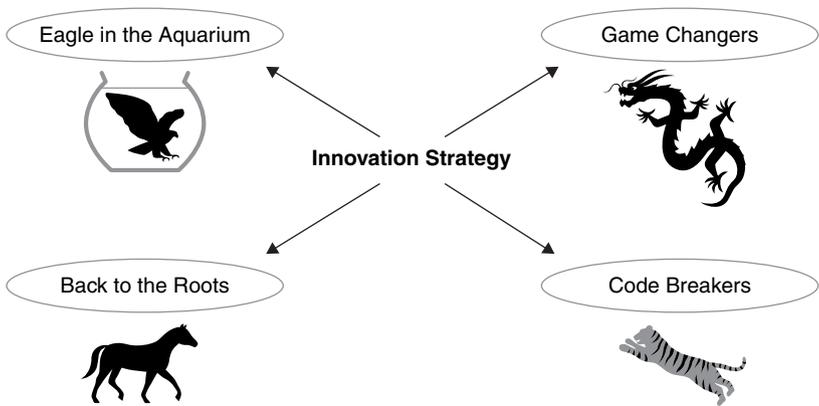
A methodological note is necessary here before moving on. We have been collecting information on innovation strategies at luxury companies since 2005, interacting with a c-level audience in the luxury “constellation” at an international level. From developments at luxury’s birthplace in Europe to advances in China, Japan, South Korea, the Middle East, Africa and the Americas, we have collected extensive data on innovation at different levels.

We used multiple data-collection methods to build our database: primary data was collected with CEOs, c-level decision makers, influencers and interpreters through interviews, on-site visits and participation at c-level gatherings, while secondary data came from internal company reports, consulting and banking reports, specialized press and the web as a whole. Historical sources have also been used at length.

We took a panoramic view but the choice of the cases we are presenting is subjective,<sup>43</sup> and we have no ambition to be exhaustive on that matter. We

do think, however, that these cases provide an illustrative sample of innovation strategies in the luxury field. It is also important to bear in mind that our goal was to provide an applied frame to aid entrepreneurs and independent luxury leaders in their endeavor to build resilient companies, and not to build an analytical tool for the sake of it.

For a single case, the different available sources of data were triangulated and analyzed. We then initiated a “conversation” between the different case studies and previous analytical frames. Four patterns of innovation strategies by luxury independents emerged, which are presented in Figure 2.3.



**FIGURE 2.3** Innovation strategies for luxury independents

“Back to the roots” include independent companies innovating in the essence of luxury: extreme quality and extraordinary craftsmanship to create the ultimate sensorial and emotional experience. For companies such as Vignes, Thomas Mercer, Mirazur by Mauro Colagreco, Brunello Cucinelli and Norlha, luxury is rooted in a *terroir* and a sense of purpose permeates this endeavor. Innovation is often incremental, mainly taking place at the offer level, for a niche clientele.

“Code breakers” are playing with product and societal codes to culturally innovate and build today’s and tomorrow’s icons. Examples include Martin Margiela, Yohji Yamamoto, Miuccia Prada or Isabel Marant in fashion, Fernando and Humberto Campana in furniture design, and HYT in watch-making. Innovation is breakthrough, mainly at the offer level and the “creative soul” often takes center stage.

“Eagle in the aquarium” companies are disrupting the way that value is created, delivered and captured in the luxury ecosystem. Globalization and digitization are powerful enablers to reconfigure resources at the levels of funding (e.g. crowdfunding), design (e.g. 3D design), manufacturing (e.g. 3D printing), distribution (e.g. online platforms), marketing and communication (e.g. online social networks and holograms).

“Game changers” are building breakthrough offer and business model innovations. Comme des Garçons, Études Studio, Iris van Herpen, MB&F and W Motors are independents taking bold initiatives to take their product categories to the next stage in a fascinating and inspiring journey.

Interestingly, a thorough analysis of how these independent luxury companies innovate serves to uncover a common pattern composed of five stages: the BA<sup>2</sup>RE<sup>®</sup> luxury strategy approach (Figure 2.4).

## ／ The BA<sup>2</sup>RE<sup>®</sup> luxury strategy approach

### Believing

It all starts with the creator/entrepreneur worldview and purpose. *Believing* refers to the conviction, vision and identity – the DNA – of the company,

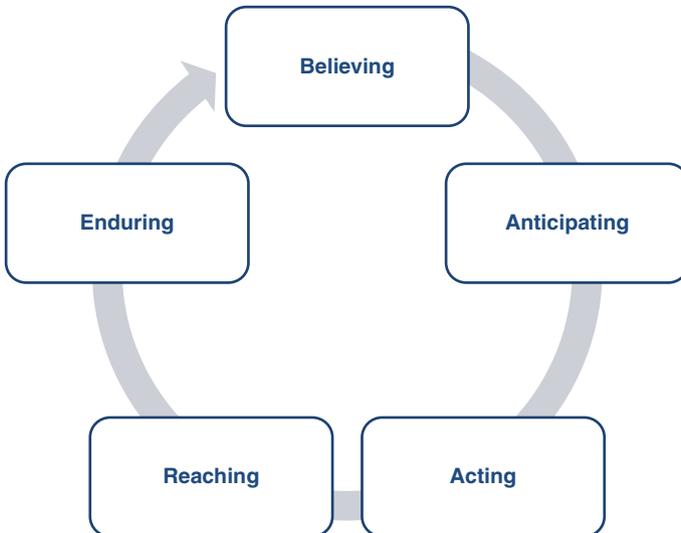


FIGURE 2.4 / The BA<sup>2</sup>RE<sup>®</sup> luxury strategy approach

its guiding values and aesthetics. This belief can evolve as living organisms evolve, but it has a certain stability. It is what enables the company to focus its energy and resources.

As Miuccia Prada explains: “it’s important to produce fashions that are new, original, surprising. But you should never lose sight of your personal considerations. Shapes, colors, lengths of skirts should always be a vehicle, an instrument for your personal narratives, your personal obsessions.”<sup>44</sup>

Although, several companies start from opportunities and then may be sold later on to cash in, it is a clear differentiation point to have an ambitious and stimulating vision,<sup>45</sup> besides aiming to deliver sales, profits and value creation.

An example of *believing* comes from watchmaker and inventor Michel Jordi. Creator of the first clip-on watch, which could be worn clipped on to clothes (or on to glasses, in the case of Andy Warhol) rather than on the wrist, Michel Jordi quickly understood the value of associating with financiers in order to cope with surprisingly rapid development (market studies carried out by consulting firms had predicted that his clip-on watch would be a commercial flop). But then, with this increase in capital, Michel Jordi found himself squeezed out of his own company in spite of/because of the huge commercial success he made.

Despite the blow of this failure, Michel Jordi did not give up, but promised himself that he would always remain the majority shareholder in his own company. He bounced back in 1988 with a watch proudly sporting Swiss values (as well as cows and edelweiss on the watch case and bracelet). Once again, marketing studies suggested that the watch would not be well received by the public, yet Michel Jordi’s innovative concept became one of the greatest successes in the 1990s, with skyrocketing sales volumes in Switzerland (and beyond).

Then, too many copies and less appropriate strategy choices, including the exportation and “local adaptation” of the concept (a Far-West watch in the United States and a Pyramid collection for Egypt), led the watchmaker to stop his business in 2002, and to relaunch at the top end of the market in 2004, before returning to the mid-range in 2012.<sup>46</sup>

When asked about his various companies, the Swiss watchmaker confirms that he has always been searching for the “difference” and that he has learned never to rely on other people’s opinions. Michel Jordi is one of those rare

it is a clear differentiation point to have an ambitious and stimulating vision, besides aiming to deliver sales, profits and value creation



**FIGURE 2.5** / Michel Jordi and Andy Warhol with the clip. Picture taken in 1986 and graciously granted to be used in the book by Michel Jordi

individuals who is able to learn from life's experiences and continues to forge ahead, driven by an extraordinary level of willpower.

### Anticipating

Innovative creators and entrepreneurs are constantly *anticipating* to grasp changes and act on them. They sense *l'air du temps* and are often the "right person, at the right moment in the right place." They combine feelings and analysis to create intuitions on what is next, often reaching out to a certain number of "interpreters" in society: creators, scientists, artists, designers, cultural organizations and media that can nourish them and later on help to legitimize a breakthrough proposal.<sup>47</sup>

A goal at this stage is to identify societal changes led by technology, economy, social structure, demography, social movements and mass media that open up opportunities for the company.<sup>48</sup> Can customers help? Not much, given that they are immersed in the current sociocultural context.<sup>49</sup>

On the analytic side, scenario planning is a great tool (as presented in Chapter 1).<sup>50</sup> Depending on the situation, the following analysis can be performed as part of a strategic diagnosis: value/performance elasticity, competitive system, key success factors.<sup>51</sup>

### **a) Value/performance elasticity**

Although the interest of the luxury sector will be obvious for most readers of this book, for an investor or entrepreneur looking to understand if the luxury sector is worth considering, it is useful to take a look at the value of the sector as a whole and the performance of companies. The value of the sector can be deduced from the growth potential, and the performance by looking at the return on investment (ROI).<sup>52</sup> As presented in Chapter 1, in the current “new normal,” growth is expected to be in the range of 3–5% worldwide,<sup>53</sup> with many “pockets” of double-digit growth. Regarding ROI, publicly traded companies (both conglomerates and independents) have a track record of sound results (for example, ROI above 10% in the 2008–12 period for Burberry, Richemont, Tod’s and Hermès)<sup>54</sup> and a bumpier situation in 2013 and 2014.<sup>55</sup>

As a whole, the luxury sector can be said to be in the “growth stage”: apart from some turbulence and changes in the short term, the potential remains significant for the foreseeable future given the forces presented in Chapter 1.

### **b) Competitive system**

Based on the adapted BCG Advantage Matrix, we can characterize the luxury sector as a “specialized” competitive system where there are many sources of differentiation and competitive advantage (Table 2.1).

Profitability therefore is not related to size, and many profitable opportunities exist for independent companies correctly addressing niche markets. It comes as no surprise, either, that vertical integration is favored in the luxury industry as it is in other specialized competitive systems.

### **c) Key success factors**

Each segment, subsegment and niche will have different expectations and desires, and the independent luxury company needs to have a good idea of who its clients are: wannabes are status and logo driven, connoisseurs will look for evidence of quality and craftsmanship, and so on. Uniqueness is a key success factor in niches, as the cases presented in Chapter 3 will show, and innovation is the favored route for independents to get there. Moreover, since desires are by essence infinite, there are infinite ways to convey emotions and dreams in luxury offerings.

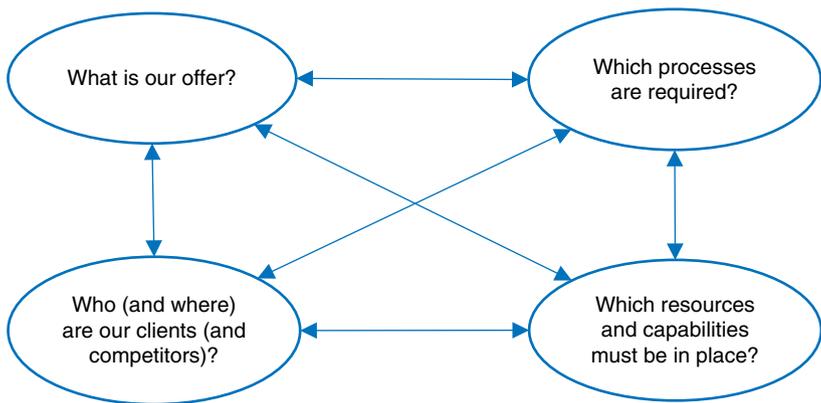
**TABLE 2.1 Specialized competitive system of the luxury sector**

<b>Definition</b>	Segments with many differentiation sources where some companies succeeded in building a solid competitive advantage based on mastering one or many unique areas of know-how
<b>Performance Indicator</b>	Unit margin
<b>Strategic Objective</b>	Sell products perceived as unique by clients
<b>Strategy</b>	Differentiation (create niche, unique marketing expertise, unique technological know-how, vertical integration)
<b>Strategic Competences and Resources</b>	Human resources, production, creativity, innovation and R&D (oriented products), distribution, brand image and marketing

Source: P. Chereau and P. X. Meschi, *Le conseil stratégique pour l'entreprise* (Paris: Pearson, 2014). Courtesy of Pearson France.

### Acting

A company performance is driven by two components: strategy and execution.<sup>56</sup> Strategy means choice (Figure 2.6),<sup>57</sup> as insightfully presented by Mark Feldman and Michael Spratt: “Five frogs are sitting on a log. Four decide to jump off. How many are left? Answer: five. Why? Because there’s a difference between deciding and doing.”<sup>58</sup>



**FIGURE 2.6** Strategic choices

### **a) *The first choice: what is our offer?***

The offer will “freeze” the knowledge and skills of the company at a certain instant and in a certain value proposition.<sup>59</sup> The value proposition is the reason why a client exchanges a certain amount of money and time for an offer. We talk of a proposition because an offer concretizes its value when it is acquired (and used) by a client: this applies equally to a suite at the Peninsula Hotel on Avenue Kléber in Paris or a Double Tourbillon watch on display at a Damas store in Dubai.

Value proposition may seem a cold expression when we know that we are in a universe offering “*supplements d’âme*”<sup>60</sup> (a complement to the soul). Clients acquire emotions, dreams, stories, status and prestige.<sup>61</sup> Function should be there, but the hedonic and symbolic values are those that count. Indeed, clients do not need luxury offers; they desire them: “luxury offers are a necessity when necessity ends.”<sup>62</sup> Offers have a certain artistic content; they are rare, they integrate some craftsmanship and are, for some, unique. Given the trends presented in the previous chapter, the sky (or the space if you prefer) is the limit in “what” can be offered.

### **b) *The second choice: who (and where) are our clients (and competitors)?***

The answer is niche markets for small companies. For larger independent luxury companies, this will require an understanding of (international) market segments and choosing which ones are interesting for the company. This choice will then impact the first choice, as new offers may be developed for specific clients. This choice will also situate the competitive environment.<sup>63</sup>

Answering to the “who” and “where” questions is tricky. Whereas in the 1980s luxury boutique managers knew fairly well their (Western and Middle East) wealthy clients, the luxury clientele is now global and diverse. Companies can focus on niche markets or cater to different “global” segments: conservative, opinionated, disillusioned, hedonist, omnivore, wannabe and investor.<sup>64</sup> Traveling and online commerce is blurring the once-firm geographical boundaries.

Remember also the “power law” effect presented earlier: a few (very wealthy) clients can make (or break) a luxury company. For example, Richard Mille, Greubel Forsey and Cyrus developed innovative offers in the watch industry, catering to a niche clientele of HNWI and UHNWI.<sup>65</sup>

**c) *The third choice: which resources and capabilities must be in place?***

Resources include a combination of tangible and intangible assets (employees, equipment, capital, processes, information, patents, reputation, brand) that should be unique. Capabilities include human resources, securing supplies, production, creativity, innovation and product-oriented R&D, distribution, brand image and marketing. There needs to be a fit between the strategic positioning and the organization configuration.

Partnerships play a central role for young independent companies as they give access to, or development of, new resources or activities. For example, Thomas Mercer (presented at length in Chapter 3) partnered with yacht designer Andrew Winch to launch its marine chronograph and is developing other partnerships to foster growth.

**d) *The fourth choice: which processes are required?***

Processes relate to support systems, structures and measures required to support the choices. This choice is related to execution. Digital collaboration can be a particularly powerful catalyzer for innovation in fast-growing companies.<sup>66</sup>

These four choices are risky; they demand a fundamental commitment from the company and may lead to success or failure. Execution involves carrying out these choices: “the way people, working together in an organizational setting, mobilize resources to deliver on the strategy.”<sup>67</sup> Both strategy and execution face uncertainty, from outside (reaction of clients, competitors and technological change) as well as from inside (internal capabilities to change and deliver).

The dynamic character of these choices is an important characteristic to consider, as one choice impacts the other and vice versa.

**Reaching<sup>68</sup>**

Now comes the central moment of the encounter with the client. *Reaching* refers not only to winning clients, but transforming them into fans and advocates for the brand. How do you reach the hearts and then the minds of clients? The goal is to have a core of top influencers and clients to espouse the offer (and the message) and enact a power law diffusion.<sup>69</sup> This is a world where storytelling, distribution choices and experience take center stage.

### a) *Message*

Luxury offers invite clients to adhere to a certain emotional and symbolic worldview. “You never actually own a Patek Philippe, you merely look after it for the next generation”: it is implicit in the powerful message delivered by the iconic Patek Philippe ad campaign that clients “buy in” to the idea that the company stands for transmission and heritage. Consequently, clients can project a whole set of associations that will bring a myriad of symbolic meanings and increase their perception of the company’s timepieces. Advertising is a powerful vector in framing perceptions at this stage. Through its offer, the company can even generate new meanings that break with the established sociocultural models, creating a new “language.”<sup>70</sup>

A key word for the years to come is “(hi)storytelling” – reinventing, revisiting and creating myths and icons.<sup>71</sup> Thus the preeminent role of brands in the luxury industry: it is the intangible asset that weighs more heavily in brand equity and stock market valuations.<sup>72</sup>

Semiotics,<sup>73</sup> and tools like the semiotic square,<sup>74</sup> and semiotic mapping,<sup>75</sup> are interesting to help structure the content and discourse of the brand identity to fit utopian, practical, critical or diversionary consumer values.<sup>76</sup>

Besides clients, the message targets the company stakeholders, who contribute to the value-creation process like financial institutions (for example, Credit Suisse, HSBC), specialized media (Suzy Menkes, Anna Wintour, *vloggers*, among others), celebrities and NGOs (Greenpeace or the WWF will, for example, often put luxury companies into the spotlight for their environmental practices), to name just a few.

### *Omni-channel distribution and experience*

Distribution is where the encounter between an offer, a message and a client result in an act of purchase. Regarding distribution, as more and more major companies move to selective distribution and pay the price to get prime retail space, multi-brand and department stores become the location of choice for independent luxury brands, not always with the treatment and placement they would like to have. The good news is that distribution is an open field for innovation in both the digital (online sales, flash sales, m-commerce) and physical arena (pop-up stores, 3D in point of sales, innovative layouts), as we will see in Chapter 5.

Last but not least, aftersales could be defined as the beginning of the luxury relationship in the process to turn a consumer into a fan.<sup>80</sup>

D I S T R I B U T I O N O F L U X U R Y  
W A T C H E S

The main challenge for distribution – in watchmaking as in any other luxury field – may differ from one brand to another.

On the one hand, leading brands, with their significant financial resources, must decide to what extent and in which markets they want to be responsible for their own distribution. The aim in this case is to plan for the future. It is no coincidence that today many brands are overrepresented in key strategic locations such as Dubai (in the Dubai Mall and Mall of Emirates in particular), Beijing or Shanghai. In Western cities, in contrast, brands tend to be limited to one store in general.

Some brands have chosen to plan for the long term: this is the case for Hublot or Breitling, for example, who have taken the (calculated) risk to expand their presence in high-potential markets such as Mongolia, a country with very large reserves of raw materials. However, in general, the presence of single shops reflects the main export markets and more than one-third of them are concentrated in Asia. Tourist destinations have also been taken over by well-known brands that develop single shops on small Caribbean islands with, as yet, only a very small population (St Bartholomew, for example, with its 9000 inhabitants). The Digital Luxury Group has even broadly encouraged watch brands to create visibility by setting up stores, or shop-in-shop (SIS) at the main holiday destinations of Chinese customers (who are significant watch consumers) such as Mauritius or certain cities in Japan, for example (see Table 2.2).<sup>77</sup>

Smaller (and in general, younger) brands must analyze whether the costly solution of the verticalization of distribution could be a strategic option. If not, they should determine the most effective way to exploit the markets, particularly those of emerging countries, those markets in full expansion that are nicknamed the "second China."

The evolution in watch distribution has been a gradual process. The first step for brands was to work with a local distributor. This local distributor shared the risk with the brand by buying stock (at very favorable terms because of their distributor status).

**TABLE 2.2 Most sought-after destinations and luxury hotels by Chinese tourists**

Rank	Chinese: Most Sought-After Destinations	Rank	Chinese: Most Sought-After Luxury Hotels
1	Singapore	1	Four Seasons, Chiang Mai, Thailand
2	Maldives	2	Four Seasons, Mauritius
3	Bangkok, Thailand	3	Pan Pacific, Singapore
4	Bali, Indonesia	4	Banyan Tree, Phuket, Thailand
5	Phuket, Thailand	5	Hyatt Regency, Chicago, United States
6	Tokyo, Japan	6	Banyan Tree, Maldives
7	Mauritius	7	Angsana, Maldives
8	New York, United States	8	Nikko, Bali, Indonesia
9	Osaka, Japan	9	Jumeirah, Maldives
10	Chiang Mai, Thailand	10	Intercontinental, Mauritius
11	Seoul, South Korea	11	Four Seasons, Bangkok, Thailand
12	London, United Kingdom	12	Nikko, Japan
13	Paris, France	13	Four Seasons, Maldives
14	Dubai, UAE	14	Peninsula, Bangkok, Thailand
15	Los Angeles, United States	15	Four Seasons, Bali, Indonesia

Source: Digital Luxury Group (2014).

They then also took over part of the marketing and communication costs. The distributor brought to the brand its strong local knowledge and represented it exclusively in the defined territory.

The first distribution subsidiaries were created in the 1990s, initially by brands of large watchmaking groups (Swatch, Richemont) with the avowed aim to dispense with intermediaries. But as each market has its own characteristics, brands decided their distribution strategy on a case-by-case basis.

In the late 1990s, a new trend emerged that became significantly stronger in the 2000s: the onset of single or flagships stores. These shops could be managed by the brand itself or through licensing. They had the advantage of stocking only brand

products. Many brands saw this as the solution to their problems, thinking that they could remove any intermediary (and by doing so, increase margins) while controlling the direct relationship with the end customer. But this vertical integration has sometimes proved to be much too expensive due to the high level of investment required. To preserve the image of the brand and achieve a satisfactory level of visits to the store, stores were set up in town centers with very high rents. So high in fact that even multi-brand stores such as King Fook and Elegant in Hong Kong (the main references in multi-brand stores) had to close or sell part of their retail space at Central, in downtown Hong Kong, in 2013! If multi-brands are beginning to move due to excessive rental costs, what can be happening to single-brand boutiques that – by definition – live from the sale of only one brand? This vertical integration of distribution remains restricted to brands with significant financial resources. Some independent brands, such as Richard Mille, F. P. Journe and others, have nevertheless managed to develop their own single-brand boutiques in places like New York, Singapore and other key cities. Profitability is then not always the most decisive argument. Sometimes a presence is necessary in certain places as a reference, whatever the cost.

While this policy of bringing everything together in one place may scare off some multi-brand stores, it must be pointed out that these stores are often more than capable of pulling off the challenge by managing themselves directly on behalf of the brands. But, in general, multi-brands are forced to rethink their strategy and replace “lost” brands (present only in single stores) with independent brands, which thus return to the front of the stage.

The new deal in distribution offers great opportunities for small independent luxury brands. By rejecting multi-brands, brands from large groups free up store space in favor of independents that are then able to increase their own visibility and desirability. These same independents, being unable to afford the choice of a local distributor (who demands too high a margin for a young brand) will opt for an agent, an intermediary who will not stock the brand, but will receive commission on all sales in its area.

Another opportunity for independents is provided by certain retailers who have put their money on independent brands and refuse any brands belonging to groups. This is true, for example, for the watch and jewelry store Temps & Passions managed by Patrice Moro, a well-known name in the field of independent brands. In Monaco, where he has been managing his store since October 2002, the owner has made a point never to work with large groups. When asked about this, he says that the human relationship with independent brands is extraordinary and that they have a creative force that he feels is lacking in large groups.



FIGURE 2.7 / Temps & Passions store, Monaco. Courtesy of Temps & Passions

Working with both luxury watch and accessories brands, such as Akillis, Cyrus, Dinh Van, Encelade 1789, MCT, QlockTwo, TF, Vincenterra to name just a few, Patrice Moro made the risky choice of focusing exclusively on independents.



**FIGURE 2.8** Interior of Temps & Passions store, Monaco. Courtesy of Temps & Passions

This is also the case in London with Frost of London on New Bond Street, Noble Styling in Tokyo and in Singapore with E'Collezione at the Mandarin Oriental Hotel, Orchard Road. E'Collezione, for instance, has developed a space for super-luxury cars. There, it exposes the most extraordinary cars in the market, often in very limited series, side by side with luxury watches and accessories created by independents. An "obvious association" to the founder Jeffrey Leong.

This mindset is found in a few other retailers mainly focusing on independents, besides some "group" brands, such as Chronopassion in Paris or Ginotti in Antwerp, Belgium.

The choice to solely focus on independents is nevertheless sometimes a difficult one, as shown by the case of the Maverick store in Geneva (at Kempinski Hotel), which had an almost exclusive focus on independent brands (with the exception of Piaget and



**FIGURE 2.9** E'Collezione store, Singapore. Courtesy of E'Collezione



**FIGURE 2.10** Interior of E'Collezione store, Singapore. Courtesy of E'Collezione.

Zenith). Given dismal results since 2013, and due to the difficult economic environment, it has been acquired by Chinese investors that have since put an end to the focus on independent brands. Maverick became Splendid.

The development of single-brand boutiques and the high-margin policies of brands of large groups presented in multi-brand stores begs the question: while the focus on independent brands has rarely been the main concern of many outlets, are we not witnessing a change in the trend for the coming years?

Let us imagine a situation. The retailer Swiss Time Only,<sup>78</sup> located in New York City, only sells brands from large groups. Now, these groups have decided to set up their own shops in the Big Apple and have taken the opportunity to reduce the margin granted to their retailer. Swiss Time Only finds itself in a tricky situation as its revenue declines and will more than likely continue to decline as margins will become smaller. What strategic choice can our retailer make?

- 1) It could decide to invest heavily in "strong" independent brands with a strong growth potential. Why "heavily"? Simply because the group brands mentioned above will not only reduce the

retail margin but also require the retailer to order a minimum quantity each year, a minimum which will be progressively increased. Consequently, the retailer is forced to allocate his available "cash" to the brand alone. This would mean that the investment available for the independent brand would be far too low to offer an appropriate context and environment (shop-in-shop, specific merchandising, and so on) that is conducive to sales. The retailer must therefore make the decision to say "stop" to certain group brands that narrow its margins, that is, insufficient to reallocate its investment in independent brands.

- 2) The retailer could continue to work with luxury group brands. Its margins would be reduced, but the brands would also demand a space/environment within the store and threaten to dereference their products if the retailer takes on a new brand that does not suit them or if a non-wished brand is placed next to their own products. The retailer in this case becomes completely dependent on the referenced brands. Could this be tantamount to a death sentence for the retailer?

An important point needs to be highlighted here. Of course, not all groups act in the same way with respect to retailers; many demonstrate a deep respect for the outlets that have allowed them to really build up their brands. Similarly, the retailer is not always totally against a policy of reduced margins. In fact, it is sometimes the retailer that initiates such a policy. Certain retailers have artificially inflated the sales price of models in store over the years and then grant very large discounts to the final customer (this was particularly the case in the Middle East). Others simply gave generous discounts in order to clear stock and to generate cash quickly to cope with different fixed costs and the purchase of new models. In such a context, the flexibility of the brands was reduced: to encourage their retailers to give less discount, they generally decided to reduce their margins. Although the practice of the discount has not disappeared,<sup>79</sup> the policy of brands has helped moderate the phenomenon and thus enhance the product.

Retailers have also jealously protected their network and have refused to share their customer information with brands, for reasons that will be readily understood. This is a way of protecting their business. Being deprived of accurate information about

their typical consumer, brands decided to develop their own stores, managing not only the product value (giving little or no discount), but also the consumer relationship directly. We can see, therefore, that responsibilities are widely shared.

Eventually, big brands thought they could do without multi-brand sales networks in order to focus on single-brand stores. In our opinion, this is an error of judgment. Many testimonies in addition to our own observations clearly indicate that customers love to go to a multi-brand store to compare products, and to have all the information to be able to select the one that suits them best. They need to feel comforted and reassured in their choice. Being limited to a single brand in a flagship/single-brand store, the customer may feel frustrated and deprived of benchmarks, criteria that will inhibit their purchasing decision. The customer is deprived of a more comprehensive view of the market, a view that can inspire the feeling of being able to make a free choice. And this strategy undoubtedly has a destabilizing effect. Obviously these observations do not apply to the most prestigious brands such as Patek Philippe, Rolex and others where the brand itself is stronger than any comparative. To what can we compare a Patek Philippe or a Rolex, if not another Patek Philippe or Rolex?

On this subject, it is interesting to note that both these brands are in fact independent brands, the former managed by the Stern family and the latter by the Hans Wilsdorf foundation.

## Enduring

As exemplified by Rei Kawakubo, Yohji Yamamoto, Martin Margiela or Miuccia Prada (explored in the coming chapters), innovation is not a one-time hit or fad, it is a process; the company must be constantly assessed as to how it is performing, and be adjusted if there are deviations, in an endless pursuit of innovation.

What independents do have, however, in their role as inventors as much as innovators, is an extraordinary strength of character to match their creativity. Many believe firmly in their destiny and are able to renew their efforts without losing their spirit of originality.

An interesting example is the case of Jean-Claude Biver, the “savior” of the independent brand Hublot, which passed into the hands of the LVMH group

in 2008.<sup>81</sup> In 1982, at a time when quartz was revolutionizing the watch industry, Jean-Claude Biver bought up the brand Blancpain for a pittance. He then developed a marketing concept for the brand and a legendary slogan: “Since 1735, there has never been a quartz Blancpain watch. And there never will be.”

Jean-Claude Biver sold the brand to Swatch Group in 1992 but remained on the board, taking up, at the same time, the responsibility for development of the brand Omega, transforming it into the world’s number two brand after Rolex.

Joining the independent brand Hublot in 2004 – a brand which had made itself famous at its launch in 1980 for its luxury gold watches with a rubber strap – Jean-Claude Biver took up the concept of the rubber strap and applied it across all the brand’s models (making it the brand’s DNA), thus creating an instantly recognizable design with new materials. He did not reinvent the wheel (a major invention, by the way), but he did innovate the aesthetics of the watch and had the sense to create limited-series collections, too limited, and too many according to some, who had the impression that any minor change (color of the dial, or the hands) was enough to launch a new series. The fact remains that from a turnover of around US\$26 million in 2004, Jean-Claude Biver pushed the brand to nearly US\$400 million in 2012, taking Hublot into the top 20 biggest Swiss watch brands. His secret? Innovation, but also rarity. As he often delights in saying during numerous interviews, Jean-Claude Biver aims to deliver only 60% of the demand. This is how he sees real luxury: keeping the dream alive.

When Hublot had been offered for sale to LVMH, Jean-Claude Biver did not have enough funds to become a major shareholder. He held 20% of the shares, with 80% held by the brand’s creator Carlo Crocco. Despite his role as CEO of TAG Heuer, we would not be surprised to see Jean-Claude Biver creating his own watchmaking company one day.<sup>82</sup>

Besides stamina and resilience, more often than not, *enduring* is an associate to the capacity to generate luck. Luck favors those who work hard, as the saying goes, and innumerable top-level executives have expressed that sometimes their only explanation for a certain success is luck.<sup>83</sup>

A central element for growth and development is a careful and ongoing assessment of how the company captures value. It comprises:

- revenue streams: revenue flows from selling assets, usage fee, subscription fee, lending/renting/leasing, licensing, brokerage fees, advertising, and so on;

- cost structure: fixed costs, variable costs and economies of scale or scope;
- profit equation: how each transaction contributes to the overall profit;
- intensity of resource utilization: stock rotation, utilization of circulating assets and immobilized assets.

Several business model opportunities exist to capture value more intelligently.<sup>84</sup> Cost structure assessment can be a source of innovation, for example, by transforming a fixed cost into a variable one. We are in a business where an important part of the production is made in countries with expensive labor.<sup>85</sup> Distribution costs are also substantial, which explains the choice of several big players to self-own distribution.

Although it is not very elegant to talk openly about (lack of) money in the industry, losses can be tremendous and they have been a main reason behind the acquisition of family owned companies by luxury conglomerates.

Independent luxury companies may eventually reach a stage where they can appeal to stock markets via initial public offerings, as Jimmy Choo and other well-known names have done in the recent past. Before reaching that stage, investors and other providers of capital play a central role in financing young companies, as illustrated earlier in this chapter.

Companies are in constant search of alternative revenue options. A common one is the corporate/government gift market that represents a way out of the seasonality of some luxury purchases. In the luxury hospitality sector, yield management techniques have been around for a while and enable occupancy rates to be optimized.

\* \* \*

Innovation is not a smooth journey, and risks of failure are high, but doing nothing is also risky. Organizational resilience and plasticity are needed in this state of “dynamic disequilibrium” that is currently characterizing the luxury sector. Strategically choosing to innovate engages the whole organization and is an entrepreneurial choice. Innovation and strategy will potentially reinforce each other leading to a virtuous circle.<sup>86</sup>

Back to the forest of Knysna, innovation relates to how an organization fits an evolving context. Not only how it can adapt to such a context, but also how it can create it.

Let’s now discover how luxury independents are answering this call.

## Back to the Roots

### Introduction

Vignes, Sheme, Mirazur, Thomas Mercer, Louis Moinet, Slyde, 1.618 Sustainable Luxury, Norlha and Brunello Cucinelli are independent companies innovating in the essence of luxury: extreme quality and extraordinary craftsmanship to create the ultimate sensorial and emotional experience. These are companies rooted in a *terroir*, which we associate with the horse, a classical symbol of elegance and nobility.<sup>1</sup> We present these companies at length and illustrate how they followed the stages in the BA<sup>2</sup>RE® luxury strategy approach in their innovation strategy.

### Vignes, *haute maroquinerie* made on the French Riviera

In the port district of Nice, on the French Riviera, a flower is blossoming. This is the home of Vignes, a young independent company created in 2010. The lifestyle and aura of the Côte d'Azur gave inspiration to a *maison* that uses rare leathers, such as crocodile (*Crocodylus porosus*, *Alligator mississippiensis*), python, Javanese iguana or ostrich to create exquisite bags and accessories. Each item is *Made in France*, by hand, at the Vignes workshop in Nice.

Vignes celebrates nonconformist, elegant and sophisticated women: “being both strong and sensitive, if you are a Vignes woman, you must be looking for beauty and demanding exclusiveness. The design of each bag reflects an attitude, a mood or a particular occasion.”<sup>2</sup>

Clients can choose the type of leather, the shape and the color to create a unique piece. Perhaps the most striking features of the bags are that they are leather lined (no fabric is used) and modular: they can be carried as a purse or worn over the shoulder with the addition of a strap – a practical function that is much appreciated by clients.



**FIGURE 3.1** / Medium Berti Vignes bag – green python bag with removable round handles and shoulder strap. Lining in Krispati goat. Courtesy of Vignes

As Patrick Blum, the company’s CEO, explains: “our clients already have ten Kelly and Birkin Hermès bags, they are looking for something unique.” They can combine for example red ostrich leather inside and green porosus outside, blue iguana leather inside and black alligator outside, or black calfskin inside and brown ostrich outside, and so on – the choices are endless.

For bespoke items, the company first builds a prototype which it ships to the client. After agreeing on the final design, the bag is made and shipped within two weeks.



**FIGURE 3.2** Custom-made Vignes leather goods items from a shop in Nice.  
Courtesy of Vignes

Precious skins are sourced from Hermès in Milan. The company, in order to further strengthen its creative content, hired Christophe Josse, the *haute couture petit prince*,<sup>3</sup> as creative director in 2014. Since 2008 he has been based at 231 Rue Saint-Honoré in Paris, and has been a permanent member of the Chambre Syndicale de la Haute Couture since 2011. His signature: contemporary cuts, softened by fluid materials, embroidered or draped, all giving the woman who wears this dress a classic and poetic elegance.<sup>4</sup> He is expected to help Vignes reach the next stage by raising awareness among luxury consumers with the creation of outstanding designs.

Vignes is building its brand on a no-logo policy. Clients come to the brand because it can bespoke a bag with the most exclusive leathers and the client can be certain that no one else will have the same. The logo is inside the bag and the clients are proud of not telling their friends where they got it. "It is my little secret," in the words of a client.<sup>5</sup> Can this absence of word of mouth be prejudicial to the company? The opposite seems to be the case. The brand is developing its reputation as a company for leather connoisseurs living a luxury lifestyle, not buying a logo brand in order to fit in or show off.



**FIGURE 3.3** Naïda Vignes bag – honey ostrich bag with round handles. Courtesy of Vignes



**FIGURE 3.4** Naïda Vignes bag – honey ostrich bag with round handles. Inside: two compartments, two small pockets, one flat pocket. Courtesy of Vignes

Besides bags, Vignes also offers accessories, belts, jewelry and other leather goods such as covers for the iPad and iPhone. Most products are for women, but men's accessories such as belts, wallets and suitcases would also have a good growth potential. Another share of the business comes from corporate gifts and bespoke decoration items, such as covering an exclusive £10,000 coffee machine sold at Harrods with precious leather, or a dinner set for the mega-yacht of a Russian billionaire.

Vignes's clientele comes from all around the world, but is mainly represented by clients from the traditional luxury markets in Europe, Russia, the US, Japan and the Middle East. The company has three points of sale in France: Nice, Paris and in Saint-Tropez during the summer season; it has another store in Saint-Moritz, Switzerland, and another in Ginza, Tokyo. Marketing, both in print and online, takes 10% of the annual turnover. As of 2015 Instagram is the current online social network of choice (<http://instagram.com/vignescrations>), after less satisfactory results with Facebook.

The company's turnover in 2013 was €1 million. It expects to break even by 2016 and to reach a €10 million turnover by 2020. Its chief executive officer

(CEO) is confident in the market potential for getting there. Interestingly from the perspective of the relations between creators and investors, disagreement on which strategic orientation the company should take (exclusivity versus fashion) resulted in the two creators who gave their name to the company selling their stake in the venture to the third partner, Vignes's current CEO.

Vignes is a good example of how a young company is innovating by combining rare skins and craftsmanship to create luxury bags and items for the blossoming bespoke market. The company has internalized craftsmanship and production, a central resource to retain independence. It relies on partners for supply and this could, in the worst-case scenario, be a weakness, but this is very unlikely according to the CEO. That said, the challenges are numerous and the one currently being faced is how the company should expand its international presence. Store openings are the main driver for sales development;<sup>6</sup> as of 2015 a boutique is planned to be open with a partner in Dubai and the company is investigating opportunities in New York.

