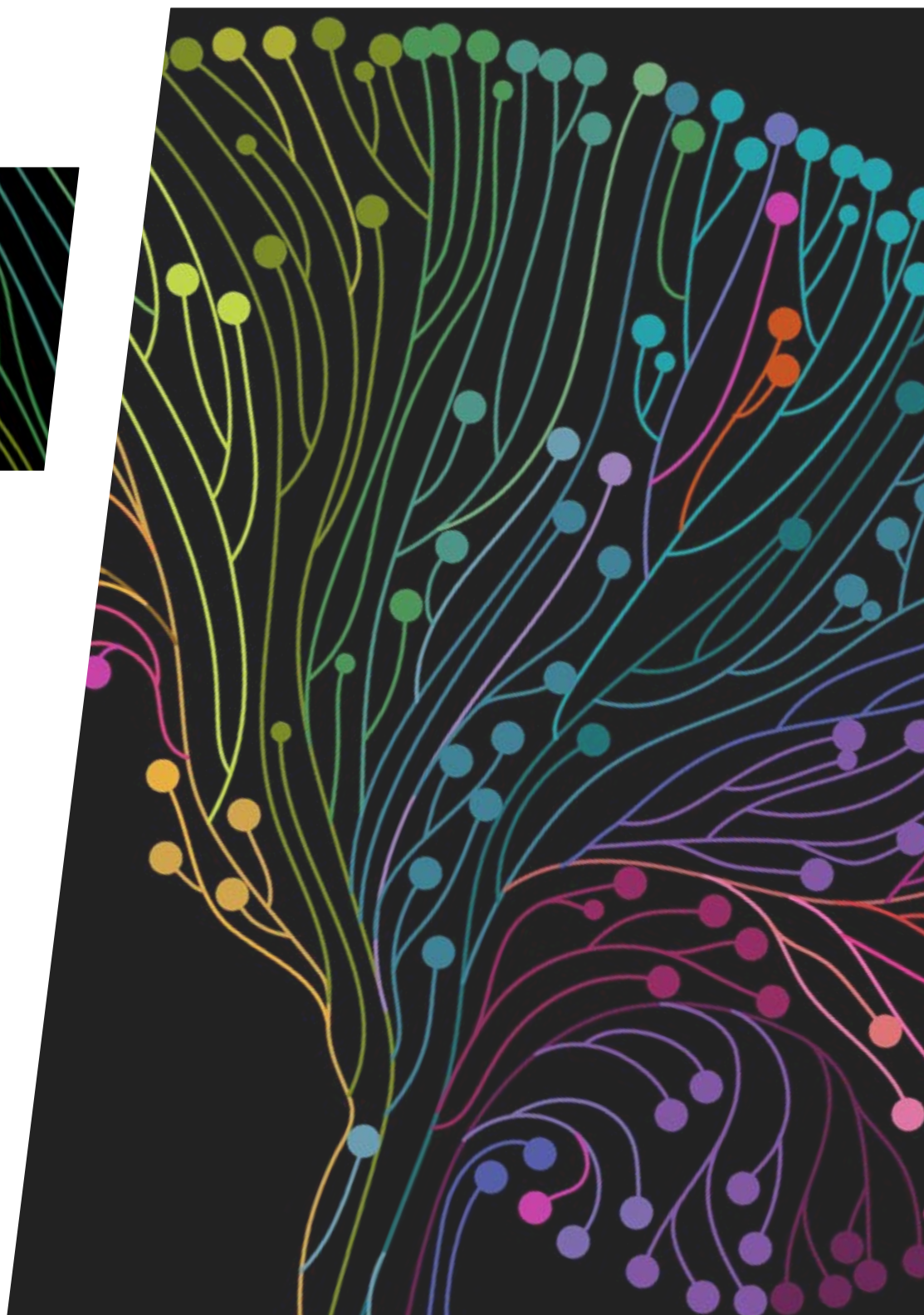


# 2018

PREDICTIONS  
REPORT



THE WORLD IS RULED BY EMOTIONS:  
BREAKING TRADITION THE  
MILLENNIAL WAY



ABOUT POSITIVE LUXURY

Positive Luxury connects brands and consumers that care. Our mission is to inspire people to buy better and influence brands to do better. Positive Luxury awards the Butterfly Mark to brands demonstrating positive efforts towards the craftsmanship, service and design of their businesses.

Positive Luxury was founded in 2011 by Karen Hanton, MBE, founder of toptable.com, and Diana Verde Nieto, pioneering sustainability expert and honoured by the World Economic Forum as a Young Global Leader. Diana also sits on the Sustainable Development Goals Advisory Council.



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# FOREWORD

**FFLUR ROBERTS, HEAD OF LUXURY GOODS,  
EUROMONITOR INTERNATIONAL**



*Fflur Roberts is the Head of Luxury Goods Euromonitor International manages the research programme for the global luxury goods industry at Euromonitor International. Fflur has direct responsibility for the content and quality of Euromonitor's luxury goods research, which provides strategic analysis of the global market and in-depth coverage of the industry in 32 countries worldwide. Fflur is often referenced in the international press on the luxury business and has addressed luxury leaders at many leading global luxury conferences around the world.*



The luxury industry is facing many new challenges today. Aside from the far-reaching geo-political changes taking place, we are witnessing major shifts in consumer expectations. Whilst it's true that consumer desires vary depending on the individual, culture and income, there has been a fundamental change in values towards a need for experiences rather than "things".

Increasing awareness of social and environmental issues is driving the rise in 'Mindful Consumption'. This is translating into decisions framed by concerns about the environment, animal welfare, production and labour practices, as well as desires to positively impact people.

Driven primarily by environmental shifts and pressures, population change and new consumer values, we are seeing the "ethicalisation" of society, which is now playing an increasingly important role across the luxury goods landscape. This trend will only be enriched further in years to come thanks to opportunities emerging from technological advances and shifting economic power.

Euromonitor International's team of economic, consumer, and luxury industry trend experts has identified positive living as one of the most influential megatrends to watch for 2018 – particularly for those brands looking to reach millennials. The challenge for the luxury industry lies not only in the fact that the majority of mindful brands are targeting a young, digitally-engaged and high-income audience, but that it is still the developed economies that lead the commercialisation of sustainability.

The industry needs to expand its reach to drive a more inclusive sustainability agenda and processes. We are therefore very pleased to work with Positive Luxury's 2018 Predictions Report "The World Is Driven By Emotions: Breaking Tradition The Millennial Way", which could not come in more timely fashion in today's increasingly challenging business environment.

'Mindful Luxury' is clearly emerging, replacing the conspicuous consumption of the past. Consumer concern for sustainable practices is growing; proof that it will be of critical importance to the luxury industry's future and will force businesses to adapt to new market demands. Whilst the pace of change is slow, sustainability is becoming integrated into the mainstream. With our access to tens of millions of data points, we are uniquely positioned to provide a holistic approach to this megatrend analysis.

# FOREWORD

**OLIVIER OULLIER, PhD  
PRESIDENT OF EMOTIV**



*Olivier Oullier, PhD, is President of EMOTIV, the world's leading neuroinformatics company. He is the former Global Head of Strategy in Health and Healthcare and Member of The Executive Committee of the World Economic Forum. A Professor of Behavioral Sciences, he has more than 20 years of experience helping brands drive consumer engagement strategies globally. By night, he DJ's around the world.*



Millennials are surely one of the most surveyed generations. And yet, despite the wealth of data available on their decision-making patterns and socio-economic status, it remains very difficult to predict their behaviour. Too often, how millennials say they intend to behave does not correlate with their actions.

The good news is that in this so-called "Fourth Industrial Revolution", we can quantify contextualized consumption behaviours at scale. Technology has allowed us to track and analyse online behaviour and conversation – and biometrics like facial expressions and brain activity will only continue to get more advanced.

But all the data we can gather now is of limited value unless we also understand the human emotion that is motivating and mobilising people today. Brands must understand that humans do not make decisions merely rationally; rather, they are influenced by emotions that cause them to react in specific, sometimes unpredictable ways. Businesses that understand this previously underestimated element of today's consumer already have a competitive advantage because they are able to fully engage and mobilise the new millennial audience.

Positive Luxury's 2018 Predictions Report "The World Is Driven By Emotions: Breaking Tradition The Millennial Way" demonstrates the value of placing emotional analytics at the heart of business today. It highlights luxury brands that have shown particular innovation or leadership in this area – resulting in growth and profitability.

The most significant learning? That machine-learning, artificial intelligence, and ever-more sophisticated data collection and processing will result in unprecedented levels of knowledge about consumer behaviour. It is only through this understanding of the human mind that we can drive positive change, and transform lives for the better.



# INTRODUCTION



What drives today's consumer to invest in or engage with luxury brands?

That must be one of the key questions dominating boardrooms in these tumultuous times.

For so long, rationalism has been the pre-eminent factor in economic and political supremacy. It was thought that the ability to make informed decisions based on hard analytics would be the essential component to a modern human economic system.