Indeed, niche clienteles are central to the development of independent creators. For example, Jean-Jacques Picart, a *fin connaisseur* of the fashion scene, points to the emergence of new creators such as Anthony Vaccarello, Cédric Charlier, Bouchra Jarrar, Alexandre Vauthier or Maxime Simoëns, to name just a few, who are building tomorrow today.<sup>7</sup> According to Picart, "tomorrow's luxury is a moment, a bonus; tomorrow's communication is more about charm than beauty, more about a smile than arrogance, more about authenticity than extraordinary. Today's luxury is global; tomorrow's luxury is niche."<sup>8</sup>

Another young, innovative luxury company worth presenting is Sheme, in China.

## Sheme and Made in China luxury<sup>9</sup>

The brand Sheme was born in 1998, primarily in the image of its founder Linda Liu, a woman of character, elegant and ambitious, a woman who loves shoes more than anything else in the world. Having succeeded in making mid-range shoes, she began to create a brand of high-end shoes. It is Linda's dream to build Sheme as a top international brand, which involves Chinese culture in urging creativity and originality in the design.

Linda likes traveling and getting involved in different nations and cultures. Her business trips to Europe and other continents have sharpened her sense of fashion and art. In 1997, one trip took her to Kenya and her first encounter with flamingos. Seeing how hundreds of flamingos made a charming fiery red display in a lake, the idea to build an international brand bearing grace, freedom, passion and vitality became rooted in Linda's mind.

Sheme aims to combine Eastern and Western elements. Its shoes combine the traditional skills of Sichuan embroidery with the contemporary ideas of designers such as Leopoldo Giordano (Chloé, Marc Jacobs, Kenzo), Valerie Cabanetos (Nine West, Chanel), Dejan Djokovic, Gianluigi Colombo (Bally, Chanel, Colette) and Shine (Chinese oil painter).

Other sources of inspiration for her collections can be found in Chinese symbols such as the peony for the "Bloom Series," the double knot for the "Double Knot" collection and the chrysanthemum flower.



FIGURE 3.5 Sheme Bloom series. Courtesy of Sheme

The craftsmanship found in the Bloom series is particularly striking. The creative sketch is based “on the combination of the architectural profile with surface profile of the shoes, in order to create an outstanding amount of sense, the behind tassel design is bounded with fashion details of nowadays, but also that adds dynamic to the whole conception: Static in action.”<sup>10</sup> Then comes the Shu embroidery from the Sichuan region: two months of work is needed to create the detailed stitching, contours and colors for the perfect peony, with a similar process necessary for the Double Knot series.



**FIGURE 3.6** / Sheme Double Knot series. Courtesy of Sheme

Inspiration is not lacking, and includes more contemporary elements that may be imagined on the feet of fashionistas anywhere in the world.

Sheme opened its first store in Chengdu in 2009 and is building its retail footprint step by step. As early as 2015, it had five boutiques: two in Chengdu, two in Beijing (Xin Kong Place and China World Tower) and one in the Bund in Shanghai. When asked about her ambitions during the 2013 China Luxury Summit, Linda Sheme wisely replied: “Good things make people wait to happen. Only being patient can we deliver a high end work with top quality. Will Sheme become a luxury brand? I think the answer will come in time. Right now, we are working to push forward the use of Chinese elements among international creative designs. We expect to bring Chinese culture to an international market.”

She further says: “What a private owned enterprise needs, when it plans to build an international brand and take on the luxury industry, is a whole new



**FIGURE 3.7** / Sheme shoes. Courtesy of Sheme

path. This is hard for many entrepreneurs to understand. However, Sheme takes a path of featured culture and holds on to the principle of ‘cultural inheritance and leading creativity’. By realizing the creative transformation and innovative development of Chinese traditions, it strives to transform cultural resources into industry strength. We are seeking new opportunities to make a dashing appearance in international markets.”<sup>11</sup> Its presence at London Fashion Week in 2013/14 and in the Grammy Awards Ceremony is evidence that this dream is becoming a reality.

Interestingly, Sheme is somehow walking in the footsteps of a brilliant model: Chanel. It expresses the independence of women, the shoe as a statement of personality and the art of walking as universal values. Today in China these values are expressed through the purchase of imported shoes, but this may change



little by little. Otherwise, Sheme's Sichuan origins provide a metaphor for Chinese luxury entrepreneurs to meditate upon. The image of a panda, slowly eating a bamboo, is a symbol of Sichuan and of a beautiful, gracious China. In a country where untold fortunes have been created, especially in the real-estate sector, it is difficult to gain a long-term view in the private sector. Companies want to make a lot of money and quickly. But building a luxury brand follows a different logic, a logic that some players have had trouble understanding.

At the end of 2014, during a trip to China, we had two business appointments that highlighted this gap in understanding. In the first appointment we were invited to meet a Chinese investment company that had a very specific demand: they wanted to acquire French or Italian jewelry companies to develop them in China. Very interesting you may say, but previous experience had shown us that grand ambitions often lack the resources and maturity to succeed. The investment company's website did nothing to reassure us. It was entirely in Chinese and its content was quite generic, lacking specific figures or names.

So, on one of the rare clear days in Shanghai, we went to an appointment that took place in a discreet location in the French concession neighborhood. The company was indeed no small fry: it manages more than €50 billion in investments around China in various sectors such as real estate, banking and consumer goods. As expected for such a company, it had extensive top-level connections.

The company rightly felt that there is potential for investing in the luxury sector and a few weeks earlier had poached the top executive of a leading jewelry company. Her mission: to develop the luxury investment portfolio. But she is in trouble: her boss wants to acquire at least one Italian or French jewelry maker within the space of one month, and then open more than 1000 stores within the following three years. Fantastic, you might think! Just tell her to sign the (fat) check and we will do it. There are two stumbling blocks, however: first, the check does not always come that fast, and in many markets signed contracts are just a favor that local companies do for foreigners. This may not always be the case, of course, but unfortunately all too often it is, and as is commonly said in France: "contracts (or promises) only bind those that believe in them." Second, if you commit your network and then nothing happens, you lose both your time and your credibility.

So what is the best course of action for this executive to take? Our choice was to adopt a more pedagogical tone to reframe expectations and help her to sort out a rationale to explain on an internal level that building a luxury

brand is not like making a fortune with real estate, that developments outside of China required a different due diligence process than in mainland China. We also sketched out an approach to enable her to have some “quick wins” if this was necessary, and then gradually move to higher-profile acquisitions, a shark’s world where her company, despite its rich resources, is just a small fish.

Maturity (or lack of) was the message of our second business appointment in China that week. We were invited to meet a prosperous furniture company. Our local contact described the directors as willing to internationalize the company, but were facing the dilemma of how to build a brand. The company’s turnover in 2014 was expected to reach €50 million, made principally in mainland China with a smaller part coming from exports to the Chinese diaspora in the United States.

The specificity of the company is the exceptional craftsmanship of a very noble (and protected) type of wood.<sup>12</sup> Until the fall of the empire in the early 20th century, only the emperor was permitted to use this wood. It has, for example, been used extensively in the Forbidden City in Beijing. The company crafts customized furniture pieces such as chairs, tables, wardrobes and so on in a traditional Chinese style. An exquisite chair in the company’s showroom is priced at €100,000 whereas pieces with a less noble wood quality are priced in the range €5,000–€10,000. The company also sells accessories and gifts in the price range of several hundred euros. Sales were made at the company showroom where clients from all over China would come to place orders. International sales were made through a distributor.

We met one of the members of the family in charge of strategy and branding. He started by describing the company’s craftsmanship credentials, which were indeed impressive, but it quickly became clear that its main resource was access to this rare protected wood, through partnerships and agreements. We then asked what were the company’s ambitions and were told that it was to enter the European market, with France particularly on its radar. This is an intriguing choice, given the dismal situation of the European economy and the maturity of its furniture market. We asked him to tell us more about this plan. It was indeed crystal clear to him as to how to proceed: “I will buy one château in the Bordeaux region, import my wood from China, build a manufacturing plant and then distribute my products in Europe.” Good news: Chinese entrepreneurs believe in manufacturing in Europe... We calmly drank up the fantastic tea that he had served us and wished him success in the next steps in developing his venture.

\* \* \*

The fashion industry in China is already undergoing a shift. The second generation of talents is bypassing the “ethnic” style that characterized China’s first wave of fashion creators, such as Shiatzy Chen, Guo Pei or NE-Tiger who opened doors in the international scene by showcasing exceptional talent. They were associated with China, and for some their Chinese style took center stage.

A new generation composed of names such as Jenny Ji, Yiqing Yin, Ling Liu & Dawei Sun, Masha Ma and Yang Li is taking a different stance by creating fashion that presents more often an open dialogue between East and West and could just as easily come from Paris as from Shanghai. Sheme, like Qeelin, is another example of the East–West dialogue that unites European design with the savoir faire of Sichuan embroidery.

Fashion will become – sooner rather than later – a vector of expression of Chinese world influence on style and taste. Certainly, *Made in China* still suffers from a lack of legitimacy not only outside China but also among the Chinese themselves, but this is not an obstacle to a new generation of designers coming to study at the most prestigious Western schools, such as New York’s Parsons or London’s Central St Martins, before taking their first steps in Europe, the US or returning to China.

\* \* \*

The cases of Vignes and Sheme presented above illustrate the idea that the noblest of the materials should be at the core of the luxury offer. But what if “noble” undergoes a twist to mean basic and natural?

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## **Gastronomy back to its roots**

What is the highest-ranked French restaurant listed in the the World’s 50 Best Restaurants 2015?<sup>13</sup> Le Meurice Alain Ducasse? Paul Bocuse in Lyon? L’Atelier Saint Germain by Joël Robuchon?

If you answered one of these, you got it wrong. It is the Mirazur, ranked eleventh in the world, a two-star restaurant in the coastal city of Menton on the French Riviera. Its chef, Mauro Colagreco, a native Argentinian, has been developing an inventive gastronomy where natural ingredients from

the garden next door have the same importance as more traditionally noble ingredients such as foie gras and choice cuts of meat.

After the molecular gastronomy wave of the late 1990s and 2000s led by the charismatic chef Ferran Adrià,<sup>14</sup> currently on sabbatical leave from the now closed elBulli, a group of chefs are going back to the roots, to real ingredients and to local sourcing in order to delight clients. For instance, the number one restaurant in the World's 50 Best Restaurants 2014 is the Noma in Copenhagen, run by chef René Redzepi.

In an inspiring article,<sup>15</sup> he describes that he had an epiphany on a “miserably cold winter’s day” when he was unable to find ingredients and started to stare at an old carrot. The chef then asked himself: “Why don’t we treat this vegetable like something precious – like the most expensive meat we can find? So we did. We sautéed it slowly in a pan, basting it with butter and spices and herbs, all the while twisting and turning it, as you would with a premium cut. After an hour or so, the humble, seemingly worthless root had been transformed. The process rendered the skin crunchy, leathery and fruity. Inside, the flesh had condensed and reached a point of astonishing tenderness. It had an intensity, fragrance and lushness to it that I had never encountered before. The carrot went on the menu straight away, accompanied by a broth made from the pressed juices of sorrel and a dollop of whipped cream. Everyone who dined at Noma that night felt it was the dish of the evening.”

Necessity is the mother of invention, goes the saying. What Redzepi could not have guessed was that the evening would change his restaurant so profoundly. He began a journey to discover local plants, strengthen partnerships with local farmers, and to make vegetables – rather than proteins – the “star of the show.” This came to a point where 80% of the menu consists of vegetables, with a small amount of fish and even less meat.

The carrot or the steak? According to the chef: “In gastronomic terms, when it comes to flavor, there is no difference between them. All it takes is to question some preconceptions, and a bit of imagination.”

Back to Mirazur, chef Mauro’s history is similar but with a twist. Mauro also has a “near-obsessive approach” to ingredients, from the restaurant’s organic garden, from nearby French and Italian suppliers and, of course, from the Mediterranean Sea.

Mirazur is located less than 1 kilometer from the French border with Italy. It was this location that seduced Mauro Colagreco after completing his

gastronomic studies in France. At that moment, he was keen to move to Spain or Italy, given the difficult economic situation in Argentina, his original intended destination. Menton was a good compromise: close to Italy, from where his ancestors once migrated to Argentina, yet still on the French Riviera, with a potentially good client base, but also in a place enjoying great weather. Menton's climate is legendary. The city was a favorite destination in the 19th and 20th centuries for the acclimatization of exotic plants from tropical areas around the world – hence its wealth of botanic gardens. And this could be a great place to grow organic varieties for the restaurant.

So Colagreco rented the building and reopened the Mirazur in 2006, which had past fame as a restaurant with two Michelin stars, but that had been closed since 2002. The restaurant occupies a large 1930s building on three floors with spectacular sea views and an equally prime vista of historic Menton. In Mauro Colagreco's nearby house, he tends a garden of 2 hectares, from which he sources around 30% of the fruit and vegetables served in his restaurant. The rest comes from the markets of Menton and Ventimiglia.



**FIGURE 3.8** / Mirazur restaurant. Courtesy of Mirazur

According to chef Mauro Colagreco: “We are between the mountains and the sea, between France and Italy, I am an Argentinian chef, we take inspiration from everything but above all from the *terroir*, from nature.”

Mirazur's vision and philosophy clearly states: "Offer a unique experience based on the discovery of a *terroir*, beyond borders, beyond cultures; *terroir* refers to an area's nature, its natural products, the sea and so on; it is the experience of a discovery."

His approach is to "de-clutter":<sup>16</sup> the intention is to serve ingredients with as little adornment as possible in order to allow the quality of the produce to shine. Like René Redzepi, Mauro gives center stage to fruit and vegetables, making them often more interesting than fish and meat. Each year he explores a theme, to push the boundaries of what can be done, for example, with citrus fruits, a local specialty.

Careful to avoid being judged on his origins rather than on his work, Mauro Colagreco did not initially include anything that could be associated with his native country.<sup>17</sup> He has only recently started to include certain ingredients and techniques from Argentina, such as the *macaron au mate*, a typical herb tea from the pampas.



FIGURE 3.9 “Arlequin de papa” dish at Mirazur. Courtesy of Mirazur



**FIGURE 3.10** “Fruits rouges avec betterave” dish at Mirazur (red berries with beetroot). Courtesy of Mirazur

Mauro tells us that it is always necessary for a small, independent restaurant like his to seek to differentiate. For 2015, two decisions have been taken:

- 1) “I am not engaging any more with any particular product on the menu, only with the quality; if on a particular day, the *loup* (fish) is not good, no *loup* will be served, even if that may come as a surprise for a client expecting that a restaurant in front of the Mediterranean will serve *loup*; so if the *loup* is not good, we will take the *rouget* that was fished in the morning, if the *rouget* is not good, we are going to make sardines. The same applies to tomatoes; we only serve them from June to September.

The philosophy is to take something simple of great quality and to make something exceptional.”

- 2) “In the degustation menu (the top-range menu), we offer *l'accord mets et vin*; out of the six glasses of wines, three bottles are opened and decanted so they can express themselves at their best in the moment they are drunk with a particular dish; the risk is that if we don't have enough demand, we may spoil these rather expensive bottles; on the other hand, very few restaurants in the world today offer the wine at its best during a dinner; most good wines need to be opened some hours before they are drunk.”

Coming back to the business, it is then an ongoing process to motivate the team at the restaurant to offer this option to clients to have an exceptional

experience of both the food and the wine. This motivational approach is one that will vary according to the country. In China, financial recognition may achieve the best result; in France, it is rather professional recognition that will get the best result.

How does Mauro Colagreco feel about being ranked eleventh among the World's 50 Best Restaurants, and ranked as the top restaurant in France? He is the first to warn that rankings are based on subjective criteria, for the 50 Best, there are 900 voters in the different geographic zones; he is the only restaurant in France ranked outside of Paris. This probably means that restaurants in places that are not easily accessible in central France do not appear for the simple fact that they have not been visited by the voters; that said, the ranking "means something"; it is a recognition for the work that is being done at the restaurant.

What is the challenge today? "*Durer dans le temps*" (to last or *endure*). To wake up every morning with the motivation to be excellent and to motivate the team to be the same; to stay true to the values and convictions of the business, even if it is necessary to make difficult decisions from time to time.

According to Mauro Colagreco: "gastronomy swings (like fashion) and it is connected with society at large; it is a moment in society where a reflection is taking place on sustainability – decisions that will engage humanity for the next 20 years at least; we feel a need to come back to its sources, inside ourselves. As chefs, we are impacted by what happens in society. One example: there are not many restaurants that serve tuna nowadays and those that do are not well perceived by the profession. Ten years ago this was inconceivable. It is important to recognize that we are an important link in the global gastronomic chain. So in a way, Mirazur is surfing on this back-to-the-sources wave that is taking place in society at large."

From this perspective, how can we decode the 2000s and the exceptional success of molecular cuisine? According to Mauro: "It is the same mechanism. It corresponded to a decade where everything seemed possible, particularly in Spain with the real-estate bubble. The economic crisis that followed at the end of the 2000s set a different tone for the current decade. Ferran Adrià (and elBulli) was a genius who had a perfect fit with the mood of the society at large in the 2000s."

How does Mauro manage relation with investors? "I started alone for the first four years and then opened the restaurant to investors to develop; today, there are three partners, but I would call them 'investor-sponsors', they have



**FIGURE 3.11** / Chef Mauro Colagreco, portrait by Eduardo Torres. Courtesy of Mirazur

an adequate return on their investment, but they also have a long-term view on the development of the restaurant. In addition, it is important to have the right staff to manage the restaurant. Although I am no longer in the kitchen full-time, I try to be there as much as I can. It is where I find my greatest satisfaction, a unique feeling when I make a discovery, or I taste an exceptional ingredient. It is not in the numbers, even though they are important, but to support the vision.”

Mirazur has 30 employees today and uses social media extensively, Mauro being particularly active on Twitter. He also acts as a consultant for, among others, the Alvear Palace Hotel in Buenos Aires, Argentina, which is a member of the Leading Hotels of the World.

Recognition has been accumulating in recent years: besides his ranking in the 50 Best, he was awarded his second Michelin star in 2012, he was the first non-French chef to be named “revelation of the year” in the influential Gault et Millau guide and, in 2012, he was made a “*chevalier de l’ordre des Arts et des Lettres*,” a prestigious French honor recognizing exceptional achievement in the cultural domain.

Gastronomy is a craft par excellence and Mirazur shows that locality, warmth and culture are values that count for independent luxury companies.<sup>18</sup> Interestingly, Mirazur and Noma are not alone, as the slow food,<sup>19</sup> and the “Renaissance des Appellations,”<sup>20</sup> movements attest.

Let’s now explore the revival of a legend of the seas.

## Thomas Mercer, sailing a legend

At the Hotel de Paris in Monte Carlo, on 20 September 2012, a legend was reborn. Thomas Mercer, specialists in marine chronometers since the mid-1850s, launched their ‘Thomas Mercer Classis’ in collaboration with renowned designer Andrew Winch.

Before going into this renaissance, let’s take a closer look at the beginning of this incredible adventure. Thomas Mercer was the clockmaker and entrepreneur behind Thomas Mercer Chronometers (TMC), a company founded in England in 1858. With a reputation for innovation, craftsmanship and accuracy, TMC rapidly became successful, being appointed maker to the Admiralty and even producing timepieces for the British royal family and the marine chronometers that equipped HMY *Britannia*.



**FIGURE 3.12** / Reverse angle from Thomas Mercer “Calibre TM0801”. Courtesy of Thomas Mercer

A marine chronometer is a timepiece that remains accurate during long sea voyages despite changes in temperature, pressure, humidity and other challenging conditions aboard ship; it can be used to determine longitude, and thus serve as a navigational device. In the 18th century the British government, realizing the importance of such a device to help save time and loss of life – this being a period of numerous naval disasters – offered a monetary reward to anyone who could produce an adequate timekeeper. The first marine chronometer, called the H1, was developed in 1737 by John Harrison, a British clockmaker. Harrison dedicated another 30 years to perfecting the device, creating a chronometer, the H4, that was accurate to less than half a degree. He was awarded the Longitudinal Prize in 1761.

It was in this highly competitive and lucrative world of marine chronometers that Thomas Mercer worked and succeeded. Building on the creations of Harrison, TMC went on to develop and perfect chronometers. Mercer’s son, Frank Mercer, went on to win first prize in the Greenwich Trials in 1911 with the Mercer 8306. Perhaps TMC’s greatest legacy, however, was to equip Shackleton’s ship *Endurance* for its trans-antarctic expedition (1914–17).

The *Endurance* got trapped in ice, was destroyed and the crew spent 22 months in Antarctica. Shackleton was able to lead all of his crew to safety using his Thomas Mercer chronometer on the survival journey, an open-boat trip from Elephant Island to South Georgia. This chronometer is now on permanent display at the National Maritime Museum in Greenwich, London.

The generations that followed in Thomas Mercer's footsteps achieved an unprecedented level of success, and the company produced over 31,000 chronometers (approximately 20,000 more than the second leading maker). As well as producing chronometers under the Thomas Mercer brand name, the company also made chronometers for over 370 other makers – several of which were also successful at the Greenwich Trials.

The demise of the company only came with the development of satellite navigation technologies. Global positioning system (GPS) put an end to this first phase of the company's adventures and Thomas Mercer Chronometers closed its doors in 1984.

The company's renaissance began in 2007 when the brand was acquired by Alessandro Quintavalle and given a second life. Key to the success of this renaissance was the continued involvement of the Mercer family – a fifth-generation member holds a position on the board.

Five years of development resulted in the creation of the "Classis" marine chronometer. This state-of-the-art timepiece combines a proven mechanism – the Calibre TM0801 – in the form of a spring detent escapement and introduces the ovalizing balance, a solution featuring a bar which does not expand or contract with changes in temperature and which forces the balance into an oval shape. This, coupled with an uncut rim which makes centrifugal errors practically disappear, leads to a considerable reduction in residual and "middle temperature" errors.

Given the advances in GPS technology that originally led to the closure of the Thomas Mercer company, it may be legitimate to ask whether such a timepiece, however accurate and reliable, would find a market. How should a brand position itself if its core functional technology is no longer required?

The answer is that the Classis is not simply a navigational device; it is a "revolutionary design object, set to grace the interiors of the world's finest yachts,"<sup>21</sup> while continuing the tradition of engineering and design excellence of the marine chronometer.

The partnership with the award-winning yacht designer, Andrew Winch, is pivotal. The Classis combines Thomas Mercer engineering heritage with

Winch's exquisite style. This first limited edition, which was launched during the 2012 Monaco Yacht Show in a world premiere, consisted of a run of only ten pieces, each with a catalogue price of £265,000.

The 2013 Monaco Yacht Show was again the venue for the next Thomas Mercer launch. The Thomas Mercer "Legacy," whose case displays an asymmetrical body of AISI 316 stainless steel with precious elements in high-gloss Zircote, makes its debut with the "Shackleton Epic," a limited-edition run of 25, celebrating Shackleton's hazardous journey.

Where is the company heading as of 2015? Building brand equity, answers Alessandro Quintavalle, and opportunistically looking for partnerships: 2014 saw the introduction of the "Legacy Black," a timekeeper that is an uncompromising statement of modernity and innovation. Featuring a stunning combination of diamond-like carbon (DLC), Côtes de Genève and all-black finishing this new chronometer propels the brand to the very cutting edge of modern horology, blending timelessness with fine craftsmanship.



**Figure 3.13** / Thomas Mercer "Legacy Black" marine chronometer. Courtesy of Thomas Mercer

In 2014 Thomas Mercer was also appointed official timekeeper of the Cortina d'Ampezzo Yacht Club, a one-of-a-kind association that, in the exclusive and luxurious setting of the Pearl of the Dolomites, reinforces the sea/mountain duality unique to the brand.

It will be no less thrilling for the company in 2015 with the launch of the "Observatory," an extraordinary and inimitable piece that will mark the entrance of Thomas Mercer in the ultra-prestigious *Grande Complication* segment, the elite of high-end horology; perpetual calendar, equation of time, *detent-tourbillon* escapement, 30-day power reserve and 24 time-zone jumping hours are just some of the intricacies of this incomparable timekeeper.



**FIGURE 3.14** Thomas Mercer "Observatory" marine chronometer. Courtesy of Thomas Mercer

Finally, drawing inspiration from the brand's dashing heritage, it will reinvent the table chronometer, now a timepiece to grace the interiors of the world's finest homes: sharing with the Classis, Legacy and Observatory the same precision engineering and design excellence, but claiming its own individual and

audaciously contemporary style, this new model will be a delight for horological collectors.

The brand values are the guiding light in Thomas Mercer's continuing journey: exclusivity, heritage, high aesthetics, British excellence and innovation. It is interesting to note that the renaissance of Thomas Mercer was accompanied by innovation and excellence at the highest level representing an example of *meta-luxury*, a concept coined by Manfredi Ricca and Rebecca Robins from Interbrand:<sup>22</sup> meta-luxury "is a paradigm resurrecting authentic art and science, and bringing together craftsmen and connoisseurs rather than manufacturers and consumers. It is about *métiers*, numbered series and ateliers, rather than positioning, volumes and networks. It is about signatures as we knew them rather than luxury brands as we have been accustomed to know them. Ultimately, it is about a culture in itself, based on the quest for the absolute."<sup>23</sup> Ricca and Robins define meta-luxury as "an enterprise paradigm based on knowledge, purpose and the pursuit of timelessness, ultimately embodied in a unique achievement."<sup>24</sup>

It is also interesting to note – in these times of "Europe bashing"<sup>25</sup> – that it is in Europe that this paradigm is taking its roots and finding a natural space for development. Truly, luxury pillars of craftsmanship (how?), focus (what?), history (when?) and rarity (to whom?) are (re)taking center stage.

Ricca and Robins go on to assert that in this paradigm the business results are not a target, they are the means to fund the ongoing pursuit of unique achievement. Meta-luxury is thus a different strategic choice and business model, where it is the brand that drives the business. The authors cite Hermès as a paramount case of meta-luxury, along with smaller companies such as the fragrance maker Maison Francis Kurkdjian, the piano manufacturer Fazioli and the auto maker Pagani Automobili. Meta-luxury could be considered a business model innovation, although it is perhaps better described as companies going back to the roots of luxury. This certainly requires a different strategy and business model from the one currently adopted by mainstream luxury companies, where quarterly profit reports dominate the agenda.

Let's now briefly observe how independent watchmaking brands Louis Moinet and Slyde, despite being poles apart, are both turning toward innovation.

## O N C R A F T S M A N S H I P

Meta-luxury asserts exceptional quality and hand-made products form the core of a luxury company's identity. Craftsmanship is on everyone's lips. The beautiful book *Manufactura: Since 1662* takes us on a journey to today's recipients of the movement initiated by Colbert in the 17th century, presenting exceptional French manufactures such as Gobelins Savonnerie (weavers of tapestries and carpets), Tassinari & Chatel (silk manufacturers), Puiforcat (silversmith), Goyard (trunk-makers) and many others.<sup>26</sup> Companies such as Hermès, Vuitton and Chanel have been showcasing their craft credentials around the world to demonstrate that craftsmanship is indeed a core value for luxury companies.

But how many companies can really claim craftsmanship today? Besides a few bespoke and top-of-the-range items, how many items are made by craftsmen? Mass production in China is "luxury's little dirty secret"...

At the same time, a "maker" movement is on the way and the value of crafts, locality, warmth and culture are meeting an increasing demand.<sup>27</sup> For example, Etsy, an online platform enabling crafts-women and men to connect to a global audience to offer their creations, cumulated US\$1.93 billion in total merchandise sales in 2014, with more than 1 million active shops and over 40 million members.<sup>28</sup>

A beautiful piece has been written on craftsmanship and luxury by Guy Salter, the vice president of Walpole British Luxury in its 2014 Yearbook:<sup>29</sup> "the reality for most is that the economics of the industry mean that much of the really exceptional making, even for brands with very high standards, is applied to small selections of exclusive or limited editions. The vast majority of luxury products are actually 'in the middle'. This doesn't mean they are poor quality and they are certainly very much better than the mid-market but they can't really be said to represent the highest level of craftsmanship [...] while in 2014 the luxury sector as a whole can't be said to stand for exceptional craftsmanship, it is still doing a crucial job commercializing and popularizing quality."<sup>30</sup>

Luxury does have a central role for craft, but it is more in the business model, in patronizing "commercial creativity": "this has been invaluable to craft, not just because the vibrancy of the business model has employed many makers and kept alive rare skills, but also because the Discernment Curve produces ever-more

sophisticated consumers, some of whom go on to become serious patrons, not just of craftsmen and women, but artists, architects and other creative disciplines.”<sup>31</sup>

In conclusion, according to Guy Salter, the current luxury business model cannot allow for luxury putting “making” back at its heart. Design, quality of materials and marketing/branding will remain the central pillars for most luxury companies.

This is interesting news for independent luxury companies and entrepreneurs. Craftsmanship can thus become a differentiating factor. And Guy Salter further notes that “the increasing numbers of new brands that have outstanding quality at the heart of their proposition and the ever-expanding fine craft sector are creating a new hierarchy, defined not only by quality but by something that is hard to pin down but could be described as a cultural sensibility.” They are catering to a growing number of discerning customers who “understand what ‘exceptionally made’ really means; what sacrifices it demands; and, most importantly, that they are prepared to pay for it.”<sup>32</sup>

## Watchmaking innovators



**FIGURE 3.15** / Louis Moinet Jurassic Tourbillon – side view. Courtesy of Louis Moinet

Louis Moinet has put its faith in watchmaking history (Louis Moinet having invented the chronograph – with all due respect to the many other brands

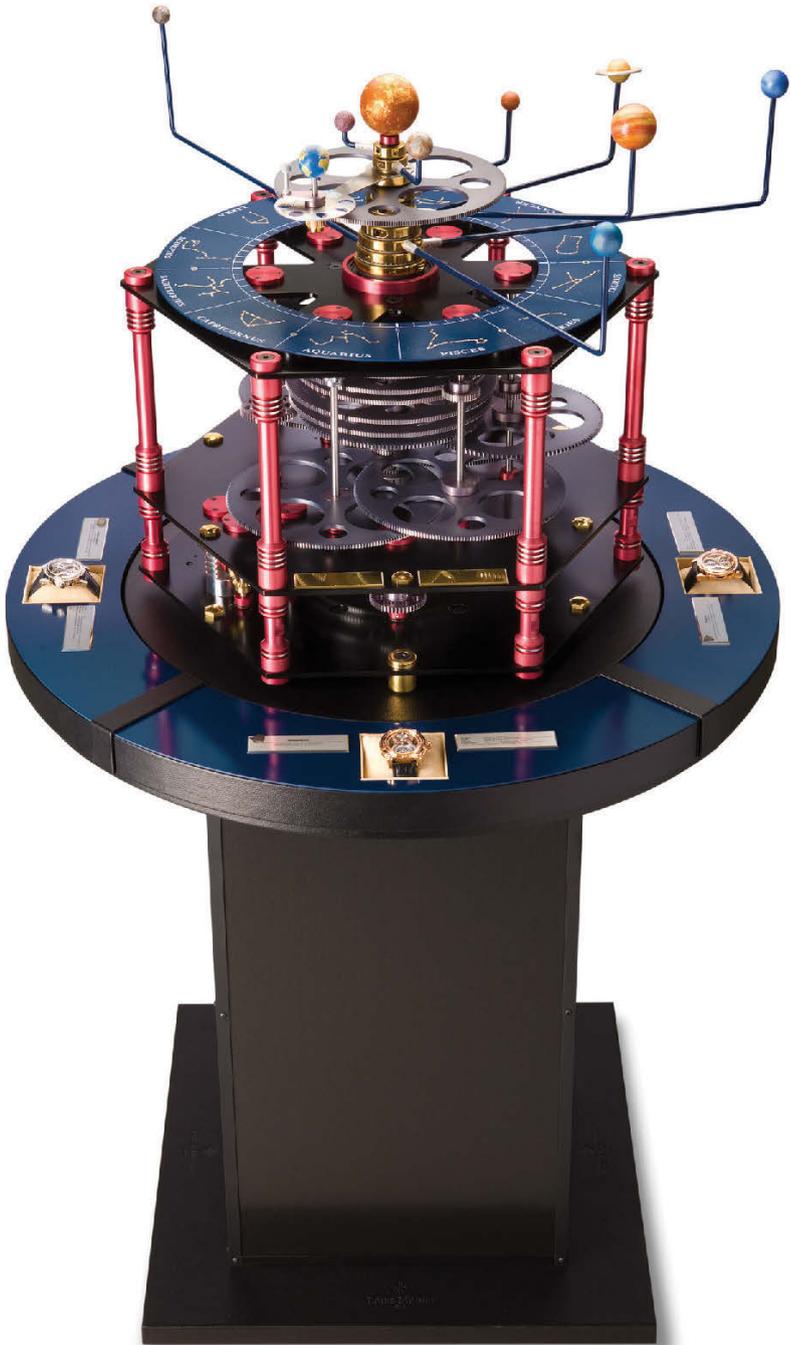


FIGURE 3.16 Louis Moinet Planetarium. Courtesy of Louis Moinet

claiming paternity of this invention), enhancing it with an extraordinary innovation that is completely in keeping with the brand's key values. Jean-Marie Schaller, Louis Moinet's CEO, has taken the time needed to build up the brand, without worrying about competition nor succumbing to the temptation of the latest trends. He was proved right as he was able to retain the essential identity of the brand while creating major successes such as the Jurassic Tourbillon watch with its unique dial made from fossilized dinosaur bone, or the US\$4 million Planetarium. Think differently, while keeping a clear navigational plan – this is Jean-Marie Schaller's winning bet. The emotions aroused by each product, the long history of the brand and the passion of its CEO give it a unique value. Last but not least, the brand even develops its own calibers (the "heart" of the timepiece), something very rare for a young independent brand.

Slyde, meanwhile, is an independent Swiss watch brand that has taken the innovative step of offering fully digital luxury watches with a touch screen that allows different functions to appear by simply tapping or swiping the screen. Developed by the two Swiss designers Jorg Hysek and Fabrice Gonet,<sup>33</sup> the watches retail at an average of US\$6500. Slyde is the first Swiss and independent brand to have had the courage to make this technological shift for all its products and to enter the highly competitive field of "smart watches," even though it would deny being a smart watch brand. A gamble, some would say, but who can predict the future of watchmaking? What if Switzerland developed a smart watch or a watch in the spirit of Slyde to lead the new generation toward what could be called the "real" Swiss watch and toward all the traditional and cultural values that go with it? Could this new Swiss concept have lasting success?

## 1.618 Sustainable Luxury<sup>34</sup>

Even if luxury seems to be another world, it remains very much part of society and its evolutions. Barbara Coignet, entrepreneur and CEO of 1.618 Sustainable Luxury believes that the time has come for luxury to embrace a different worldview where luxury makes sense.

The inspiration for 1.618 Sustainable Luxury came from the observation that the notion of luxury was changing, due to outside forces linked to political, industrial and environmental events, as well as an increased demand from consumers for greater commitment. An excursion to an eco-lodge that seamlessly integrated well-being, beauty and creativity with sustainability was pivotal for the birth of the company.

It took two years to source products from all over the world across sectors that successfully combined luxury (defined by creativity, innovation, emotion, heritage and beauty) and sustainability, before officially creating 1.618 in 2009 (the company being named after phi, or the golden ratio commonly found in art and design). The company acts as a resource center for consumers to access and develop personal relationships with these products and services through the 1.618 Sustainable Luxury event and guide.

Its vision is clear: to play an important role in building a better world, one in harmony with nature and man. It partners with an independent and diverse committee of experts responsible for the validation of each of the brands presented at the annual 1.618 Sustainable Luxury event and in the 1.618 Sustainable Luxury guide.<sup>35</sup>

These communities have been coming together at the 1.618 Sustainable Luxury event since 2009. The venue for 2014 was the beautifully renovated Carreau du Temple in Paris.

This event included companies in the following product categories:

- Apparel and accessories: Twins for peace (footwear), Norlha (fabrics), Solantu (crocodile items), Animana (natural fibers), Louis Felix (shoes).
- Housing and furniture: Schwörer Haus (architecture), Blackcork (furniture), le Lit National (bedding), BYAM (chairs), David Trubridge (lighting), Minimalist Editions (furniture), Arpin (cushions), La Maison Turrini (furniture).
- Hospitality: Norden Travels (tourism), Mycocoon (sensorial experience for spas).
- Mobility: SEV Electric (electric bicycles), Velorapida (electric bicycles), BMW i3 and i8, Supiore (yacht), Solar Flight (airplane).
- Food: Seven (oysters).
- Cosmetics: Biotherm.

Behind each company lies a beautiful story. For example, Norlha,<sup>36</sup> the winner of the 1.618 Sustainable Luxury Prize in 2013, was founded in 2007, following two years of research on yak fiber and its possibilities for transformation into a high-added-value product for the luxury market. Kim Yeshe, its founder, was convinced that the yak's dense undercoat, or khullu, held special properties – and she sent her children to collect two tons of yak wool from the Machu and Zorge Ritoma areas of Amdo, in the Kanlho Tibetan Autonomous Prefecture, Gansu, China. Once cleaned and dehaired, the fiber was loaded on a truck and transported to Katmandu where it was spun and woven. The result was



**FIGURE 3.17** / 1.618 Sustainable Luxury 2014 event at Carreau du Temple in Paris.  
Courtesy of 1.618 Sustainable Luxury

beyond expectation: yak was lusciously soft, warm and rugged. In December 2005, the Norlha workshop was launched.

Interestingly, Yak fiber was a local commodity and the people from Zorge Ritoma seemed to have a natural inclination for spinning and weaving, but the technologies used were not sustainable for production. Norlha decided to take an innovative approach and introduce more advanced and versatile techniques that were nevertheless well adapted to a village setting: Nepali and Indian spinning and weaving traditions. Four community people were sent to Cambodia, where they learned silk weaving, then to Nepal where they learned how to weave wool. They returned to Amdo with looms, charkhas and two trainers. Thirty local people were hired and trained in large military tents while the workshop was being built. By November 2007, the building was complete and the team was trained, and in January 2008 Norlha was able to present its first products on the Paris market.

The Norlha brand presents itself as a direct link between sustainability and luxury: an organic and natural product processed by hand that fulfills the needs of the luxury market and helps create an alternative livelihood to an impoverished area. Norlha stands for lasting value, elegance, lusciousness and

personal comfort, all with meaning and a purpose. It pays homage to the many textures achieved with yak khullu and to its Tibetan origin and DNA.

Its business now consists of:

- **Woven accessories:** it weaves over 10,000 scarves, shawls and blankets and over 2,000 meters of fabric per year. It produces two collections of accessories per year, Spring/Summer and Autumn/Winter, besides a Lifestyle collection with plaids and blankets and Classics, a timeless collection of basics.
- **Fabrics and tailoring:** the Norlha fabric collection includes a series of over 15 fabrics updated each year with new creations. The range includes weights of up to 700 grams per linear meter (140 centimetres) of 100% yak wool in double or triple weights, to light weights of 280 grams. These textiles, with the unique feel of yak wool, can be sold by the meter for clothing and home furnishings. It has also several collections of finished products.
- **Knitting:** including hats, neck warmers, cowls, leg warmers, mittens and simple sweaters.
- **Original equipment manufacturer (OEM):** the company also supplies various high fashion houses in Paris with its fibers.