And yet, leading neuroscientist Professor Antonio Damasio's groundbreaking discovery into decision-making should prompt us all to reappraise. His research has found that humans are, at times, rendered incapable of making even the simplest of decisions without the influence that comes to bear from emotion.<sup>1</sup>

In everything from politics to retail, we saw numerous examples of the influential power of emotion last year – and it's a neurolinguistics trend that will continue to dominate in 2018. Indeed, a brand's ability to spark an emotional connection with consumers, especially around the social and environmental factors that are increasingly important to them, will be imperative to successful growth. This is especially true for brands looking to engage younger consumers, the future of the luxury marketplace and workforce.

Of course, playing on emotion itself is not new in business. The 1950's advertising executives of Madison Avenue, those so-called 'Mad Men', understood how to imbue a product with emotional appeal and build brand loyalty. Today's advances in technology have resulted in a savvy consumer who operates in an increasingly transparent market, with the ability to spot inauthentic communications.



Above: Positive Luxury founders Diana Verde Nieto and Karen Hanton.

Emotion in its purest form is the single most powerful and persuasive feature for a brand to capture and convey, yet it must be genuine. Today, audiences can either support or deconstruct communications, and have the power to voice their likes or dislikes easily online.

So, if 2016 was the year when **storytelling** was the buzzword, and 2017 was dominated by the idea of **truth**, then **influence through emotion** will be 'the' concept to watch out for in 2018.

To succeed, a brand must learn how to influence through emotion in an authentic and engaging way.

Since Diana Verde Nieto and Karen Hanton MBE co-founded Positive Luxury in 2011, they have championed responsible business as a force for good. Positive Luxury's 2018 Predictions Report distills the key industry trends, and offers businesses insights into companies who are innovating with great success.

*So, if 2016 was the year when **storytelling** was the buzzword, and 2017 was dominated by the idea of **truth**, then **influence through emotion** will be 'the' concept to watch out for in 2018.*

The very concept of top-down advertising is beginning to look antiquated. Instead, an emotionally charged, authentic interaction between brand and stakeholders – ideally in both the digital and physical world – is what's necessary now to successfully sell and retain brand loyalty.

The explosion of social media has made it easier for brands to build and then influence an ecosystem of members around a common sentiment. But this on-demand, real-time world, where consumers are increasingly in control, also brings challenges for brands.



PART I:

# THE TOP INDUSTRY TRENDS OF 2017



A. THE DISRUPTIVE POWER OF FAKE NEWS Pg. 10 / B. BUILDING 'BRAND ME' THROUGH SOCIAL MEDIA Pg. 11 / C. THE RISE OF THE RESPONSIBLE CONSUMER Pg. 12 / D. THE NEED TO OPERATIONALISE SUSTAINABILITY Pg. 14 / E. INFLUENCER AND INFLUENTIAL MARKETING Pg. 16 / F. ACT RESPONSIBLY OR ELSE Pg. 17 / SUMMARY: INDUSTRY TAKEAWAYS FROM 2017 Pg. 18



A.

## THE DISRUPTIVE POWER OF FAKE NEWS

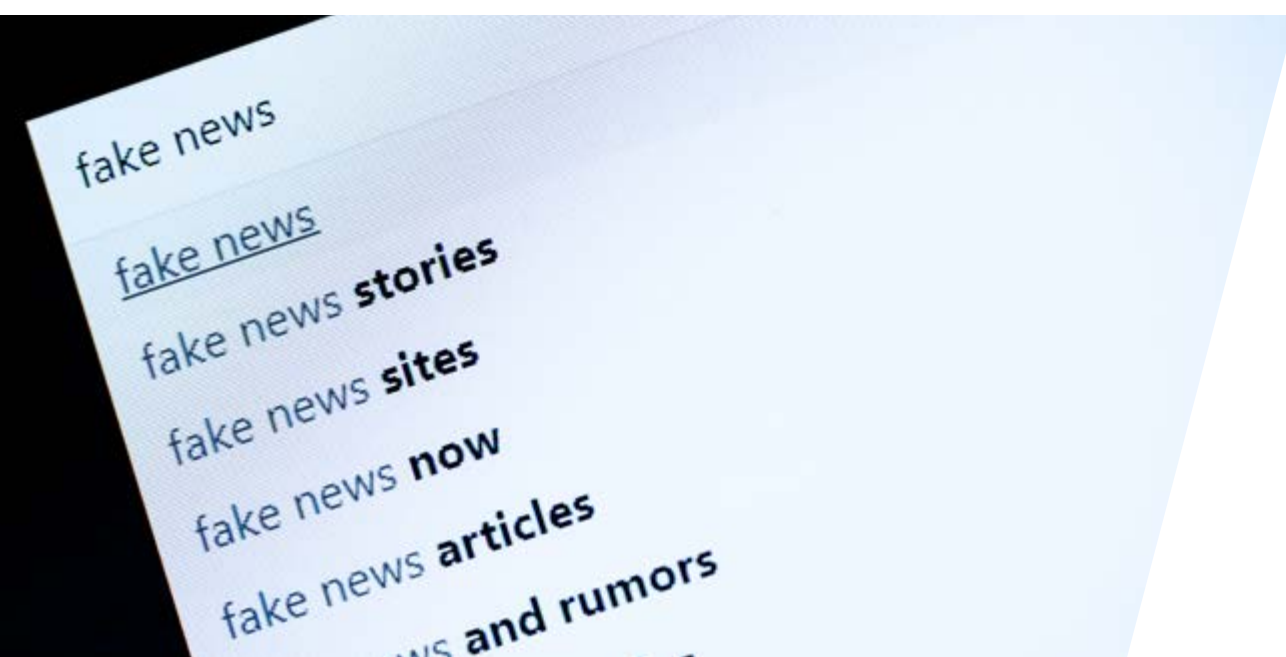
To illustrate just how social media has allowed the masses to mobilise around causes that matter to them, let's look at unexpected outcomes such as Brexit, and Donald Trump becoming US President. From Brexiteer Michael Gove's infamous line that the public 'have had enough of experts' to Trump supporters flooding Facebook with fake news designed to stir up voter passions, it's become clear that in today's fast-scrolling, click-bait centered world, facts don't matter.<sup>2</sup>

"Concepts more than facts are grabbing people's attention because concepts are directly related to emotions and values," writes political commentator Teresa Buczkowska. "Emotions and values are what people care most about because they guide people's aspirations, hopes and fears and influence the way people perceive struggles and disappointments."<sup>3</sup>

Buczkowska believes that for all the sophisticated use of algorithms to deploy fake news on social networks, the emotion it evoked is why it spread so quickly. "Fake news took off like wildfire because it is designed to play on people's emotions and values, to raise their hopes of winning their subjective struggle, whatever that struggle may be. How can you fight subjective narratives of hope, fear, or self-hatred with objective facts?"<sup>4</sup>

The way political lobbyists managed to mobilise people so powerfully and quickly to fundamentally disrupt voting patterns caught decision-makers wildly off-guard. That is why established businesses must also take note of these forces. The essential principle of disruptive patterns influenced by emotion can make or break a brand in 2018, in much the same way as it changed the course of western politics.

*"Concepts more than facts are grabbing people's attention because concepts are directly related to emotions and values," says Teresa Buczkowska.*



B.

## BUILDING "BRAND ME" THROUGH SOCIAL MEDIA

*Emotions are driving influencers to raise their voices on social media platforms and proclaim an identity.*

The core principle, in a lot of the disruptive patterns, was that people were influenced and then coalesced into movements that gave voice to what they were feeling, and made them feel part of something greater than themselves.

This sense of identity feels especially important against the backdrop of economic and political volatility, and technological advances have made it easier for individuals to find like-minded people.

Brands need to look inwards at the reality of the human behind the consumer, says design strategist Adam Peacock. Emotions aren't just motivating consumers at the simple point of sale, but rather driving influencers to raise their voices on social media platforms and proclaim an identity.

Today the most effective cause marketing experiential initiatives are those based on mobilising large numbers of people who resonate with the same social cause. The power of social media has made the task of bringing together like-minded people only easier, and chapter one of every marketing guidebook is the same: nothing beats good old-fashioned word-of-mouth.



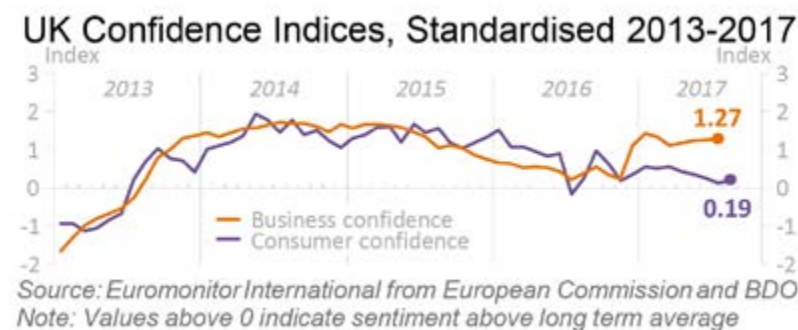
C.

## THE RISE OF THE RESPONSIBLE CONSUMER

This sentiment is especially pertinent for millennials, a market that now represents \$2.5 trillion in spending power. A successful brand must understand what drives this audience to engage with them. The short answer? An emotional connection. Recent research shows that 70% of millennials are willing to spend more time and money with brands that support causes they care about.<sup>5</sup>

But what are those causes? It goes without saying that brands must take into account the social and environmental impact of their operations, maximising their social impact and striving to reduce their environmental footprint to be even acceptable to millennials. The Hartman Group's Sustainability 2017 report found that 87% of adults now say that sustainability-related concerns impact their values, attitudes and actions in at least some measure.<sup>6</sup>

Today, sustainability is viewed as a much more holistic concept that encompasses interconnected sets of issues related to diversity, gender equality, philanthropy and animal welfare. It's not surprising, then, that 2017 saw luxury brands Gucci, Michael Kors and Net-A-Porter pledge to go fur-free.



This isn't unique to the UK or USA; it's a global phenomenon set against a landscape of uncertainty and insecurity. A 2017 Global Impact Study has shown that the way to counteract deep feelings of anxiety and insecurity about the rapid pace of change in today's world is to be united by a belief in a world of collaboration, unrestricted by geographical borders.<sup>7</sup>

Approximately 90% of tomorrow's future leaders have stated that creating a better world will rely on increased levels of empathy and a global culture based upon collaboration. "They are redefining globalization to one of 'personal globalization' where the pursuit of

limitless cross-border movement, cross-border digital communication, and creative lifestyle drives new economic power," says the research.<sup>8</sup>

As a result, many millennials are turning away from the idea of governments and nation states, believing those institutions don't reflect their interests. "Two thirds believe that global institutions like the United Nations are more representative of them, rather than national or local governments (61% vs. 48% and 44%). More than two thirds believe that shaping the future is up to them as individuals, rather than governments", says the Global Impact report.<sup>9</sup>

*Approximately 90% of tomorrow's future leaders have stated that creating a better world will rely on increased levels of empathy and a global culture based upon collaboration. "They are redefining globalization to one of 'personal globalization' where the pursuit of limitless cross-border movement, cross-border digital communication, and creative lifestyle drives new economic power," says the research.*



D.

THE NEED TO  
OPERATIONALISE SUSTAINABILITY

“The business community needs to recognize that brands, just like people, are global citizens and must coexist in a meaningful way – not just focus on sales,” says Nancy Mahon, Senior Vice President of Global Corporate Citizenship and Sustainability for MAC, an Estée Lauder Company.<sup>10</sup>

Being a purpose-driven business will attract more consumers and the right talent. More than any other generation, millennials consider themselves politically independent, religiously unaffiliated, and interested

in a wide variety of different nations, cultures, ideas, and beliefs. This is why people are increasingly attracted to work for companies with better sustainability, diversity, and inclusion programs that deliver social impact whilst minimising their environmental footprint.

It’s clear that in an environment where consumers feel let down by government’s lethargy, corporates can win. Success requires brands to understand the issues that will spark emotion in their audiences and start to operate like them, signing up to

initiatives that help them behave sustainably on a global scale.

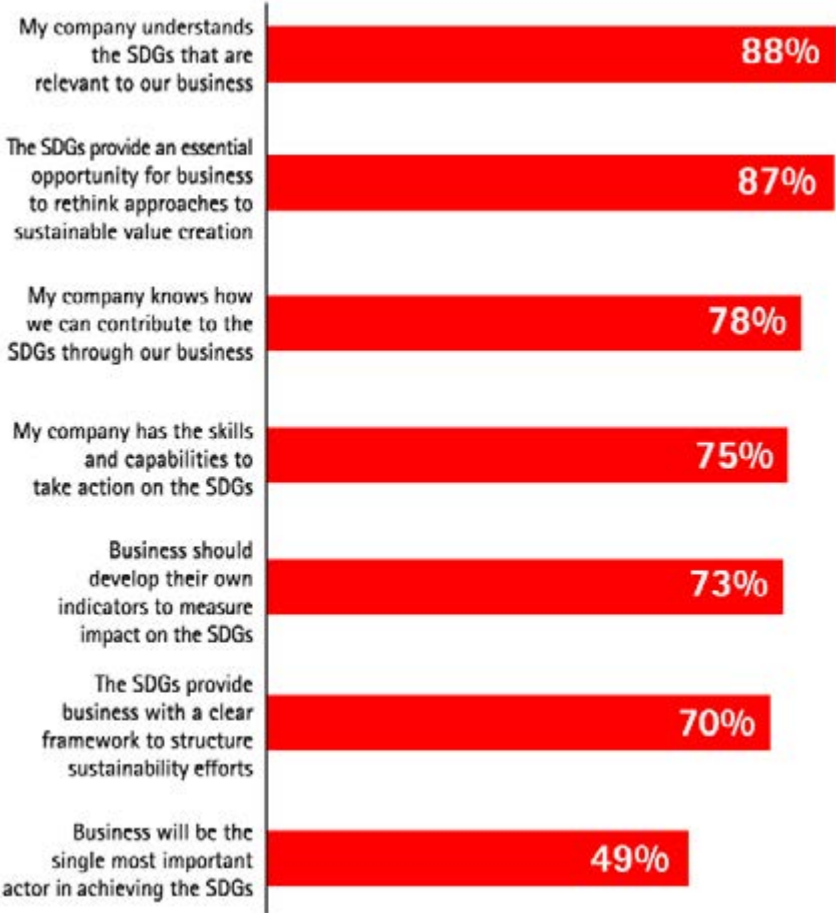
The UN’s Sustainable Development Goals (SDGs) can help; providing businesses with a unique and clear framework for global development and to structure sustainability efforts. The UN is encouraging states and companies to frame their agendas and political policies against the goals, targets and indicators as shown below.



As companies grapple with a disruptive, rapidly-evolving environment for business, many CEO’s see The Global Goals as a framework for shaping their action on sustainability. Nestlé’s former CEO, Paul Bulcke, put it succinctly: “To be successful in the long term, we must create value not only for our shareholders but also for society.”<sup>11</sup>

The adjacent chart on the right shows to what extent businesses are ready to accept a mandate to act on global development, reorienting their companies to create value for shareholders and society at large.<sup>12</sup>

Image on right courtesy of  
Accenture Strategy.





## E. INFLUENCER AND INFLUENTIAL MARKETING



Let's face it: traditional advertising is no longer working as it used to. In an age where on-demand, unlimited entertainment and communication choices are available to all, 'selling' things the traditional way has lost its resonance. People are the new media.

It's becoming increasingly clear that people, regardless of age, trust recommendations online, and often, user-generated-content (UGC) is the first port of call when researching before a purchase. According to Baazarvoice.com over half (51%) of Americans trust UGC more than other information on a company website (16%) or news articles about the company (14%).<sup>13</sup>

With the influx of Influencer Marketing campaigns targeting every product from nappies to yachts, it is hard to find companies that aren't working with influencers today. With 30% of consumers likely to buy a product recommended by a non-celebrity blogger, according to a study by Collective Bias, investing in influencer marketing makes sense.<sup>14</sup>

In an Influencer Marketing survey that asked 170 marketers from CPGs, food-and-beverage companies to retailers, 87% of respondents said that "Influencer Marketing's top benefits entail creating authentic content about their brand."

However, that word 'authentic' is key. When considering influencers to partner with, companies need to ensure that the influencer's overall 'personal brand' aligns with the brand's core values.

Recent research reveals that 40% of people have stopped using a brand because of its behaviour, specifically naming animal cruelty; tax avoidance; irresponsible sourcing; being unsustainable, and irresponsible marketing. The by-product of authenticity is, therefore, trust and loyalty.

Brands who prove they are responsible, and hold sustainability as one of their key values, gain the strongest credibility to market themselves and their products on social media.

Galvanising around an emotive cause is key to engaging the right consumers. CoverGirl's I Am What I Make Up is an example of a beauty brand that has shifted in tone and approach to reflect the millennial audience's desire for inclusivity and diversity. The campaign featured new CoverGirls as diverse as Issa Rae, creator of YouTube series *Awkward Black Girl*, to 69-year-old model Maye Musk. "What we wanted to do was to reflect a very positive cultural mood where women don't want to be told and dictated what is beautiful," said Katy Alonzo, group strategy director at Droga5, explaining the new CoverGirl work. "Women want to decide for themselves what their beauty is, what beauty means to them, what beauty even means."<sup>15</sup>

The new corporate responsibility effort must be an authentic commitment to social and environmental action. Businesses cannot simply brand speak these ideas, but must truly live and embody them in order to turn existing customers into brand advocates.