Norden Travels is a kind of spin-off from Norlha.<sup>37</sup> For instance, it takes visitors to its Norden Camp to experience Tibetan culture and outdoor life in style and comfort. The company was founded by Yidam Kyap, a Tibetan nomad who saw the world and returned with the insight and knowledge to share the beauty of his land and heritage. The camp is situated 20 minutes from Labrang, the Tibetan monastic town in the Tibetan Autonomous Khenlho Prefecture, Gansu Province, China. The site, a winter grazing area for local nomads, covers 11 hectares, borders a meandering river and is the home of hares and marmots, foxes, gazelles and many birds, including pheasant. The idea behind the concept is the ability to strike a delicate balance between comfort and cultural and ecological responsibility.

The fact that demand for this high-end tourism offer is increasing is evidence that in a virtual hyper-connected world, reconnecting with the “real” is necessary. Experiencing the life of our ancestors, getting back to the basics and appreciating nature – these basic sensations have accompanied humanity in its evolution for millennia; our more recent “screen-mediated life” will not change that.

Coming back to 1.618 Sustainable Luxury, the 2014 event hosted 44 French and international exhibitors and received more than 5000 visitors over four

days, 55% from the general public and 45% from professionals and the press. Its ambassador was Sonu Shivdasani, founder, chairman and CEO of Soneva Resorts – Six Senses and the Slow Life Foundation.



**FIGURE 3.18** / 1.618 Sustainable Luxury 2014 event. Courtesy of 1.618 Sustainable Luxury

The 2015 event confirmed the pertinence of Barbara Coignet’s vision: there is indeed an audience for a combination of luxury and sustainability. It is no surprise that major luxury groups have eagerly embraced sustainability issues in their considerations, as their corporate social responsibility (CSR) reports attest.<sup>38</sup>

Do mainstream clients care? This is a good question. What we know is that key opinion leaders, the media and NGOs do care about these issues and this is a good reason for companies to take action. The brands in the 1.618 Sustainable Luxury constellation show that a growing number of luxury clients want brands to at least comply or, even better, to be role models. This is indeed a challenge that some innovators are rising to: how can luxury be a role model in building an economic model where social and environmental externalities are positive?<sup>39</sup>

In this, 1.618 Sustainable Luxury is showing the way. As Tomas de Lara, social entrepreneur and net weaver, points out: “in these interconnected times, every company will have to question itself on its *raison d’être*. And many will

join the move to collaborative forms of social and economic interactions.”<sup>40</sup> Brunello Cucinelli is already “walking the talk.”

## ／ Brunello Cucinelli<sup>41</sup>

Welcome to Solomeo, in the province of Perugia, Umbria in the center of Italy. This is where Brunello Cucinelli is building a cashmere kingdom. His creed:<sup>42</sup>

I believe in a humanist enterprise: business should comply in the noblest manner with all the rules of ethics that man has devised over the centuries. I dream about a form of modern capitalism with strong ancient roots, where profit is made without harm or offence to anyone, and part of it is set aside for initiatives that really make a difference in people’s lives: services, schools, places of worship and cultural heritage. In my organization the focal point is the common good, which is the guiding force in pursuing prudent and courageous actions. In my business, people are the very center of every production process, because I am convinced that human dignity is restored solely through rediscovery of the conscience. Work elevates human dignity and the emotional ties that derive from it. On my daily path I heed the words of giants from the past, from Socrates and Seneca to Marcus Aurelius and Alexander the Great.

Corroborated by this spiritual communion and following the power, simplicity and beauty of this place steeped in history and charm, I have undertaken and completed the restoration of the medieval hamlet of Solomeo over the course of 25 years. My company is now based here and stays faithful to the precepts that men such as Leon Battista Alberti, Palladio and Serlio drew from the classical teachings of Vitruvius. I believe in the quality and beauty of craftsmanship; I don’t think you can have quality without humanity. I love the mysticism of Umbria, a mysticism that also belonged to Saint Francis of Assisi, who loved beauty and simplicity. I am proud of being from this region, proud of my passion for philosophy and restoration and for everything that helps restore beauty and dignity to the things buried under the dust of time.

Brunello Cucinelli

Brunello Cucinelli was born in 1953 at Passignano sul Trasimeno and grew up in a rural agricultural community outside of Perugia. He dropped out of engineering

school at the age of 22 to follow a self-imposed curriculum of philosophical texts, resulting in “a personal pantheon of sages, ranging from Socrates to St. Francis of Assisi and Pascal, by whose *pensées* he seeks to abide.”<sup>43</sup>

He founded Brunello Cucinelli SpA in 1978 with a loan of 500,000 Italian lira (equivalent to around US\$550).<sup>44</sup> His first products were cashmere sweaters in bright colors, taking upscale a trend initiated by Benetton’s colorful wool sweaters, at a time when cashmere was exclusively produced in natural colors. The company’s first order consisted of 53 pieces from a retailer in northern Italy. He then established his first cashmere knitwear company in Ellera di Corciano in the province of Perugia. The company headquarters moved a few years later to Solomeo, a hamlet in the province of Perugia, located in a 14th-century castle that Brunello Cucinelli bought in 1985 and renovated.

Brunello Cucinelli first expanded the company’s product range in the mid-1980s with the acquisition of a stake in Rivamonti, a company specializing in wool knitwear, whose products, embellished with silk and cashmere, joined the company’s line. In 1986, Brunello Cucinelli USA Inc. was established as a wholesaler and importer of cashmere knits in the United States. A stake in the brand Gunex was acquired in the early 1990s, and their women’s line of skirts and trousers joined Brunello Cucinelli’s cashmere knits and Rivamonti wool knitwear. Still in the 1990s, its men’s collection started in 1994 and the first boutique was opened in Porto Cervo, Sardinia.<sup>45</sup>

In the early 2000s, the company developed the in-house skills necessary for the product line to be extended to include men’s and women’s shirts and accessories such as scarves, and from 2005 onward its development strategy was centered on opening directly operated stores (DOS) and franchising shops in Italy and abroad. In 2011, it discontinued the Rivamonti and Gunex brands and as of 2014 commercializes the entire product range under the Brunello Cucinelli brand name alone.<sup>46</sup> As of the end of 2014, it has a total monobrand network of 105 stores, of which 71 are directly operated and 34 franchised monobrand stores. It also sells in hundreds of high-end sales points around the world.

What are the key success factors of the Brunello Cucinelli group? In its own words:<sup>47</sup>

- First and foremost the quality of the product: some of the best cashmeres are sourced in Mongolia and China for the brand by Cariaggi, Cucinelli’s long-term spinning partner.
- Production is entirely *Made in Italy*, with 80% coming from the region of Umbria, which facilitates quality control of the entire production process.

In times where a growing number of luxury clients are looking for craftsmanship and *made in*, this is a perfect fit.

- The appeal of the “understated yet contemporary style” of the brand, sporty chic.
- A communication strategy that succeeded in conveying and promoting the intrinsic qualities of the product, the artisan approach; and the creativity, together with the importance of tradition and the company philosophy, to create an alluring aura of authenticity and uniqueness around the brand that expresses the “art of living” and “natural luxury.”
- A multi-channel distribution policy based on selectiveness and exclusiveness, and diversified geographical exposure.
- Last, but probably the most important, its brand identity.

“Love of knowledge echoes in our hearts and nourishes great thoughts.”  
Socrates

“Beauty will save the world.” Fyodor Dostoyevsky

When entering a Brunello Cucinelli store, citations like those above decorate the walls and front windows. And the same goes for Solomeo, where, in the street, such citations are spread here and there. This could seem like “philosophical washing” to give the company a tint of sophistication. Yet it is the complete opposite. Philosophy forms the foundation of Brunello Cucinelli’s personal life as well as his “humanist enterprise” endeavor: “I have always dreamed of creating useful work for an important objective. I felt that profit for profit’s sake was not enough, and that there had to be a higher, collective purpose. I understood that alongside economic well-being there has to be personal well-being, and that the former means nothing without the latter.” He calls it the “supreme good”: “giving business a meaning that goes beyond profit and reinvesting to improve the lives of workers, to enhance and restore the beauty of the world.”<sup>48</sup>

Solomeo, where his wife Federica was born, came to embody this quest and the company’s philosophy of social responsibility. The Solomeo hamlet was built between the late 12th century and the first half of the 13th century and includes the castle, farmhouses, the parish church and other buildings, all in a sorry state when acquired, but that were promised new life. In 1985 Brunello Cucinelli started renovations to bring the beauty, culture and heritage of the place back to life.

The medieval castle, with its brick floors, wooden beams and stone walls was the first to be renovated and became the company headquarters and the

place for some production floors. He then participated in the restoration of St Bartholomew's Church, the 17th-century parish church of the nearby village Vocabolo Mandoletto and the ancient road network of the town of Corciano. He also financed and participated in social projects such as the construction of a local recreational and sports center, among others. In 2008, the "Forum of the Arts" was inaugurated, including a theater, an amphitheater, the "philosophers' garden" where concerts and events are held, and the "Neo-Humanist Academy" (in 2010), housing a library and training rooms.

Besides reinvesting in the company, 20% of Brunello Cucinelli's profits go toward social projects such as the restoration of Solomeo. By opening the Solomeo school of craftsmanship, he made the legacy of William Morris's Arts and Crafts movement his own.<sup>49</sup> In his words: "William Morris's Arts and Crafts movement was something more than a local experience; it was an actual philosophy that, over time, inspired the creation of a large number of arts and crafts schools, which brought to art's attention the rejuvenation of crafts in relation to modern manual production and laid the groundwork of modern design. From this point of view, William Morris's experience was part of a legacy that went way back in time, with such illustrious precedents as that of Lorenzo de Medici, the Magnificent, who in his garden in San Marco, Florence – a garden that he had graced with hundreds of classical and modern artistic works, changing it to a museum and a place of extraordinary beauty, nature and culture – hosted and supported talented young men, to expose them to art and to prompt them to pursue their natural talent through the power of example and learning. One of these young men was none other than Michelangelo, who created right here, in San Marco, his first masterpieces. Times have changed and history does not repeat itself; however, ideals live on and the Solomeo School is intended not only to deliver immediate results but also to contribute to bring man's spirit to its natural condition because, in John Ruskin's words, 'As the art of life is learned, it will be found at last that all lovely things are also necessary.'"

The latest endeavor of the Brunello and Federica Cucinelli Foundation, announced in November 2014, is the creation of three public parks at the foot of Solomeo, consisting of a combined 80 hectares. The first is Parco dell'industria (Industry Park), an 11-hectare garden that will result from the demolition of six industrial buildings; the second is Parco dell'Oratorio Laico (Secular Oratory Park), for children of all ages; the third is agricultural, and stretches across 70 hectares of vegetable gardens, vineyards, olive groves and orchards. In Brunello Cucinelli's own words: "when I see the result from the

village of Solomeo, I feel I have given the world my small contribution. As everyone can, proportionately to his means.”<sup>50</sup>

This humanist approach applies to the company operations: employees are paid 20% better than the local average salary; meals served “in the two company canteens are home-made dishes prepared in the morning by the housewives of Solomeo, made with local products and in the Umbrian tradition”; workers do not need to punch timecards; and formal branch hierarchies were eliminated. In the company’s words: “each person’s dignity was restored and everyone’s humanistic values were respected.”<sup>51</sup> It is no surprise that he is a fan of both St Francis of Assisi and Pope Francis in their down-to-earth spirituality and materiality.<sup>52</sup>

Is Brunello Cucinelli a visionary ahead of his time and a role model of what business can bring back to the community or a “benign Umbrian chauvinist” or “feudal utopist,” as Rebecca Mead has written in the *New Yorker*? “He has enacted a peculiar fantasy of beneficent feudalism, with himself as the enlightened overlord, and the residents, many of them his employees, as the appreciative underlings.”<sup>53</sup>

Results seem to point in the direction of the former. The company’s initial public offering at the Milan stock exchange in March 2012 was a great success, with demand at the maximum price – more than 17 times superior to that of the total offer – the final price was set at the top of the announced price range (€7.75 per share), and the company reached a market capitalization of €527 million.<sup>54</sup>

In December 2014, its shares were traded at €18.80. For the fiscal year 2014, Brunello Cucinelli reached net revenues of €357.3 million, an increase of 10.0%, EBITDA of €63.0 mln (+8.4%), net profit of €31.7 million (+7.5%). International markets represent 80.8% of net revenues with significant growth (+12.4%).<sup>55</sup>

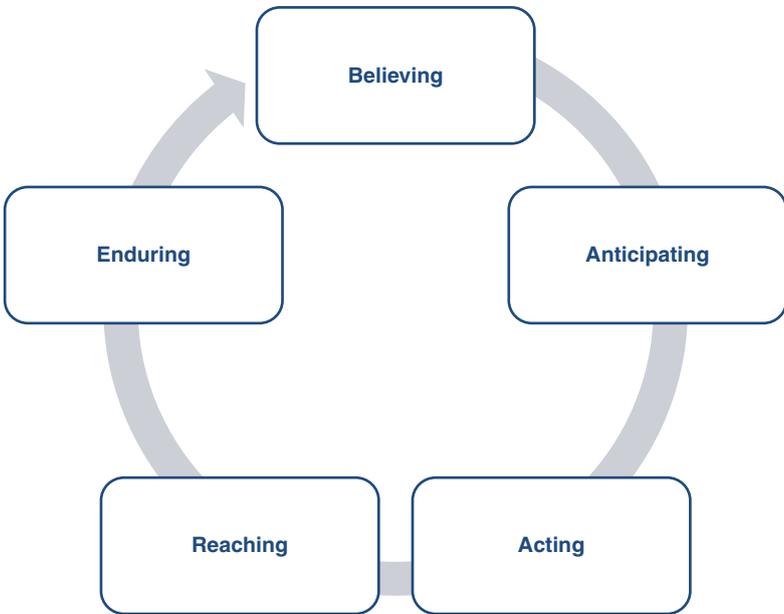
The company’s investment plan is focused on supporting the exclusive and selected development of monobrand boutiques with the company having a network of 71 directly owned stores and 34 wholesale monobrand as of the end of 2014.

Brunello Cucinelli himself became a billionaire in 2013 according to the Bloomberg Billionaire Index.<sup>56</sup> Not bad for a man aspiring to change the face of capitalism for good and who has embodied this philosophy in every piece he sells.

## Back to luxury roots

Vignes, Sheme, Mirazur, Thomas Mercer, Louis Moinet, Slyde, 1.618 Sustainable Luxury, Norlha and Brunello Cucinelli are independent companies incrementally innovating in the essence of luxury: companies for whom extreme quality and extraordinary craftsmanship create the ultimate sensorial and emotional experience. To symbolize these companies, and others like them, we have chosen the horse, a classical symbol of elegance and nobility.<sup>57</sup>

Let's now see how these companies followed the stages in the BA<sup>2</sup>RE<sup>®</sup> luxury strategy approach (Figure 3.19) in their innovation strategy.



**FIGURE 3.19** The BA<sup>2</sup>RE<sup>®</sup> luxury strategy approach

### Believing

These companies held a clear belief and sense of purpose: making a unique leather product for connoisseurs at Vignes; building a symbol (i.e. a shoe) in the image of Chinese modern women at Vignes; creating a unique sensorial experience for Mauro Colagreco; reviving an old legend and a symbol of Britishness in the case of Thomas Mercer; marrying luxury and sustainability for 1.618 Sustainability Luxury; building a “humanist enterprise” for Brunello

Cucinelli. The latter probably provides the most grandiloquent example of *believing*, as Solomeo and the company's boutiques clearly demonstrate.

## Anticipating

Overall we can observe how these innovators match some of the forces shaping the luxury industry presented in Chapter 1: the leading role of Chinese consumers, the high concentration of wealth, luxury lifestyle and niche opportunities.

Mauro Collagregco at Mirazur provides an enlightened case of an entrepreneur able to anticipate the turn of the tide from molecular (chemical) to natural (organic) *haute cuisine*.

Blending locality and internationalization is paramount, given that local roots are more and more valued by a diverse and discerning international client base.

## Acting

Building a unique, incremental and innovative offer, integrating craftsmanship for niche markets, is a clear strategic choice for these companies. For example, Thomas Mercer is targeting UHNWI; Vignes is targeting a niche of bags and leather connoisseurs; Mirazur aims at a niche of food connoisseurs; and SHEME focuses on those eager to value craftsmanship and *Made in China* shoes. Bespoke is central for this clientele and a key differentiating factor for these companies. Revenue models are mainly transactional; and diversification to business markets (i.e. gift) is a sought-after opportunity.

Vertical integration is searched to secure supplies and, if possible, a unique technological/creative know-how. Creative talent is key and often is represented by the CEO.

## Reaching

The CEO is often the business development leader – and connecting with top clients at a personal level is *de rigueur*. As these companies have rather limited resources, partnerships are a favored path for them to expand their distribution and reputation. Recalling “effectuation” from Chapter 2: the goals are adjusted according to which stakeholder comes on board. Mauro Colagregco had an opportunity to be a partner in a restaurant in Shanghai, at the Bund. This was an opportunity to expand revenues. Andrew Winch joined Thomas Mercer to design the “Classis” and this prestigious collaboration all of a sudden opened many doors for the company.

Networks and connections are important for any business and even more so in the luxury field. This is not a world for beginners. Codes dominate the arena and access to certain circles is simply impossible if you have not been introduced. The watch industry, the fashion scene, the wine-making industry, to name just a few, are small worlds, where everyone knows each other.

The online presence of these companies is rather timid, but given their niche positioning, online is less important for them than for large audience brands. Affinity is the path to follow as regards communication.

## Enduring

Mauro Collagrecco provided the perfect example of enduring and we allow ourselves to cite him again: "*Durer dans le temps*" (to last or *endure*). To wake up every morning with the motivation every day to be excellent and to motivate the team to be the same; to stay true to the values and convictions of the business, even if it is necessary to make difficult decisions from time to time."

\* \* \*

*Back to the roots* thus shows a first inspirational path for independent luxury companies.

A second exciting source of innovation is that every generation of creators and entrepreneurs wants to challenge not only existing offers, but also the system of meanings in place.

# chapter 4

## Code Breakers

### Introduction

Jean-Paul Gaultier, Yohji Yamamoto, Martin Margiela, Miuccia Prada or Isabel Marant in fashion, HYT in watchmaking, and Fernando and Humberto Campana in furniture design have been creating breakthrough innovations by disrupting product and societal codes to build the icons of today and tomorrow.<sup>1</sup> We have chosen the tiger – with its strength – to symbolize these luxury iconoclasts.

In this chapter we present each of these at length in order to exemplify how they have followed the stages in the BA<sup>2</sup>RE<sup>®</sup> luxury strategy approach in their innovation strategy.

### A short story of fashion in recent decades<sup>2</sup>

By the 1970s changes had been accelerating in fashion. The 1970s Parisian fashion scene, symbolized by creators such as Hubert de Givenchy, Yves Saint Laurent, André Courrèges and Pierre Cardin,<sup>3</sup> saw its major fashion houses – for example Yves Saint Laurent Rive Gauche, Sonia Rykiel, Agnès B, Dorothee Bis – moving toward ready-to-wear and accessories.

This move opened the doors to the emergence of a new wave of designers in the 1980s captained by Thierry Mugler, Claude Montana, Jean-Paul Gaultier and Azzedine Alaïa. Each in their own way proposed a new reading for a decade of rupture: fashion is colorful, exuberant, synonymous with a new period

in the Western world, where Paris becomes once again the center of fashion attracting creators and designers from around the world.

Indeed, at the macro societal level, changes abound: economically, with the rise of Japan and the introduction of neo-liberal reforms by the US president Ronald Reagan and the British prime minister Margaret Thatcher; politically, in France, with the election of François Mitterrand, the first postwar left-wing president; artistically, with the appearance of pop superstars such as Michael Jackson. It is also the decade when the AIDS epidemic took center stage.

It is fascinating to observe how the collections revealed the spirit of the times: everything seemed possible. Thierry Mugler had a futurist and grandiose approach to fashion, taking visual productions to new heights. Fashion models were “supermen” and “superwomen” with padded shoulders. Azzedine Alaïa was and remains the sculptor: “the cut is what gives the form, the curves, the confidence. Every line is meaningful. Clothing is not a drawing, it’s a sculpture; you have to walk around it, see it living from all sides at once.”<sup>4</sup> Jean-Paul Gaultier played incessantly with gender and challenged society’s codes at a time when the LGBT (lesbian, gay, bisexual, transsexual) rights movements were gathering momentum. The creator played a dominant role with their almost complete artistic freedom marking the decade with styles such as, for example, Jean-Paul Gaultier’s “Toy Boy” and sailor-striped T-shirts.

In the shadow of these colorful pop characters, the 1980s saw the arrival in France of two creators who have had a lasting influence on fashion, even up to today. Rei Kawakubo and Yohji Yamamoto, both from Japan, offered a vision that broke completely with the pop style. In Rei Kawakubo’s first fashion show, she presented a collection of torn, wrinkled clothes with unfinished seams, where black (traditionally never worn during the daytime) dominated the catwalk. In other collections, the female silhouette was deformed and exaggerated with bumps of padded fabric, or clothing was turned inside out to transform the interior into a decorative element.<sup>5</sup> The retail outlet was similarly revolutionized with the new approach of stores Comme des Garçons (which we focus on in Chapter 6). Yohji Yamamoto also based his designs on a deconstruction of forms, using asymmetric and disproportionate volumes, the body disappearing under swathes of fabric. He presented his first collection in 1981, all in black, the color of mourning until then for the West, whereas in Japan the color of mourning is white.

The revolutionary approach of these two Japanese designers created a shock wave, more of incomprehension than of admiration. They questioned the ideals of the time about body shape and garment construction, on sexism in

society and the use of color. It is also worth noting that these two designers emerged in a decade when Japan was making its debut on the world stage and becoming an economic, managerial and societal benchmark.

This approach foreshadowed the rise of Belgian designers in the 1990s, designers such as Martin Margiela and the so-called Antwerp Six (Walter van Beirendonck, Ann Demeulemeester, Dries van Noten, Dirk van Saene, Dirk Bikkembergs and Marina Yee),<sup>6</sup> who became known for their conceptual vision where form took precedence over substance. “Antifashion” is a label that was given to this group of Japanese, Belgian and German/Austrian designers (such as Jil Sander and Helmut Lang) who opposed the glamorous style in vogue.<sup>7</sup>

They were capturing *l’air du temps* of the 1990s. At the societal level, the early 1990s were characterized by an economic crisis in Europe, the first Gulf War, and the spread of AIDS, which had a particularly devastating impact within the artistic and cultural milieu. The grunge movement, born in Seattle in the mid-1980s, stormed the world with bands such as Nirvana and Pearl Jam. It was inspired by hardcore punk and heavy metal, and expressed a rejection of materialism, adherence to society, becoming an adult, taking responsibility, morality and rules – a rejection which was caused by disappointment, disillusionment and frustration. Paradoxically, and in contradiction with its credo, grunge style became a fashion in itself, a sort of anti-fashion in a sense.

The Belgian designer Martin Margiela is an interesting case. He graduated from the Royal Academy of Fine Arts (Antwerp) in 1979 and worked with Jean-Paul Gaultier from 1984 to 1987 before presenting his first collection under his own label, Maison Martin Margiela, in 1989. His designs “looked as if they had been pulled apart, while components like sleeves and pockets were inverted and displaced, then reconstructed with the interfacings and raw edges deliberately on view. Interior elements that are usually carefully hidden, such as linings, shoulder pads, interfacings, and padding, became both structure and ornament for Margiela.”<sup>8</sup>

Margiela’s work is associated with deconstruction<sup>9</sup> – a movement emerging from the writings of the French philosopher Jacques Derrida – which in fashion led to exposing the process and craft of making clothes and inspiring an aesthetic that integrates recycling and recuperation.

Terry Jones calls Martin Margiela “the fashion designer’s fashion designer [...] he produces work that could be seen as a distinct form of ‘metafashion’: his clothes are essentially about clothes.”<sup>10</sup> His philosophy is that “the heart

should and can always rule the head";<sup>11</sup> the most important lesson learned is "that talent, in others and oneself, is to be cherished and nurtured. That a team is only as fast as its slowest member."<sup>12</sup>

Harriet Walker, fashion writer for the *Independent*, celebrated and commented on Martin Margiela's particular approach during his final collection for Maison Martin Margiela in 2009:

The best way to describe Martin Margiela, then, is as a gentle undercurrent, whose influence works its way from high-end catwalks to high-street pavements by an almost unnoticeable process of diffusion [...] much of Margiela's magic comes from working in unexpected media and reinvigorating what most would see as detritus [...]

His wig jacket, for example, is an ironic rendering of a super-luxe fur coat in brown acrylic hair, which took 51 hours to sew together. The equally tactile plastic-tags jacket is made from thousands of those irritating needles that hold labels on to new clothing. And the disco-ball top, an asymmetrical armor vest, is made from hundreds of mirror squares assembled around the body. Each of these pieces comes from his "artisanal" range, one of 11 carefully codified lines that the house produces, each assigned a number, all of which make up the esoteric numerical system seen on Margiela's otherwise plain white labels. His flagship store in Brussels is painted entirely white and an explanation of each numbered range is stenciled on to the side of the building; it is a place of pilgrimage for many fashion followers.

Entering any of the Margiela stores worldwide is an experience rather than a shopping trip. Likewise, wearing Margiela is much more than quickly trying something on. There are often dozens of sleeves to negotiate, for a start, or you find that a jumper is supposed to be worn with the neck around your hips perhaps, or the lining becomes a Mobius strip of silk and is somehow the outer layer too. Such geometry requires more than a changing-room, more than a mirror, more than one pair of hands.<sup>13</sup>

He developed a cult of "impersonality," symbolized by the Maison Martin Margiela label: four diagonal white stitches, arranged in a square, that's all. No sign, no color, no letters.

Martin Margiela is often named by young creators as one of the most influential and inspirational figures of the last decades, an icon for fashion creators. Maison Martin Margiela was acquired in 2002 by OTB, a holding also owning Diesel, Viktor & Rolf and Marni, and Martin Margiela himself left the

company in 2009. In 2014, John Galliano was named creative director. Can such a high-profile fashion character embody the soul and spirit of such an iconic *maison*? Time will tell...

In parallel, Helmut Lang and Jil Sander had great success from the 1990s, bringing minimalism in contemporary art and architecture to fashion.

Back in the 1980s, Italy also experienced a revolution in its fashion and luxury scene sparked by Prada.<sup>14</sup> Prada SpA is an Italian luxury fashion house founded in 1913 in Milan by Mario Prada that started as a leather goods shop selling its own products, English steamer trunks and handbags. It remained as such during most of the 20th century, until Miuccia Prada, granddaughter of Mario, took over the reins of the company in 1978. Shortly after, she was joined by Patrizio Bertelli,<sup>15</sup> and they started the journey to transform Prada into the well-known powerhouse it is today.

Behind this success lies the multi-dimensional talent and personality of Miuccia Prada. It is fascinating to hear that it was not her original intention to take the creative direction at Prada: "I was forced to do it."<sup>16</sup> Miuccia Prada had been quite a rebellious character in her youth and as many others from her generation was a member of the Communist Party and actively involved in the women's rights movement in Milan.<sup>17</sup> She has a PhD in political science and spent five years training and performing as a mime artist, before joining the family company.

She states that: "before I became a fashion designer I wanted to be a politician, and for a period of time I was involved in political work. Initially, I struggled with being a fashion designer, with being a woman in fashion. But I've always loved fashion, so I persevered. Over the years, I came to appreciate the power of fashion to communicate ideas and concepts."<sup>18</sup>

Her upper-class affiliation gave her a critical eye on society. This is a point to be highlighted: before challenging conventions, you need to know them; otherwise you have no legitimacy. Miuccia Prada knew the Milan high society well enough to be able to challenge its conventions and codes. Her approach to fashion is described as "mass intellectualism" with a message: "Fashion is the first step out of poverty. You have nothing and then you put something on. It is one of the first things you do to elevate yourself [...] Of course, I am in the section of the expensive ones."<sup>19</sup>

Irony and humor are gifts of the mind and often used masterfully by Miuccia Prada. According to her: "I'm told that the women who wear my clothes vary dramatically. Of course, I'd hope that they were clever and interesting. I'd also

hope that my clothes made their lives a little easier, that they made them feel happier. Not more beautiful necessarily, just more of a person. I try to make women feel more powerful without losing their femininity.”<sup>20</sup>

She achieved world fame in 1985 with a line of black, finely woven nylon handbags, the first “it bag.” Miu Miu, named after Miuccia’s nickname, was introduced in 1992 as a more affordable women’s wear line inspired by her personal wardrobe. She also has a clear stand on the relations between fashion and art: “Art is for expressing ideas and for expressing a vision. My job is to sell. And I like very much my job.”<sup>21</sup>

On 24 June 2011, Prada SpA listed 20% of its shares on the Hong Kong stock exchange, where the company was valued at €9.2 billion;<sup>22</sup> the Prada brand ranked 70th in Interbrand’s top 100 most valuable global brands in 2014, its consolidated net revenues of 2014 totaled €3.5 billion with an EBITDA of €954 million, or 26.9% of consolidated net revenues. The latest investment of Prada? It had eaten up 80% of the chic Milanese Marchesi coffee and cake house.<sup>23</sup> Why? Simple. Because luxury is going to become more and more experiential.

In the 1990s, a different approach propelled Gucci to the top, under the direction of Tom Ford. Like Prada, Gucci has a long history, having been founded in Florence in 1921. The company developed steadily during the 20th century until family issues led to the company being sold in 1988 to a Bahrain-based investment company. In 1994, the investors promoted Domenico de Sole, the company’s attorney, to the post of president of Gucci America in 1994 and CEO in 1995. In parallel, Gucci had hired an American stylist, Tom Ford, in 1990 to design a ready-to-wear line. He was eventually promoted to creative director in 1994 and presented his debut collection introducing Halston-style velvet hipsters, skinny satin shirts and car-finish metallic patent boots. The brand’s message was clear-cut: “Gucci equals sex.”<sup>24</sup> In 1995, he brought in French stylist Carine Roitfeld and photographer Mario Testino to create a series of new ad campaigns that conveyed this message clearly.<sup>25</sup>

This had a profound resonance in society. By counterbalancing the anti-fashion movement and a certain depressed mood after the height of the AIDS epidemic in the West, Ford brought sensuality and sex back to the forefront, playing with the taboo in a historical moment characterized as “very sexualized,” and pioneering the development of porno-chic.<sup>26</sup>

He brought marketing to the front of the fashion scene. In his words: “fashion is a commercial endeavor, it is artistic, and there is art in it for me, but I am

not someone who has always approached fashion as my art [...] marketing is the final layer of design, it is what reaches out to the audience, and entices them to get in the store.”

Interestingly, this pragmatic, straight-to-the-point vision that worked so well at Gucci did not spark the same reaction at Yves Saint Laurent, where Tom Ford was creative director from 1999 to 2004. He went on to create his own Tom Ford brand in 2006, which is forecast soon to reach a turnover of over US\$1 billion.<sup>27</sup>

The 2000s were characterized by luxury conglomerates taking the lead. The stars of the period were Marc Jacobs, John Galiano, Alexander McQueen, Nicolas Ghesquière and Hedi Slimane, to name but a few, and most were working for a brand belonging to a conglomerate. They all followed the guidance of Karl Lagerfeld,<sup>28</sup> the pioneer of reviving “sleeping beauties.” The immutable German couturier has been the bridge between the 1970s and the 2010s, reinventing and playing with the codes of Chanel, making the *maison* from Rue Cambon one of the most extraordinary independent luxury companies. One of Lagerfeld’s most remarkable groundbreaking initiatives was his partnership with H&M, the Swedish fast-fashion retailer, back in 2004. It is now common practice to see designers partnering with fast fashion, but this was not the case at that time.<sup>29</sup>

What will be the next wave of innovations in the fashion industry? Regarding form and function, a number of developments in fabric technology have been a catalyst for innovation and wearable tech is now on the lips of many designers. But, more than ever, anticipating, sensing *l’air du temps* will be paramount.

In 2015 Isabel Marant, a leading independent fashion designer, is currently storming the world with a succession of “it” designs, such as the sneaker wedge. In her words: “I had a very precise idea of what I wanted to do and I was totally determined to do it myself and not work for anybody else. I started with a jewelry collection because I could not afford to launch a garment collection,”<sup>30</sup> which she did in 1994. She then smoothly built a company that, in 2013, generated more than €150 million in revenue.

The brand’s design is described as “chic in a way that manages to be both bohemian and a little rock ‘n’ roll. Marant’s clothes are essentially American-style sportswear filtered through a uniquely French sensibility, which gives them an insouciant edge.”<sup>31</sup> And she has stuck to a very precise philosophy. She admits to being anti-consumerist, but understands that fashion can also

be pleasurable, a confidence booster and even therapeutic when feeling low: "Sometimes [...] I go and I shop and I buy something, and it makes me feel happy and it makes me feel better than going to a psychoanalyst. I think there's a kind of psychoanalytic approach: It's being good to yourself in a simple way and it's also about the way you present yourself to people so it brings security and self-confidence. Whenever I start a collection it's about saying, I don't really need anything; what will make me feel like buying something new when I don't really need it?"<sup>32</sup>

How does one explain Isabel Marant's success? She represents a refreshing contrast to the 2000s, the bling logo decade... Isabel Marant, like Rei Kawakubo, Yohji Yamamoto, Ann Demeulemeester, Rick Owens and many others, are living proof that independents have a place and a voice in these times of consolidation.

Interestingly, conveying powerful narratives and meanings will more than ever take center stage. Let us finish this section with an anecdote to highlight this point: in May 2012, the Walpole British Luxury Association held its annual summit at BAFTA in association with Barclays, next door to Piccadilly Circus in central London. Its topic was "Luxury in Greater China" and one of the afternoon sessions had the provocative title "The Chinese Dream?" In an admirable speech, Lord Nat Wei, the youngest member of the House of Lords and its only active ethnic Chinese, also chairman of the All-Party Parliamentary Group for East Asian Business, presented how he had been working with a group close to the new Chinese leadership on what would be the Chinese Dream for the 21st century.<sup>33</sup> Few in the audience could grasp at that instant the profound message that was being delivered. It was only later, in late 2012, just when Xi Jinping had taken office and started to spread his view of the Chinese dream as "national rejuvenation, improvement of people's livelihoods, prosperity, construction of a better society and military strengthening,"<sup>34</sup> that the link was made clear. And anyone visiting China nowadays sees how this message is relayed by the media and can find a profound echo in Chinese society.

"History is back" and the competition between multiple narratives will be a major element of the 21st century.<sup>35</sup>

\* \* \*

Luxury offers are above all symbolic; they do have a functional component, but they exist for their emotional and symbolic content, it is about the senses, the meaning. *Breakthrough innovation relates to challenging and disrupting existing meanings, social codes and a category's boundary. We cannot insist*

enough on this fundamental difference with product categories and markets characterized by the dominance of functional features, like premium markets.

Several of the creators presented above have been consistently exploring new paths by venturing into unknown territories and redefining fashion's existing codes. Some, like Jean-Paul Gaultier or Miuccia Prada, became cultural icons themselves, personifying a challenging, rebellious attitude to mainstream conventions.

Let us take another example to convey our point. To celebrate its 175th anniversary in 2014, Patek Philippe created a collection of limited-edition timepieces, the star of which was the Patek Philippe Grandmaster Chime, the most complicated watch ever built by the company. It is the first double-face wristwatch made by Patek Philippe that "can be worn with either dial facing up: the one that focuses on the time and the sonnerie (the chiming complications), the other dedicated to the full instantaneous perpetual calendar."<sup>36</sup> It took seven years to develop and two years to produce the ultra-complicated Grandmaster Chime, with its 20 complications, 1366 movement components, and 214 case components, including six patented inventions, that retails at US\$2.5 million. This remarkable achievement is documented in a beautiful 10-minute movie released by the company in October 2014.<sup>37</sup>

Is this a breakthrough offer innovation? Not in the sense that we consider in this book. Rather it is an exceptional timepiece pushing the boundaries of what is possible in the watchmaking industry – and it will perhaps have a place in the annals of the watchmaking industry. But this fantastic piece does not challenge the status quo in the watchmaking industry. On the contrary it rather reinforces established values and rules of the game. Not a surprise from a timepiece made to celebrate the 175th anniversary of an exceptional independent company such as Patek Philippe. This, therefore, is more an example of incremental innovation, as described in Chapter 3, rather than breakthrough innovation.

Breakthrough offer innovations are those that challenge existing meanings, social codes and a category's boundary. As such, breakthrough innovators are historically situated; they resonate with *l'air du temps*. In addition to having the skills and craftsmanship, breakthrough innovators sense what is going on at a larger level in society and create offers that relate to broader evolutions in society – and even shape these evolutions by becoming cultural innovators, symbols and icons for some segments of clients.

breakthrough innovators  
are historically situated;  
they resonate with l'air  
du temps

How to build a breakthrough at a society level?

History has shown us how this can be done: Emmanuel Fureix has edited a book on “Iconoclasm and revolutions: from 1789 to nowadays,”<sup>38</sup> retracing iconoclasm from the French Revolution onward. According to him, “the revolutionary iconoclasm does not only destroy images and monuments, it also creates a new system of signs [...] iconoclasm thus becomes a semiotic transformation: a certain repertoire of accepted images becomes intolerable.”<sup>39</sup> And there is always a certain scandal relating to symbolic conflicts.

Our topic is certainly less dramatic than sociopolitical revolutions, but the principles are similar: a breakthrough innovation will challenge, scandalize and eventually replace the current system of codes.

Our aim is to highlight the process by which Rei Kawakubo, Miuccia Prada, Martin Margiela and Tom Ford, to name only a few, *believed, anticipated l’air du temps* and *acted* to break existing codes. Much earlier, designers such as Coco Chanel, Elsa Schiaparelli, Christian Dior and Yves Saint Laurent, to name but a few, had also been cultural innovators by disrupting societal codes of their time.

It is no surprise that this disruption often comes from outsiders: Yohji Yamamoto and Rei Kawakubo from Japan, Martin Margiela and Ann Demeulemeester from Belgium. They are those who stay at the borders, looking here and there, understanding past and current times, like in a novel by Jim Crace.<sup>40</sup>

How can this be done? By *believing, anticipating, acting, reaching and enduring*.

\* \* \*

In the remaining part of this chapter, we present two cases that explore different facets of luxury breakthrough innovations:

- how HYT is breaking watchmaking codes in its upward path;
- how the conversation between arts and luxury is a fertile ground for breakthrough innovation as symbolized by Fernando and Humberto Campana’s designs.

## HYT – a three-letter revolution

As of 2015, for a number of years Swiss watchmaking has been facing a challenge due to its weakened capacity to innovate. Ernst Thomke, the

co-inventor of the Swatch Watch, openly criticized the immobility of the watch industry during a Gaïa awards ceremony in 2013 where he received a prize for his contribution to watchmaking. In the main line of sight was the smart watch and the potential threat it posed to *Swiss Made* watches, which had seemed once again to have bet (too heavily) on the top-of-the-range market.

On 3 September 2014, the watch brand HYT and watchmaker Dominique Renaud announced the start of a long-term collaboration in order to write a new chapter in watchmaking history. Dominique Renaud co-founded (along with Giulio Papi) Renaud & Papi in 1986, a company under the control of Audemars Piguet since 1994. Renaud is considered one of the main figures in the revival of the mechanical watch industry in the early 1990s and hopes to shake up traditions again alongside HYT. The first effects of this partnership are already being felt in 2015, but his revolutionary work on the more powerful motorization of HYT's movements will be revealed fully during the years to come.

With watches retailing at an average price of US\$80,000, the brand has the means to achieve its ambitions and is giving innovation pride of place in all its development.

But what exactly is HYT, in fact?

Three letters, just three.

The number three has a great deal of symbolism associated with it. But who would have thought that these three letters would revolutionize the world of watchmaking? Who would have imagined that the number three would break all the rules and break down the barriers of the imagination to release a flow of magic fluid to escape and take hold of our time? And yet that is exactly what has happened. Welcome to HYT.

Telling the time using a fluid, and, what's more, a fluid at the very heart of the sacred watch movement, the brand has taken a crazy bet to bring the extremes together.

The leitmotiv? Fluid mechanics or ultimate hybridization.

The formula? Cutting-edge watchmaking developments, engineering being pushed to the limits, high-tech materials and emotion-generating design. In terms of design, the brand is, at least initially for collections H1 and H2, adopting the "universal" design of a more or less round case, which represents over 80% of watch sales in the world. It is as if the invention is so incredible

that a touch of classicism was necessary in order to avoid being completely off track – something that is often seen in the world of innovation. Breaking the rules and revealing something radically different is associated with the stress – understandably – of asking whether one should be completely disruptive. Are we being “too” unconventional? “Too” shocking? A perfectly normal reaction, perhaps, particularly during the early phases of the launch.

Some traditions are better being maintained to “reassure” the final customer. But this is without taking account of the brand’s long-term view, which, through its new H3 collection, demonstrates its desire to be totally different by proudly showing off an unusually shaped case.

HYT’s first performance: H1. A piece of fine watchmaking, developed in collaboration with Chronode, the same manufacturer that had worked on the complications of both Cyrus and Brevé. The introduction of fluid into a watch movement immediately attracted attention and established the identity and reputation of the brand. Journalists searching for something different (in a rather classic environment) will naturally and spontaneously write about the only watch brand that has managed to develop a major innovation (a bet) enabling it to become far better known than a brand that has stuck to more conventional and traditional codes – and, what’s more, managed to do this without any financial clout.

The strength of an independent brand lies precisely in its ability to innovate and to take risks – to dare to take paths that the large groups/corporations and watchmakers would never take. To dare to develop what everyone thinks is too complicated. To dare to reject the codes.

HYT’s liquid engineering also plays the emotional and historical card by reminding us of the role of water clocks in our history. While the oldest water clock ever found dates back to the time of the Pharaohs, it was not until 3400 years later that it became possible to overcome the force of gravity and to tell the time with fluid in a mechanical wristwatch. A Pharaonic task.

The basic idea itself is, however, relatively simple: two flexible reservoirs welded together and fixed to each end of a capillary tube. In one reservoir, an aqueous liquid containing fluorescein, and in the other, a clear viscous liquid. The two liquids are kept apart by the repulsive force of the molecules of each fluid, with the meniscus between the two.

If we observe the mechanism at 6am,<sup>41</sup> one of the two reservoirs contracts, while the other expands, and vice versa, causing the fluid to move within the capillary tube. Over time, the fluorescent liquid advances. The crescent-shaped



FIGURE 4.1 / H1 Titanium Black DLC. Courtesy of HYT

meniscus marks the point between the two fluids in the tube and indicates the time. At 6pm (in fact, when the fluid has completed one turn of the dial) the fluorescent liquid returns to its initial position by moving backwards. How do these two reservoirs function? The secret is two extremely flexible and resilient electro-deposited alloy bellows driven by a piston. And it is to activate this system that watchmaking skills are necessary, orchestrated by Jean-François Mojon and his team from Chronode.

The mechanical movement, housed in the upper part of the watch, makes a cam drive the piston, which then activates the bellows. The main challenge was finding an interface between the mechanical movement and the fluid system in a closed and sealed circuit. The first difficulty was that there was not a lot of space to accommodate them and, second, they each had to be assembled separately to be independent, but to enable them to work together. This was a delicate modular operation that led to other constraints such as assembling the dial in two parts by the sides.

Like all independent brands with an innovative idea, HYT initially encountered a number of difficulties, one of which concerned the accuracy of the timekeeping by the fluid. Fluid is notoriously sensitive to temperature differences and this problem prevented the early prototypes from being accurate.

The brand took the immediate and necessary action to solve the issue, but this illustrates once again how the creation of an innovative brand requires the benefit of experience. Any new concept needs time and a test phase to develop in the best way and this explains why many brands rely solely on movements with a proven track record (ETA or Valjoux movements, for example, in watchmaking), in order to reduce any risks related to new or innovative ideas.

But without HYT, who would have dared? If young creative brands were not present to show what was possible, Swiss and worldwide watchmaking in general would surely be so much the poorer. By daring to be different, HYT were able to show that traditional mechanical watches offered watchmaking an unexpected future. HYT is the proof that traditional watchmaking is far from lacking in innovation and new ideas.

Although the basic idea was simple, its implementation was more complex. On the watchmaking side, Jean-François Mojon and his associates at Chronode; on the fluids side, Preciflex, the company holding the patents created by the founders of HYT – Patrick Berdoz, Lucien Vouillamoz and Emmanuel Savioz. Supporting Preciflex: Helbling Technik, from the medical field, where fluid motion is used in certain treatments. An amazing adventure,



**FIGURE 4.2** H2 Iceberg White Gold. Courtesy of HYT

bringing two seemingly diametrically opposed worlds together, to a place where a unique technology destabilizes not only the field of watchmaking but also that of medical technology (medtech), as the pump system opens the way for new applications in the field.

A particular challenge faced by HYT was the development of fluids that would match the specifications of watchmaking: color, texture, resistance to vibration, shock and variations of temperature, without changing over time in a fully sealed system. These imperatives would require a number of innovations. For this point alone, by 2014, Preciflex and HYT had been behind more than 20 patents.

On top of that, hydraulic force also involves pressure. When the liquid containing fluorescein has made one complete turn of the dial from 6am to 6pm, the emitting pump contracts, and the receiving bellows expand generating resistance, and consequently a need for more energy. To remedy this, Preciflex developed thoroughly innovative bellows made from very fine alloy that was both flexible and resistant. Inspiration was taken from measurement sensors used by NASA but adapted to the needs of watchmaking. Their specially designed shape reduced the amount of energy required for compression, made them more shock absorbent and provided a reliable seal. Throughout the development process and in parallel with the engineering, the quantities of liquid used were the subject of much attention. Each microliter counted, and the total volume in the closed circuit had to be precise and sealed with a level of accuracy bordering on nanotechnology. Because of the unusual relationship between the watch crown (the part of the watch used to change the time, date and so on) and the fluids, a special system had to be designed to allow the time to be changed without the fluid circulating too rapidly and damaging the meniscus.



FIGURE 4.3 H3. Courtesy of HYT



FIGURE 4.4 / H3. Courtesy of HYT

Vincent Perriard, the CEO of HYT, set out to shake up the traditions and to revolutionize watchmaking with innovations that were both visible and comprehensible. Mission accomplished? You decide.

## Fernando and Humberto Campana, and Galleria O. Roma

Anticipating is a central step in developing a breakthrough innovation. It requires a supporting ecosystem of interpreters in a historically and spatially situated context: Paris, Milan, London or New York for fashion, Geneva and its surroundings for watchmaking, and so on.

Thus, establishing a conversation with other creative fields and “cultural industries” is a key characteristic of breakthrough innovators.<sup>42</sup> Artists, like fashion designers, are symbol creators and symbol makers. Art is indeed a privileged source of inspiration and it is no coincidence that large luxury groups are important patrons of the arts.<sup>43</sup> Art takes an off-the-wall stance, different, distanced, avant-garde, and from this viewpoint it is a constant source of inspiration.

An interesting illustration of this is the case of Brazilian designers Fernando and Humberto Campana, the Campana brothers, and their collaboration with Galleria O. in Rome.

The Campana brothers are based in the Santa Cecilia neighborhood in São Paulo, Brazil, and are the creators of iconic pieces such as the “Vermelha” chair, the “Favela” chair and the “Multidão” chair.

The Campana brothers take inspiration in Brazil’s contrasts and paradoxes to effectuate a transformation, to create “something out of nothing.” Using everyday materials such as red rope, wood offcuts, discarded planks and upholstered fabrics, they create new forms and shapes. The “Favela” chair symbolizes this approach: it takes inspiration from “gambiarra,” the problem-solving approach of people living in Brazilian *favelas*. Given the absence of means, people take any available materials to manually build their homes (cardboard, metal, fabric, and so on).<sup>44</sup> Consequently, the “Favela” chair consists of dozens of pieces of wood that look like offcuts and discarded planks, assembled by hand.



**FIGURE 4.5** / Fernando and Humberto Campana. Courtesy of Estudio Campana.  
Photo by Fernando Laszlo

Indeed, “the inventiveness of Brazil’s poor and their ability to adapt, modify and reuse materials is a crucial element in the Campana brothers’ approach to design [...] this dialectic between the lowly and the luxurious is often curiously self-evident in their works, raising questions about material value and the different kinds of value that culture and society place on objects. With such reflexivity, the pieces exude a forthright and engaging awareness of the current condition – its issues, problems, paradoxes, contrasts and, indeed, its beauty.”<sup>45</sup>



**FIGURE 4.6** / Fernando and Humberto Campana. Favela Chair, 2003. Frame in natural pine or teak. Scratch-proof plastic pads. Teak version suitable for outdoor use. H 74 x 67 x 40cm. Courtesy of Edra and Estudio Campana

The Campana brothers’ work has been acknowledged not only for its beauty and originality, but also for its strong sociopolitical content. This contrasts with the dominant minimalist view typical of Western design back in the 1990s when the brothers started to get international recognition. Sustainability and recycling are central elements in their creation and stimulate a healthy debate about the excesses of the economic model of planned obsolescence.

As such, Fernando and Humberto Campana keep a keen eye on Brazil's idiosyncrasies to speak an "international language of transformation and reinvention, of pluralism and hybridization."<sup>46</sup> They develop "a distinctively twenty-first century creative process" where products are "universal as well as individual, the local will feed back to the global and will animate world brands to become fervently interactive and reactive."<sup>47</sup>

Turning now to Galleria O. Roma, this gallery was founded in Rome in 2009 by Roberto Giustini, Rossella Peruzzi and Stefano Stagetti. Prior to their association, Roberto Giustini had been involved in many contemporary design and art projects for private and public spaces and curated exhibitions and editorial projects in his own gallery. Rossella Peruzzi and Stefano Stagetti both specialized in Italian design and decorative arts between the 1920s and 1970s. Galleria O. Roma works with Italian modern design, focusing primarily on Gio Ponti and Fontana Arte. As regards the contemporary design, through the ongoing project *Privato Romano Interno*, curated by Emanuela Nobile Mino, international authors are invited to rethink Roman and Italian historical, artistic and crafts traditions, in order to develop new collections of works exclusively designed for the gallery, presented in the form of site-specific installations inside historically relevant architectures which are conceptually connected to the project of each designer.

And it was with the *Privato Romano Interno* project that the Brazilian Baroque Collection by the Campana brothers had its origins in 2010. Given the Campanas' "*baroque soul*," Galleria O. Roma invited them to come to Rome to explore how a collection could be started that would combine their approach with the crafts and the culture of Rome. Eventually, they came up with the idea of exploring the baroque period, a period that was important in both Italy and in Brazil, with masterpieces by Aleijadinho and others in Ouro Preto and elsewhere in the state of Minas Gerais, in Brazil's south-east.

One of the places that provided particular inspiration was the Palazzo Pamphilj, one of the most significant examples of the excellence of Roman baroque, home to the Brazilian Embassy in Rome, and the huge frescos of the Galleria Cortona vault painted by Pietro da Cortona. The palace was built when Cardinal Gian Battista Pamphilj became Pope Innocent X in 1644 to reflect his family's increased prestige. It integrated designs from the baroque architect Francesco Borromini and the painter Pietro da Cortona, who was commissioned to decorate the gallery vault: "His secular fresco cycle depicts scenes from the life of Aeneas, the legendary founder of Rome, as recounted by Virgil. The Pamphilj claim to be descended from Aeneas [...] the Pamphilj Gallery was long with a low vault, which meant that a single viewpoint to see

the frescoes was not possible. So Cortona devised a series of scenes around a central painted framed 'Apotheosis of Aeneas' into the Olympian heavens. The elaborate doorframes regularly spaced along the longer walls of the Gallery display a combination of motifs typically used by Borromini and by Cortona."<sup>48</sup>

A key decision was to integrate noble materials, such as bronze and marble, whereas until then, the Campana brothers' approach mainly involved taking everyday materials and objects and making them noble. The Campana brothers then worked in close contact with local Roman artisans in a creativity project that led to the development of two collections: the Brazilian Baroque Collection and the Barroco Rococó.



**FIGURE 4.7** / Fernando and Humberto Campana. Aleijadinho Candlestick, 2011. Gilded bronze and Carrara statuary marble. H 73 x 45cm. Edition of 35. Edited by Galleria O. Roma. Courtesy of Galleria O. Roma and Estudio Campana

The Brazilian Baroque Collection is composed of furnishings that were presented in the exhibition “Privato Romano Interno. Fernando and Humberto Campana. Brazilian Baroque Collection” held at Palazzo Pamphilj in Rome, from May–June 2011. The Aleijadinho Candlestick is one example of this collection. It is made in gilded bronze and Carrara statuary marble, two noble materials, but closer examination reveals the creative spirit and means of assembly and recycling characteristic of the Campana brothers.

According to Humberto Campana, “for us it is very important to work with the tradition, but we try to approach it in a light way, which can certainly be risky at times. In the Brazilian Baroque Collection, for example, there is no rigidity, the pieces come from reconstruction, reordering of chance. The modernity of our work also lies in demonstrating that with the scraps of the past you can construct not only the present but also the future. I believe the freshness of our work lies here, in constructing a new vision.”<sup>49</sup>



**FIGURE 4.8** / Fernando and Humberto Campana. Humberto Coffee Table, 2012. Gilded bronze and black marquina marble. H 55 x 35cm. Edition of 25 + 2 AP. Edited by Galleria O. Roma. Courtesy of Galleria O. Roma and Estudio Campana

The evolution of the Brazilian Baroque Collection gave birth to a collection of furniture named Barroco Rococó presented at the Musée des Arts Décoratifs in Paris, from September 2012 to February 2013. This collection was marked by “further accentuation of the surrealist aspect of the forms, which became

more sober, and of the decorative features, which took on a more folk, exotic and 'fauve' look." They included serpents, crocodiles, feet and heads of chickens in a process that recalls previous creations like that of the "Multidão" chair.



**FIGURE 4.9** / Fernando and Humberto Campana. *Settimio Cabinet*, 2012. Gilded bronze and bamboo. H 195 x 108 x 60cm. Edition of 3 + 1AP. Edited by Galleria O. Roma. Courtesy of Galleria O. Roma and Estudio Campana

This process led the Campana brothers to define baroque as "transgenic." As curator Emanuela Nobile Mino writes, this is: "due to its thrust as a degenerating interpenetration of different local and contextual interpretations taken on by this style in different cultural contexts, incorporating dreamy overtones and reawakening a sense of wonder and amazement, encouraging the user to take part in a spectacular narrative that combines the rigor of the official, propaganda-driven Baroque of the Rome of Innocent X and the outgoing, humanized character of the sculptural decorativism of Aleijadinho."<sup>50</sup>

In this process, the profound meaning that "recycling" takes in the Campana brothers' work is also highlighted: not simply reusing objects, but also



**FIGURE 4.10** / Fernando and Humberto Campana. *Settimio Cabinet*, 2012 (detail). Gilded bronze and bamboo. H 195 x 108 x 60cm. Edition of 3 + 1AP. Edited by Galleria O. Roma. Courtesy of Galleria O. Roma and Estudio Campana

retrieving the gesture involved in their use: “recycling is thus seen as an *action trouvée*, or the recouping of existing, indigenous manual practices or of poor, natural or noble materials that may be on their way to extinction.”<sup>51</sup>

Another collaboration developed by Galleria O. Roma was the one between the Campana brothers and Fendi in 2013, which resulted in a collection of furnishings using Kidassia goat fur as the prevailing material: the “Gotimulo Cabinet,” the “Giglio Lamp,” the “Trono Armchair” and the “Kidassia Chair.”

It is an eclectic process of the confrontation of the sacred and the profane, the aesthetic and the functional, which takes on an ironic note symbolized by the name of the collection: “Dangerous Luxury.”



**FIGURE 4.11** / Fernando and Humberto Campana. Kidassia Chair, 2013. Teak and white Kidassia goat fur. H 116 x 47 x 46cm. Edition of 12 + 2 AP. In collaboration with Fendi. Edited by Galleria O. Roma. Courtesy of Galleria O. Roma and Estudio Campana



**FIGURE 4.12** / Fernando and Humberto Campana. *Gotimulo Cabinet*, 2013. Olive wood and brown or white Kidassia goat fur. H 200 x 70cm. Edition of 6 + 2 AP. In collaboration with Fendi. Edited by Galleria O. Roma. Courtesy of Galleria O. Roma and Estudio Campana

According to Fernando Campana: “those projects helped us to approach classicism, or perhaps to be reconciled with it. We have often been criticized for being either too baroque or too avant-garde. This project has established a different position of our work; we have managed to put the classical and the modern into a situation of communication. I believe this experience has triggered a new aesthetic process.” Humberto Campana adds: “It often happens in fact that people laugh when looking at our pieces! I guess they think: it’s impossible! It is similar to what Tim Burton does through his works, presenting the reality of things in a different perspective.”<sup>52</sup>

Seeing things from a new perspective is central in the Campana brothers’ creative endeavor. As designer writer Cristina Morozzi: explains “the hybrid soul of Brazil makes them ready to gather narratives from different, distant cultures. With the sense of wonder of children, they absorb experiences, knowledge, and visions of other worlds to weave new narrative plots. The warp reveals the original framework based on the exuberance of their country, but each time the weave is a surprise, because like ‘kids’ they have the capacity to identify with the stories of others, instinctively, through the culture of making, sharing the work with the hands and the construction, piece by piece, so the work sprouts forth spontaneously, flourishing, out of the fertile ground.”<sup>53</sup>

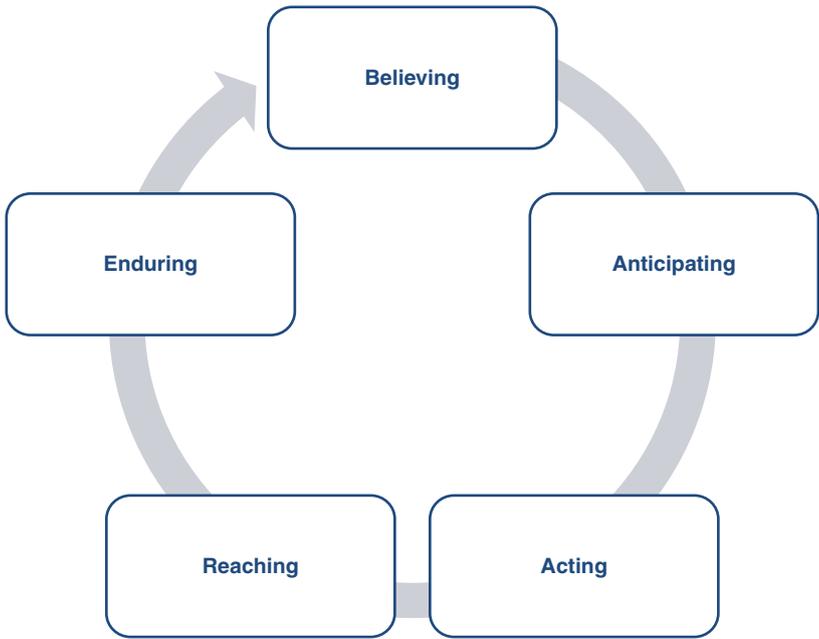
This is a fitting metaphor to inspire breakthrough luxury innovators in creating new codes.

## Code breakers

Let’s now see how these bold innovators’ companies followed the stages in the BA<sup>2</sup>RE<sup>®</sup> luxury strategy approach (Figure 4.13) in their innovation strategy.

### Believing

The concept of believing rises to a new height when it comes to breakthrough innovation. It goes further than just creating an exceptional product; it comes to represent a worldview, a vision, and often a mission to change the state of things, which is personally incarnated by the independent creator/entrepreneur him/herself: Yohji Yamamoto; Martin Margiela; Miuccia Prada; Isabel Marant; Patrick Berdoz, Lucien Vouillamoz and Emmanuel Savioz at HYT; Fernando and Humberto Campana.



**FIGURE 4.13** The BA<sup>2</sup>RE<sup>®</sup> luxury strategy approach

In Isabel Marant's words: "I had a very precise idea of what I wanted to do and I was totally determined to do it myself and not work for anybody else. I started with a jewelry collection because I could not afford to launch a garment collection."<sup>54</sup>

## Anticipating

It is not only a product or service, it is a representation of a worldview that breaks with existing meanings and codes, being tuned with a certain avant-garde in sensing, anticipating and shaping *l'air du temps*. Codes dominate the arena, and to break the codes you first need to know them...

Codes dominate the arena, and to break the codes you first need to know them...

Miuccia Prada brought nylon to the luxury fashion industry, Martin Margiela and Fernando and Humberto Campana changed the representation of detritus, Yohji Yamamoto and Rei Kawakubo changed forever the way we dress.

## Acting

These companies have rather limited resources, they have to be creative with existing means and turn to partnerships as a means to expand their resources, as demonstrated by the Campana brothers and Martin Margiela.

HYT provides an interesting take on the efforts necessary to overcome technical and commercial hurdles to succeed a breakthrough innovation. Creative talent is central and often represented by the CEO.

We should maybe point out in passing that creation does not mean income; profitability often comes from “chemicals,”<sup>55</sup> and this goes some way toward explaining the fortunes in the 1990s of, for example, Thierry Mugler and Jean-Paul Gaultier on the one hand, and Claude Montana on the other. It is also one of the reasons that motivated Clarins to relaunch fashion at Mugler in 2011, by bringing in Nicola Formichetti as creative director, through fears that perfume sales would suffer from a lack of association with fashion. Since Thierry Mugler had been retired for over a decade and the “Angel” generation, launched in 1992, was approaching 40, Clarins thought it fitting to revive the fashion arm of the business by choosing a trendy designer who was into new technologies that young people could relate to (Nicola Formichetti stayed at the brand for two years before leaving for Diesel, and was replaced in 2014 by David Koma).<sup>56</sup>

## Reaching

Through its offer, the company can generate new meanings that break with the established sociocultural models, creating a new “language.” Transgression and provocation are often used as communication tools, and digital takes a central place in these companies’ communication strategy in order to spread their disruptive message.

## Enduring

These companies show that by strategically choosing to disrupt existing codes and meanings, and by maintaining a long-term vision, they can open new market space and eventually build a lasting legacy. They inspire, lead and shape product categories and create the powerhouse names that are so much admired today.

More than that, at their helm, we find inspirational, *larger than life*, characters who are role models for younger generations.

In the poetic words of Yohji Yamamoto: “How to end? How to stop? But I couldn’t find a way to stop, until now, so I declared [...] I will make all my effort until I fall down.”<sup>57</sup>

# Eagle in the Aquarium

## Introduction

Several companies are disrupting the way that luxury companies create, deliver and capture value. Globalization and digitization are powerful enablers to reconfigure resources at the levels of funding (e.g. crowdfunding), design (e.g. 3D design), manufacturing (e.g. 3D printing), distribution (e.g. online platforms), marketing and communication (e.g. online social networks). The eagle in the aquarium symbolizes these “invaders” in the luxury ecosystem, which will be presented in this chapter.<sup>1</sup>

\* \* \*

Paris, 1 July 2014. More than 250 high-profile attendees gathered at 25 Rue du Petit Musc in the 4th arrondissement for a conference with an unusual name: “Hackers on the Runway.”<sup>2</sup> During the two-day event, speakers such as Silicon Valley star Seth Godin, or Charles Adler, co-founder of Kickstarter.com, showcased how the digital revolution can bring profound change to the luxury industry.

The organizer of this event: The Family,<sup>3</sup> an accelerator co-founded in March 2013 in Paris by Alice Zagury, Nicolas Colin and Oussama Ammar, is a newcomer on the French economic scene. The Family’s ambition is to align the interests of Ile de France actors by offering training and “unfair advantages” for start-ups, investors, corporates and high officials. They aim to “make a change in a French landscape ruled by elitism and where youth and diversity are systematically excluded.”<sup>4</sup>

Humor pervades the philosophy and the communication of the group: its training program is called “koudetat” and is described as “the ultimate alternative to an MBA for entrepreneurs!” “Unchain my art” is a program for “empowering artists to break free through digital entertainment” and “growth hacking” is its substitute for classic marketing training.<sup>5</sup> By late 2014, the accelerator had supported more than 200 start-ups and had three venture capitalist funds supporting its development: Index Ventures, Idinvest Partners and White Star Capital.<sup>6</sup>

Coming back to the “Hackers on the Runway” event, can we say that digital technology is changing luxury? The answer from the conference was a categorical yes. Reality is, however, less clear, and as Brooke Unger from the *Economist* rightly noted in his account of the event, luxury is a conservative sector and changes take place progressively.<sup>7</sup>

Changes do however take place. In this chapter we explore how “invaders” are reconfiguring resources and processes to produce distinct value creation systems. Globalization and digitization are powerful enablers in this journey, through their capacity to loosen constraints.

So we enter the realm of value constellation and how to reconfigure the value space resources in terms of when, where, who and with whom (Figure 5.1):<sup>8</sup>

- Time: when things can be done.
- Place: where things can be done.
- Actor: who can do what.
- Constellation: with whom it can be done.

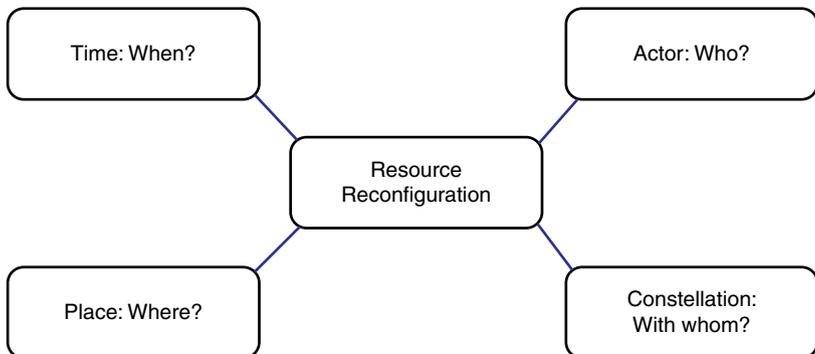
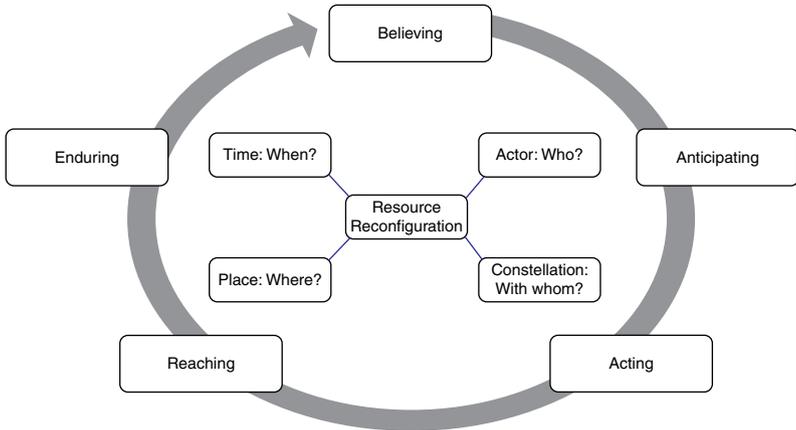


FIGURE 5.1 Dimensions for resource reconfiguration

These dimensions will impact all the stages of the BA<sup>2</sup>RE<sup>®</sup> luxury strategy approach (Figure 5.2).



**FIGURE 5.2** Resource reconfiguration at the center of the BA<sup>2</sup>RE<sup>®</sup> luxury strategy approach

We present five fields of opportunity for entrepreneurs and independent companies:

- funding;
- design;
- manufacturing;
- distribution;
- marketing and communication.

## Funding

The classic process for a talented young creator until recently would have been to: (1) graduate from a prestigious school such as, for fashion, École de la Chambre Syndicale de la Couture Parisienne in Paris, Parsons in New York, or Central St Martins in London, or WOSTEP in Neuchâtel for watchmakers; (2) get hired by a prestigious label; (3) work for several years, until eventually (4) getting investors on board to launch his or her own brand.

What if this process could be turned upside down?

Thomas Steinemann (although admittedly not a young creator) did just this when he bought the dormant Swiss watch factory Dubois et Fils in

2010.<sup>9</sup> Founded in 1785, Dubois et Fils is one of the oldest Swiss watch brands and Steinemann was convinced that raising equity would be possible. But he quickly (re)discovered that if investors put money into a venture, they want to have a say in its operations, and this was out of the question for him. He wanted to stay in control of the entire process, from design to distribution.

Unable to find investors, Steinemann eventually turned to crowdfunding. As a former marketing professional who had introduced Fossil, the American watch brand, into Switzerland, he felt that “the idea of getting a lot of people involved is very powerful for a brand. It’s almost more important than finding the money.”<sup>10</sup> His crowdfunding strategy was to propose a low buy-in with the following benefits: for CHF500, individuals could become shareholders of “the oldest watch factory” and acquire the right to buy a CHF9000 watch at half price; between CHF3000 and CHF10,000 of share capital (the Diamond Club), the reduction was 70% and enabled the purchase of one watch per year for several years and to choose a certain number of “limited editions.”

The company aimed to raise a total of CHF1.5 million and handled the shares electronically in partnership with Marcus Eilinger, head of I-D Connect, who also designed the watches. The payment was made up front but segregated on a bank account that would only release if the total amount was collected.

Fortunately, demand far exceeded the initial offer with shares being purchased by a total of 587 investors from 21 different countries. Dubois et Fils reached their funding goal in January 2013, just five months after the launch. Thomas Steinemann acknowledges that he was the first to be surprised by this success. He is certain that crowdfunding can be beneficial for many other companies: “Crowdfunding is about bringing investors, consumers and brands together and proving that we can be successful differently.”<sup>11</sup>

The first watches were released in July 2013: two models for women and three models for men. One example of the women’s collection is the Chronograph Big Date with a diamond bezel: it features a guilloche mother-of-pearl dial and is powered by an ETA automatic movement further enhanced with a Dubois-Depraz 4500 big date module. The 41.5 millimeter watch features a sapphire crystal and case back for viewing the movement. It offers indexes and numerals with SuperLuminova for easy reading in the dark and is water resistant to 5 ATM. Its retail price is US\$17,990,<sup>12</sup> and each model is limited to 99 pieces. At the end of 2013, Dubois et Fils had sold 260 pieces and had broken even.

Across the Atlantic, a similar initiative was taken in Boston. We are no longer in the realm of luxury, but the endeavor mimics that taken by Dubois et Fils. Three entrepreneurs launched Boston's first micro-shoery, the Boston Boot Co. project,<sup>13</sup> on Kickstarter – the funding platform for creative projects. The entrepreneurs wanted to revolutionize shoemaking in the same way that micro-breweries had revolutionized the beer sector. Their shared vision was “to bring style, durability and comfort together in a pair of boots as resourceful as we are.”<sup>14</sup> The boots were designed in the image of Boston: “smart, rugged, classic in its style, bold in its innovation and weather-proof.”<sup>15</sup>

Three collections were planned: (1) the Commonwealth: a classic chukka boot made with Horween Chromexcel leather and full calf leather lining; (2) the Newbury: a classing wing-tip boot made with Horween leather and waxed canvas uppers; (3) the Cambridge: a rugged moc toe with combinations of Horween Chromexcel leather and waxed canvas.

The boots are made in small runs and Horween Leather Co. from Chicago, a company founded in 1905, is their exclusive supplier of waterproof leathers. Caring for comfort is also central and they custom-engineered a footbed where dual-density polyurethane layers support and cushion the foot, and the top layer of molded foam allows for increased breathability and a soft compression layer. Finally, the red eyelet is a *clin d'oeil* for Boston inhabitants.

Rewards for crowdfunders included:

- \$25 pledge: a set of four Horween leather beverage coasters;
- \$40 pledge: a pair of Boston Boot Co. comfort insoles;
- \$100 pledge: a pair of boots (limited to 250 pairs);
- \$125 pledge: a pair of boots;
- \$225 pledge: two pairs of boots;
- \$325 pledge: three pairs of boots.

The company pledged US\$25,000 and launched its campaign on 1 November 2013. Just 32 days later it had collected ten times more: a total of US\$248,108 from 1,646 backers. It started shipping its boots in 2014 and later introduced another collection: the Lewiston-Maine.

A similar tale has been reported by the luxury resort of Weissenhaus in its expansion in Germany's Baltic Coast, having collected more than €3.3 million, three times more than expected.<sup>16</sup> At the end of 2014, British porcelain maker Wedgwood also resorted to crowdfunding to secure the Wedgwood Collection, which includes more than 80,000 works of art, manuscripts,

photos and ceramics from the brand's 250-year history. It raised the \$4.37 million it needed from almost 7,500 individuals.<sup>17</sup>

What is so interesting about crowdfunding?

First and foremost are the low entry barriers for creative entrepreneurs and designers. Crowdfunding provides a shortcut for reaching a critical audience and pre-testing market acceptance before making substantial financial commitments. As Thomas Steinemann from Dubois et Fils explains: crowdfunding connects clients, investors and the creator/brand. Banks take notice of that and favor funding projects that receive crowdfunding: in France, funding from banks can reach a multiplier of four to the amount raised through crowdfunding. It is also an interesting way for incumbents to spot new talent.

A twist on the form of crowdfunding are platforms such as Quirky.<sup>18</sup> Such platforms seem to be successful for functional products, but are less appropriate in our aesthetic- and symbolic-driven realm.

Crowdfunding is part of a larger movement that Peter Hesseldahl has called the "We-economy,"<sup>19</sup> and Jeremy Heimans and Henry Timms call the rise of a "new power."<sup>20</sup>

- Old power is like a "currency": it is held by few, it is closed and leader-driven.
- New power is like a "current": it is participatory, open and peer-driven (see Table 5.1).

**TABLE 5.1 Old power versus new power values**

Old Power Values	New Power Values
Managerialism, institutionalism, representative governance	Informal, opt-in decision making; self-organization; networked governance
Exclusivity, competition, authority, resource consolidation	Open source, collaboration, crowd wisdom, sharing
Discretion, confidentiality, separation between private and public spheres	Radical transparency
Professionalism, specialization	Do-it-ourselves, "maker culture"
Long-term affiliation and loyalty, less overall participation	Short-term, conditional affiliation; more overall participation

Source: J. Heimans and H. Timms, "Understanding 'New Power,'" *Harvard Business Review* (December, 2014).

It is not hard to spot on which side of the table most luxury players stand... And this is good news for entrepreneurs and creators.

In summary, taking the example of Dubois et Fils, crowdfunding enables breakthrough resource reconfiguration (see Figure 5.3).

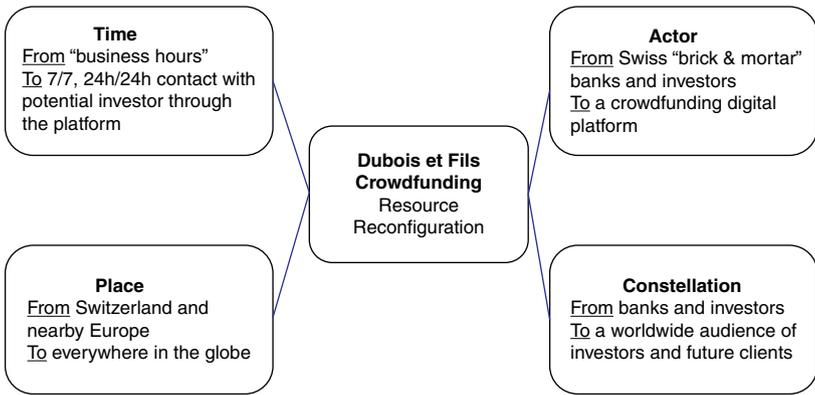


FIGURE 5.3 / Dubois et Fils crowdfunding resource reconfiguration

## Design

Julien Fournié is a Paris-based creator catering to a very specific niche: haute couture for young ladies and teenagers.<sup>21</sup> He has been designing gowns under his own name for a clientele from Europe, the Middle East and Asia since 2009 after ten years working in the studios of Jean-Paul Gaultier and Claude Montana, among others. He was the award-winner of the 2010 Grand Prize of Creativity delivered by the City of Paris, and his designs have been worn by many celebrities such as Ebony Bones, Cheryl Fernandez-Versini, Gabriella Wright, Nicole Scherzinger and Beyoncé.

Although dealing with clients who are able to pay €25,000 for a dress, Julien Fournié faces the same challenges as any other creator, and cash is often a key issue. For example, if he has to make a test with haute couture embroiderers at Maison Lesage, this would incur a certain cost and take a certain amount of time.<sup>22</sup>

In order to open up new possibilities for his creative process he decided to take part in a breakthrough experiment with Dassault Systèmes engineers in their FashionLab initiative.

Dassault Group is a French holding that groups several companies including Dassault Aviation (and its three sister companies: Dassault Falcon Jet,

Dassault Falcon Group and Sogitec), SABCA (aeronautics and space industries), Groupe Figaro (media business), Château Dassault (wine maker in Saint-Émilion), Artcurial (auction house), Dassault Immobilière (real-estate operator) and Dassault Systèmes (3D software maker).<sup>23</sup>

Dassault Systèmes was created in 1981 to design 3D products through the spin-off of a team of engineers from Dassault Aviation. In the same year it launched its flagship brand, CATIA, the world's leading application for aeronautical design. Its subsequent development through combined organic growth and external acquisitions has resulted in a group composed of 9552 employees, with 53 labs, serving 190,000 enterprise customers in 140 countries, and generating a turnover of €2.06 billion in 2013.<sup>24</sup>

Dassault Systèmes is today one of the world leaders in 3D modeling and the FashionLab is its initiative focusing on the fashion industry. It aims to give rise to a fashion 3D experience that integrates design, simulation and a collaboration platform required to create an entire collection.<sup>25</sup>

It has partnered with two designers, Julien Fournié for apparel and haute couture, and François Quentin, the founder of 4N and designer of complex luxury watches, for watches and accessories, to incubate an initiative called 3D Holistic Design Solutions for Fashion.