## F. ACT RESPONSIBLY OR ELSE

While social media has the potential to capture emotional engagement and positive advocacy, 2017 also saw much discussion about the negative effect it has on our mental health. Sean Parker, former founding member of Facebook, publicly criticised the notion of "looping". Looping is a short-term dopamine-driven feedback loop that our body receives from the pleasure of being 'liked' by our peers.<sup>16</sup>

When your phone pings or buzzes, do you immediately check to see what exciting form of attention you've just been paid? The emerging idea seems to be that when reality falls short, we feel a dopamine plunge. That feels bad, so we keep trying to do something that will make reality live up to expectations. However, it is the dopamine-fuelled-pleasure-and-reward cycle that makes us feel bad.<sup>17</sup>

What we become addicted to is not the actual rush of social feedback, for example the comment you just received on your latest Instagram, but rather the anticipation of it.

According to Begley, author of *Can't Just Stop: An Investigation of Compulsions*, this means "we feel driven and compelled to keep trying, like one of these days it's going to feel great. If it never does, then you're in this essentially infinite dopamine loop."<sup>18</sup>

Chamath Palihapitiya, former Vice President for User Growth at Facebook, has argued that the "short-term, dopamine-driven feedback loops that we have created are destroying how society works." Instead of building a better, more connected world as Facebook purports, Palihapitiya says social media is

exacerbating trivial, materialistic concerns, alienating us from genuine human connection and resulting in increasing levels of anxiety and isolation amongst users.<sup>19</sup>

When those who helped create and proliferate social media are starting to use the tool to criticise it, it becomes clear that businesses must act responsibly and sustainably. As an example, Apple's two largest investors are urging the iPhone creator to take action against smartphone addiction among children over growing concerns about the effects of technology and social media on young people. There is a developing consensus around the world that the potential long-term consequences of new technologies need to be factored in at the outset, and no company can outsource this responsibility.

Indeed, as Accenture's Corporate Disruptors Executive Summary about the economy of the future put it recently, expectations for digital responsibility, environmental constraints, and ultimately the rise of the informed consumer are the key trends for any brand to note.<sup>20</sup>

**Potential long-term consequences of new technologies need to be factored in at the outset.**



## SUMMARY:

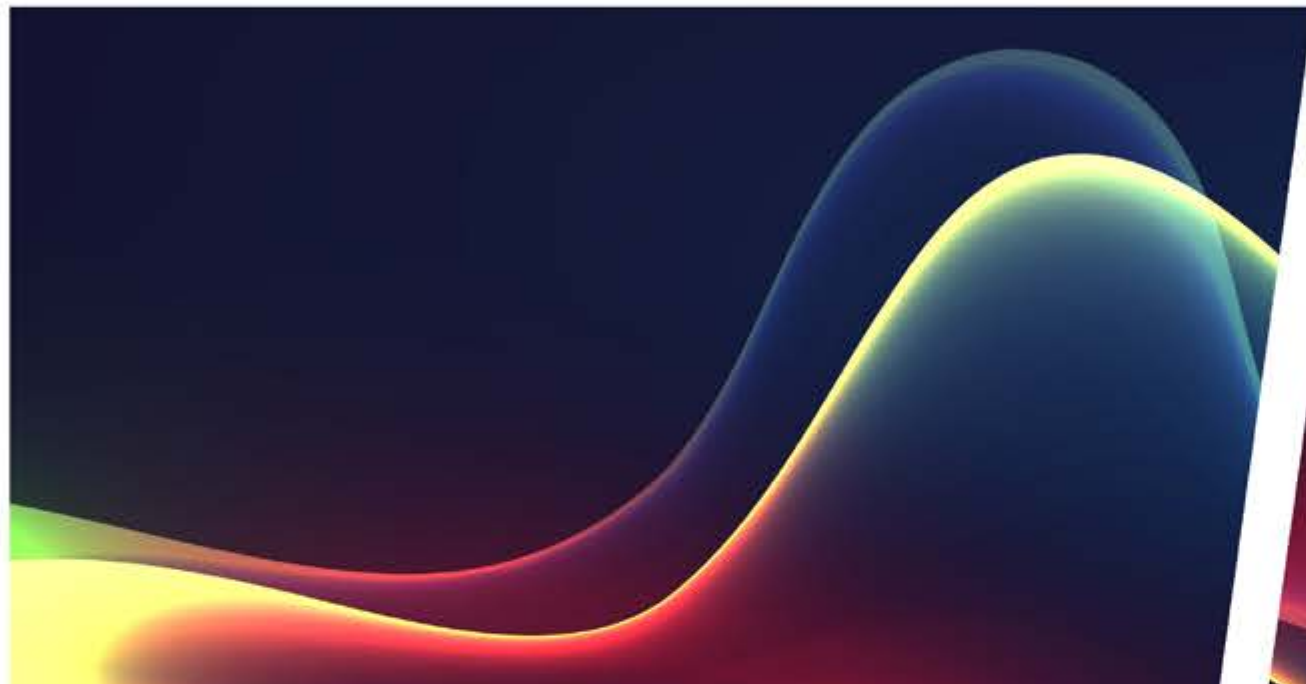
# INDUSTRY TAKE-AWAYS FROM 2017

- 01 TO MOBILISE TODAY'S CONSUMER YOU MUST SPARK AN EMOTIONAL CONNECTION WITH THEM.
- 02 SOCIAL MEDIA HAS MADE IT MUCH EASIER FOR INDIVIDUALS TO FIND LIKE-MINDED PEOPLE AND JOIN MOVEMENTS THAT GIVE THEM A POWERFUL SENSE OF IDENTITY.
- 03 MILLENNIALS ARE NO LONGER A NICHE AUDIENCE. THEY REPRESENT \$2.5 TRILLION IN SPENDING POWER AND WILL BE THE DOMINANT WORKFORCE BY 2020.



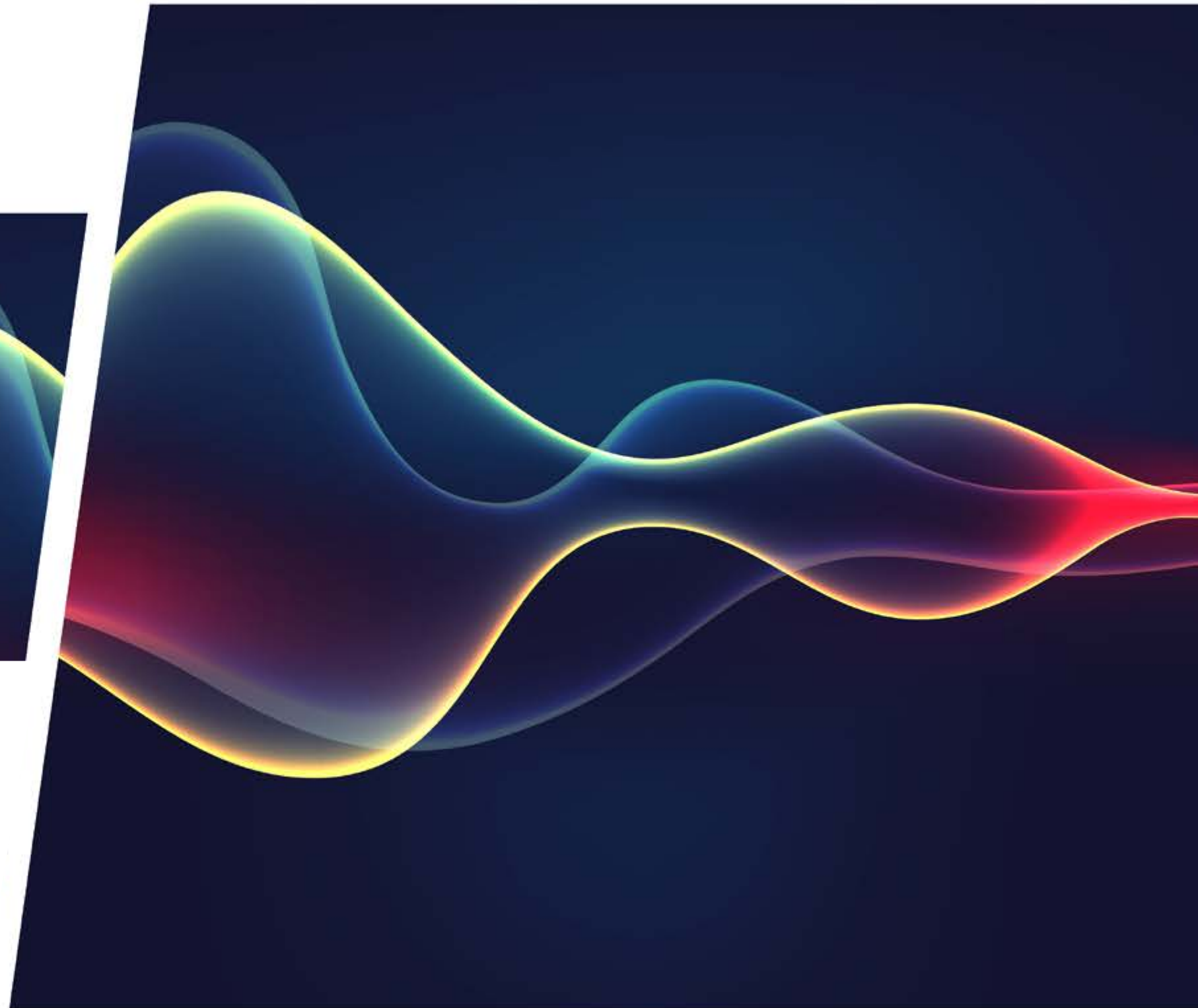
- 04 BEING A RESPONSIBLE, GLOBAL CITIZEN MATTERS TO TODAY'S CONSUMERS. 87% OF ADULTS SAY SUSTAINABILITY-RELATED CONCERNS IMPACT THEIR PURCHASING DECISIONS.
- 05 MILLENNIALS ARE LOSING FAITH IN GOVERNMENTS AND NATION STATES, AND LOOKING TO OTHER INSTITUTIONS TO ADVANCE THE SUSTAINABILITY GOALS THEY SEE AS ESSENTIAL FOR A BRIGHT SOCIO-ECONOMIC FUTURE.
- 06 BRANDS MUST START OPERATING LIKE THEIR AUDIENCES, PUTTING SUSTAINABILITY, IN IT'S BROADEST TERMS, AT THE HEART OF CORPORATE INFRASTRUCTURE.
- 07 A BRAND'S COMMITMENT TO SUSTAINABILITY MUST BE AUTHENTIC. WHILST SOCIAL MEDIA INFLUENCERS CAN BECOME A BRAND'S BEST ADVOCATE, THEY ALSO HAVE THE POWER TO EXPOSE DUPLICITY.





## PART II: **INNOVATION & ALIGNMENT**

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**A. MATERIAL TECH HUBS** *Pg. 23* / **B. ARTIFICIAL LEARNING, MACHINE-LEARNING  
& DATA** *Pg. 24* / **C. EXPRESSING EMOTIONS DIGITALLY** *Pg. 25* / **D. RETAIL  
EXPERIENCE** *Pg. 26*



The world is constantly in a state of change, but in 2017 both the pace and scope of change was dramatic. Extraordinary technological advances are having an impact on every conceivable sector of luxury, from retail to manufacturing, as well as bringing about a subtler and more sophisticated but no less significant cultural shift.

This shift means that, for a brand to be relevant, it must have a cultural positioning that stakeholders can easily identify and positively engage with. It is no longer enough to utilise technological breakthrough to surpass competition, and profitability alone will no longer guarantee market positioning. To remain credible and socially relevant, a brand must innovate in its product and business model, and of course, it must be sustainable in the broadest sense of the word.<sup>21</sup>

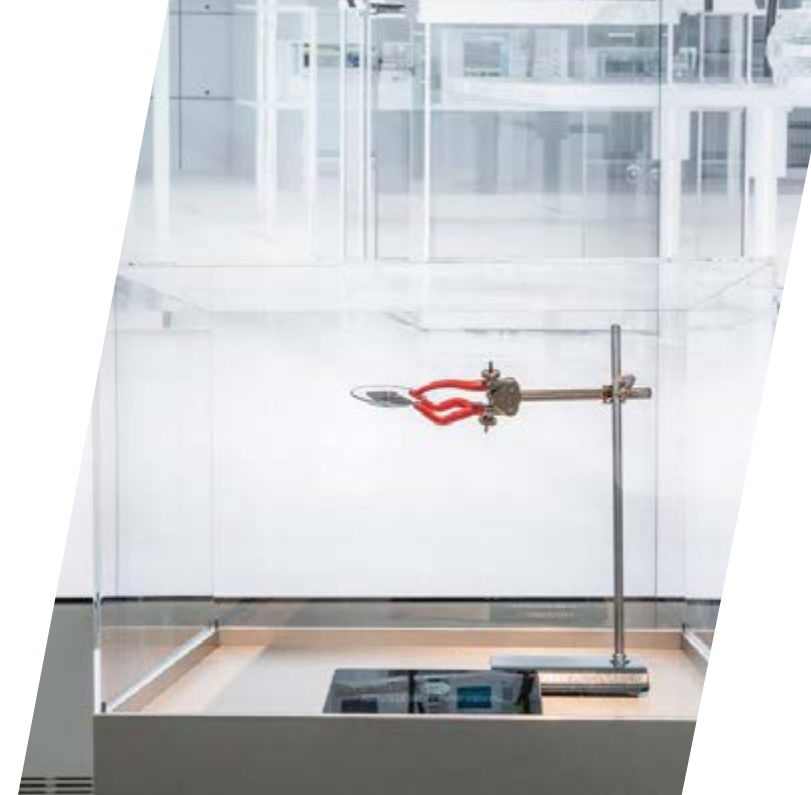
This innovation is not easy. While technology is permitting stem cell-style fibers, fast fashion continues to manufacture shirts unsustainably. “We make a shirt the same way we did 100 years ago and it’s insulting,” explains Kevin Plank, founder of Under Armour. Instead, he argues, forward-thinking businesses should ask: “How can we use technologies to make a better product and produce it more efficiently?”<sup>22</sup>

Ultimately the end goal of innovation is to be relevant and profitable, but to achieve both, brands must provide a seamless consumer experience.

Below are four areas that are already seeing significant innovation and alignment with the core ecosystem principles of a new and transparent economy.

**Left: Vitrolabs stem-cell engineered leather.**

**Below: Miroslava Duma.**  
**Images courtesy of FTL.**



by the World Economic Forum as a Technology Pioneer in the ‘Energy / Environment / Infrastructure’ category. Miniwiz was founded in March 2005 by architect and structural engineers Arthur Huang and Jarvis Liu. The company focusses on upcycling consumer trash and industrial waste, into high performance materials, enabling a true circular economy.<sup>25</sup>

Nike partnered with Miniwiz to build nine store and concession interiors as part of the NikeLab concept, a vehicle to push the boundaries of innovation and experience in both digital and physical retail.

Aligned to Nike’s corporate goals, the brief given to Miniwiz was to minimise material usage and re-use production waste. NikeLab interiors featured strong, modular and lightweight solutions and fixtures. These were made from Miniwiz recycled materials such as Ricefold, a Polymer reinforced with rice nanosilica, ReGrind, a material composite made out of discarded and recycled Nike footwear/apparel, as well as various other material solutions created from e-waste such as motherboards and casings.<sup>26</sup>



## A. MATERIAL TECH HUBS

“You have to understand the impact the fashion industry has on our environment. It’s the second-most-harmful industry on the planet. We need to take responsibility,” designer Stella McCartney has said of the fashion industry.<sup>23</sup>

That acknowledgment, and a growing awareness of the importance millennial consumers now place on sustainability, is prompting a new wave of material tech hubs to spring up.

After years in stealth mode, a quiet revolution in biotech is finally bringing new materials to market that will transform manufacturing. Indeed, instead of stitching garments with a needle and thread, by 2025 we could grow garments in a laboratory using DNA.<sup>24</sup>

Future Tech Lab is one company leading the innovation. Launched by Miroslava Duma, its mission is to bring together scientists and designers who collaboratively can break the textile pollution cycle by developing and using new technology such as stem-cell leather, recycled fabrics and ultra-strong spider silk-based fibres.

“We help engineers and scientists all over the world develop their ideas in the fields of material science, biotechnology and nanotechnology, smart textiles, and wearable tech. By combining technology and fashion design, two worlds that are so far removed from each other right now, we’ll eventually be able to facilitate the production of unique products,” says Duma of the project. “Millennials are the first generation to be really interested in sustainability and understanding how things are made; what the social, economic and environmental impact of their production is.”

Another company at the forefront of innovation is Miniwiz, recognised



B.

## ARTIFICIAL INTELLIGENCE, MACHINE-LEARNING AND DATA

Just as technology is changing the physical attributes of the luxury industry, so it is impacting on the infrastructure. It's changing consumer behavior, and allowing companies to be more agile in their working.

One area that articulates this perfectly is voice-activated technology. At the moment, we only use voice-activated technology for convenience purposes. 'What is the time?' 'Play this song,' 'Set an alarm,' etc are commands you now hear in houses around the world. The new technology lets us access things easily, giving tangible and useful advice, however, the future of voice will be able to provoke behaviours that brands want to associate with. For example to create, inspire, imagine and discover instead of merely open, find, and locate.<sup>27</sup>

These developments in voice technology will have very real, tangible benefits. They will help

to curb fraud and theft by using voice biometrics for identification and increase the accuracy of search engine results. But, perhaps more significantly, richer voice-activated technologies will make communication more effective. They will enable a better and faster workflow and deepen the relationship between brands and their audiences. By efficiently leveraging voice, brands can gain immediate insight into the perception of their customers. With advanced analytics, companies can interpret intent and meaning more effectively. Devices will be able to detect emotional actions and needs by the different tones utilised in commanding search tasks. Furthermore, we will be able to search by values; for example, what are the top five cruelty-free mascaras, fair trade T-shirts, or organic cashmere coats.