Working with Fournié and Quentin, FashionLab engineers have modeled the design process and came up with five steps:<sup>26</sup>

- “I draft new design intent”: first draft of the front and the back of the garment.
- “I sketch my collection”: 2D and 3D sketching illustration.
- “I design my model in 3D”: 3D creation with parametric shape.
- “I make it real”: manufacturing of the piece.
- “Show time”: catwalk show.

This process helps a designer to create a complete garment directly on a screen and enables them to visualize the result immediately and in three dimensions. With this technology, changes in style, color, type of fabric, checking how it drapes and making some sourcing tests are all accelerated, as is time to market. It also allows designers to keep control of the bottom line by obtaining the cost to design or the design to cost. Besides the desire to experience something new and to potentially help shape the future, Julien Fournié was attracted by the initiative for the potential it offered to save time and reduce costs.<sup>27</sup>

Another interesting feature of the FashionLab is the possibility to spread the 3D process over the entire product development process, the solution being sharable with all internal departments (marketing, sales and so on) and, eventually, available for consumers in stores or on the web.

Proof of the process is the fully digitally designed capsule footwear collection that was part of Fournié's Fall/Winter collection presented on 8 July 2014 during the Paris Haute Couture Fashion Week, a collection which had been unveiled previously in May 2014 during a 3D experience event at the W Hollywood hotel in Los Angeles.<sup>28</sup>

One of the areas that received particular attention from the FashionLab was embroidery, where technology is seen as a way to enhance traditional craftsmanship. As 3D becomes the medium for the whole creative process,<sup>29</sup> the designer is potentially able to retake center stage – a pertinent point given the context of this book – and eliminate any intermediaries who are helping them to “translate” their message. According to Jerome Bergeret, director of FashionLab “technology is great when not visible [...] we want to claim that technology will never replace craftsmanship or human expertise. In fact, we think that technology and innovation should support and enhance expertise and human heritage.”<sup>30</sup>

The FashionLab has two other incubation projects:<sup>31</sup>

- Trend gathering: aimed at gathering and managing trends before the launch of a new brand, season or collection.
- Luxe Store Experience: an application that covers all the steps from store creation to 3D store representation and implementation strategy.

Trend gathering aims to provide a solution that will help a designer to manage everything concerning trends before starting to structure their collection: how to leverage their assets; how to collect, manage and take advantage of information found on the web, combining technologies from search engines, social network and dynamic/instant follow-up of the activity on the net.

A central goal is to capture the physical mood board and present it digitally by collecting and dematerializing all the physical elements usually pinned on to a physical board (pictures from magazines, scraps of fabric, color samples and so on) to somehow emulate Pinterest,<sup>32</sup> the leading visual online social network.

Luxe Store Experience on the other hand is an application that will cover all the steps of store creation: from a 2D blueprint (architectural drawing)

through 3D store representation to physical store strategy implementation. It will also enable the creator to design the store's new furniture, manage its fitting out, organize it with goods, and simulate it to offer the desired consumer experience, all in 3D. Analytics will top all that to measure and analyze daily point of sales (POS) results and to adjust them promptly.

Dassault Systèmes is not alone in pushing new ways for digital collaboration innovation: in a class with a group of auditors in 2014 we experimented with the Hoozin platform from TakeMotion.<sup>33</sup> Hoozin is a digital collaboration platform built on Microsoft Share Point that solves project management issues faced by many companies. Internal communication tends to rely largely on the internet: e-mail, Twitter, LinkedIn or MS Lync for exchanging messages, Dropbox or Wetransfer for exchanging files. More and more people are asking what the intranet is good for. The Hoozin platform unifies these functions through different applications, one particularly interesting feature being the whiteboard, an application that takes the best of Prezi and PowerPoint to empower the digital collaboration of teams. The results of this experiment were very interesting,<sup>34</sup> and confirmed the need for a new profile: a digital collaboration manager.<sup>35</sup> Yet, as of November 2014, a Google search showed no educational institutions offering any training programs for this.

A key technology currently changing design work is that of 3D prototyping and 3D printing, which, until recently, was largely limited to "geeks". The number of users and *fablabs* has grown exponentially; machines have become more affordable and more user-friendly software packages have become available.<sup>36</sup> The interested reader can find plenty of information on this topic on the web and in the nearest *fablab*, but what should be highlighted here is the emergence of a "maker" culture, in parallel to increased flexibility and the impressive savings in time and cost that 3D technologies represent compared to traditional ways of prototyping.

Finally, it remains to be seen how online crowdsourcing could impact the luxury industry. The innovation crowdsourcing platform InnoCentive,<sup>37</sup> and similar platforms, have been pivotal, for example, for pharmaceutical or consumer goods companies adhering to open innovation, but to our knowledge not much has been done in the luxury industry so far. Intellectual property of tangibles and intangibles constitutes a major obstacle for that.

In summary, taking the example of Julien Fournié, 3D design enables breakthrough resource reconfiguration (see Figure 5.4).

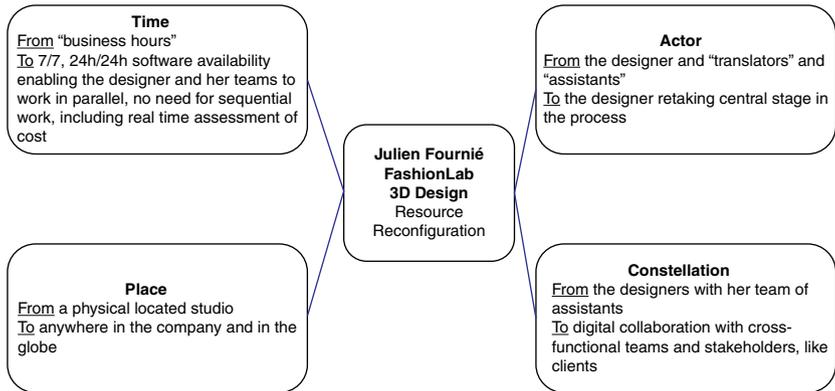


FIGURE 5.4 / Julien Fournié/FashionLab 3D resource reconfiguration

## Manufacturing

How will 3D printing impact the luxury industry? Should the realms of craftsmanship and intellectual property feel threatened? Tech apostles claim that the revolution is just around the corner, but we have the right to be a little bit skeptical. Would hundreds of mass production sites and economies of scale be reverted just like that? What are the environmental consequences? Who is liable for safety and regulatory constraints?

It is nevertheless a fascinating technology to observe and follow. One key implication has been highlighted by Jerome Bergeret, director of Dassault Systèmes FashionLab: some of the key steps between the creator and the consumer can collapse and radically change the way the industry is organized. Supply chain actors could disappear if production shifts to *made on demand* and local.<sup>38</sup>

Although we are skeptical about 3D printing making a serious incursion in luxury in the near future, its disruptive potential is certainly huge when we observe the potential resource reconfiguration:

- Time: from several weeks or months to right now and right away.
- Place: from production in global supply chains to local production.
- Actor: from traditional/original equipment manufacturers (OEM) to new actors.
- Constellation: a whole new value constellation would be necessary to set up this process.

Also, the coming wave of “wearable tech” or smart textiles will bring textile and electronics/communication technology together with intriguing questions on value capture.<sup>39</sup>

It is important to remember here that manufacturing decisions are one of the most strategic considerations to be taken by a luxury brand. *Made in* has a central role in the construction of the brand itself. Swiss watchmakers get their reputation by assembling their watches in Switzerland; Vignes, the luxury accessories brand presented in Chapter 3 proudly refers to its products as being made in France.

This is also what prevents some designers from countries such as China to localize production. Chinese designer Uma Wang, for example, conceives the brand’s collections and samples in Shanghai but will then manufacture most of them in Italy because of trade barriers, brand perception issues and the sourcing of certain fabrics.<sup>40</sup>

One of the major challenges to fashion companies in recent decades has been the rise of fast fashion and particularly of Zara. When we analyze the business model of Zara and Inditex, the retail fashion group, part of their competitive advantage comes from their impressive time to market given their strategic choice of locating more than 60% of production in Spain, Portugal and other nearby countries such as Morocco and Turkey, which are close to their main markets. Only clothes demanding little tailoring, such as simple shirts and basic chinos, are made in low-cost factories in Asia.<sup>41</sup>

The success of Inditex holds valuable lessons for innovators, highlighting how important it is to challenge industry conventions and turn entrenched practices upside down. “Our business model is the opposite of the traditional model,” says Pablo Isla, the group’s chairperson and chief executive. “Instead of designing a collection long before the season, and then working out whether clients like it or not, we try to understand what our customers like, and then we design it and produce it.” Speed is thus a key differentiating factor, making clients visit the shop four or five times more often than other fashion stores to look for novelty and, as such, reducing inventory levels and the need to mark down stock.

Moreover, with regards to manufacturing, there is a great opportunity for independents to change operations by striving for eco-efficiency and circular economy. We explored this opportunity at length in our previous book *Sustainable Innovation Strategy*, but it is worth briefly reiterating some of the main principles and examples.<sup>42</sup>

Eco-efficiency refers to “the effectiveness with which natural resources (mineral, energy and biological) are used by the industrial systems of production and consumption to meet human beings’ needs, at competitive prices, while reducing environmental consequences. It aims to gradually reduce the environmental impact and the quantity of the natural resources used throughout the life cycle of products and services, in order to reach a level in harmony with the earth’s capacity for self-renewal.”<sup>43</sup>

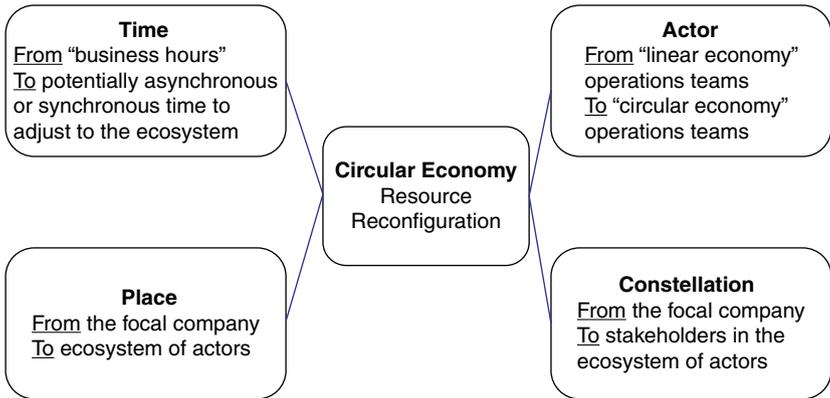
The “circular economy” is an industrial system that replaces the “end-of-life” concept by restoration and regeneration by intention and design.<sup>44</sup> By re-designing products, services or processes, it transforms a waste or previously unrecovered resource into a productive one that may be reused in closed-loop systems. Its most well-known facet is the cradle-to-cradle™ philosophy, which classifies all materials used in production processes around two kinds of metabolism, biological and technical. The “biological nutrient” is a material or a product initially designed to reintegrate into the natural cycle at the end of its life, being 100% biodegradable. A natural cotton T-shirt could be manufactured with such logic, so that once damaged, it could be composted as a natural biological nutrient (reproduction of a natural cycle). By contrast, the “technical nutrient” is a non-biodegradable material that can be recovered and reintroduced into a closed-loop production cycle, without loss of quality. The Ellen MacArthur Foundation, the most prominent promoter of circular economy, documents in its website cases such as wear2, where apparel is designed using a new yarn that enables items to be selectively disassembled at scale, making them suitable for reuse and resale of recovered materials.<sup>45</sup>

Several members of 1.618 Sustainable Luxury (mentioned in Chapter 4) have eagerly adopted these principles,<sup>46</sup> a potential winning logic when luxury is under attack for some manufacturing practices.<sup>47</sup>

Figure 5.5 gives an example of how the circular economy enables breakthrough resource reconfiguration.

## ／ Distribution

Distribution is one of the main playing fields for new actors in the luxury scene, both offline and online. Offline, impressive developments in retail and “lifestyle stages” keep mushrooming around the world, with China and the Middle East taking the top spot on this inflationary curve to seduce wealthy clients.



**FIGURE 5.5** Circular economy resource reconfiguration

Two recent examples from Dubai and Qatar set the tone. Dubai is building the "New Dubai" neighborhood to host the Expo 2020,<sup>48</sup> with an expected total investment of Dh32 billion (€8.0 billion) in infrastructure-related projects. Among its hallmark projects, two stand out: the Dubai Water Canal that will connect the Business Bay with the Arabian Gulf passing through the heart of Dubai, and the Mohammed Bin Rashid (MBR) City. This new city will focus on four components:<sup>49</sup>

- Family tourism, including a park equipped to receive 35 million visitors and a family center for leisure and entertainment set up in collaboration with Universal Studios. There will be over 100 hotel facilities to meet the needs of visitors.
- Retail, featuring the largest shopping mall in the world, "Mall of the World," over 743,000 square meters.
- The largest area for arts galleries in the Middle East and North Africa.
- A unique area that will provide an integrated environment for entrepreneurship and innovation in the region.

When it is known that Dubai already has some of the largest shopping malls in the world, such as the Dubai Mall and the Mall of the Emirates, these new developments are breathtaking.

Its neighbor, Qatar, does not want to lag behind in this fierce competition. In the scope of Qatar National Vision 2030,<sup>50</sup> the United Developers announced that it is to invest US\$1.25 billion to develop a luxury shopping complex inspired by Place Vendôme in Paris.

Work on the new shopping complex started mid-2014 and is expected to be ready by 2017. It will cover an area of 800,000 square meters with two five-star hotels, an amphitheater, several high-standing residences, a shopping mall with 400 prestige brands and a large esplanade with restaurants and coffee shops, mimicking Place Vendôme. It is worth noting that the same group is behind the Villaggio, a similar project in Qatar that is inspired by Italy.<sup>51</sup>

These developments, even if small-scale compared to luxury developments in China, showcase the major power of landlords in the industry, something that is not likely to change in the near future given the high-touch nature of luxury purchases and experiences.

In parallel, exciting developments are taking place online. Pioneers such as Net-à-Porter and Vente-Privée paved the way and are still guiding lights in the industry. Nathalie Massenet, for example, founded Net-à-Porter in 2000, which was acquired by Richemont in 2010 and then merged with Yoox in 2015. Net-à-Porter generates approximately 2.5 million unique visits in internet traffic to their website every month,<sup>52</sup> selling the major luxury brands in the industry.<sup>53</sup> It broke even in 2014 at the operating level, and sales reached around €700 million in its fiscal year to 31 March 2015.<sup>54</sup> Interestingly, in early 2014 Net-à-Porter launched *Porter*, a print magazine to create a physical experience of its website where clients could feel and use a dedicated app to buy garments directly from the magazine ads.

Vente-Privée, the darling of French flash sales, has also sparked other initiatives such as Gilt in the US or Glamour-Sales in China and Japan. So far the industry has remained reluctant to incursions from web giant Amazon.com. In a recent report, the L2 think tank from New York highlighted that only 16% of fashion brands distribute on the platform and those that do mainly distribute items that are licensed, such as eyewear. Amazon's efforts to crack down on fashion led it to a policy of limiting discount on high-end fashion, not asking for 'mark-down' money or taking returns on unsold inventory, but without much success for the time being. Fear of damage for brand equity is what led major luxury groups (LVMH, Kering and Richemont) to a non-engagement policy with Amazon, but this does not prevent third-party sellers from offering thousands of items from some well-known brands such as Gucci.<sup>55</sup>

Etsy is another model to be watched attentively by the industry. It does not focus on luxury or fashion, but on one of the pillars of the industry: craftsmanship. It has given craftspeople an international platform to develop their business and its mission has been to 'humanize' work and commerce.<sup>56</sup>

It borrowed eBay's reputation-building systems in which the two parties involved in the transaction rate each other, but also connect and exchange.

Likewise, several speakers at the "Hackers on the Runway" event, mentioned earlier, voiced their aim to build platforms to disrupt existing distribution business models:

- Greg Marsh is the co-founder and CEO of onefinestay, an upscale service similar to airbnb. The company was created in 2009 as an alternative to traditional hotels, by offering the possibility to stay in someone's place while they are out of town, proposing an "unhotel" experience.
- Kenneth Schlenker co-founded Gertrude in New York in 2012, a start-up whose mission is to connect people directly with artists at intimate events all over the world, with participants such as the New Museum, the Guggenheim, Paula Cooper Gallery, Pace Gallery, Phillips Auction House, Frieze, Google, Tumblr, Fabergé and Surface to Air.
- Vidya Narine is the CEO and co-founder of Le New Black, an online business to business (B2B) fashion platform where, as from November 2014, 231 selected brands and 5185 retailers from some 100 countries interact continuously. International retailers (from department stores to boutiques) can place their pre-orders online throughout the duration of each season, and the brands selected can enjoy permanent sales campaigns, maximize commercial opportunities and develop a stronger client base.
- David Klingbeil, at the origin of luxury blog "WebandLuxe," started Dymant, an international circle of excellence, by invitation only, that publishes and sells exclusive items made in limited editions by talented craft-people. In 2014, it announced a fundraising of €1 million from Partech, Idinvest and International Partners.
- Tim Kau co-founded luxTNT.com, which, by tapping into the larger society movement for a "sharing economy," proposes rental of luxury accessories for a young clientele.

On the latter, some observers suggest that this move to a "sharing economy," while not necessarily new, is gaining momentum.<sup>57</sup> From a company perspective, moving expenditure from capital (capex) to operational (opex) is a central motivation. It opens extended market space for providers of private jet leasing or luxury car rentals.<sup>58</sup> Uber, a mobility application, is growing exponentially, and more than one user has been surprised in Shanghai by getting a ride in an Audi A8. This can be explained by the fact that most high-profile executives in China have *chauffeurs* that are increasing the "resource use rate" and making some pocket money at the same time. Airbnb

is another player in this arena and a serious challenger to premium hotel providers.

While the concept of sharing luxury services has great potential, it also presents a certain contradiction, particularly when applied to personal and symbolic luxury goods. It is worth observing, however, that the evolving consumption habits of younger generations may bring a change to that.

Last but not least, technology has a great impact on the entire logistics supply chain by providing sophisticated logistical solutions, reconfiguring operations and creating new opportunities. The fashion logistics provider Lifestyle Logistics, based in China, is an example. The company, run by Brazilian-born founder and CEO André Suguiura, was awarded the first China Inspection and Quarantine import/export license from the Chinese customs in Shanghai partly due to an ingenious resource reconfiguration operation.<sup>59</sup> It currently distributes garments for several leading Italian and French luxury fashion brands as well as a major Spanish fast-fashion company. Information technology plays a vital role in providing agility and accuracy in its operations to continuously perform in China, the most complex and dynamic fashion market in the world.

Another facet of the transformation of distribution is the client experience. Omni-channel has indeed been a buzzword among consultants and industry experts in recent years, translating a reality observed on the ground: clients expect companies to provide a seamless transition between offline and online as they migrate between different “touchpoints” with the brand. Farfetch is in this sense a great example of an “eagle invading the aquarium” of traditional retail and succeeding in its journey.

Much has been written about the empowering role of technology to facilitate the impressive transformation of Burberry over the past decade or so under the creative direction of Christopher Bailey.<sup>60</sup> We would like just to highlight one feature of the design of its London flagship in Regent Street: in an interesting turnaround, online has influenced offline with the retail space being conceived as a visit to Burberry’s website. This is a shift that more and more companies are going to attempt and it clearly provides an opportunity for newcomers, given the difficulty that some traditional brands have in adopting new technology formats. The analysis from Credit Suisse that online sales will be the main growth driver for luxury brands by 2018 only confirms this opportunity.

Physical retail is inevitably moving from a brand’s point of sale to a showroom; a space where its history and story can be told and its image constructed, a space of discovery and service, a space where desire is created for

a client to buy offline or online, locally or abroad. Certainly a headache for the sales force's key performance indicators, but essential in these times of customer-focused organization.<sup>61</sup>

This re-creation and re-enchantment of the retail setting is obviously a major shift for many brands but one that can be facilitated with the use of technologies such as the 3D hologram, as we shall see in the next section with the case of Holition.

It is important to remember that this revolution in luxury retail has already started with independent innovators such as Carla Sozzani, founder of 10 Corso Como in Milan;<sup>62</sup> Sarah Andelman and her mother, founders of Colette in Paris; or Rei Kawakubo at Comme des Garçons – who have each conceived exceptional experiential lifestyle locations marrying luxury, arts and architecture.

This new approach to the retail experience is a clear opportunity for luxury independents. For instance, some independent European brands are considering the value of setting up a base in China. Given that Chinese clients make 70% of their purchases outside China, and increasingly in Europe, one possible and more affordable strategy would be to develop a digital platform in Chinese to target Chinese tourists heading to Europe. This way, brands could attract Chinese clients into their European stores and learn more about their clients' habits before making the costly investments currently necessary to enter the Chinese market.

A distinctive retail concept could be the perfect hook for that, as illustrated by the concept boutiques of perfumeries L'Officine Universelle Buly or Francis Kurkdjian in Paris.

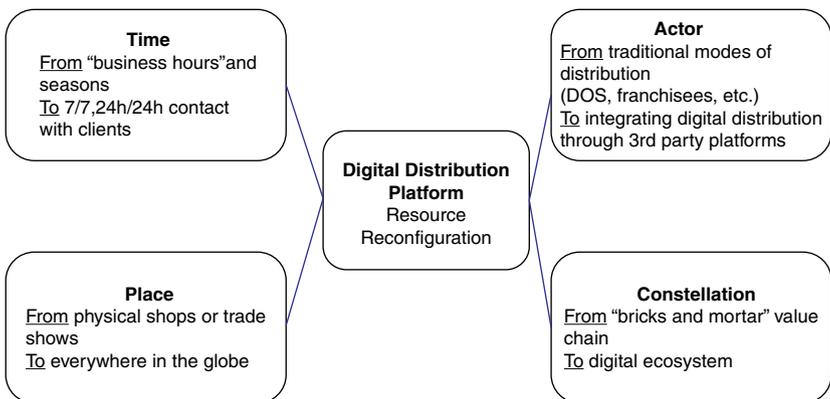


FIGURE 5.6 Digital distribution platform resource reconfiguration

In summary, “invaders” in the distribution value ecosystem are performing breakthrough resource reconfiguration, as exemplified by digital distribution platforms (Figure 5.6).

## Marketing and communication

Beijing, 13 April 2011. To celebrate the opening of Burberry’s new flagship store in China’s capital the company staged a catwalk show for 1000 guests, a snapshot of a Chinese young and affluent crowd.<sup>63</sup> At the entrance, video screens projected a view of London and its iconic attractions: Big Ben, the London Eye and the River Thames. The floor-to-ceiling show then started, with Mary Poppins-style trench-coated models flying, carrying Burberry umbrellas. The skies then opened, and Cara Delavigne and other British models invaded the screen to dance in the heavy rain dressed in Burberry outfits and accessories – a scene of typical British self-derisory style. The live show then started, with models striding down the catwalk in a colorful sample of the brand’s British iconic pieces to the sound of Adele’s latest hits.

But then a spectacular surprise: other models came on to the catwalk, but this time they were 3D hologram models, indistinguishable from the real thing, and they completely mesmerized the audience. These models walked, played, fused into each other, disappeared, and, above all, served the brand’s main purpose: to demonstrate its avant-gardism in bringing the latest technological tricks to build the brand’s identity and image with a young, connected and tech-savvy crowd. The Burberry Prorsum Autumn/Winter 2011 Hologram Runway Show was not the first time that holograms invaded the runway, but this show marked a tipping point in their capacity to create an immersive and impressive experience.

Shanghai, 16 March 2012. Alfred Dunhill, under the direction of marketing vice president Jason Beckley, made an audacious move: to invite the brand’s Chinese marketing team to Britain to grasp the brand’s essence and then give them freedom to translate their perception of how Dunhill’s values translate for its current Chinese client base. The result: the “Trafalgar” runway show held in March 2012 for some 1000 global guests. It was a surprisingly beautiful show where the models stood still to present the company’s outfits while 3D holograms created the magic by showcasing the four seasons in a magic giant “snow globe” setting. No walking, no aggressive music, just a beautiful soundtrack played live, portraying a full year of weather condensed into one day – spring at dawn, summer at noon, autumn at dusk and winter at night.<sup>64</sup>



**FIGURE 5.7** / Dunhill Trafalgar show in Shanghai by Holition. Courtesy of Holition and Dunhill

Brasilia, 29 June 2013. In the brand new Mané Garrincha football stadium built for the FIFA 2014 World Cup, an enthusiastic crowd gathered for a music concert to celebrate the memory of Renato Russo, the leader of Legião Urbana, Brazil's leading rock band of the late 20th century. Renato Russo was the Brazilian Bob Dylan, a poet, an icon for a whole generation. The concert took place 25 years after the band's last appearance in Brasilia, its home town. The apex of the concert consisted of Renato coming "live" on stage in the form of a 3D hologram to sing "Há Tempos."

The company behind the magic tricks for Dunhill and Renato Russo is Holition, an award-winning and innovative British creative agency.<sup>65</sup> It positions itself as an "augmented retail solutions" provider, creating intelligent and beautiful digital experiences that bridge the gap between technology and retail. Its projects include Louis Vuitton's Digital Atelier in Selfridges, Boucheron's virtual jewelry, virtual mirrors for fashion and shoes, social media application for BMW, and 3D store windows for De Beers, besides working for Tissot, Hugo Boss, and De Beers in solutions of crafted digital for virtually trying products, immersive engineering, digital engagement and retail theater.

Jonathan Chippindale, Holition's CEO and founder, comments: "I'm very interested in the idea of the consumer taking control. There are several processes consumers go through to make their purchase from browsing, comparing,

deciding, selecting, etc. and before brands would dictate the what, where and how of a product. Digitalization has now changed the way brands talk to their consumers. Consumers can comment on a product, model a product and even earn discounts for sharing a product with their friends via the social networks. Consumers now talk back to the brand and tell them what they like and don't like. Consequently brands are putting mechanisms to make it a two-way communication where the consumer has effectively become the retailer in their own right. What Holition does is create the initial engagement – a compelling reason why a consumer will stop and look at a product online, instore or on a mobile device.”<sup>66</sup>



**FIGURE 5.8** / Tissot virtual trial by Holition. Courtesy of Holition and Tissot

What is next? According to Jonathan Chippindale: “Who knows? Technology is evolving so quickly. 10 years ago brands had simple websites and no e-commerce. 5 years ago brands started selling from their websites. Two years ago came m-commerce. We have come a long way in a short space of time and I don't think anyone is doing it particularly well. I believe we are going to see more and more retailers integrating the online experience with the instore experience through digital technology. Consumers will visit a store and ‘try out’ different ranges of products such as clothing, furnishings, make-up, shoes, some of which may not be available instore, which they can post and share with their friends. We will see further use of social multiplication, the idea that personal experiences can be shared.”<sup>67</sup>

One of the points highlighted by Jonathan is critical: digital has turned a brand's monologue into a dialogue. Although still on their podiums, companies can take part in a conversation, an unnatural characteristic in a world characterized by distance, particularly in France and Italy. It is no surprise, therefore, that American and British brands such as Burberry, Mulberry and Ralph Lauren have taken the lead in pioneering digital use.

Another exceptional achievement of Burberry in its use of smart digital has been to create elements that would never have been possible offline, such as "the art of the trench" photographic exhibition of the iconic brand's trench coat. The same can be said of the wonderful Hermès website, a journey in itself, an invitation to discover the brand's universe. There is no place here for digested, passive consumption: it is an exploration, entering the universe of the iconic Faubourg Saint-Honoré *maison* in a light, humoristic and graphic style.

When we consider the cost of opening a new physical point of sale or placing an ad in *Vogue's* print edition, we realize the fantastic opportunity that smart digital communication campaigns represent for luxury independents and entrepreneurs. Mobile apps can be a favored support for that.

It is no surprise, then, that digital communication agencies such as Holition are mushrooming to cater to this opportunity. Another example is Emakina, a publicly traded digital communication agency in France, headed by Manuel Dias. It is one of the top three independent European communications groups, with more than 500 employees.

Another inspiring case of digital luxury comes from Geneva. How can a brand decide where in South-East Asia to place watches for incoming Chinese tourists? How can information be found about which luxury brands are most searched online via Baidu and Google? How can a social media strategy be crafted on Sina Weibo, WeChat, Twitter and Facebook?

Answering these rather disparate question requires powerful algorithms that are the trade power of a leading luxury agency: Digital Luxury Group (DLG).<sup>68</sup> Using its proprietary DemandTracker™ technology the company is able to collect data about the billions of luxury-related online searches made worldwide on the four biggest search engines (Google, Bing, Yandex and Baidu), sort this raw data and then analyze it to generate actionable insights into the global luxury industry and to forecast sales.

DLG's intelligence unit publishes reports at the brand and segment level according to the geographical scope chosen by the client. Such reports include the WorldWatchReport™ and the World Luxury Index™. This is an example of how big data can be used to serve luxury companies' marketing and strategy decisions. It enables the optimization of marketing budget allocation and sales performance by tracking the brand's desirability and anticipating changes in demand within client segments.

Once the data has been gathered and analyzed, DLG will offer a bespoke digital marketing and communication services solution including: strategy and planning, creative services, social media (Facebook, Instagram, Sina Weibo, WeChat, and so on) and public relations, e-commerce and customer relationship management (CRM), analytics and optimization, and all available on mobile.

David Sadigh is the founder and CEO of DLG, headquartered in Geneva. The company was originally named IC-Agency, renaming itself the Digital Luxury Group on 9 May 2011 to reflect its decision to focus on luxury brands only. Since 2004 it has published the highly appraised annual WorldWatchReport™ which appears in the weeks preceding Baselworld watch and jewelry trade show.

DLG's clients include Montblanc, Sotheby's, TAG Heuer, Fendi, IWC Schaffhausen, Roger Dubuis, Four Seasons, Jumeirah, Piaget, Carl F. Bucherer, Vacheron Constantin and many others.

Pablo Mauron is DLG's head in China. We first met him at China's Inno-Luxury Summit in Shanghai in January 2012 when he was taking his position to develop this key luxury market. Not an easy call given China's web and cultural specificities, but, back in 2012 with its frenetic double-digit growth rates, China seemed to be a luxury Eldorado. This was before the change in Chinese leadership that hit particularly hard the Swiss luxury watchmakers, the historical bulk of DLG clients. But DLG persevered and, according to the latest news, is doing very nicely in the most challenging digital luxury market. Its main success driver: bringing digital ROI to a varied luxury clientele. And word of mouth is doing the rest of the work. In 2014, DLG announced the integration of Luxury Society, the leading luxury online social network, and it has ambitious plans for the coming years.

China is indeed a very complex and challenging market for brand building and communications.

C O M M U N I C A T I N G   I N   C H I N A  
F O R   A N   I N D E P E N D E N T  
L U X U R Y   C O M P A N Y

A word of warning, however, that when it comes to branding, we should not take the claims too literally. In the world of luxury, all brands naturally try to outdo each other and to deny that the crisis is affecting them. In our presentation of Hublot in Chapter 2, we referred to Jean-Claude Biver's aim to deliver only 60% of the demand. While this may be the case for Hublot, which has grown dramatically in a few years, it seems unlikely that a brand would give up on 40% of its sales in the current economic environment. In addition, Hublot, at the time of writing, was seeking to expand into the Chinese market, which accounted for less than 5% of the brand's turnover in 2013. This repositioning strategy in Asia is being achieved through the signing of a collaboration agreement with Ferrari, China's favorite luxury car brand, a collaboration that should enable the Swiss watch brand to boost its profile in a market that most high-end watchmaking brands wrongly believe to be a bottomless pit. Luxury brands that are most successful in China are – without exception – those that have been present in China for some time, brands such as Omega or Vacheron Constantin, to cite examples from the watchmaking industry.

The Chinese automotive industry provides other examples of the importance of taking the time to build a brand in order to be known in the country of the rising sun. Audi, one of the most searched-for luxury brands on the Chinese search engine Baidu (Google equivalent),<sup>69</sup> was introduced to the Chinese market in 1988 through a strategic collaboration with a state enterprise. This collaboration led to the runaway success of Audi in China with the A4 and A6 models being the most sought after. Note also that of the 50 most popular luxury brands in China over the internet, 18 relate to luxury automotive brands, including the top three positions being held by Audi, BMW and Mercedes, in that order.<sup>70</sup> Some "smaller brands" have also succeeded in finding their place, even in a market where it is the prerogative of large groups with the means to communicate their products in a country where social recognition often means the acquisition of recognized luxury products (because they are seen on TV, the internet, magazines and so on).

You may remember that we mentioned the clothing brand Moncler in Chapter 1. Well, this young independent brand succeeded in making its way to China by playing on the creative side of its communications approach. By sponsoring the *Naked Wedding* series that appeared on China's television screens in May 2011, the brand was immediately able to make the right choice in terms of image.<sup>71</sup> This series dealt with the values and beliefs of the post-1980s generation, a generation of young adults who grew up in a New China, a modern, booming economy and the influence of other visions of society with a more open-minded view of the world. This generation was more enterprising than the previous, prepared to work hard for a living but wanting to have fun. In short, a target generation for the world of luxury. This single sponsorship enabled Moncler to end up in the 42nd position of the most desired luxury brands on the internet in China, ahead of brands such as Rolex, Ferragamo or Guerlain!

Staying with the topic of brands that have an innovative approach to markets, and as China is a key geographical area in terms of luxury (as illustrated by the figures in Chapter 1), let us examine an influential aspect of branding that may have been overlooked: that of the name of the brand. Innovation should not be limited to the product but should extend to its market approach. Many European brands entering the market in China have had to create a Chinese name for themselves.<sup>72</sup> Our focus on European brands is not down to "patriotism," but because these brands are hugely representative of the luxury market. Nearly 70% of internet searches in China for luxury brands concern European brands (33% for German brands, 12% for French and 12% for Italian),<sup>73</sup> compared to 37% of searches in Russia.<sup>74</sup> These brands have quickly learnt that their products – however innovative or inventive, and regardless of the originality of their marketing – must have a name that sounds Chinese. Many luxury brands therefore adopt Chinese ideograms to represent their core values through Chinese phonetics.<sup>75</sup>

Take Hermès for example, which is translated into Chinese as 爱马仕 meaning "an elegant man who loves to ride." Similarly, the Chinese ideogram for Land Rover means "a tiger on the

roads." European luxury brands have also sometimes found that their public name may be different from their official name. It is pertinent to note that the trade names chosen cannot be "global," thankfully due to language and cultural disparities! Russia, another luxury market to watch closely, reinforces this feeling in a country where 36% of searches for luxury brands on the popular national search engine Yandex are in Cyrillic as compared to 64% of searches using the name with Latin characters.<sup>76</sup>

Another interesting example to finish this section on branding is that of the luxury brand Louis Vuitton (LVMH). The majority (63%) of internet searches carried out for this brand in China are made using only the first two initials "LV", although the brand also has its own Chinese ideogram.

Big data has indeed made room for new actors in the luxury ecosystem. Another example comes from New York and the L2 think tank, founded by New York University Stern Business School professor, Scott Galloway. Its Digital IQ report quickly became a benchmark for a brand's digital performance. It assesses this across four dimensions: effectiveness of the brand site, digital marketing, mobile (compatibility, optimization and marketing on smartphones and tablets) and social media (brand presence, community size, content and engagement). Its members include major luxury industry players.<sup>77</sup>

Another fascinating feature of the digital revolution is the emergence of new voices. WorldTempus became the reference on Swiss watchmaking, Imran Amed at BOF an authority in the business of fashion, fashion bloggers such as Brian Boy became divas as much as offline stars such as Anna Wintour or Suzy Menkes, street style photographers such as Scott Schuman (creator of *The Sartorialist*) touched an audience via the web and so on. For a younger crowd, video bloggers or vloggers, such as Zoella in the UK,<sup>78</sup> are all the rage and a favorite destination for cosmetics companies' product placement.

The Cambridge Satchel Company provides a real example of the power of these new voices. Julie Deane, its co-founder, started producing satchels and other leather goods in 2008 as a way to pay the private school fees for her children. The colorful hand-made leather satchels were all based on an original Oxford and Cambridge satchel design and targeted schoolchildren, but unexpectedly met high demand as a fashion accessory and became, according to *The Guardian*, "a cult among twenty-something fashion bloggers."<sup>79</sup> Following coverage by international fashion magazines and a collaboration

with the fashion brand Comme des Garçons, turnover increased from £15,000 to an estimated £13 million in 2013. The next goal is to reach £100 million – and to do that the company secured \$21 million worth of venture capital in early 2014.<sup>80</sup>

Finally, developments in payment solutions such as the recently launched Apple Pay system are an additional feature in the fast-evolving luxury ecosystem.

In summary, digital partners such as Holition and DLG enable breakthrough resource reconfiguration, as shown in Figure 5.9.

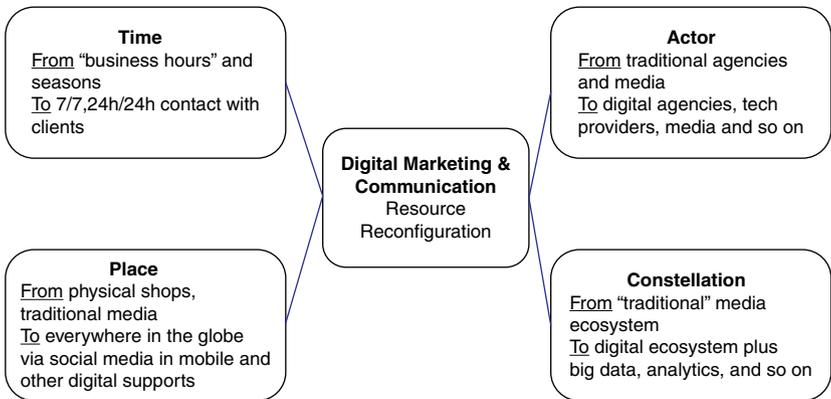


FIGURE 5.9 Digital marketing and communication resource reconfiguration

## Reconfiguring resources in the value space

In this chapter, we left the realm of offer innovation to see the numerous possibilities for breakthrough innovation in the luxury ecosystem. This means reconfiguring human (talent, connections), intangible (brand equity, goodwill), physical (manufacturers, labs, points of sale) and financial strategic resources, activities and processes to dynamically assess and execute core capabilities.