All this will result in more data for brands to analyse and act upon, while gaining a greater understanding of

consumer needs and expectation. We are already at a point where companies of all sizes have realised the value of effective data analytics, providing information which allows them to anticipate consumer needs and position themselves as a service or problem solver. AI and machine learning can make a significant impact on corporate sustainability activity and accurately demonstrate impact.<sup>28</sup>

Companies are beginning to use AI to achieve step changes in sustainability. These AI applications are in early stages and not yet widespread, but the data suggests that AI can bring significant benefits for sustainability in the medium term.<sup>29</sup>

*By deepening the relationship between brands and their audiences, AI and machine learning can make a significant impact on corporate sustainability activity and accurately demonstrate impact.*



C.

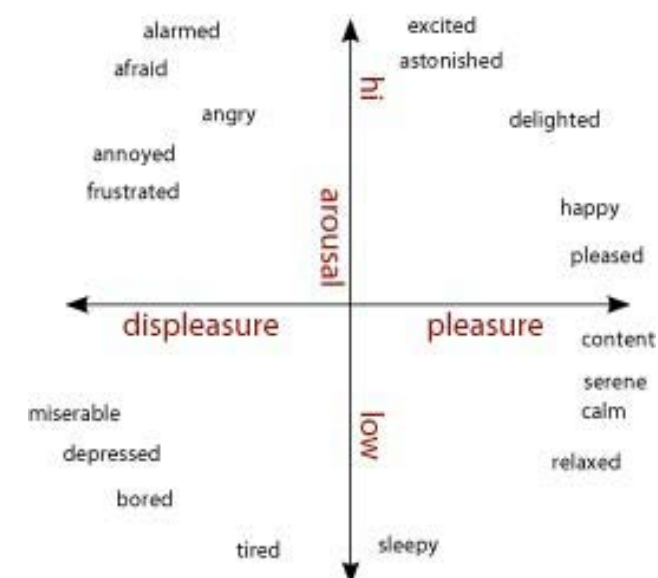
## EXPRESSING EMOTIONS DIGITALLY

Tactics for capturing, analysing and influencing emotion are only set to get more sophisticated in 2018. Consumers will be able to use animojis on the messenger apps of the new iPhone X, meaning you can create and share custom animated characters that use your voice and mirror your facial expressions. Alexa, Amazon's controlled Echo speaker, will be able to tell from your voice if you are angry, happy or stressed and make suggestions accordingly.

'Emotional Analytics' is a new field that focuses on identifying and analysing the full spectrum of human emotions including mood and attitude of anything expressed digitally. For the first time, technology will be able to detect not just what's been said but how it's been said and feed those sentiments back to brands, who can use it to inform future marketing campaigns and product development.

*'Emotional Analytics' focuses on identifying and analysing the full spectrum of human emotions including mood and attitude.*

Up until now, emotional classification has been on a two dimensional Valence-Arousal scoring scale that looked like this:<sup>30</sup>



However, this feature engineering is slowly becoming a thing of the past. Nowadays we can build an emotion classifier using machine learning, with rich and valuable analytics based on what consumers care about, believes Positive Luxury CEO, Diana Verde Nieto.

Whilst detecting emotions has been recognised as a major factor in the success or failure of a marketing campaign, tracking those emotions and quantifying the ROI has been near impossible until now. "Emotions influence our choices, and yet, the ability to analyse emotion has been largely missing in the digital world. But not for long," says Verde Nieto.

Richard Yonck, Founder and President of Intelligent Future Consulting and the author of "The Heart of the Machine" recently addressed this. Yonck's essential idea is that "an emotional economy will arise as an ecosystem of emotionally aware businesses, systems, and services." These "emotionally-aware systems will better anticipate needs, improve efficiency, and reduce stress and misunderstandings."<sup>31</sup>



D.

## RETAIL EXPERIENCE

Retail business models are constantly undergoing transformation, reflecting, anticipating and influencing consumer purchasing cycles. The increase in propensity to shop online, for example, has opened up opportunities for businesses around the world, until supply has eventually better matched demand.

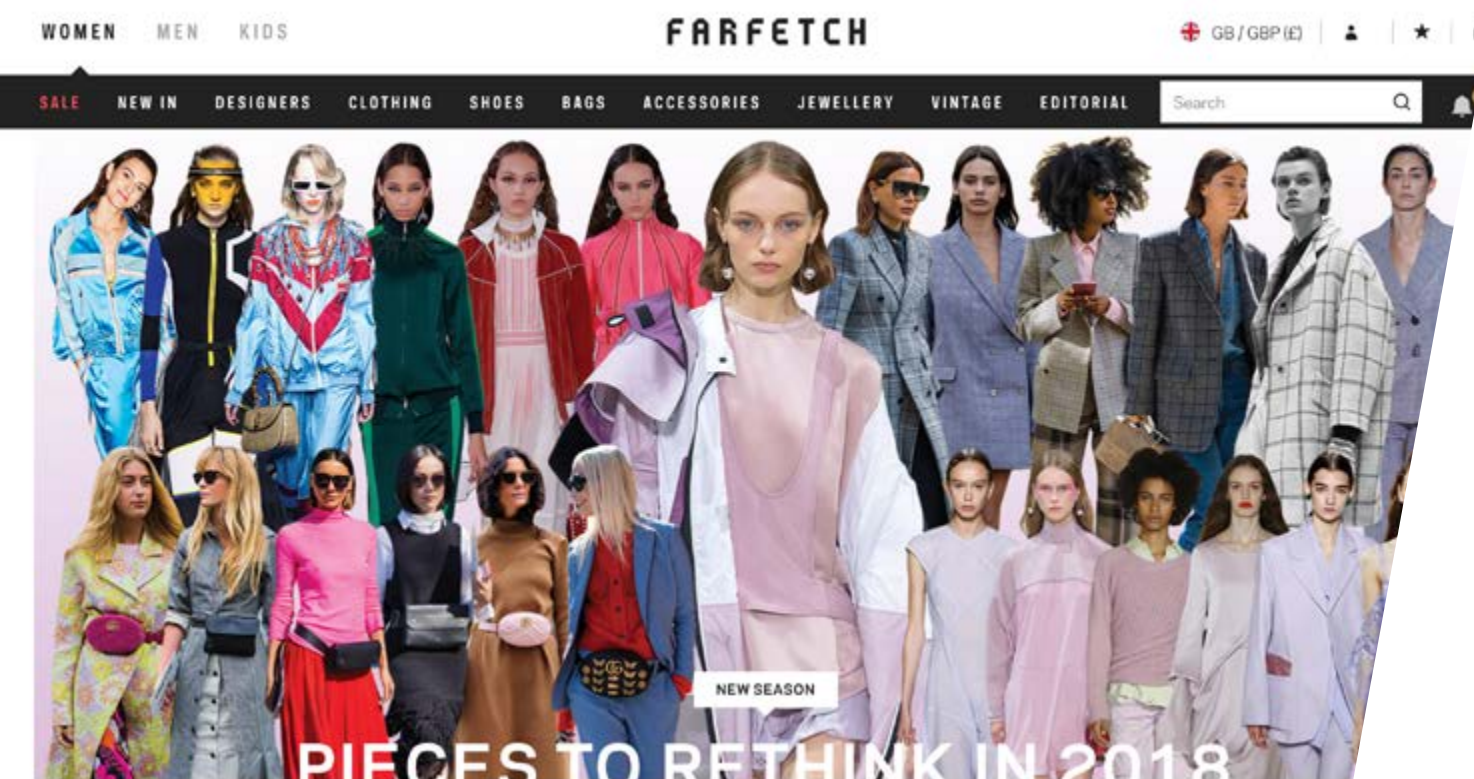
Online luxury fashion e-commerce platform, Farfetch's business model is indicative of such an ecosystem. The Farfetch platform connects the world's suppliers and stockists of luxury fashion – from boutiques to the world's great luxury brands – with global fashion lovers, which has in turn helped these businesses grow on top of the platform.

For many of the boutiques who have joined Farfetch, being part of a larger global digital platform and community has meant their businesses could grow in a way that would not have been possible with a physical boutique alone. A number of these are small, family-run businesses, for whom a much needed economic boost enables them to maintain generational traditions. There is a socio-economic impact too, as such success enables these boutiques to hire more people and ensure the community around local shopping precincts thrives.

As a business, Farfetch also inherently lends itself to sustainability, by connecting supply to demand

and also helping drive demand. The company don't hold any stock, instead, it connects people who love fashion with the items they're looking for globally and in turn, helps ensure a reduction in wastage of unsold stock. Products don't always find a buyer when the only demand is either footfall or even regional e-commerce sites. By giving suppliers access to the widest possible audience, Farfetch increases the chance of items being sold at full price, avoiding a markdown or unsold items that plague the industry.

**Below: The Farfetch platform connects the world's suppliers and stockists of luxury fashion with global fashion lovers.**



*"Today it is no longer good enough to provide great products. The consumer is looking for experiences and authentic brand stories," says Ulrik Garde Due, President, Wedgwood*

Offline, bricks-and-mortar retail has also been reimagined, with a particular focus on the experiential. One example is quintessentially British tea company Wedgwood, who last year launched the Wedgwood Tea Conservatory, an imaginative space where consumers could enjoy an immersive tea tasting menu. "Today it is no longer good enough to provide great products. The consumer is looking for experiences and authentic brand stories," said Wedgwood President Ulrik Garde Due of the project, which was designed to appeal to millennials looking for healthy events that gave them something to elevate their personal brand on social media.<sup>32</sup>

The new retail experience is part of a "journey that requires we re-imagine the business across all consumer touch points, from our product offering to the way we communicate, engage and service the consumer," Ulrik Garde Due continues.<sup>33</sup>

**Above: The Wedgwood Tea Conservatory at the RHS Chelsea Flower Show. Images courtesy of Wedgwood.**





PART III:  
**PEOPLE  
POWER**





Technological advances can only get you so far. It is superior craftsmanship, innovation, design, style, and impeccable service that has made the luxury market such a potent one, and at its heart sit people and human emotion.

“Luxury’s innate beauty as well as the way it captures extraordinary creativity and craftsmanship has always fascinated me, but above all, I’m always so excited by the entrepreneurship of the sector,” says Helen Brocklebank, CEO of Walpole, an alliance of 200 of the UK’s finest luxury brands. “The UK luxury goods sector has outpaced the rest of the British economy over the last decade, and it continues to grow despite all the economic uncertainty,” she continues of an industry currently worth over £32 billion to the UK economy and forecast to employ 160,000 people by 2019.<sup>34</sup>

## COMMUNITY AND CONNECTION

***50% of people would remain loyal provided they felt integrated into a brand’s community, in either the physical or digital space.***

Fostering human interaction, both digital and physical, and using the retail space as a multi-sensorial consumer experience can result in real success. Brands have also taken note of the sharing power of content around authentic experiences, building an ecosystem that is likely to create repeat business and brand loyalty. Indeed, new evidence suggests 50% of people would remain loyal provided they felt integrated into a brand’s community, in either the physical or digital space.

Having access to exclusive content and the ability to interact and create long-lasting relationships with other people who buy into the brand will continue to be invaluable to community based marketing this year.

Furthermore, a strong brand community can provide a long-term support mechanism, increasing the value of existing customers by turning them into advocates. This is very important in the age of transparency as brands may face criticism more regularly than before. Often, a brand’s loyal customers are those most likely and best placed to put up a defense. When it comes to sustainability, the old narratives of utopia or catastrophe sell less papers than before, instead, people are more inclined to create a new narrative of positive experiences when communications are human, emotional, and authentic.



## ATTRACTING MILLENNIALS AS EMPLOYEES, NOT JUST CONSUMERS



***“This is a pool of talent that cares deeply about the purpose and impact of companies where they work,” says Jason Jay, Director of the Sustainability Initiative, MIT Sloan School of Management***

Building a strong sense of community isn’t just about a brand’s customer-base. By 2020, 50% of the global luxury consumer market will be under the age of 30, and so will its global workforce.<sup>35</sup>

CEO’s across industries are beginning to take note of this extraordinary supply/demand demographic change, and realising that millennial professionals are looking deeper into the values of the companies they work for and buy from.<sup>36</sup>

Jason Jay, Director of the Sustainability Initiative at MIT Sloan School of Management, says that 95% of their students are taking at least one elective in sustainability and one third are taking more than three. Even among executive level MBA students they are seeing a dramatic increase in sustainability interest, and that is why businesses have started taking note. “This is a pool of talent that cares deeply about the purpose and impact of companies where they work.” There is a direct link between the emotional root to caring for causes.

Going forward, perhaps for the first time, how a brand helps create a sense of purpose for its workforce internally will be as critical to success as how it services its consumers externally.







PART IV:

# LESSONS FROM INNOVATIVE BRANDS



The following case studies demonstrate the complex, layered approach luxury brands are taking towards addressing the new digitally-engaged consumer's demands that sustainability should be at the core of business.

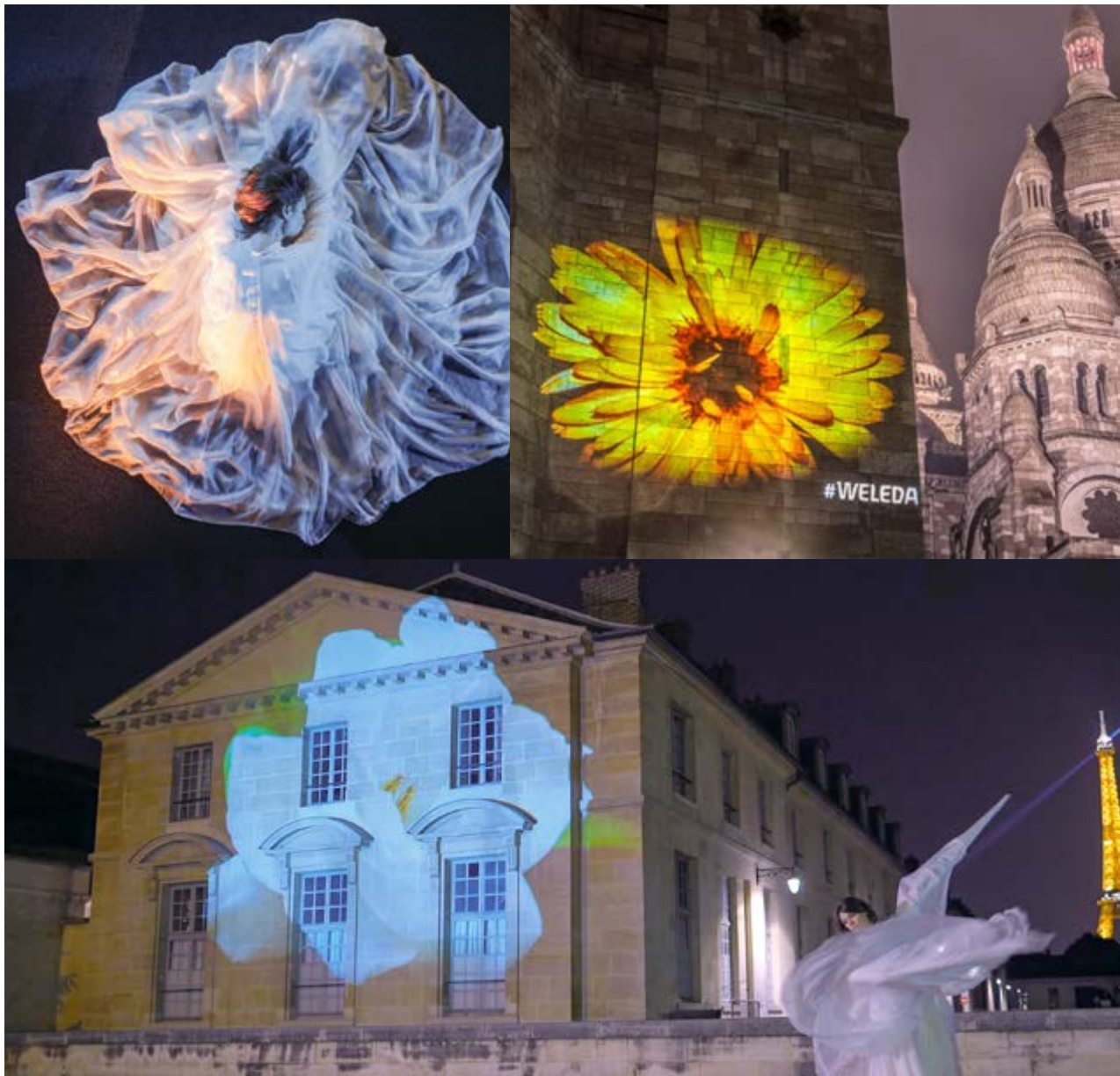


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## A./ BUILDING & ENGAGING LOCAL COMMUNITIES

### WELEDA: CREATING A CULTURE OF ENCOUNTER



Weleda has been at the forefront of sustainable health and beauty since its conception in 1921, thanks to the company's organic farms and fair trade partnerships.

Weleda began at a time that was not unlike today's consumer climate. In the 1920s, consumers were disconnecting from nature and small communities, prompted by increased industrialisation, public transport, large-scale farming and the development of 'modern medicine' with experimental drug treatments and medical technology. Today, society's connection to nature's rhythms of night and day has been undermined by our 24/7 existence. We are also losing our connection to the seasons with cheap intercontinental travel and eating out-of-season foods all year round. In the 1920s it might not have been the internet or smartphones, but the tendency was the same: the consumer made a significant shift.

It was within this consumer shift that Weleda made its breakthrough, based on strong environmental policies, which still remain fundamental to their brand and consumers today.

They are beyond bio — blending ancient insights with modernity, infusing old-world knowledge and traditional recipes with the scientific understanding of plant actives and today's technological wizardry, to develop sophisticated products for our contemporary world.