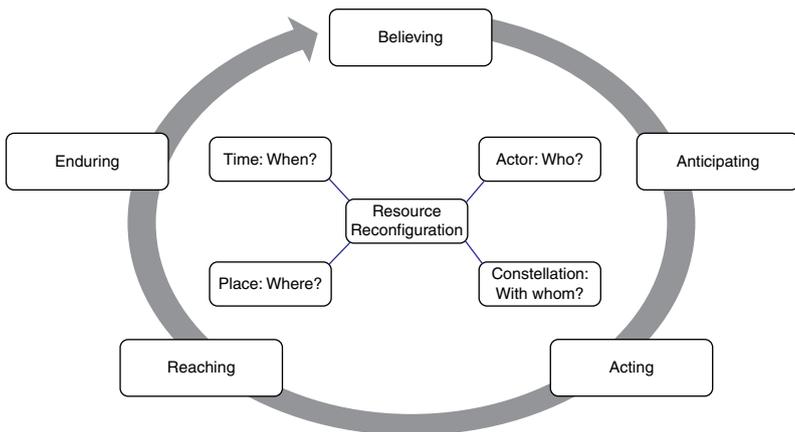
The five fields for innovation that we explored – (1) funding; (2) design; (3) manufacturing; (4) distribution; (5) marketing and communication – have been radically challenged by innovative actors disrupting some or all of these dimensions.

Technology, often disruptive, is a powerful enabler to loosen constraints on this journey.<sup>81</sup> It accelerates the pace of change, making industries less stable. But also, and of particular interest in the luxury industry, technology opens up potential for disruptive innovation, bringing a more diversified ecosystem where niche players can thrive along with big players; velocity and agility are key here.

As Clayton Christensen, a Harvard professor and world authority on disruptive innovation, has explained, incumbent firms' existing value networks place insufficient value on disruptive innovation, leaving open space for innovators.<sup>82</sup> He emphasizes the importance of the business model rather than the technological sophistication: disruptive innovators are often able to combine (existing) resources in novel ways in a certain value network.<sup>83</sup>

This is the rationale behind the disruptive role of technology platforms, by becoming gateways for resource exchange. They generate economies of scale (increased production volume, amortization of fixed costs across product families or generations, and more efficient use of complementary assets, etc.) and economies of scope (reducing the cost of developing product variants that are targeted at different markets or that incorporate new technologies).<sup>84</sup>

Breakthrough resource reconfiguration thus impacts all the stages of the BA<sup>2</sup>RE<sup>®</sup> luxury strategy approach (Figure 5.10), as the many examples in this chapter have showcased.



**FIGURE 5.10** Resource reconfiguration at the center of the BA<sup>2</sup>RE<sup>®</sup> luxury strategy approach

These “invaders” are prime *believers* in their capacity to change the context and the rules of the game by reconfiguring resources in the luxury ecosystem. They also firmly *anticipate* that technology will sooner or later revolutionize the industry, and portray themselves as digital “something” versus traditional ways of doing and performing. A powerful example in this sense comes from the Dassault Systèmes FashionLab initiative.

They are *acting* to reconfigure resources in terms of “when,” “where,” “who” and “with whom” value is created. A company like Dubois et Fils was boosted thanks to crowdfunding. Some players such as DLG or Holition have a purely digital offer. Julien Fournié’s offer extension and creative approach is facilitated and accelerated by 3D design processes. For most established luxury brands, these actors will intervene at some stage but will not fundamentally alter their offer.

Crowdfunding, digital distribution platforms and 3D have been catalysts to *reach* clients, niches, segments and markets in a powerful new way. And companies such as Holition and DLG are showing how to *endure* in an endless innovation journey.

\* \* \*

As Richard Normann presciently stated back in 2001: “today’s market game is much more about who can most creatively design framebreaking systemic solutions than about who can position himself in a chain.”<sup>85</sup> So it is not only about breaking the chain, it is about breaking the canvas on which that chain has been depicted; it is about the eagle breaking the aquarium, it is about re-creating the ecosystem for the last living elephant in Knysna to thrive.

The next chapter will take us to the final destination in this innovation journey by exploring audacious innovators at the offer and business model levels.

# 6 chapter

## Game Changers

Comme des Garçons, Études Studio, Iris van Herpen, MB&F and W Motors are independent luxury companies boldly building breakthrough offers and business model innovations.

The complex and powerful dragon symbolizes this group of game changers. They invite us on a fascinating journey to reconfigure resources, categories, offers and the luxury industry itself.<sup>1</sup>

### Comme des Garçons

The avant-garde fashion house Comme des Garçons has been a game changer in fashion since the 1980s under the impulsion of Japanese creator/artist Rei Kawakubo and her partner in life and business Adrian Joffe. She has created a unique style, breaking codes and taking fashion to new heights. In a rare interview, *System* magazine presents her referring to “those people who reside in their own unique world: places rich with identity and character that can’t – or won’t – fit into the increasingly homogeneous confines of fashion [...] These individuals aren’t marginal or rebels; they’re simply individuals. And the individual, it seems, is at odds with the powerful tide sweeping fashion further towards global industry.”<sup>2</sup>

When asked to explain her creative process, she states (translated by Adrian Joffe):

Going around museums and galleries, seeing films, talking to people, seeing new shops, looking at silly magazines, taking an interest in the

activities of people in the street, looking at art, travelling: all these things are not useful, all these things do not help me, do not give me any direct stimulation to help my search for something new. And neither does fashion history. The reason for that is that all these things above already exist.

I only can wait for the chance for something completely new to be born within myself.

The way I go about looking for this from within is to start with a provisional “theme.” I make an abstract image in my head. I think paradoxically (oppositely) about patterns I have used before. I put parts of patterns where they don’t usually go. I break the idea of “clothes.” I think about using for everything what one would normally use for one thing. Give myself limitations. I pursue a situation where I am not free. I think about a world of only the tiniest narrowest possibilities. I close myself. I think that everything about the way of making clothes hitherto is no good. This is the rule I always give myself: that nothing new can come from a situation that involves being free or that doesn’t involve suffering.<sup>3</sup>

This is a universe where the past has no place, and she continues to go to extraordinary lengths to create something radically new every six months. Even when, as she admits, that cannot be achieved.<sup>4</sup>

Impressively, Rei Kawakubo and Adrian Joffe did not only innovate on the creative side, but also in the way to distribute and communicate their creations. Back in the 1980s, Comme des Garçons revolutionized boutiques, bringing a new “medium” to the world of fashion where the point of sale from now on looked more like an art gallery than a traditional shop. Rei Kawakubo has since the beginning been personally in charge of designing all the stores, which are a central element to communicate the company values.

Comme des Garçons then pioneered in 2004 the use of “guerilla stores” in “hip, yet-to-be-gentrified” areas in cities such as Berlin, Barcelona, Helsinki, Singapore, Stockholm, Ljubljana or Warsaw.<sup>5</sup> The original concept was a temporary store where the products were presented in a basic setting: “the location will be chosen according to its atmosphere, historical connection,

geographical situation away from established commercial areas or some other interesting feature," according to the brand.<sup>6</sup>

The shop sold "seasonless" merchandise drawn from current and past collections and it was required to close after one year. Rei Kawakubo comments: "even in business, we need to find creative ways to do business. This was almost like a no-brainer. We had the stock, and we had these spaces with students who had nothing to do with fashion but wanted to work. So we moved the stock from our warehouse to those spaces. It was just a business idea to do business in a new way."<sup>7</sup> It is indeed a smart take: low rental cost, no advertising needed and reducing inventory along the way. According to the company, the results were very satisfactory.

Although already developed by Swatch back in the 1980s for seasonal products, Comme des Garçons' move was largely responsible for spreading out what today are known as "pop-up" stores.<sup>8</sup> Guerrilla stores have since evolved to become true concept stores, with a certain architecture and specific merchandising, but keeping the original idea of ephemerality.<sup>9</sup> Comme des Garçons then stopped guerilla stores in 2011 when it no longer represented a differentiating feature.

In 2004, the company made another move that would transform the fashion landscape of London's Mayfair: Dover Street Market. The philosophy was to "create a kind of market where various creators from various fields gather together and encounter each other in an ongoing atmosphere of beautiful chaos: the mixing up and coming together of different kindred souls who all share a strong personal vision."<sup>10</sup> It is a concept store like 10 Corso Como in Milan or Colette in Paris, showcasing collections from a varied number of creators. As of December 2014, the multi-level store had in stock on its six floors the brands shown in Table 6.1.

A treasured guide to "who is who" in the current fashion scene...

Dover Street Market (DSM) has become a landmark in the London luxury retail scene. A second DSM was opened in Tokyo, then others in New York and Beijing. As noted by respected fashion journalist Suzy Menkes, it is part of Comme des Garçons' culture to "open in unexpected, even hidden, spaces, some of which have brought entire neighbourhoods to fashionable life – for example the Aoyama area of Tokyo. A year ago, New York retailers were stunned by the opening of a New York Dover Street Market in a former school in a completely uncharted retail area among the Indian restaurants of Lexington Avenue at Murray Hill."<sup>11</sup> Surprisingly, the moment it completed its

**TABLE 6.1 Floor guide of Dover Street Market, London (as of December 2014)**

Floor	Brands
4F	Casey Women's, Comme des Garçons, Comme des Garçons Shirt Girl, Daniela Gregis, Egg, Labour and Wait, Play Comme des Garçons, Rose Bakery, Sara Lanzi and Sofie D'Hoore
3F	Aganovich, Alexander Wang, Chalayan, Christopher Kane, Erdem, Ferragamo's Creations, Giambattista Valli, Givenchy, Haider Ackerman, Jil Sander, J. W. Anderson Women's, J. JS Lee, Lena Lumelsky, Loewe, Maison Rabih Kayrouz, Nina Ricci, Paco Rabanne, Sacai, Saint Laurent, Simone Rocha, Stephen Jones One, Steven Tai, Tricot Comme des Garçons and Yang Li
2F	1205, Ann Demeulemeester, Black Comme des Garçons, Calvin Klein, Casey Men's, Casely-Hayford, Céline, Comme des Garçons Homme Deux, Elena Dawson, Jacquemus, Julien David, J. W. Anderson Men's, Margaret Howell, Michael Costiff's World Archive, Moncler Gamme Bleu, Paul Harnden Shoemakers, Raf Simons, Stephan Schneider, Thom Browne and Walter Van Beirendonck
1F	Azzedine Alaïa, Beatles Comme des Garçons, Comme des Garçons, Comme des Garçons Shirt, Louis Vuitton, Noir Kei Ninomiya and Rick Owens
GF	Bamford Watch Department, Comme des Garçons Homme Plus, Comme des Garçons Parfum, Cutler and Gross, DSM Hut Box, DSM Jewelry Space, Emma Hawkins and Junya Watanabe Comme des Garçons
B1F	Bianca Chandôn, Bleu de Paname, Christopher Nemeth, Craig Green, Comme des Garçons Homme, Comme des Garçons Junya Watanabe Man, DSM Sneaker Space, DSM Sunglass Space, Ganryu, Good Design Shop, Gosha Rubchinskiy, Greg Lauren, IDEA Books, Inventory, KTZ, Nike Lab DSM, Palace, Pigalle, Shaun Samson, Undercover Co., Ltd. and Visvim.

ten years in situ, it is moving to Haymarket, south of Piccadilly Circus into the original Burberry building from 1911, designed by architect Walter Cave.

When Suzy Menkes interviewed Adrian Joffe about his vision for Dover Street Market London in the ten years to come, he replied: "We want to make DSM stronger and stronger and more and more exciting, not only as a retail experience but also as a place for conversation, the sharing of ideas – where accidental synergies can arise, where people can interact openly and see the possibilities of being different. We want to be a store that can directly and indirectly give courage to young designers and luxury brands alike to pursue the path of creation and freedom, and encourage individual anti-corporate expression. And all this to especially counter the many doomsayers who say the shop as we know it will be dead in a few years due to internet shopping and the like."<sup>12</sup>

We second Adrian Joffe's wish that physical places can fulfill this role of cross-fertilization that will help new ideas to emerge.

Finally, communication has also been a field of exploration by Comme des Garçons. Back in the 1980s, from 1988 to 1991, Rei Kawakubo edited *Six* (abbreviation of sixth sense) magazine to express and communicate the values (*kachikan* in Japanese) of Comme des Garçons in a different, subsidiary way, not only through clothes. It was a conversation with other artistic works, such as photography, design, the plastic arts or literature. In 2012, the company released an iPad application, *Moving Six*, exploring the universe of the magazine.<sup>13</sup>

Breaking the rules is part of the company ethos and it is interesting to listen to Adrian Joffe commenting on that: "Sometimes I still think I should go back to school and do an MBA but then I think it's too late. But, you know, Rei is also an untrained designer. I think sometimes it's easier to break the rules if you don't know what they are [...] We break our own rules all the time."<sup>14</sup>

As of 2015 Comme des Garçons has an annual business of more than \$220 million and has a real cult following by the fashion avant-garde.<sup>15</sup> Besides the company's main line – "the engine of the company, the inspiration [...] but not for everyone" – according to Adrian Joffe the company offers more accessible lines such as *Shirts*, and *Play*, composed of T-shirts and basics.

## Études Studio

Paris, 30 June 2014. Nelly Rodi, the Paris-based trend-spotting agency and lab, organized its first Creative Journey.<sup>16</sup> In the cozy atmosphere of the Petit Palais, a selected audience came to hear several innovators from the Parisian and international lifestyle scene.

Among these innovators were Aurélien Arbet and Jérémie Egry, the founders in 2012 of Études Studio. It was a busy week for the duo: two days earlier they had presented their 2015 spring/summer menswear collection during Paris Fashion Week, and a few days later they would receive the results of the prestigious 2014 ANDAM fashion award,<sup>17</sup> of which they were one of the seven finalists, the others being Rad Hourani, Jean-Paul Lespagnard, Fausto Puglisi, Steven Tai, Iris van Herpen and Yiqing Yin.

On 28 June, Études Studio menswear collection was staged in a car repair shop in Paris. On the floor, the words conceptualism, readymade, dada, klein

or new realism were written beside 20 spots numbered from 1 to 20. Twenty garments based on these themes made up the collection: “a parka cut like a safety vest teams up with a Hamish hat, an ‘abat-jour’ (lamp-shade) hat combines with high waist suit pants and a printed shirt. Motorcycle helmets and sports eyewear switch from accessory to essentials. For shoes, no doubt: sleek black Nike shoes or tire sole *souliers*.” The collection qualified as a sensation and the “show of the season.”<sup>18</sup>

So when Aurélien Arbet and Jérémie Egly were asked how they felt as an emerging duo of fashion designers, their answer disconcerted more than one person in the Creative Journey event audience: “we are not fashion designers. We are a creative collective that works in fashion, edition and artistic direction.” The interviewer insisted: “but you are getting renowned by the profession for your fashion work, how can you not see yourselves as fashion designers?” The duo calmly replied: “we are multidisciplinary, from fashion to edition, through the artistic direction. We have a contemporary view on what surrounds us and proposes a new lifestyle where Fashion meets Art.”<sup>19</sup>

An intriguing answer when someone tries to catalog you in boxes, but the trademark of breakthrough innovators. When Suzy Menkes asked Adrian Joffe, from *Comme des Garçons*, if he felt that Dover Street Market was part of a group of forward-looking retailers like 10 Corso Como or Colette, his answer had the same tone: “I don’t think anyone likes being boxed into any categories, and we certainly do not think we are part of any group. I believe we are all very different in look and concept and *raison d’être*, but it’s nice to know that there are other retailers out there who work as crazily hard as we do, and I have been very happy to divide up the cities of the world with Sarah and Carla. You will notice we are not in the same city, anywhere...!”

Études Studio indeed creates menswear, edits books and offers services such as art direction, consulting, photography, graphic and product design. Collections are identified by numbers: N°1 – AW 2012, N°2 – SS 2013, N°3 – AW 2013, N°4 – SS 2014, N°5 – AW 2014 and N°6 – SS 2015, so far; and each has its own language and visual codes, spring/summer ones more colorful, autumn/winter more sober. Clothes include shirts, tops, trousers, outerwear, hats, sweatshirts, knitwear, jeans and accessories such as caps, scarves, eyewear and bags. Moreover, the Études Blue line of clothes and accessories in cobalt blue came to be the signature color of the studio.



FIGURE 6.1 Études Studio AW 2014 Collection. Courtesy of Études Studio



**FIGURE 6.2** / Études Studio AW 2014 Collection. Courtesy of Études Studio

Collection N°5 included a collaboration with Canadian-based artist/photographer Jessica Eaton, who was awarded the Hyères photography grand prize in 2012. She was invited to create a series of three patterns around the XPol Series (shorthand for cross-polarization). According to her, “polarization refers to the orientation of the oscillation of waves. When you cross two polarizing filters (in this case linear and circular) with light waves you are able to see stress induced birefringence (refractive property) in cheap plastics. That is exactly what these photographs are.”<sup>20</sup> The result is more photographic than clothing, but “printed” in tissue. And she goes on to explain that she basically doesn’t see any difference between mediums, it happens that the final result of her work is a photograph, but it could very well be something else.



**FIGURE 6.3** / Études Studio AW 2014 Collection – Collaboration with Jessica Eaton.  
Courtesy of Études Studio and Jessica Eaton

The whole philosophy of Études Studio finds here its translation: exploring new territories, combining mediums, bringing fashion and art together in a creative exploration.

Études Studio's book-edition branch reinforces this credo. In September 2014 it published its tenth book. In each book, a photographic exploration of a theme is proposed. For instance, in book N°10, Peter Funch's *Studies of Last Flight* is a photographic series of the demolition of a bridge in the city of Atchison, Kansas, in the United States. Book N°7, *Temps Mort*, by artist Mohamed Bourouissa is probably the one that has explored the farthest yet, by taking an original text format including SMS conversations in what is for Études Books a rather long format of 140 pages (most books have 48 pages with an average of 300 copies printed).

To showcase its interdisciplinary nature, Études Studio opened its first US pop-up store in Lower Manhattan, New York, for one month in May 2014. It comprised books, objects, clothes and furniture. It was the brand's second pop-up store experience after one in 2013 in Paris.<sup>21</sup>

The central motivation behind the project was the contact with the public to discover new aspects about how it reacts to their creations. For instance,



**FIGURE 6.4** / *Studies of Last Flight*, by Peter Funch – Études Books N°10. Courtesy of Études Studio

although a menswear collection, it received a keen eye from women. What the duo did not expect was to become the number one hit at the Vogue US website during that period.<sup>22</sup>

In spring 2015, Études Studio opened its first permanent store in Paris, at 14 Rue Debelleye, in the 3rd arrondissement. As of 2015, its menswear is stocked in 21 points of sale in North America, 34 in Asia, 44 in Europe, 2 in Australia and another 2 in Russia, including Colette in Paris and 10 Corso Como in Seoul.<sup>23</sup> The books are also stocked by more than 50 resellers around the world.

Interestingly, like Comme des Garçons, Études Studio decided to have a part of its collections sold directly by a controlled channel: the web and its pop-up stores. The company has quickly learned that a certain degree of vertical integration is a key factor in successful luxury ventures.

a certain degree of  
vertical integration is a  
key factor in successful  
luxury ventures



FIGURE 6.5 / Études Studio New York City pop-up store. Courtesy of Études Studio

## Iris van Herpen

Unfortunately for Études Studio they were not awarded the ANDAM prize in 2014, the winner was a Dutch fashion designer who created her own label in 2007: Iris van Herpen. Having studied fashion design at Artez Institute of the Arts in Arnhem and interned at Alexander McQueen in London, she was noticed by the fashion world for her original shows. From 2007 to 2009 she exhibited four collections with evocative names at the Amsterdam Fashion Week: *Fragile Futurity*, *Chemical Crows*, *Refinery Smoke* and *Mummification*. She then in 2009 and 2010 presented two collections (*Radiation Invasion* and *Synesthesia*) at the London Fashion Week, before coming back to the Amsterdam Fashion Week to a show what would introduce to the world one of the landmark elements of her creative process: her first 3D print that she created with Daniel Widrig, a London-based architect and printed by .MGX by Materialise.<sup>24</sup>

In January 2011, she presented at the Paris Haute Couture Week for the first time. The name of the collection: *Escapism*. Its description: “Escaping from everyday reality through addictive digital entertainment incites in Iris van Herpen not only feelings of emptiness but also associations with the grotesque, the extreme and the fantastic. This collection aims to capture both the exaltation of these addictions, like the disproportionate attention for celebrities (the ‘new heroes’) and its dark flipside, the never fulfilled hunger that is inherent to it.”<sup>25</sup> She was also inspired by the baroque sculptures of the American artist Kris Kuksi to present a collection where dramatic bulging spherical shapes alternate with lace- and skeleton-like 3D prints, and silver-grey fabrics that seem to reflect their own surface.

The *Capriole* collection in July 2011 was her first as a member of the *Chambre Syndicale de la Haute Couture* in Paris. Besides presenting highlights from previous collections, it introduced five outfits reflecting the extreme feeling experienced during a free-fall parachute jump, including the “snake dress”, a dress consisting of “serpentine forms made of black acrylic sheets,” evoking “the mental state at the moment before the jump,”<sup>26</sup> and the 3D “printed skeleton dress,” both evoking visceral feelings from most of the audience.

Reactions were enthusiastic about this innovative code-breaker approach and integration of 3D printing at a traditionally conservative couture setting. Her couture collections continued on this path and each explored the intersection of science, fashion and arts:<sup>27</sup>

- “Micro” couture collection: “Inspired by the pictures that science photographer Steve Gschmeissner took using scanning electron microscope (SEM) technology, Micro zooms in on the world of microorganisms that is completely hidden from our sight”; the designs allude to armature, tentacles, cell structures and plasma (January 2012).
- “Hybrid Holism” couture collection: “The project Hylozoic Ground by the Canadian architect and artist Philip Beesley provided the inspiration for this collection. Hylozoic refers to Hylozoism, the ancient belief that all matter is in some sense alive”; the collection is “highly complex and incredibly diverse in terms of shape, structure, and material. For one design, the ‘pythagoras tree’ dress, Van Herpen collaborates with architect Julia Koerner using a technique referred to as mammoth stereolithography which refers to a 3D printing method. This 3D printed process is built slice by slice from bottom to top, in a vessel of semi-transparent polymer that hardens when struck by a laser beam” (July 2012).
- “Voltage show” couture collection: Iris van Herpen explored the electricity of the body seeking to portray its tangible movement and power with innovative technologies. She collaborated with New Zealand artist Carlos van Camp, exploring “the notion of controlling high voltage electricity and its interaction with the human body” (January 2013).
- “Wilderness Embodied” couture collection: Iris van Herpen collaborated with artist Jolan van der Wiel, who worked for several years on magnetism, to create “dresses whose very forms are generated by the phenomenon of attraction and repulsion,” also taking inspiration from the sculptures of David Altmejd (July 2013).

Iris van Herpen is the leading fashion designer in the use of 3D printing: “drawing on the idea of movement, the flexible 3D printed dresses are a revolution, a result of collaborations with Neri Oxman of the MIT Media Lab as well as Keren Oxman and Prof. Craig Carter of MIT with Stratasys, and architect Julia Koerner with Materialise.”<sup>28</sup>

Iris van Herpen launched her first ready-to-wear collection in early 2013 as a more accessible take on her couture collections.<sup>29</sup> This was followed by the “Embossed Sounds” collection in September 2013 where the designer developed clothes that generate sounds by touch: “touch sensitive and sensual audio waves threading and weaving over the body creating an intricate sonic web. The collection plays on a visual duality, ambiguity, combining the ethereal feminine softness of plissé with the flick knife and swagger of the underground rebel biker: embossed leather silhouettes embellished with laser cut lacquer leather laces, braiding techniques, and black mirrored

handcrafted patterns. The garments are made of handcrafted 3D silicone pressed structures in leather and high gloss 'liquid' fabrics, woven from silk and nylon threads."<sup>30</sup>

The collection was pretty enough to awe Suzy Menkes: "Apart from the mesmerizing effect of the synchronized sounds, the clothes themselves were appealing: The body-conscious shapes, moving into a curved A-line, were wearable as well as being marvels of invention."<sup>31</sup>

Her March 2014 "Biopiracy" ready-to-wear collection was one of the sensations of the autumn/winter 2014 Paris Fashion Week. In the background, "three women, each laid vertically inside a giant hanging plastic bag, legs squirming and head thrown back to gasp the air pumped from a hefty pipe" examines the profound question of whether, due to medical advances, we are still the sole owners of our own bodies.<sup>32</sup> On the catwalk, ready-to-wear and couture pieces were presented, including a collaboration with artist Lawrence Malstaf, specializing in the interaction between biology and physicality, and a 3D printing collaboration with Julia Koerner to fuse the "artisanal with the technical to create a kinetic dress which dances as it amplifies bodily movement."<sup>33</sup> For a mesmerized and disconcerted audience,<sup>34</sup> it is Suzy Menkes's words that once more announced the verdict: "the fashion world needs this fearless imagination and experimentation to fast forward its craft."<sup>35</sup>

Her spring/summer 2015 ready-to-wear collection has been titled the "Magnetic Motion Show" and it explores the interplay of magnetic forces, inspired by a visit to the CERN Large Hadron Collider in Switzerland. The show was staged at the top of the Pompidou Center in Paris. In her tradition of bridging with other disciplines, she collaborated with Canadian architect Philip Beesley and Dutch artist Jan van der Wiel for this collection. She worked with "techniques like injection molding and laser cutting on maze like structures, 3-D printing and intricate architectural handwork on dresses, jackets, trousers, skirts and blouses giving them dynamic shapes and surfaces that echo the body's movement."<sup>36</sup>

Suzy Menkes's verdict: "Van Herpen's skill has been to turn scientific explorations into the reality of wearable clothing. Her belief that ultimately all matter is alive means that a sorcerer's mix of chemistry and artistry can theoretically invent new materials for clothing." She goes on to say: "Iris van Herpen offers something undisputedly new and different. A catwalk presentation did not do justice to this spring/summer 2015 space odyssey. I wanted to hear Iris's voice explaining each piece. But even without that information, the glowing crystals – what she called 'living sculptures' – and those growing shoes created the most powerful fashion mix of nature and technology that I have ever seen."

Interestingly, when we think that Iris van Herpen's work is molded in the future, Nick Knight, with whom she collaborated in 2013, gives us an insightful analysis: "her approach to her work is rooted back in a time, centuries ago, where the teaching of science and the teaching of art were considered as equal and nobody could regard themselves as educated unless they understood and practiced both approaches. This makes her, in my opinion, one of the most exciting designers working today."<sup>37</sup>

The past, the present and the future: impressive promise for this young designer...

Not surprisingly, Iris van Herpen has received wide-ranging recognition for her work, including the 2013 Marie Claire Prix de la Mode, Best Dutch Designer, and *TIME* magazine naming her 3D printed dresses one of the 50 Best Inventions of 2011. Winning the prestigious 2014 ANDAM seems like a crowning achievement and opportunity, including as it does a cash prize of €250,000; a year of mentoring from François-Henri Pinault, Kering's chairman and CEO; a purchase order from Hudson's Bay Company; the creation of an exclusive capsule collection for TheCorner.com; and an exclusive space in Galeries Lafayette's flagship store in Paris to present two collections.<sup>38</sup>

Arts plus fashion plus science. Iris van Herpen's philosophy is considered to be an alchemist's approach to fashion and she may be the current fashion designer closest to finding the *Lapis Philosophorum* of 21st-century fashion. She works like a "scientist, bringing artisanal crafts to a yet unexplored, experimental level and thereby questioning our traditional take on couture."<sup>39</sup> Breakthrough innovation for the offer and the value architecture: Iris van Herpen is doing it right here and right now.

She is not alone in exploring the potential of technology to transform fashion. Golan Frydman and Fyodor Podgorny make up another duo who are using 3D technology to create an original aesthetic. Based in London, Fyodor and Golan launched their label in 2011 and won the Fashion Fringe award for their second collection. In 2012, they became the youngest label to present its collections at the Victoria and Albert Museum "Fashion in Motion" exhibition in London and went on to showcase their collections during London Fashion Week. They describe their ethos as one of an exploration of contrasts where playful adolescent aesthetics and pure color combinations are used to create the brand's image. They fuse a conceptualist approach with intricate hand detailing and 3D embroidery, thus marrying traditional craftsmanship elements with high-technology and experimental techniques.<sup>40</sup>

Studio XO is another London-based fashion and technology brand, known for working with Lady Gaga as part of Haus of Gaga. Studio XO's team is a hybrid mix of designers and engineers who collaborate in the fashion laboratory to connect individuals emotionally across the digital and physical landscape. They operate at the intersection of science, technology, fashion and music, aiming to seamlessly integrate new technologies and special effects with innovative fashion design to create digital couture experiences. A showcase of this capability was the 2011 synchronized digital display costumes for the music group The Black Eyed Peas in their acclaimed and massive 3D Hologram tour.

XOX is Studio XO's emotional technology platform that enables designers and producers to access an audience's emotions through the XOX sensory wristband that reads physiological data via a number of biometric sensors in the wristband.<sup>41</sup> This raw data is then processed in real time before being transmitted to the XOX server via one of a number of XOX base transceiver units. This technology was launched during the New Director's Showcase at Cannes Lions in 2014 in partnership with Saatchi & Saatchi, the leading advertising agency. The emotional reactions of the wristband-wearing audience were captured through the sensors in the wristband as they watched the images and ads.<sup>42</sup> The levels of excitement of individual members of the audience could then be measured and portrayed visually through a spectrum of colors. Infinity, the top-of-the-range car brand is a Studio XO client currently experimenting with the technology.

## MB&F (Maximilian Büsser & Friends)

Let us now take a look at one of the new generation watchmaking independent brands that emerged in the 2000s, which is taking risks in a rather surprising way and has survived adventures that could have easily proved fatal. The name of this young brand: MB&F. MB for the initials of its creator Maximilian Büsser, and F for friends, in recognition of all those who have contributed, directly or indirectly, to the development and success of its products.

The brand appeals to collectors who are particularly attracted by the creations of independent brands and who are willing to pay the price. With sales volumes of only some hundreds of articles per year retailing at an average of close to US\$100,000, MB&F has managed to make a name for itself in the field of exclusive independent watchmaking. Its creations are referred to as neither "watches" nor "timepieces," but as "machines," or, to be more precise, as "horological machines."



FIGURE 6.6 / MB&F HM6 Space Pirate – front. Courtesy of MB&F



FIGURE 6.7 / M.A.D. Gallery, Geneva. Courtesy of MB&F



**FIGURE 6.8** / Music Machine (Reuge by MB&F) at M.A.D. Gallery. Courtesy of MB&F and Reuge

However, over and above the brand itself (which is certainly worthy of particular attention), it is the concept of the brand's boutiques that we focus on here. Aware of just how complicated it is for a brand to be profitable by selling in a monobrand store (an experience shared by most other brands) MB&F decided to join forces with artists and creators outside the field of watchmaking. Thus, the concept of the M.A.D. Gallery (M.A.D. for "Mechanical Art Devices") was born, bringing together the craziest and most extraordinary creations from independent artists and creators around the world (such as Chicara Nagata, Frank Buchwald, Marc Ninghetto, Fabian Oefner, Bob Potts, Renaud Marion, Quentin Carnaille, Maxwell Hazan, Xia Han and others).

The three galleries that have opened so far (one in Geneva in 2011, a second in Taipei in 2014 and a third in Dubai in 2015) are concept stores in the true sense of the term, and specialize in the incredible, the extravagant and the exclusive. Despite the highly competitive environment in which large groups dominate, the brand's creativity and ingenuity – in addition to a certain risk taking – have paid off. This is a path that large luxury groups are unable to consider with their current brands, based as they are on tradition, know-how and the need to generate "volume" of sales. Unless, that is, they resort to buying up an independent brand, as mentioned in Chapter 1 with reference to the acquisition of Ulysse Nardin by the group Kering.

The three M.A.D. galleries offer their visitors timepieces – sorry, “horological machines” – alongside other carefully selected works from around the world. Each of these works tends to speak to the heart rather than to the mind. The varied selection includes “Machine Lights” from Berlin-based artist Frank Buchwald, magnificent hand-blown glass hourglasses from star designer Marc Newson, and striking metallic sculptures from Chinese artist Xia Hang, as well as mischievous kinetic creations by Laikingland, a team of engineer artists with a quirky sense of humor. The strength of these M.A.D. galleries lies in the fact that these collections, like haute couture collections, are constantly evolving, with innovation and creativity opening up new horizons leading to new products and artists.

## W Motors

If there is another area even more competitive, it must be that of the automotive industry. The early 2010s have seen a succession of bankruptcies and near bankruptcies as well as various buyouts and absorptions – not a particularly welcoming environment for a new entrant, it would seem at a first glance.

Yet, in 2012, disregarding this rather hostile economic landscape, a new brand decided to enter the automotive sector. A high-end brand that started with a dream and the unshakeable conviction that there is always room in the market – even a saturated market – for an ultra-exclusive and totally incomparable product: a product for which innovation is not a concept, but an essential element.

This brand is W Motors (W standing for “WOLF”), which manufactures “hypercars” selling at US\$3.4 million each.

Before going any further, we will first try to remove any doubt from your mind. As you are reading this, you will probably be thinking of some article in the latest business magazine lying on your desk reporting on the current “crisis,” the soaring unemployment figures, falling share prices and other similarly cheerful news. You would therefore be justified in wondering: “Why create a prohibitively expensive hypercar in the current economic climate?”

And the only answer we can offer is: “Why not?”

Why not create an innovative hypercar, which brings together the most outstanding technical expertise?

Why not seek to bring together the most specialist engineers (such as Magna Steyr), the most experienced consultants (Studio Torino), the most advanced mechanics (RUF Automobile) and lend their skills to the most daring, or, as some say, the most foolish, project?

Should the great navigators stop sailing the world on the pretext that their boats may come under attack from the elements, or that so many others before them had failed? Only those who risk going too far will discover just how far one can go. Others may judge or criticize, but, whatever happens, they will be destined to remain passive observers.

The aim of this book is, once again, to show how a crazy gamble taken by an independent brand that you may not have heard of, can pay off, whatever the economic climate. The only limit to the risks taken is the limit we place on ourselves. Only we can decide whether or not to do something. We construct our own limits. Ask the impossible and the rest will follow. This is how W Motors, through its creator and CEO, Ralph R. Debbas, chose to proceed.

This is how great success is achieved.

From this short but necessary deviation we will return now to the case of W Motors, a brand based in the Middle East (a first for the automotive industry) whose manufacturing site is relocating from Turin, Italy, to Dubai in the United Arab Emirates.

The first W Motors HyperSport is the Lykan, taking its name from the werewolf, this half man, half wolf creature that is exceptionally strong and practically uncontrollable.

Here again we see the intention that underlies the creation of any new brand to establish a link between the product and its name. When we look at the design of the HyperSport, we see the edges of the bonnet extending up to the windshield like two ears of a wolf, a unique feature in the automotive sector. Seen from the front, the Lykan looks like a wolf ready to turn into a werewolf, powerful and elegant once the engine starts.

Like a hand-made watch movement, the Lykan HyperSport, limited to seven units for the first model, receives the same painstaking attention. The carbon-fiber body is hand-built, layer-by-layer, in Italy. The heart of this mythical creature beats with German engineering (recognized worldwide for its technical expertise), its hand-built engine assembled piece by piece in Germany. With its 770hp twin-turbo flat six-cylinder engine, the W Motor HyperSport offers a stunning performance – 0 to 100km/h in less than 2.8 seconds and can



FIGURE 6.9 W Motors Lykan HyperSport. Courtesy of W Motors

reach top speeds of 385km/h with maximum torque of 980nm, making this beast one of the fastest and most powerful in the world.



**FIGURE 6.10** / W Motors Lykan HyperSport. Courtesy of W Motors

Such a “vehicle” is naturally fully customizable. The client can choose from among a variety of gemstones – diamonds, rubies, sapphires and emeralds – that can be integrated into the interior or exterior of the vehicle. The finest materials such as gold or platinum can be used for example on the control buttons to enhance the luxurious and sumptuous aspects even further.

A concierge service, linked to the car, is available 24/7 whatever your needs. A team of W Motors engineers dedicated to your Lykan can be called upon at any time, for any problem, wherever you are in the world.

The Lykan HyperSport is the most technologically advanced hypercar in its category. It is the first car to have integrated a fully functional interactive holographic display system. A nine-inch screen is projected into the interior of the car to give the driver and passengers complete and permanent control over the car’s multimedia interface. Functions can be selected and activated using one finger as a pointer to interact directly with the hologram. Unlike other systems currently under development there is no barrier between the user and the hologram, resulting in total symbiosis.

The ignition system (which turns the wolf into a werewolf), the GPS system, the telephone, music or even video functions can all be activated easily using 3D holographic animations.

Designing an icon in the automotive world is no easy feat. But it remains possible. W Motors with its hypercar, half-way between the concept car and production vehicle, has successfully managed to create a niche where the wolf can make its lair.

A new brand has been born and the wolf is increasing its pack, and by 2016 two new models will be launched:



**FIGURE 6.11** W Motors Sedan model. Courtesy of W Motors

- The Sedan model with a production of 100 vehicles per year retailing at around US\$200,000.
- The SuperSport model with a production of 25 vehicles per year retailing at a price half-way between that of the Sedan and the Lykan: US\$1.4 million.

The two models will be officially presented (world premiere) at the Frankfurt Motor Show from 17–27 September 2015. The Lykan Roadster, with a production limited to just three, is also expected for the beginning of 2016.



**FIGURE 6.12** / W Motors SuperSport model. Courtesy of W Motors

With these new models the strategy of the brand is clear: target the very high-end, the exclusive, while offering an “affordable” entry price for an exceptional vehicle. The brand is giving itself the resources to match its ambitions with the opening of Lifestyle boutiques where its own brand is presented, but also those of its partners such as Franck Muller (watchmaking) and Encelade 1789 (cufflinks/writing instruments) located in very strategic sites.

In 2015 boutiques opened in Shanghai, Miami and Singapore, with Dubai targeted for the beginning of 2016. The brand is gaining a firm foothold and is developing little by little.

Its next project is to develop a world-class automotive research and development platform in Dubai. In the spirit of the impressive developments being undertaken for Expo 2020 (see Chapter 5), W Motors aims to play a pivotal role in the emergence of R&D and innovation *Made in Dubai*. This would take the form of a start-up accelerator to bring together talents in the automotive business where W Motors, alongside a group of public and private investors, would take a role of innovation facilitator, potential client and investor. If this project takes off, it would represent real business model innovation in a highly

concentrated and mature sector like the automotive industry. Hard to believe, maybe, but no harder than the creation of W Motors in the first place...

Apart from the new models and the opening of its own Lifestyle boutiques, the brand has also chosen to develop a strong presence in film and video games. The W Motors HyperSport Lykan appeared in the movie *Furious 7*, released in April 2015, as well as featuring in more than ten video games – an original approach to expand brand awareness and to establish its models as a reference.

In terms of luxury accessories, W Motors has long sought partners that share its brand philosophy based on innovation, daring, quality and an independent spirit. For watchmaking the choice was Franck Muller. This independent brand from Genthod (in Geneva, Switzerland) developed a first series of seven timepieces for the seven Lykan. The color of the watchcase can be entirely customized (white, blue, gray, black, orange) and the case itself echoes the rounded elegant form of the hypercar. A timepiece in perfect keeping with the automobile brand.



**FIGURE 6.13** W Motors Lykan timepieces by Franck Muller. Courtesy of W Motors and Franck Muller

While it is true that the owner of a W Motors car would wear an exceptional timepiece (which explains the partnership with Franck Muller), other innovative, original and exclusive luxury accessories continue to appeal. W Motors therefore decided to look for the most technical, avant-gardist and stylish accessories than can be worn, other than watches. The result was clear. The

Swiss brand Encelade 1789,<sup>43</sup> created by members of the same French family, fully matched the criteria and furthermore enabled a link with an independent brand (a crucial point). The partnership between these two brands was signed in 2014 and Encelade 1789 produced a first series of 100 ultra-exclusive cufflinks with their unique, signature rotation system, using 12 ball bearings and 56 components assembled entirely by hand. The idea, the design and the drawings for these cufflinks all come from the brand's founding family that manages the product from start to finish. Launched on 1 December 2014 (with number 00/100 available at Colette, the world famous Concept Store in Paris), the brand decided to release ten pairs of W Motors cufflinks per month, the final pair being delivered in September 2015, in order to maintain the lure of exclusivity while allowing lovers of these exceptional accessories to add their names to the waiting list of future happy owners. The price of these cufflinks has been intentionally "accessible" at €1380 a pair, including an exceptional case (crafted from a solid block of aluminum) and the brand's unique clip system, an invention which allows the cufflinks to be worn with any thickness of shirt cuff (a world premiere) and is used for two out of its three flagship collections. Once again, innovation and exclusivity are central.



**FIGURE 6.14** W Motors cufflinks by Encelade 1789. Courtesy of W Motors and Encelade 1789

Why are such partnerships necessary for a brand like W Motors? Simply because the spirit of excellence is cultivated in the company of brands constantly searching for the exceptional and the exclusive. It is by setting up quality partnerships with brands having identical values that independent brands can share their



**FIGURE 6.15** Customized and numbered aluminum case “W” (from W Motors and etched limited series). Courtesy of W Motors and Encelade 1789

expertise, their networks, their ideas and thus become all the more resistant against the powerful groups.

And above all, these brand partnerships understand the importance of *passion* at the heart of all development. Where some think only of making *cash*, these brands see money as a means rather than an end in itself, and seek to develop the optimal product by investing exceptional emotion. This makes all the difference. *Cash* will follow.

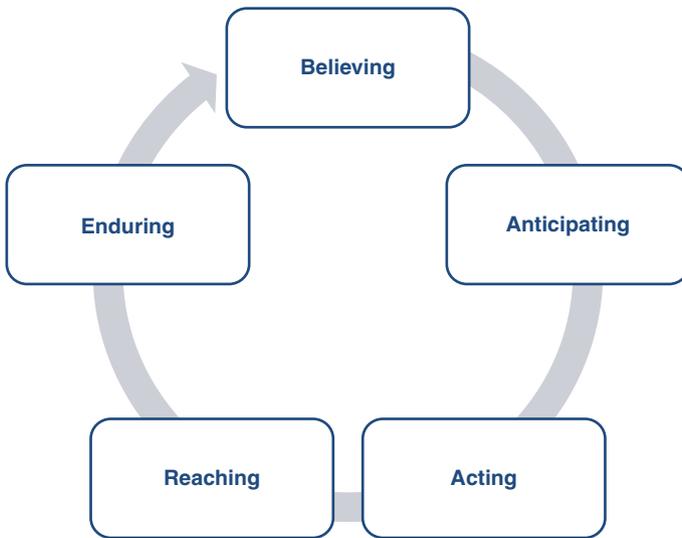
## Game changers

The entrepreneurs and companies presented above showcase the exceptional potential unleashed by independent human hearts and minds on luxury innovation.

They are breakthrough business model innovators following in the footsteps of independent luxury giants such as Hermès, which have been consistently innovating by reconfiguring resources and firmly standing the test of time.

Such breakthrough business models require larger-than-life entrepreneurs and innovators such as Rei Kawakubo and Adrian Joffe, Aurélien Arbet and Jérémie Egly, Iris van Herpen, Max Büsser and Ralph R. Debbas to break codes in the offer, business model and value constellation at this level. Talent will always be

a fundamentally uncertain factor in this equation, but stages in their path can be understood with the BA<sup>2</sup>RE<sup>®</sup> luxury strategy approach (Figure 6.16).



**FIGURE 6.16** The BA<sup>2</sup>RE<sup>®</sup> luxury strategy approach

## Believing

Purpose is crystal clear: innovate, break the codes, change the context and the rules of the game by reconfiguring resources. Technology can be an enabler, as shown by Iris van Herpen, but believing is more often a mission or vision: relentlessly creating the new for Rei Kawakubo; the fusion of different mediums in a creative endeavor for Études Studio; the fusion of science, art and fashion for Iris van Herpen; building the most exceptional horological machine for MB&F; making the world's ultimate car for W Motors.

## Anticipating

These groundbreakers are the avant-garde themselves, role models for their peers. Rei Kawakubo has been miles ahead in fashion for decades and Iris van Herpen is now emerging as an honorable successor. It is no surprise that these companies have very close relations with the art world.

## Acting

Exceptional, avant-garde, unique products and experiences are the result of this quest. These companies often have strong local roots that propelled them in their international endeavors (Japan for Comme des Garçons; the Middle East for W Motors; Switzerland for MB&F). They focused in niche markets from the outset and eventually opened up their audience through more accessible lines.

These companies have reconfigured resources in order to support their creative endeavor by building entire support ecosystems such as for Iris van Herpen, Comme des Garçons or MB&F, and in the process breaking traditional industry boundaries.<sup>44</sup> This is the aim of W Motors with its R&D platform. In the process, new resources get acquired and capabilities developed.

## Reaching

Some degree of vertical integration is a common feature, the point of sale (physical or online) is a stage for the company values and vision. Dover Street Market probably best symbolizes this, but so do the pop-up stores by Études Studio, the M.A.D. galleries by MB&F and the Lifestyle stores of W Motors.

## Enduring

These innovators share acute business acumen: Comme des Garçons is probably the ultimate example of dust being turned into gold. Long live independent luxury game changers!

\* \* \*

How to apply these lessons to create a new company?

The following chapter will present how the BA<sup>2</sup>RE<sup>®</sup> luxury strategy approach helped the creation and development of Encelade 1789, an independent company that is taking *haute horlogerie* savoir faire and its high technicality to reinvent and revitalize men's accessories (such as cufflinks and pens).

# Applying the BA<sup>2</sup>RE<sup>®</sup> Luxury Strategy Approach to the Creation and Development of Encelade 1789

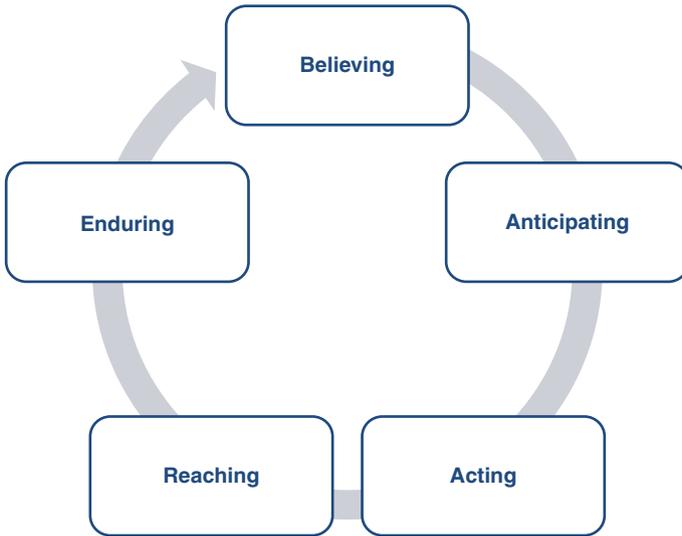
The aim of this book is to examine a new approach to luxury – luxury that is innovative and reinvented, so the cufflinks that we discuss in this chapter obviously will not be the sort of everyday cufflinks that can be bought for a few dollars, even if they have a certain originality.

Here we apply the BA<sup>2</sup>RE<sup>®</sup> luxury strategy approach (Figure 7.1) to the luxury cufflinks manufactured by Encelade 1789, an independent brand that has pushed the brand/product concept to the extreme.

## Believing

Encelade 1789 was born from the deep and unwavering conviction of its two co-founders (first cousins Julien and Laurent Lecamp, the latter being the co-author of this book) that cufflinks were destined to make a comeback on the accessories scene. Nothing could explain this belief; it remained strong despite all the criticism and prevailing skepticism. It seemed obvious to the Lecamps that this accessory would have a role to play in our societies, not in a low- to mid-range version, but as an exclusive item created using an innovative and technical approach. The co-founders of Encelade 1789 were convinced and this conviction remains unshakable.

Before going into further details, it is worth saying a little about the origins of the cufflink, an accessory that is being brought up to date in a rather



**FIGURE 7.1** The BA<sup>2</sup>RE<sup>®</sup> luxury strategy approach

surprising and spectacular way by fashion houses, watchmakers and certain ingenious independents.

The concept of the cufflink was born in the 17th century at a time when gentlemen used to hold the cuffs of their shirt sleeves together with a piece of ribbon or lace. Replacing the cuff ribbon with a button was a natural development and the result was both more practical and more stylish. The 19th century became the golden age of the cufflink. It was during this period that the pivoting back replaced the system of two buttons on a chain, making it easier to attach the cuffs.

All trends eventually reach their peak, and in the case of cufflinks, the appearance of buttoned cuffs in the 1970s marked, for some people, the end of a cycle. The cufflink had outlived its usefulness and its future seemed bleak.

This apparent death knell for the cufflink in the 1970s is not without its parallels in the watchmaking industry where, a few years later, a large number of self-proclaimed specialists had predicted that the arrival of quartz would be the demise of Swiss-made watchmaking. Quartz enabled an accuracy that was unmatched by any automatic Swiss movement. These predictions, as history has shown, were proved false and watchmaking today is no longer characterized by quartz, despite its precision, but by innovative and technologically advanced mechanical movements.

Like the mechanical movements in watchmaking, the cufflink made its return just a few years after, in the 2000s. Major fashion houses and luxury brands (Hermès, Hugo Boss, Kenzo, Armani and so on), as well as some unexpected newcomers, worked to bring these accessories up to date, like TF1968 (the name is derived from the initials and year of birth of its founder), which uses a moving element in its cufflinks covered with a sapphire glass giving the impression that the wearer has a “Tourbillon” (a watch complication invented in 1801 by Abraham-Louis Breguet) on his wrist.



**FIGURE 7.2** TF steel model. Courtesy of TF1968

The brand has developed a series of new models which continue to retain a strong link with the world of watchmaking, but not exclusively, for example its collection of different diameter cufflinks inspired by the world of casino gaming. It has also expanded into watchmaking and pens, thus allowing the client to acquire various accessories from within the same brand.<sup>1</sup>

Other brands have gone even further in the concept of innovation and luxury by creating collections that are ultra-exclusive, technical and innovative. Not to everyone’s taste (as we shall see in the example below) but they demonstrate that innovation can be limitless, even in the domain of cufflinks.

A very good example is given by Roland Iten, a renowned creator of men’s mechanical accessories, who was called upon to design and produce for the Fonderie 47 an atypical collection of cufflinks. Limited to 20 pieces, this collection was created from white and red gold plus material from Russian AK47 assault rifles.<sup>2</sup> Together the two cufflinks transform into

*innovation can be limitless, even in the domain of cufflinks*

a bracelet, thus giving the owner a choice of how to wear these accessories. The purchase of these cufflinks, which retail at US\$32,000, has an additional purpose – to help destroy AK47 rifles in Africa, and thus reduce the violence and instability which blocks serious investment in many regions, for example, the Congo. Each pair of cufflinks bought enables 100 AK47 rifles to be destroyed.

These cufflinks are aimed at a wealthy and socially conscious clientele who are sympathetic to the creator's concern for others, and who would never have imagined saving the world "one set of cufflinks at a time."



**FIGURE 7.3** / AK47, Fonderie 47. Courtesy of Roland Iten

Roland Iten is well known in his field for his image as a mad scientist. Put simply, he designs, makes and produces men's accessories in Switzerland (belt buckles, credit card holders, cufflinks); accessories that are as exceptional as they are exclusive, offering magnificent complications in the pure tradition of fine Helvétè watchmaking, with, however, a little difference: none of these objects will ever tell you the time.



**FIGURE 7.4** / AK47, Fonderie 47. Courtesy of Roland Iten

Innovation is continuing to grow in the field of cufflinks, as much from a technical point of view as in terms of “product history,” as proved by the young innovative brand that this chapter presents: Encelade 1789.<sup>3</sup> The brand’s philosophy is “to innovate you have to break the rules.” It is a brand that stops us from going round in circles, and which has its philosophy etched proudly on the cases of its accessories.

## Anticipating

This brand was co-created by Julien and Laurent Lecamp from an original concept put forward by Laurent Lecamp. The two cousins had already made their name and their reputation for being “troublemakers” in the world of Swiss watchmaking. Managed by Julien Lecamp, Encelade 1789 presents a revolutionary concept in the field of accessories that are adaptable and inspired by the past while being deeply rooted in modernity.

The case of Encelade is interesting to study on a number of levels:

- First, Encelade is a company with 100% family capital with consequently a true spirit of cooperation and partnership.
- The brand had succeeded in distinguishing itself both aesthetically and qualitatively with its own specific identity and innovation worthy of pieces from the finest watchmaking tradition.
- But above all, there is a logical link between its name and its products. A trivial point for some, but remember, luxury is in the detail. The final customer, or “fan” to use the term adopted (and much appreciated) by Encelade 1789, is seeking a link, a history, a connection. This is a new element that is set to increase in importance in the years to come.

Encelade 1789 (more about the name below) has set itself the goal of becoming a reference brand in the field of luxury accessories for men, with retail prices starting at €750. It currently has two collections, bringing together a first-class expertise both human and technical, unusual for what many consider a “simple” accessory.

So, what about the name of this brand? The name alone is indicative of the philosophy (and the DNA) of the product; a name that, due to its history, is easier to remember by both retailers and the end customers (or “fans”).

The name alone is indicative of the philosophy (and the DNA) of the product

The name Encelade comes from Enceladus, one of the moons of Saturn (which in turn was named after one of the Gigantes in Greek mythology). Enceladus orbits Saturn within its outermost ring – the E ring. This concept of rings has been included in the design of cufflinks with multiple rings rotating on an ingenious system of ball bearings.

The moon Enceladus was discovered in 1789, the year of the French Revolution. This date was significant in the choice of name for the brand, as the French founders have revolutionized in their own way the concept of the cufflink. A natural flow of ideas, in fact.

More recently, the Cassini space probe detected geyser-like jets on the surface of Enceladus, which seem to indicate the presence of water beneath the surface. In April and May 2014, the discovery of an immense lake deep under the ice on the surface of Enceladus made the headlines in newspapers around the world, as this could reveal the presence of extraterrestrial life.<sup>4</sup> This helped fix the name Enceladus in our collective memory, and helped fix the name Encelade in our spirits!

For these reasons it is highly likely that Enceladus will become a popular search name on internet search engines in the future, a fact that will directly benefit the luxury accessories brand. This is an example of clever marketing and anticipation in a world where large luxury groups seem to have the upper hand in everything for the time being, but not necessarily in the future.

## Acting

Putting their conviction into action, Encelade's co-founders created their first collection of cufflinks: the Dice collection.

More "impressive" than traditional cufflinks, the Dice cufflink creates a direct and vibrant relationship with the wearer who can make the cufflink spin almost endlessly with a touch of his finger, and at such speeds that each dice seems to be transformed into a sphere (or a planet?), a subtle reference to the moon Enceladus. This playful side is all the more important as the brand's co-founders are convinced that some link between the object and its owner must be present for an emotional connection to develop: without emotion, there seems little point creating a luxury item of any kind, however perfect or aesthetic it may be.

Underlying the playful aspect of the Dice cufflink is the ingenious application of innovation and technology requiring more than 18 months of work from the design to prototype validation; the result is spectacular, and patents for the design have been filed in most countries around the world.

Each pair of cufflinks (made up of 34 components, hand-assembled with luxury watchmaking finishings) includes a record-breaking eight ball bearings (or up to 12 in the ingenious Gyroscope collection with 56 components). These ball bearings are the smallest in the world and are extremely quiet and reliable (used in cutting-edge technology). Only one producer is capable of making them, exclusivity being a key notion in luxury.

Encelade 1789 is one of the first brands to have taken the risk of developing such sophisticated cufflinks (with a 360-degree movement) in volume. A video demonstrating the movement of the Dice cufflinks (designed and developed entirely by Julien Lecamp) is available on the brand's website.

Another of the brand's ingenious inventions deals with the problem faced by many cufflink wearers – depending on the thickness of the shirt's cuffs, there is sometimes too much "play" between the two parts of the cufflinks – they may not always sit snugly against the shirt.



FIGURE 7.5 / Encelade 1789 Dice collection. Courtesy of Encelade 1789



**FIGURE 7.6** / Encelade 1789 – the “clip.” Courtesy of Encelade 1789



**FIGURE 7.7** / Encelade 1789 – the “clip”: fixing the clip onto the cufflink. The clip is fixed onto the stem of the cufflink and rotated 90 degrees to be perfectly aligned with the back. Courtesy of Encelade 1789

To allow the wearer to have the best possible results, whatever the thickness of his shirt cuffs, the brand invented the “clip,” an ingenious system which slips onto the back of the cufflink and removes any “play” between the cufflink and the cuff on thinner shirts. The cufflinks are fixed for a perfect aesthetic result.



**FIGURE 7.8** / Encelade 1789 – the “clip”: The clip tightens the cufflink for an impeccable result whatever the thickness of the cuff. Courtesy of Encelade 1789

As luxury is in the detail, great care is taken over the finish.

The numbers, angles and rings of the dice are hand-polished and the sides are sanded. Quality control is rigorous and out of 100 dice made, more than half are discarded, as they do not pass the strict aesthetic and technical controls. Each pair of dice is developed and assembled by hand, and is the subject of special care before being packaged in a case that also deserves our attention, a case that is worthy of a high-end watchmaker.

The brand’s founders wished to bring the same care to the packaging as they had given to the cufflink. The case, also hand-made – is made of brushed, black anodized aluminum. A clever system of four magnets keep the case securely closed. Inside, the cufflinks are held firmly and a leather protection prevents them from rubbing against the aluminum packaging case. Another subtle detail is that the head of the screws used in the case are in the form of stars, in reference to Enceladus and the universe, and the quote from the founders’ grandfather is etched onto the top of the case: “to innovate you have to break the rules.”

Such a level of care and attention to detail differentiates the brand from the competition which, in most cases, keeps the cost of packaging low in order to keep the margins high, whatever the price range (with the exception of the



**FIGURE 7.9** Encelade 1789 hand-made case of brushed, black anodized aluminum. Courtesy of Encelade 1789

extra-exclusive collections). It is not rare in fact to find cufflinks retailing at between €200 and €1000 but sold in similar cases, with just a change of color or quality of card.

The brand's two founders chose to create a real "Encelade experience," an experience which starts with the packaging. One market that exemplifies this notion of experience is, without doubt, the Eastern European market (Russia and Ukraine in particular). During a visit to Ukraine, one of the co-authors witnessed a memorable scene in a restaurant in the center of Kiev. He was in the company of a Ukrainian retailer when into the restaurant came a Ukrainian cabinet minister with a few friends. The retailer recognized the minister immediately and understood that he was celebrating his birthday. The retailer then proceeded to call one of his employees (at 9pm), asking him to go to their store and fetch a watch in a magnificent case. The retailer insisted on the term "magnificent." Forty minutes later the employee arrived at the restaurant and gave the packaged watch to the retailer, who in turn asked the waiter to place it on the minister's table. No sooner said than done. Realizing that it was a birthday gift from the retailer, the minister nodded his thanks, and, surprisingly, left the case in pride of place in the middle of the table, but made no attempt to open it during the entire meal. His friends kept asking him what could be inside such a magnificent case, but the minister resisted revealing the contents of the mysterious box. In other cities of the world perhaps – Paris, London, New York – the "gift" would have been opened immediately. In Kiev, the packaging itself had a value. This is a reminder of how important it is to understand different cultures in the business world.

Following on from the success of the Dice collection, Encelade launched Gyroscope, its second collection of cufflinks, at the end of 2014. You may remember playing with a gyroscope spinning-top as a child. It is exactly this memory and the pleasure it evokes (emotion being central to the development of the brand) that led the founders to create the world's first gyroscopic cufflink. Quite a feat when you consider the multiple rotations of a number of rings in opposite directions. This is achieved with a system of 12 ball bearings and three steel balls in the central wheel. A video of this is available on the brand's website. But be warned, you will be amazed!

With its 56 components, the Gyroscope cufflink took two years to develop. But what wouldn't we do to recapture the pleasures of our childhood – on our wrist!

Cufflinks are an almost exclusively masculine accessory, so, to prevent anyone feeling left out, the brand has also created a special pendant, aesthetic and refined, as part of its two collections. Women can "borrow" their man's cufflinks and wear them around their neck. In this way, the cufflinks become a strong (and new) emotional link between the couple. Monsieur wears them on his cuffs, and Madame around her neck. The brand of course took care that only its own cufflinks can be clipped onto the specially designed pendant – an added difference and asset for Encelade 1789. An idea never before developed by an independent brand.

## Reaching

Due to its ultra-exclusivity and the development of innovations in a field that has remained too static, the brand appeals to consumers seeking accessories that stand out, that are innovative, exclusive and have a genuine brand identity. The brand describes these consumers as "fans." In other words, demanding consumers are "fans" who will develop an emotional link with the product, who will promote it more than they would any other brand in the same field – consumers with extremely high standards. The brand cannot afford to make any mistakes if it wants to keep this clientele, who seek to be different and to distance themselves from "the same old things" or products that everyone has. Encelade 1789 cufflinks possess such an intrinsic strength that



FIGURE 7.10 Encelade 1789 “Gyroscope” cufflinks: the rings of the “Gyroscope” cufflinks rotate in opposite directions at speeds never seen before with no friction or sound. Courtesy of Encelade 1789

they impose a personality and are therefore not designed for those who wish to blend into the background.

Encelade developed this concept of exclusivity even further by addressing two major challenges in 2014–16:

- To establish a partnership with an exceptional player in the field of luxury automobiles (combining the values of innovation and technical expertise).
- To generate buzz by developing an exclusive pair of diamond cufflinks (more about this in the next section).

Encelade 1789 partnered with the luxury automotive brand W Motors (presented in Chapter 6). It is interesting to draw attention to the bonds that are being forged between different independent brands in this turbulent economic environment. These two brands share the same values of boldness, excellence, independence, technical expertise and passion, making their partnership an obvious choice. W Motors placed an order with Encelade 1789 for 100 pairs of fully customized cufflinks, delivered between late 2014 and mid-2015. This “Gyroscope W Motors” collection (56 components and 12 ball bearings) sports the colors and codes of the automotive brand. The case has also been fully customized and is numbered.

Cases numbered 1 to 50 were delivered to W Motors, while cases numbered 51 to 100 were delivered to Encelade 1789 partners (sales outlets). Case number 00/100 was delivered to Colette in Paris where it immediately sold. Where better than the most famous concept store in the world to launch this exclusive W Motors–Encelade 1789 collection?

Great care has also been taken by the brand in the quality of the advertisements appearing in the press in 2015 to announce the partnership between Encelade 1789 and W Motors. The emphasis is placed on the strong bond between the two brands (each image shows a W Motors Lykan with promotional information from Encelade 1789).

Together, the two brands are working on their upcoming launches and many ideas are already being validated. One such idea concerns the store Temps & Passions in Monaco, with specific and time-limited launches being studied as this book goes to print. Temps & Passions is really one of a kind, a store which focuses exclusively on innovative independent brands. A store with an international aura and with a similar philosophy to a store like Noble Styling in Tokyo.

The brand is fully aware that the cufflinks from the Dice and Gyroscope collections are targeted at a specific customer who likes to marry technical



**FIGURE 7.11** Encelade 1789 and W Motors advertising. Courtesy of Encelade 1789 and W Motors



**FIGURE 7.12** Encelade 1789 and W Motors advertising. Courtesy of Encelade 1789 and W Motors

expertise, innovation, aesthetics and exclusivity. With a retail price range between €750 and €1400, and relatively small margins compared to those of its competitors, the brand is seeking a unique position: to offer an exceptional product at an affordable price, each model being available in a limited edition.

## Enduring

Despite being a young brand, Encelade 1789 is already building a long-term vision based on its established image of exclusivity in the field of design, technology and innovation. Its two main collections will be further developed and will remain key, while other developments are also being launched in parallel.

In May 2015 the brand announced its third collection, the “Rotor” collection (first deliveries: October 2015), based on a new watch movement designed, like all the products, by the family itself. In this new collection, the rotation – the brand’s guiding principle – can be found through a completely modernized and stylized rotor.

The cufflinks of the new collection, combining technical and watchmaking expertise with a smaller diameter and using just two ball bearings (specific to the brand and found in the previous collections), were launched at a very competitive retail price of €365 (entry price). While the Dice and Gyroscope remain the brand’s flagship collections (with the clip, the ultra-exclusive packaging and the option to wear the cufflinks as a pendant), its third collection has made the world of Encelade 1789 more accessible. The Rotor collection still focuses on the notions of sense and emotion along with a playful side – the wearer can spin the cufflink’s oscillating weight, or rotor, himself. The brand’s values and codes remain intact.

This new collection has been developed in rather an unusual way compared to that of an equivalent product from a competitor in terms of price. Each component has been designed and manufactured individually. There is no “mold”; each part is assembled, one after the other, as it would be for a watch movement.

In addition to its collections of cufflinks, Encelade 1789 is continuing to build its long-term vision by launching a new range of accessories, that of exceptional writing instruments. In keeping with the brand’s image, these instruments, retailing at €4900 each, are developed entirely in Switzerland and France by expert watchmakers and represent the first writing instruments in the world to be assembled piece by piece due to the extreme accuracy and exceptional craftsmanship required. At the heart of the writing instrument is a unique and ultra-technical “rotation” like that found in Encelade 1789’s



FIGURE 7.13 / Encelade 1789 "Rotor" cufflinks. Courtesy of Encelade 1789



**FIGURE 7.14** Enclade 1789 writing instrument. Courtesy of Enclade 1789

cufflinks. The brand's identity is once more respected to the letter through the principle of the rotation and its specific ball bearing system, as well as through the concept of exclusivity. These writing instruments are made to order, due to the lengthy manual work necessary. In 2015 orders from Asia, Europe and Russia have resulted in the development of a customized series of these writing instruments.

Before concluding this chapter, we would like to announce exciting news about the launch of the most exclusive cufflinks in history. Details of this one and only pair of cufflinks cannot be divulged (there is only one model in the world – to be launched in 2016), as the brand was sworn to secrecy at the time this book was going to press; we are however at liberty to say that the brand has created a pair of cufflinks with diamond dice that rotate 360 degrees in all directions by means of a highly technical system of ball bearings. The lucky future owner of these two hand-cut 32-carat black diamond dice will be the only person in the world to have such a work of art. The diamond cufflinks will be presented in their own exceptional case, designed and developed by Enclade 1789. The price is still being kept secret but it will be non-negotiable for this ultra-exclusive accessory and a part of the sales price will be donated to young independent designers seeking capital to help them develop their ideas. *La boucle est bouclée...*

While the exact date of the launch is as yet unknown, what is certain is that this singular piece will make the brand the strong reference in the field of exclusive accessories.

Aim for the universe and you will reach Encelade 1789 – that’s another way to express their philosophy!

The aim of this book is to inform you about current developments, some that you may have heard about but which may not necessarily have attracted your attention. Every day we are inundated with a vast tide of advertising, eternally praising the qualities of the same products and the same brands.

The example of Encelade 1789 developed in this chapter is proof that there will always be room for independent brands – even in fields that may be described as saturated or obsolete – provided that certain key qualities are present: innovation, ingenuity and curiosity – the qualities that are emphasized throughout this book.

Taking a different viewpoint can sometimes be the spark that rekindles the fire. Add to this a good dose of passion and get started. That is what the independent spirit is about. Soak it up.

# Epilogue

Knysna.

More than just a name: a vivid symbol of the last elephant on the brink of extinction, putting an end to a line of free-roaming bush elephants... forever. But maybe not!

Recently traces of other elephants have been spotted in the Knysna forest, suggesting that the matriarch may not be the last in her line.<sup>1</sup> A faint hope, of course, but hope nevertheless.

What if these elephants were still surviving in the forest? What if they were able to build up their herd? The dream is alive. Let's hope it comes true. And what about independent luxury?

As this book goes to print the world is still in the grip of one of the worst financial crises it has ever known. A crisis that is obviously hitting small businesses harder than larger organizations. This should not, however, be interpreted as a victory for the big over the small.

Opportunities exist. The fact that large groups are monopolizing more new brands is proof that the strength of luxury lies in innovative young talents. A more diverse ecosystem is a more resilient one and independent luxury companies play a central role here.

The examples of W Motors (luxury cars) or Encelade 1789 (luxury accessories), two new brands that this book considers in detail, testify that expertise and passion, combined with an innovative idea, can allow businesses to develop even in those domains that are deemed too competitive.

What is next? We are currently working on a project presenting a step-by-step approach on how to build a luxury brand, which will be published in the near future.

Do not hesitate to contact us via our Twitter account @independluxury and through the website [www.theindependentluxury.com](http://www.theindependentluxury.com).

To finish (and with our sincere apologies to Rudyard Kipling) – if we were able to transform Kipling's famous poem "If"<sup>2</sup> to the world of business we would write:

*Si tu sais t'étonner, observer et connaître,  
Sans jamais devenir sceptique ou destructeur,  
Travailler, tout en laissant ta passion être ton maître,  
Penser sans n'être qu'un penseur,*

*Si tu peux rencontrer Triomphe après défaite,  
Et recevoir ces deux menteurs d'un même front,  
Si tu peux conserver ta persévérance et ta tête,  
Quand tous les autres les perdront,*

*Alors les Rois, les Dieux, la Chance et la Victoire  
Seront à tout jamais tes esclaves soumis,  
Et, ce qui vaut mieux que les Rois et la gloire,  
Tu seras un Entrepreneur, mon fils.*

*If you can wonder, observe and discover,  
Without ever becoming skeptical or destructive,  
If you can work, letting passion be your guide,  
If you can think – and not make thoughts your aim,*

*If you can meet with Triumph and Disaster,  
And treat those two impostors just the same,  
If you can keep your head when all about you,  
Are losing theirs and blaming it on you,*

*Then the Kings, the Glory and the Victory,  
Will forever be yours,  
And – which is more than that,  
You'll be an Entrepreneur, my son!*

# Notes

## Prologue

1. According to <http://wikitravel.org/en/Knysna>, Knysna is believed to be derived from a Khoi word for place of wood, or fern leaves, but most probably means straight down or hard to reach – referring to the steep Knysna Heads.

## Introduction

1. We could write a whole chapter on the definition of luxury, but in our view two key words are important: “unique” and “deviation.” “Unique” from the Latin *unicus* and, *unus* “one,” means being the only one of its kind, unlike anything else, particularly remarkable, special or unusual. This is the original sense of luxury and a successful luxury brand will enhance its uniqueness by staying true to its essence and playing with its codes to remain relevant for evolving consumer tastes. “Deviation” refers to a departure from the social norm, disrupting existing codes, challenging conventions, pushing noble (and not so noble) values, elevation to sensorial heights, supreme reward for exceptional achievements. And also in recent decades, deviation from principles of craftsmanship, rarity, uniqueness and heritage. See M. Ricca and R. Robins, *Meta-Luxury* (London: Palgrave Macmillan, 2012); M.-C. Sicard, *Luxury, Lies and Marketing* ((London: Palgrave Macmillan, 2013). In most parts of the book we adopt, for the sake of familiarity, the definitions adopted by Bain & Company and Fondazione Altagamma in their annual Worldwide Markets Monitor report. A deeper examination of the definition of luxury will be the focus of our upcoming book.
2. As the purchases of Loro Piana by LVMH, Harry Winston by Swatch Group and Ulysse Nardin by Kering in 2014 testify.
3. J. Hoffmann, “On Luxury Strategizing,” in J. Hoffmann and I. Coste-Manière (eds.), *Global Luxury Trends* (London: Palgrave Macmillan, 2012).

## 1 Luxury Landscape: Challenges and Opportunities for Independents

1. Bain & Company and Fondazione Altagamma Worldwide Markets Monitor 2012–14.
2. O. Abtan et al., 30 Jan 2014, “Shock of the New Chic: Dealing with New Complexity in the Business of Luxury,” BCG Perspectives, available at [https://www.bcgperspectives.com/content/articles/consumer\\_products\\_retail\\_shock\\_new\\_chic\\_dealing\\_with\\_new\\_complexity\\_business\\_luxury/](https://www.bcgperspectives.com/content/articles/consumer_products_retail_shock_new_chic_dealing_with_new_complexity_business_luxury/) (accessed 4 Oct 2014).
3. We could question whether BCG’s distinction between the categories of personal luxury goods, luxury cars and experiential luxury is a trick to position it differently from the firmly recognized figures produced by Bain & Altagamma. Aside from this debate, these figures provide a broader picture of the economic importance of the luxury industry.
4. J. Hoffmann and I. Coste-Manière, “Luxury Industry: The New Normal,” *The European Financial Review* (March 2014), pp. 70–72.
5. Bain & Company and Fondazione Altagamma (2012–14); plus informal exchanges with Nick Debnam, Asia Pacific Chair, Consumer Markets, KPMG, and Anson Bailey, Principal, Business Development, KPMG China.
6. See for example Prada who lost one-third of their market value in 2014: <http://www.cnbc.com/id/102247228> (accessed 1 Jan 2015).
7. Bain & Company and Fondazione Altagamma (2012–14).
8. Swatch Group was founded by the visionary businessman Nicolas Hayek, known as the “saviour of the Swiss watchmaking industry.” It began with the merger in 1983 of the two main Swiss watchmakers, ASUAG and SIHH, taking the name SMH (Swiss Corporation for Microelectronics and Watchmaking Industries) in 1986, and then Swatch Group in 1998.
9. *Le Monde*, 14 Jan 2013, available at [http://www.lemonde.fr/economie/article/2013/01/14/horlogerie-swatch-reprend-harry-winston\\_1816500\\_3234.html](http://www.lemonde.fr/economie/article/2013/01/14/horlogerie-swatch-reprend-harry-winston_1816500_3234.html) (accessed 1 Jan 2015).
10. Source: Vontobel Equity Research.
11. For information, Patek Philippe timepieces are renowned for being the most sought-after in auctions and the brand holds the record for the highest price bid for a timepiece at an auction.
12. Disclosure: one of the authors is Executive Vice President Sales at Carl F. Bucherer.
13. Worldtempus.com, available at <http://en.worldtempus.com/article/insider/hautlence-change-shareholders> (accessed 1 Jan 2015).
14. Federation of the Swiss Watch Industry, available at: [http://www.fhs.ch/eng/2013-05-13\\_1142.html](http://www.fhs.ch/eng/2013-05-13_1142.html) (accessed 1 Jan 2015).
15. Disclosure: one of the authors is one of the founders of Cyrus.
16. *L’Hebdo*, 7 Mar 2012, available at [http://www.hebdo.ch/la\\_course\\_contre\\_la\\_montre\\_151743.html](http://www.hebdo.ch/la_course_contre_la_montre_151743.html) (accessed 1 Jan 2015).
17. If our book did not focus on independent luxury companies, luxury consolidators like Swatch Group, LVMH, Kering or Richemont, who have shifted

- the structure of the industry, should receive special attention as business model innovators, the “lions at the top of the food chain,” but exploring this innovation is not our focus here.
18. F. G. Birindelli, “Luxury Business: Multinational Organizations and Global Specializations,” in J. Hoffmann and I. Coste-Manière (eds.), *Luxury Strategy in Action* (London: Palgrave Macmillan, 2012), ch. 2.
  19. S. Doran, “In conversation with Remo Ruffini,” *Luxury Society*, 2012, available at <http://luxurysociety.com/articles/2012/08/in-conversation-with-remo-ruffini-moncler> (accessed 11 Dec 2012).
  20. Given the issues surrounding Moncler down supply policy at the end of 2014, see for example: <http://www.dailymail.co.uk/wires/reuters/article-2819188/Luxury-coat-maker-Moncler-denies-mistreating-geese-shares-fall.html> (accessed 1 Jan 2015); we could raise some questions on this last statement.
  21. R. Stankeviciute and J. Hoffmann, “The Slippery Slope of Brand Expansion: Look to the Luxury Sector to Understand How Brand Extensions Affect Parent Brands,” *Marketing Management* (Winter 2010), pp. 26–31.
  22. D. Morisset, Lecture at the FIU|Altagama Luxury Retail Management Program, Miami, August 2014.
  23. C. Christensen and D. van Bever, “The Capitalist’s Dilemma,” *Harvard Business Review* (June 2014).
  24. Despite the discourse on bespoke from the big names, this is often a tool to show craft credentials rather than a serious business vector.
  25. Bain & Company and Fondazione Altagama.
  26. Bloomberg (30 Apr 2014), available at <http://www.bloomberg.com/news/2014-04-30/china-set-to-overtake-u-s-as-biggest-economy-using-ppp-measure.html> (accessed 2 Jan 2015).
  27. Presentation of Anson Bailey, Principal at KPMG, based on data from McKinsey at the China Luxury Summit in November 2001, Shanghai, China.
  28. BCG, 2012, “The Age of the Affluent,” available at [http://www.bcg.com.cn/export/sites/default/en/files/publications/reports\\_pdf/BCG\\_The\\_Age\\_of\\_the\\_Affluent\\_Nov\\_2012\\_ENG.pdf](http://www.bcg.com.cn/export/sites/default/en/files/publications/reports_pdf/BCG_The_Age_of_the_Affluent_Nov_2012_ENG.pdf) (accessed 2 Jan 2015).
  29. *Ibid.*, p. 2.
  30. Mier Ai, *Herst Magazine*, presentation at the Walpole British Luxury Summit 2012.
  31. BCG, 2014, “Shock of the New Chic,” available at [https://www.bcgperspectives.com/content/articles/consumer\\_products\\_retail\\_shock\\_new\\_chic\\_dealing\\_with\\_new\\_complexity\\_business\\_luxury/](https://www.bcgperspectives.com/content/articles/consumer_products_retail_shock_new_chic_dealing_with_new_complexity_business_luxury/) (accessed 2 Jan 2015); and presentation of Christophe Pradere, CEO of BETC Design, at Luxe Pack Monaco in 2012.
  32. R. Chadda and P. Husband, *The Cult of the Luxury Brand: Inside Asia’s Love Affair with Luxury* (London: Nicholas Brealey International, 2006).
  33. Presentation of Armando Branchini, President of European Cultural and Creative Industries Alliance (ECCIA) during the China Luxury Summit 2012 in Shanghai, China; according to discussions with Chinese luxury industry experts, these figures have been constant since 2012.

34. Presentation of Sandra Shek, Brand Director/General Manager at Chow Sang Sang, Hong Kong, during the China Luxury Summit, Shanghai, November 2013.
35. Presentation of Jason Beckley, Global Marketing Manager at Dunhill, during the Walpole Luxury Summit 2013 in London.
36. <http://www.eccia.eu/index.php?id=5> (accessed 2 Apr 2015).
37. For one among many reports, check *The Economist*, 4 Oct 2014, on the impact of technology on labor: <http://www.economist.com/news/leaders/21621800-digital-revolution-bringing-sweeping-change-labour-markets-both-rich-and-poor> (accessed 4 Oct 2014).
38. Burberry has been a pioneer, but today the big French and Italian names such as Chanel, Hermès, Cartier or Vuitton have very good websites and community management.
39. Video Blogger, mainly through YouTube online video platform.
40. Bain & Company and Fondazione Altgamma (2012–14).
41. Ibid.
42. <http://www.thefamily.co/> and <http://www.hackersonth runway.com/> (both accessed 1 Jan 2015).
43. T. Piketty, *Capital in the Twenty-First Century* (Boston, MA: Harvard University Press, 2014).
44. Capgemini and RBC Wealth Management (2014), World Wealth Report.
45. A situation maybe resembling the one at the onset of the luxury economic sector in the 19th century where some patrons (often nobles and members of royal families) would commission luxury items and allow a craftsmen to thrive due to these high-profile clients.
46. Our colleague Ivan Coste-Manière at SKEMA Business School is at the origin of this insight.
47. A. Quintavalle, “Uber Luxury: For Billionaires Only,” in J. Hoffmann and I. Coste-Manière, *Global Luxury Trends* (London: Palgrave Macmillan, 2012).
48. J. Hoffmann and I. Coste-Manière (eds.), *Luxury Strategy in Action* (London: Palgrave Macmillan, 2012); J. Hoffmann and I. Coste-Manière, *Global Luxury Trends* (London: Palgrave Macmillan, 2012).
49. *The Economist*, 23 Nov 2013, “Freeports: Über-Warehouses for the Ultra-Rich.”
50. C. Sempels and J. Hoffmann, *Sustainable Innovation Strategy* (London: Palgrave Macmillan, 2013).
51. See the Detox Greenpeace campaign: <http://www.greenpeace.org/international/en/campaigns/detox/fashion/> (accessed 2 Jan 2015) and the 2007 World Wild life Fund report Deeper Luxury available at <http://www.wwf.org.uk/deeperluxury/> (accessed 1 Jan 2015).
52. <http://www.fashiontimes.com/articles/19841/20150407/burak-cakmak-named-dean-fashion-parsons-school-design.htm> (accessed 9 April 2015).
53. <http://www.who.int/mediacentre/factsheets/fs313/fr/> (accessed 4 Oct 2014).
54. J. Hoffmann, “Luxo Brasil and Osken’s New Luxury”, in J. Hoffmann and I. Coste-Manière, *Global Luxury Trends* (London: Palgrave Macmillan, 2012).

55. The inclusion of technology companies such as Apple and Samsung in the “experiential” group is questionable and potentially biases this conclusion.
56. <http://www.lefigaro.fr/societes/2014/08/02/20005-20140802ARTFIG00014-la-guerre-des-palaces-est-relancee.php> (accessed 2 Jan 2015).
57. As of 2015 both the Ritz and the Crillon are under restoration.
58. <http://fashion.telegraph.co.uk/news-features/TMG10705551/Bun-fight-Prada-takes-on-LVMH-in-the-pastry-wars.html> (accessed 4 Oct 2014).
59. Bain & Company and Fondazione Altgamma (2012–14).
60. Ibid.
61. D. Thomas, *Deluxe: How Luxury Lost Its Lustre* (New York: Allen Lane, 2007).
62. C. Blanckaert, *Luxe* (Paris: Cherche-Midi, 2011); C. Blanckaert, *Luxe Trotter* (Paris: Cherche-Midi, 2012).
63. B. Handler, “Share Your Plane? Why Luxury Could be the Next Big Sharing Economy Market,” *FastCompany.com*, 2014, available at <http://www.fastcompany.com/3017962/leadership-now/share-your-plane-why-luxury-could-be-the-next-big-sharing-economy-market> (accessed 2 Jan 2015).
64. BCG, 2014, “Shock of the New Chic.”
65. HSBC Global Research (2012), *Luxury “red bull”*: sequel.
66. Ibid.
67. R. Young, *Walpole Yearly Report*, McKinsey, 2014, “The Glittering Power of Cities for Luxury Growth,” available at [http://www.mckinsey.com/insights/consumer\\_and\\_retail/the\\_glittering\\_power\\_of\\_cities\\_for\\_luxury\\_growth](http://www.mckinsey.com/insights/consumer_and_retail/the_glittering_power_of_cities_for_luxury_growth) (accessed 2 Jan 2015).
68. Presentation of Armando Branchini at the China Luxury Summit 2012; S. Doran, “Luxury is Now for the Masses and the Classes,” *Luxury Society* (June 2012), available at <http://luxurysociety.com/articles/2012/06/luxury-is-now-for-the-masses-and-the-classes> (accessed 15 Dec 2012).
69. Bain & Company and Fondazione Altgamma (2012–14).
70. “Travel Retail, L’Oréal’s Sixth Continent,” available at <http://magazine.loreal-finance.com/en/travel-retail-loreals-sixth-continent.htm> (accessed 2 Jan 2015).
71. F. Fukuyama, *Political Order and Political Decay* (London: Farrar Straus Giroux, 2014).
72. According to a person familiar to Chinese customs, issues were in reality with complying with new labeling regulations and not with the products perse...
73. J. O’Neill, “Next Eleven,” Goldman Sachs, 2011, available at [http://www.economist.com/blogs/multimedia/2010/12/jim\\_oneill\\_new\\_brics](http://www.economist.com/blogs/multimedia/2010/12/jim_oneill_new_brics) (accessed 2 Jan 2015).
74. And we are still not considering issues like criminality, corruption, customs, gray markets and so on.
75. The content from this section is issued from the Oxford Scenarios Programme directed by Professor Rafael Ramirez, from the WEF 2030 Metals and Mining

Scenarios and from the Shell booklet on how to develop scenarios. A complete description of this approach, its historical roots and different methodological possibilities can be found in publications available at the World Economic Forum, for example: <http://www.weforum.org/reports?filter%5Btype%5D=Scenario%20Planning%20Reports> (accessed 1 Jan 2015), and the Shell website, for example: <http://www.shell.com/global/future-energy/scenarios.html> (accessed 1 Jan 2015). In a nutshell, we distinguish three main schools on foresight: The American School based on the RAND initial works: <http://www.rand.org/about/glance.html>, the French school on “prospective” and its main publication “Futuribles”: <https://www.futuribles.com/> and the “Shell” school in association with Oxford University. We subscribe to the latter and have been involved in the Oxford Scenarios Programme and the Oxford Futures Forum: <http://www.sbs.ox.ac.uk/school/events-0/oxford-futures-forum-2014>. It is a pragmatic approach that is relatively easy to implement and provides insights to enlighten strategic conversations at c-level.

## 2 Last Chance for Knysna: Innovation

1. Our objective is to bring a new lens to analyze the current situation and provide food for thought for decision makers. This is not a normative framework; companies could choose not to innovate and to focus for example on their past and archives by re-editing old collections, finding niche markets and prospering, as the GEM Palace in India shows. Although possible, there is a strong risk for this company becoming a “museum brand” and fading (or being acquired) sooner or later.
2. J. A. Schumpeter, *Capitalism, Socialism and Democracy* (London: George Allen & Unwin, 1960).
3. For an exploration of this distinction in the fashion sector, see D. Zhang and A. Di Benedetto, “Radical Fashion and Radical Fashion Innovation,” *Journal of Global Fashion Marketing* (1–4, 2010), pp. 195–205.
4. *Ibid.*, see also J. Hoffmann, “Développement et test d’un modèle des déterminants individuels de l’adoption des innovations technologiques dans l’industrie des TIC” (Grenoble: doctoral thesis, 2007).
5. N. Alter, *L’Innovation ordinaire* (Paris: PUF, 2000), p. 7.
6. R. Normann, *Reframing Business* (London: Wiley, 2001).
7. G. Pezzini, *Projet Métaprojet* (Paris: Archibooks, 2013).
8. We take creation in a broad sense, integrating both creation of new knowledge, like a researcher would perform, as well as aesthetic creation, as a “creative director” would perform.
9. M.-C. Sicard, *Luxe, mensonges et marketing*, 3rd edn. (Paris: Pearson, 2010).
10. Cf. Das LOLA Prinzip, Rene Egli, available at <http://www.lola-prinzip.ch/> (accessed 23 September 2013).

11. A. Damasio, *Descartes' Error: Emotion, Reason, and the Human Brain* (New York: G. P. Putnam, 1994); S. Johnson, *Where Good Ideas Come From: The Natural History of Innovation* (New York: Riverhead Trade, 2010).
12. We could also mention the less relevant definitions of type of innovation (product, process, marketing or organization) to take the OECD typology available at [http://www.uis.unesco.org/Library/Documents/OECDOSloManual05\\_en.pdf](http://www.uis.unesco.org/Library/Documents/OECDOSloManual05_en.pdf) (accessed 2 Jan 2015) and the source, referring to the traditional distinction technology push or market pull. Although several creations in the fragrance industry, for instance, will be clearly market pull, and other high-end products are clearly technology push, this dichotomy does apply for industries where creative and symbolic content is less relevant. When creative or design elements come into play, it makes less sense.
13. Typologies on types of innovation abound and will vary according to the activity they refer to (product, business model). This has been more extensively debated in J. Hoffmann, "Développement et test d'un modèle des déterminants individuels de l'adoption des innovations technologiques dans l'industrie des TIC" (Grenoble: doctoral thesis, 2007). For the sake of clarity, we take the expressions most used by major consulting companies such as the BCG and c-level executives. Under incremental, we place sustaining continuous innovation in the sense of Clayton Christensen, and under breakthrough, we place sustaining discontinuous, radical innovation and also disruptive innovation.
14. In the fashion sector, Zhang and Di Benedetto, "Radical Fashion," present the following definition: "radical fashion innovation [...] displaces or obsolesces current fashion products and/or creates totally new fashion categories. By contrast, incremental fashion innovation is at most a modification or development of fashions that already exist," p. 197.
15. C. Christensen, *The Innovators' Dilemma* (Boston, MA: Harvard Business School Press, 1997).
16. E. Catmull, *Creativity Inc.* (New York: Random House, 2014).
17. The aim here is not to perpetuate the myth of the solitary inventor, but rather to highlight a parallel with the level of persistence needed in the development of innovation. As Steven Johnson (2010) rightly points out in his excellent book *Where Good Ideas Come From*, the solitary inventor is only one source of inventions, and by no means the most common.
18. W. Isaacson, *Steve Jobs* (New York: Simon & Schuster, 2011).
19. We met one of Meucci's descendents, Walter Meucci Nique, living in Brazil, who proudly told us this tale in the early 2000s, before Antonio Meucci received official recognition for his invention.
20. J. Hoffmann and B. Hoffmann, "The PIER Framework of Luxury Innovation," in J. Hoffmann and I. Coste-Manière (eds.), *Luxury Strategy in Action* (London: Palgrave Macmillan, 2012).
21. In his illuminating book *Where Good Ideas Come From*, Steven Johnson (2010) deconstructs the myth of a lonely genius who has a eureka moment, showing

- that most inventions in the recent centuries have come from networks (versus individuals) and have their sources in non-market environments (like research labs) rather than in the marketplace. He describes several sources of new ideas: the adjacent possible, liquid networks, the slow hunch, serendipity, error, exaptation and platforms.
22. S. Sarasvathy, *Effectuation: Elements of Entrepreneurial Expertise* (Cheltenham: Edward Elgar, 2008), p. 101.
  23. Ibid.
  24. M.-C. Sicard, *Luxe, mensonges et marketing*, pp. 52–53.
  25. European Union Lisbon Strategy, available at [http://europa.eu/legislation\\_summaries/other/n26021\\_en.htm](http://europa.eu/legislation_summaries/other/n26021_en.htm) (accessed 2 Jan 2015).
  26. BCG, 2014, “The Most Innovative Companies 2014,” available at [https://www.bcgperspectives.com/most\\_innovative\\_companies](https://www.bcgperspectives.com/most_innovative_companies) (accessed 2 Jan 2015).
  27. J. Hoffmann and B. Hoffmann, “Paths for the Emergence of Global Chinese Luxury Brands,” in J. Hoffmann and I. Coste-Manière (eds.), *Global Luxury Trends* (London: Palgrave Macmillan, 2012).
  28. D. Morisset, Lecture at the FIU|Altagama Luxury Retail Management Program, Miami, August 2014.
  29. Normann, *Reframing Business*.
  30. Ibid.
  31. R. G. McGrath, *The End of Competitive Advantage: How to Keep Your Strategy Moving as Fast as Your Business* (Boston, MA: Harvard Business Review Press, 2013).
  32. J. Santos, B. Spector and L. Van der Heyden, “Toward a Theory of Business Model Innovation within Incumbent Firms,” working paper, INSEAD, 2009.
  33. Normann, *Reframing Business*.
  34. O. Gassmann, K. Frankenberger and M. Csik, “The St. Gallen Business Model Navigator,” working paper (2013), available at [http://www.im.ethz.ch/education/HS13/MIS13/Business\\_Model\\_Navigator.pdf](http://www.im.ethz.ch/education/HS13/MIS13/Business_Model_Navigator.pdf) (accessed 2 Jan 2015).
  35. Also called value architecture level, see, for example, M. Yunus, B. Moingeon and L. Lehmann-Ortega, “Building Social Business Models: Lessons from the Grameen Experience,” *Long Range Planning* 43 (2010, 2–3), pp. 308–325.
  36. C. Sempels and J. Hoffmann, *Sustainable Innovation Strategy* (London: Palgrave Macmillan, 2013), particularly ch. 2.
  37. A. Osterwalder and Y. Pigneur, *Business Model Generation* (London: Wiley, 2010).
  38. Gassmann, Frankenberger and Csik, “The St. Gallen Business Model Navigator,” at the BMI Lab at St. Gallen identified 55 business model patterns showing that most of them preceded technology to be put in place.
  39. BCG, 2009, “Business Model Innovation,” available at <https://www.bcg.com/documents/file36456.pdf> (accessed 2 Jan 2015).
  40. R. Martin, *The Design of Business* (Boston, MA: Harvard Business School Press, 2009).

41. See C. Sempels and J. Hoffmann, *Sustainable Innovation Strategy*.
42. We could take a more critical stance on these companies as weaknesses and challenges abound, but that is not our goal in this book.
43. For the sake of disclosure, one of the co-authors has been involved in the creation of watchmaking company Cyrus, is a founder of Encelade 1789 and is currently Executive Vice President Sales at Carl F. Bucherer; the other is a member of the 1.618 Sustainable Luxury think tank.
44. Interview with *New York Times Magazine*, available at <http://nymag.com/news/intelligencer/encounter/miuccia-prada-2012-5/> (accessed 3 Jan 2015).
45. G. Hamel and C. K. Prahalad, "Strategic Intent," *Harvard Business Review*, May–June 1989; or a winning aspiration, as A. Lafley and R. Martin call it, in *Playing to Win: How Strategy Really Works* (Boston, MA: Harvard Business Review Press, 2013).
46. *La Tribune de Genève* (6 Jan 2013), available at <http://archives.tdg.ch/michel-jordi-retour-infatigable-suisse-2011-11-20> (accessed 2 Jan 2015).
47. R. Ramirez and J. W. Selsky (2014), "Strategic Planning in Turbulent Environments: A Social Ecology Approach to Scenarios," *Long Range Planning*, forthcoming, available at <http://sbs.eprints.org/5218/> (accessed 2 February 2015); R. Verganti, *Design Driven Innovation: Changing the Rules of Competition by Radically Innovating What Things Mean* (Boston, MA: Harvard Business Review Press, 2009).
48. D. Holt and D. Cameron, *Cultural Strategy* (Oxford: Oxford University Press, 2010).
49. Verganti, *Design Driven Innovation*.
50. Also known as "context analysis."
51. P. Chereau and P. X. Meschi, *Le conseil stratégique pour l'entreprise* (Paris: Pearson, 2014).
52. Idem.
53. Bain & Company and Fondazione Altagamma (2012–14), *Worldwide Markets Monitor*.
54. Chereau and Meschi, *Le conseil stratégique*.
55. Much information can be found in company's reports (eg Burberry, Tod's, Prada, Hermès, LVMH, Kering, Richemont), specialized financial websites like Bloomberg and Reuters, and in the economic and specialized press, such as the *Financial Times*, *CPP-Luxury*, and so on.
56. As emphasized by Michael Porter in all his books. See, for example, M. Porter, *Competitive Strategy* (New York: Free Press, 1980). A must-read on strategy is W. Kiechel III, *The Lords of Strategy* (Boston, MA: Harvard Business Press, 2010); P. Rosenzweig, *The Halo Effect* (New York: Free Press, 2014).
57. The following choices are based on J. Hoffmann, "On Luxury Strategizing," in J. Hoffmann and I. Coste-Manière (eds.), *Global Luxury Trends* (London: Palgrave Macmillan, 2012); Lafley and Martin (2013).

58. M. Feldman and M. Spratt, *Five Frogs on a Log: A CEO's Field Guide to Accelerating the Transition in Mergers, Acquisitions and Gut Wrenching Change* (London: Harper Business, 1998).
59. Normann, *Reframing Business*.
60. C. Blanckaert, *Luxe* (Paris: Cherche-Midi, 2011).
61. T. Veblen, *The Theory of the Leisure Class: An Economic Study of Institutions* (1899).
62. Quote from Gabriele "Coco" Chanel.
63. Even if you do not consider that you have competitors given your uniqueness – following, for example, J. N. Kapferer in J. N. Kapferer and V. Bastien, *The Luxury Strategy* (London: Kogan Page, 2013) – your clients will situate you in comparison with other offers. A good example comes from the first floor at Cidade Jardim shopping mall in São Paulo where the main luxury players face each other on the same floor.
64. Bain & Company and Fondazione Altagamma (2012–14), *Worldwide Markets Monitor*.
65. See Hoffmann and Coste-Manière, *Global Luxury Trends*.
66. <http://www.capital.fr/bourse/communiqués/les-etudiants-de-skema-se-specialisent-dans-la-collaboration-digitale-avec-itn-group> (accessed 3 Jan 2015).
67. Rosenzweig, *The Halo Effect*, p. 144.
68. It could be argued that reaching should be included in acting, given that is a process. Given that luxury is more often than not a "high-touch business," we consider it as a separate stage.
69. Or avalanche diffusion as our colleague Ivan Coste-Manière would readily assert.
70. Verganti, *Design Driven Innovation*.
71. It is enough to spend a few hours in the Cannes Lions and MIPTV trade shows in Cannes, France, to get a quick sample of its importance from the mouths of the world's leading advertisers.
72. See the Interbrand ranking, available at <http://www.bestglobalbrands.com/2014/ranking/> (accessed 3 Jan 2015) and the HSBC Global Research (2012), *Luxury "red bull": sequel*.
73. R. Barthes, *The Fashion System* (Los Angeles: University of California Press, 1990); U. Eco, *A Theory of Semiotics* (Bloomington, IN: Indiana University Press, 1978).
74. J. M. Floch, *Sémiotique, marketing et communication : Sous les signes, les stratégies* (Paris: PUF, 2002).
75. A. Semprini, *Le marketing de la marque: approche sémiotique* (Paris: Editions Liaisons, 1992). Levels of brand identity discourse: Axiological level: purpose, brand values and DNA as expressed the *Believing* stage; Narrative level: at this level, the values are organized in the form of narratives and stories; Discursive (or surface) level: here the values and narratives are enriched by actors, personas, objects, emotions and so on. They are embodied and variations are infinite. Source materials like brand assets, media icons or subcultures (from Holt and Cameron, *Cultural Strategy*, are integrated at this stage. There is a clear hierarchy

among the three levels whereas the first level is rather stable and the third is adjusted to fit to a certain historical moment.

76. Semprini, *Le marketing de la marque*.
77. <http://www.digitalluxurygroup.com/> (accessed 3 Jan 2015).
78. A fictional name.
79. Our studies in the high end and very high end of watch retailing in the 2010–15 period have enabled us to map the average discounts given on the sales price around the world as follows : Asia: 20%; Europe: 10%; Russia: 20%; Middle East: 20%; USA: 15%.
80. This is such an important issue that it will be a central part in our forthcoming book.
81. LE POINT (28 Apr 2008), available at <http://www.lepoint.fr/actualites-economie/2008-04-24/lvmh-rachete-le-prestigieux-horloger-suisse-hublot/916/0/240724> (accessed 3 Jan 2015).
82. Given his recent appointment as CEO of Tag Heuer by LVMH, this doesn't seem very likely in the near future.
83. On a more "self-help" note, we could define "lucking" (being lucky, or attracting luck) as a state of mind in what you did before (your behaviors, your knowledge, your observation of the world, your curiosity, your positive attitude, your capability to be "surprised" everyday...) will help you to attract an energy that will help to reach success. Believing in your luck, and having the corresponding attitude, does have an impact. See also the TED talk of Amy Cuddy on "your body language shapes who you are" available at [http://www.ted.com/talks/amy\\_cuddy\\_your\\_body\\_language\\_shapes\\_who\\_you\\_are](http://www.ted.com/talks/amy_cuddy_your_body_language_shapes_who_you_are) (accessed 3 Jan 2015).
84. S. Michel, "Capture More Value," *Harvard Business Review*, October, available at <https://hbr.org/2014/10/capture-more-value> (accessed 3 Jan 2015).
85. To "take a walk on the wild side," see D. Thomas, *Deluxe: How Luxury Lost Its Lustre* (New York: Allen Lane, 2007).
86. Chereau and Meschi, *Le conseil stratégique*. It corresponds to the prospector profile in the Miles and Snow classic typology.

### 3 Back to the Roots

1. From the established independent luxury companies not mentioned in this book, Hermès and Patek Philippe are role models for this group of companies.
2. Company website: <http://www.vignes-creations.com/en/> (accessed 17 Oct 2014).
3. <http://www.grazia.fr/mode/encyclopedie/createurs/christophe-josse> (accessed 4 Jan 2015).
4. Ibid.
5. Conference of Patrick Blum at SKEMA Business School, Sophia Antipolis, France, September 2014.

6. HSBC Global Research (2012), Luxury “red bull”: sequel.
7. And we could add other names to this list such as J. W. Anderson, Yang Li, Phillip Lim, Wei Minghui and Huang Yichuan.
8. Interview at Influencia, *Le Luxe* 2, July/September 2012. <http://www.influencia.net/larevue/lelux/> (accessed 2 Dec 2014).
9. Information for this case comes from internal company reports and meetings with the company CEO.
10. Internal Sheme report.
11. Exchange with Linda Liu, Sheme CEO, January 2015.
12. We cannot disclose the name.
13. <http://www.theworlds50best.com/> (accessed 4 Jan 2015).
14. S. Svejnova, M. Planellas and L. Vives, “An Individual Business Model in the Making: a Chef’s Quest for Creative Freedom,” *Long Range Planning* 43 (2–3, April–June 2010), pp. 408–430.
15. R. Redzepi, “The Menu of the Future,” *The Economist*, “The World in 2014,” available at <http://www.economist.com/news/21589095-gourmets-will-learn-value-vegetables-predicts-ren-redzepi-chef-owner-noma-and-founder-mad> (accessed 17 Oct 2014).
16. <http://www.theworlds50best.com/> (accessed 4 Jan 2015).
17. [http://next.liberation.fr/food/2014/10/02/le-mirazur-au-dela-du-mirage\\_1092753](http://next.liberation.fr/food/2014/10/02/le-mirazur-au-dela-du-mirage_1092753) (accessed 4 Jan 2015).
18. After all, “food is culture” as Massimo Montanari reminds us in M. Montanari, *Food is Culture* (New York: Columbia University Press, 2006).
19. <http://www.slowfood.com/> (accessed 4 Jan 2015).
20. <http://renaissance-des-appellations.com/> (accessed 4 Jan 2015).
21. Thomas Mercer “Classis” brochure.
22. M. Ricca and R. Robins, *MetaLuxury* (London: Palgrave Macmillan, 2012).
23. *Ibid.*, p. 4.
24. *Ibid.*, p. 10.
25. It is enough to flick through any major Anglo-Saxon magazine or newspaper to get a feeling for that.
26. S. Brandstrom and V. Paumelle, *Manufactura: Since 1662* (Paris: Editions PC, 2013).
27. D. Campbell et al., *The Crafts and the Makers: Tradition with Attitude* (Berlin: Gestalten, 2014).
28. [www.etsy.com](http://www.etsy.com) (accessed 4 Jan 2015).
29. G. Salter, “An up, down and up relationship,” Walpole British Luxury Showcase, 2014.
30. *Ibid.*, p. 10.
31. *Ibid.*, p. 11.
32. *Ibid.*, p. 11.
33. Jorg Hysek had created the brand Hysek before being forced to leave it in the hands of its investor.

34. Disclosure: one of the authors is a member of the 1.618 Sustainable Luxury think tank; it is also worth mentioning that this case could be placed in the following chapter, given its “code breaking” approach to the luxury mainstream. Our decision to place it here is that the central message of 1.618 espouses to a “back to the roots” luxury approach, as developed in this chapter.
35. The committee members represent a diverse group of multi-disciplinary experts in sustainable development, including Sylvain Lambert, partner at PwC; Elisabeth Laville, founder of Utopies; Gerard Laizé, Executive Manager of VIA; Thomas Busuttill, founder of Imagin’able; Loïc Fel, co-founder of COAL (COALition for art and sustainable development); Guillaume Cromer, CEO of ID-Tourism; Lionel Ochs, co-founder of Méthos; and Lilly Roth, expert in communication.
36. Information from Norlha comes from visiting the company stand at the 1.618 Sustainable Luxury 2014 edition, an interview with a company senior executive and from the company website.
37. Norden Travels website: <http://www.nordentravel.com/> (accessed 4 Apr 2015).
38. For example <http://www.kering.com/en/sustainability> (accessed 4 Apr 2015) and <http://www.lvmh.com/the-group/lvmh-and-the-environment> (accessed 4 Apr 2015).
39. C. Sempels and J. Hoffmann, *Sustainable Innovation Strategy* (London: Palgrave Macmillan, 2013).
40. Personal exchange with M. de Lara; see also his acclaimed intervention at Oui Share Festival in Paris in 2013 available at <https://www.youtube.com/watch?v=nZIBKa0HMOc> (accessed 4 Jan 2015).
41. Similarly to 1.618, we had some hesitation as to which chapter would be the best fit for Brunello Cucinelli; it could be claimed that he is a game changer, like the companies presented in Chapter 6, given his efforts to innovate in the offer and the business model. It remains that the most salient point is the call for a kind of “back to the roots” (or futuristic if you prefer) luxury where the human being takes center stage.
42. [www.brunellocucinelli.com](http://www.brunellocucinelli.com) (accessed 4 Jan 2015).
43. <http://www.newyorker.com/magazine/2010/03/29/the-prince-of-solomeo> (accessed 4 Jan 2015).
44. <http://www.bloomberg.com/news/2013-05-08/cucinelli-becomes-billionaire-knitting-1-920-cardigans.html> (accessed 4 Jan 2015).
45. <http://investor.brunellocucinelli.com/eng/company-profile/history/> (accessed 4 Jan 2015).
46. Ibid.
47. <http://investor.brunellocucinelli.com/eng/company-profile/business/> (accessed 4 Jan 2015).
48. [www.brunellocucinelli.com](http://www.brunellocucinelli.com) (accessed 4 Jan 2015).
49. Brunello Cucinelli Financial Report 2013, available at [www.brunellocucinelli.com](http://www.brunellocucinelli.com) (accessed 4 Jan 2015).

50. <http://www.italy24.ilsole24ore.com/art/arts-and-leisure/2014-11-28/cashmere-magnate-to-turn-post-industrial-landscape-into-park--121747.php?uid=AB99nGJC> (accessed 4 Jan 2015).
51. <http://www.brunellocucinelli.com/en/philosophy#/page/17> (accessed 4 Jan 2015).
52. <http://www.nytimes.com/2013/07/16/fashion/16iht-frome16.html?page-wanted=all> (accessed 4 Jan 2015).
53. <http://www.newyorker.com/magazine/2010/03/29/the-prince-of-solomeo> (accessed 4 Jan 2015).
54. <http://www.reuters.com/article/2012/04/27/us-cucinelli-idUSBRE83Q0YA20120427> (accessed 4 Jan 2015).
55. <http://investor.brunellocucinelli.com/ita/> (accessed 4 Jan 2015).
56. <http://www.bloomberg.com/news/2013-05-08/cucinelli-becomes-billionaire-knitting-1-920-cardigans.html> (accessed 4 Jan 2015).
57. From the established independent luxury companies not discussed in this book, Hermès and Patek Philippe are role models for this group of companies.

## 4 Code Breakers

1. Of the established independent luxury companies not discussed in this book, Coco Chanel and Elsa Schiaparelli can be seen as role models for this group of companies.
2. This section is based on the excellent three-part documentary *Fashion!* co-produced by Olivier Nicklaus with Mademoiselle Agnès and David Berdah for Arte, the French television channel, in 2012. They visually retrace the decades of 1980s, the “golden eighties,” through the “anti-fashion” movement of the 1990s to the emergence of the 2000s “go global” bling-logo luxury.
3. The two latter advocating a very futurist style.
4. V. Steele, *Fashion Designers A-Z* (London: Taschen, 2012).
5. <http://www.tendances-de-mode.com/2007/05/18/181-rei-kawakubo-commedes-garcons> (accessed 4 Jan 2015).
6. <http://www.fashioninantwerp.be/contemporary-fashion/antwerp-6> (accessed 4 Jan 2015).
7. *Fashion!*
8. Steele, *Fashion Designers A-Z*, p. 389.
9. Ibid.
10. T. Jones, *100 Contemporary Fashion Designers* (London: Taschen, 2007), p. 420.
11. It would be more precise to write “its” given that answers were given in the name of Maison Martin Margiela.
12. Jones, *100 Contemporary Fashion Designers*, p. 431.
13. <http://www.independent.co.uk/life-style/fashion/features/out-of-sight-not-out-of-mind-celebrating-two-decades-of-martin-margiela-magic-1832810.html> (accessed 5 Jan 2015).

14. Prada could be characterized as a group more than an independent, but Miuccia Prada definitely has an independent, rebellious attitude that justifies her place in this book.
15. Her husband.
16. Interview in *Fashion!*
17. A. Bolton and H. Koda, *Schiaparelli & Prada: Impossible Conversations* (New York: Metropolitan Museum of Art, 2012).
18. Bolton and Koda, *Schiaparelli & Prada*, p. 32.
19. <http://nymag.com/news/intelligencer/encounter/miuccia-prada-2012-5/> (accessed 4 Jan 2015).
20. Bolton, and Koda, *Schiaparelli & Prada*, p. 32.
21. <http://nymag.com/news/intelligencer/encounter/miuccia-prada-2012-5/> (accessed 4 Jan 2015).
22. <http://www.pradagroup.com/en/> (accessed 4 Apr 2015).
23. <http://blogs.ft.com/material-world/2014/04/03/prada-to-eat-cake-on-way-to-new-profits/> (accessed 4 Jan 2015).
24. *Fashion!*
25. Ibid.
26. Ibid.
27. <http://www.businessoffashion.com/2013/09/the-business-of-being-tom-ford-part-i.html> (accessed 4 Jan 2015).
28. We could dedicate a whole chapter, book or more to the “greater than life” work of Karl Lagerfeld or to Chanel. Given the strong media presence of both Lagerfeld and Chanel, we did not feel this was necessary in the context of this book. For a more controversial account, see A. Drake, *The Beautiful Fall: Fashion, Genius, and Glorious Excess in 1970s Paris* (London: Back Bay Books, 2007).
29. *Fashion!*
30. Business of Fashion (29 Oct 2014), available at <http://www.businessoffashion.com/2014/10/isabel-marant-says-build-strong-base-stay-focused.html> (accessed 4 Jan 2015).
31. Ibid.
32. <http://nymag.com/thecut/2014/11/62-minutes-with-isabel-marant.html> (accessed 4 Jan 2015).
33. The original idea of the “Chinese Dream” comes from Helen H. Wang book, *The Chinese Dream*, published in 2010 with a foreword by Lord Wei in 2012.
34. <http://www.economist.com/news/briefing/21577063-chinas-new-leader-has-been-quick-consolidate-his-power-what-does-he-now-want-his> (accessed 4 Jan 2015).
35. For another example, see the TED Talk of Bruno Torturra, founder of Media Ninja in Brazil: [http://www.ted.com/talks/bruno\\_torturra\\_got\\_a\\_smartphone\\_start\\_broadcasting](http://www.ted.com/talks/bruno_torturra_got_a_smartphone_start_broadcasting) (accessed 4 Jan 2015).

36. [https://www.patek.com/contents/default/en/175th\\_anniversary\\_ref5175.html](https://www.patek.com/contents/default/en/175th_anniversary_ref5175.html) (accessed 4 Jan 2015).
37. <http://www.0024watchworld.com/astonishing-movie-making-the-patek-philippe-grand-master-chime/> (accessed 4 Jan 2015).
38. Free translation from the French title: *Iconoclasme et révolutions. De 1789 à nos jours* (Ceyzérieu: Champ Vallon, Epoque, 2014), p. 310.
39. *Le Monde des Livres*, 14 Nov 2014, "Les iconoclastes ont la volonté d'accélérer l'Histoire", p. 3.
40. For example, Harvest.
41. The traditional reference point in watchmaking due to the position of the hands.
42. As defined by D. Hesmondhalgh, *The Cultural Industries*, 3rd edn. (London: Sage, 2012). In his words: the "invention and or performance of stories, songs, images, poems, jokes and so on, in no matter what technological form, involves a particular type of creativity – the manipulation of symbols for the purposes of entertainment, information and perhaps even enlightenment."
43. For example, Prada and Pinault Foundations in Venice, and Cartier and Louis Vuitton Foundations in Paris.
44. F. Campana and H. Campana, *Campana Brothers: Complete Works (So Far)* (New York: Albion, 2010), p. 29.
45. *Ibid.*, p. 23.
46. *Ibid.*, p. 15.
47. *Ibid.*, p. 17.
48. S. Leone, *The Palazzo Pamphilj in Piazza Navona: Constructing Identity in Early Modern Rome* (London: Harvey Miller Publishers, 2008).
49. Excerpt from Emanuela Nobile Mino's text "The Harmony of Imperfection. Baroque History of Campana Collections," and from her interviews with the Campana brothers conducted between 2011 and 2013 in Rome, soon to be published in the Campana brothers' book, edited by Galleria O. Roma.
50. *Ibid.*
51. *Ibid.*
52. *Ibid.*
53. *Ibid.*
54. *Business of Fashion* (29 Oct 2014).
55. As explained by Armando Branchini, available at <http://www.economist.com/news/special-report/21635761-modern-luxury-industry-rests-paradoxbut-thriving-nonetheless-says-brooke?zid=319&ah=17af09b0281b01505c226b1e574f5cc1> (accessed 5 Jan 2015).
56. The fact that the chosen designer was also close to Lady Gaga and that she agreed to appear on the catwalk of the fashion show's opening ceremony only increased the buzz around the launch of "Mugler" rebranded from "Thierry Mugler."
57. *Fashion!*

## 5 Eagle in the Aquarium

1. The inspiration for this name came from D. Goudevert, *Comme un oiseau dans l'aquarium: un français réussit en Allemagne* (Paris: Bayard Jeunesse, 1998).
2. <http://www.hackersontherunway.com/> (accessed 5 Jan 2015).
3. <http://www.thefamily.co/> (accessed 5 Jan 2015).
4. Profile of Alice Zagury at <http://www.hackersontherunway.com/eventpage/> (accessed 5 Jan 2015).
5. <http://www.thefamily.co/> (accessed 5 Jan 2015).
6. <http://blog.thefamily.co/post/103627043293/international-vc-funds-white-star-capital-and> (accessed 5 Jan 2015).
7. *The Economist* (11 July 2014), "Storming the Maisons," available at <http://www.economist.com/blogs/schumpeter/2014/07/technology-and-fashion> (accessed 5 Jan 2015).
8. R. Normann, *Reframing Business* (London: Wiley, 2001), p. 24.
9. <http://duboisfils.ch/> (accessed 5 Jan 2015).
10. <http://www.swissinfo.ch/eng/crowdfunding-revives-oldest-swiss-watch-factory/35259280> (accessed 5 Jan 2015).
11. *Ibid.*
12. <http://watchseduction.com/dubois-et-fils-swiss-watch-brand-revived-with-crowd-funding/> (accessed 5 Jan 2015).
13. <http://www.bostonbootco.com/> (accessed 5 Jan 2015).
14. <https://www.kickstarter.com/projects/bostonbootco/boston-boot-co-a-craft-approach-to-mens-boots> (accessed 5 Jan 2015).
15. *Ibid.*
16. <http://www.dailyherald.com/article/20140906/business/140909299/> (accessed 5 Jan 2015).
17. <http://www.luxurydaily.com/wedgwood-saves-heritage-collection-through-crowdfunding/> (accessed 5 Jan 2015).
18. [www.quirky.com](http://www.quirky.com) (accessed 5 Jan 2015); see a detailed case at C. Sempels and J. Hoffmann, *Sustainable Innovation Strategy* (London: Palgrave Macmillan, 2013).
19. <http://we-economy.net/> (accessed 5 Jan 2015).
20. J. Heimans and H. Timms, "Understanding 'New Power,'" *Harvard Business Review* (December 2014), available at <https://hbr.org/2014/12/understanding-new-power> (accessed 5 Jan 2015).
21. <http://www.julienfournie.com/#/HOME-01-00/> (accessed 5 Jan 2015); abc-luxe "Luxe & Innovation" Seminar, Paris, 20 November 2012, <http://innovation-luxe.abc-luxe.com/> (accessed 5 Jan 2015).
22. abc-luxe "Luxe & Innovation" Seminar, Paris, 20 November 2012, <http://innovation-luxe.abc-luxe.com/> (accessed 5 Jan 2015).
23. <http://www.dassault.fr/> (accessed 5 Jan 2015).
24. <http://www.3ds.com/fr> (accessed 5 Jan 2015).

25. <http://fashionlab.3ds.com/fashionlab-incubation-projects-by-jerome-bergeret/> (accessed 5 Jan 2015).
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