Last year, the brand created a unique interactive project to communicate hope and harmony through street art, inspired by a recent Oxford University study in which academics found that barriers can be broken down through dance.<sup>37</sup>

'Danse de Fleurs' was an artistic collaboration between Weleda and renowned dancer Isabelle Pollet-Villard, directed by Julien Nonnon, which combined stunning projected imagery with dance in the romantic streets of Paris. The visual language communicated a desire for Weleda to reach out and connect with people, to help promote healthy balance in life, art and health, and offer hope and harmony in a dark world.<sup>38</sup>

Millennials are no longer buying the glossy CSR pitch of wealthy corporations; they want to see

tangible results and understand that a brand's values are at the core of everything they do.

On the surface, consumers want the visible benefits of health and beauty products; however, beneath these purchases is a desire to belong, to connect, to be valued, loved, and have a positive impact on the world. As consumers strive to find their purpose in life and in consumerism, they seek a more conscious brand where product quality is optimum and does not harm their health, the planet or society. Instead of collecting stamps on loyalty cards, consumers want to do good via their purchases.

Weleda understands the need not just to connect with the consumer but to actively engage and build a relationship with them, offering interactive events to promote healthy minds and hearts where consumers connect in 'offline' experiences and real encounters.

In this constantly-on digital world, human interaction is once again gaining impetus. Bringing together a community of like-minded consumers for an experience that is beyond just buying or shopping online is an effective way to use emotion to turn consumers into Weleda brand advocates.

**Images courtesy of Weleda.**  
**Danse de Fleurs by Julien Nonnon (artiste visuel & réalisateur) and Isabelle Pollet-Villard (danseuse).**



## A./ BUILDING & ENGAGING LOCAL COMMUNITIES

### VALUE RETAIL: TRANSFORMING LOCAL VALUES INTO GLOBAL IMPACT

CASE STUDY



Value Retail is the creator and operator of The Bicester Village Shopping Collection in Europe and China – 11 luxury shopping destinations home to 1,300 boutiques of leading fashion and lifestyle brands, offering exceptional savings throughout the year. The Collection welcomes some 40 million guests a year.<sup>39</sup>

Value Retail's vision is to be a retail partner to luxury brands and share their risks and successes by investing significantly in global tourism, marketing, and hospitality. The Villages are widely recognised as the best performing shopping centres in terms of sales densities in the world, serving the luxury travelling consumer.

Sustainability is an inherent part of Value Retail's DNA. Its role is to serve the brands and provide a platform for a qualitative and profitable way to sell their previous collections.

Often introducing its customers to brands for the first time, Value Retail ultimately inspires its guests to buy at full price. Its business model is based on the premise of 'retailers working for retailers', and is continuously looking for ways to enhance the luxury shopping experience.

Each Village is home to a distinctive curation of international fashion and lifestyle brands. It supports, nurtures and spotlights new talent in fashion, art and design. Over the last 10 years it has showcased collections from up-and-coming design talent, creating exciting and imaginative experiences where guests are given a unique opportunity to discover the work of the next generation.

In 2017, Value Retail launched a mentorship programme for the five finalists of the first Green Carpet Awards held during Milan Fashion Week. Through a year-long programme promoting sustainable business excellence, the five chosen designers are being mentored in retail, distribution, and marketing while learning how to scale their businesses internationally.

The company has developed a sustainability management programme, establishing its sustainability baseline by setting strategy and tactical objectives. Through a bespoke programme and training, Value Retail has engaged its employees in sustainability issues, supporting their involvement with various charities.

Value Retail was awarded Green Star status for the third year running in 2017 in recognition for its sustainability efforts, as demonstrated through the company's GRESB sustainability benchmarking and improvement programme.

As a significant local employer, the Villages are fully engaged in their respective neighbouring communities, fostering social and economic development in these regions and establishing strong relationships with their community partners – which include charities, schools, universities, local government and tourist attractions.

Value Retail believes sustainable business is good business and feels privileged to have a positive impact within the communities in which it operates.

Images courtesy of Value Retail. Top: Bicester Village. Bottom (left to right): Fidenza Village, La Roca Village.

*"Value Retail's appreciation of craftsmanship and beautifully made products compelled us to create curated environments in which we support our brand partners' full price presentation and service. We extend the life of their collections beyond the initial window of presentation and this gives these exquisite products a chance to be discovered by new customers in the stimulating environments of our Villages in Europe and China," says Desirée Bollier, Chair and Global Chief Merchant for Value Retail Management.*

CASE STUDY



## A./ BUILDING & ENGAGING LOCAL COMMUNITIES

### THE PENINSULA HOTELS: AN INTERNATIONAL BRAND OPERATING AT LOCAL LEVEL

Throughout their long history The Peninsula Hotels have exhibited a strong sense of responsibility, consciousness and integrity that sets them apart as business leaders. This behaviour is rooted in the brand's fundamental values, a commitment to people, unparalleled quality and the longevity of their business. The Group is managed with the belief that operating a sustainable business model is no longer a choice – it is an imperative.

In 2017, The Peninsula Hotels saw that longer-term issues such as environmental and social impacts were becoming more significant in the eyes of their stakeholders – and therefore must be addressed strategically. The Sustainable Luxury Vision 2020 was designed as a roadmap that puts sustainability at the core of operations and culture, forming the basis of their environmental stewardship practices and contributions to society.

In essence, The Peninsula Hotels believes that luxury doesn't need to be wasteful, and that the highest standards of luxury can be delivered in a sustainable way. For example, sustainability considerations are now integrated into major renovations and new projects. At the newly renovated The Peninsula Hotels Beijing, the majority of the woodwork and furniture was sourced from sustainably managed forests. For most applications, they sourced low emitting volatile organic compound (VOC) glues, paints, wall coverings and carpeting for a healthier indoor space. They have sustainably sourced purchasing guidelines in place, alongside waste management practices, etc.

The Peninsula Hotels also seek to make local people feel proud of the hotel as an iconic location within their home city, with the belief that the hotels should have a positive social, economic and environmental

impact on the local community in which they operate. They look to the local community for hiring, purchasing and even attracting guests. The hotels also offer guests Peninsula Academy programmes, cultural and environmental initiatives designed to show off the location's unique characteristics.

The group has a local/global approach when it comes to operationalising sustainability. For example, water stress might be more pronounced in some parts of the world, or some cities may have stricter environmental regulations, so they act locally. In order to successfully negotiate the local/global approach, the hotel group defined an internationally accepted baseline – bearing in mind the varying regulations and societal expectations – to meet their sustainability goals. It is not always easy, but this belief is aligned with who they are as one of the world's finest luxury hotels.



Image courtesy of The Peninsula Hotels

## A./ BUILDING & ENGAGING LOCAL COMMUNITIES

### SONG SAA: GOING BEYOND ECO-TOURISM



When Rory and Melita Hunter set about building Cambodia's first luxury travel destination, Song Saa Private Island, they knew a commitment to sustainability was key. Amongst many accolades, the resort was recently awarded the World's Leading Private Island Resort 2017 by the World Travel Awards.

"Being the first people to develop a privately owned island in the Koh Rong Archipelago comes with a tremendous sense of responsibility to ensure that whatever Rory and Melita did had a lasting, positive impact on the surrounding environment and gave opportunities and a future to the local community," says Wayne McCallum, Executive Director, Song Saa Foundation. "Song Saa aims to set a benchmark for others by

showing that property development, environmental conservation and community engagement are not mutually exclusive concepts."

How have they achieved that? Step one was launching Cambodia's first ever marine reserve in 2007, establishing a 200 square-meter protected zone for marine life in the vicinity of their islands. The Song Saa reserve has since become a hub of marine activity and research, which feeds into environmental education programs helping the island's youth understand the challenges facing the community.

Further evidence of a commitment to sustainable tourism came in 2013, when the Hunters launched The Song Saa Foundation, a non-profit organisation protecting the habitats

of the Koh Rong Archipelago and improving the welfare of its communities. It takes the idea of an eco-friendly resort one step further by allowing guests to actively engage in conversation and community projects on four-day philanthropic tours of the archipelago. "In a community where the price of a simple school book and pen can be prohibitively expensive, Song Saa's collaboration with the Pack for a Purpose initiative offers guests the chance to make a real difference to the well-being of the village's youngsters and their Boat of Hope initiative provides guests with an opportunity to see, unmediated, where their donation is distributed within the Archipelago," McCallum explained.

Images courtesy of Song Saa.



## A./ BUILDING &amp; ENGAGING LOCAL COMMUNITIES

## KIEHL'S SINCE 1851: SKINCARE WITH A MISSION



Kiehl's Customer Service Representatives Hannah, Kiehl's On Wheels (left) and Phoebe, Glasgow (right).  
Image courtesy of Kiehl's.

Kiehl's has always been a company strongly rooted in local communities, responding to what's important to them and building long-term relationships with them. The company is constantly looking at developing conversations with their patrons, and as millennial consumers become more empowered to be experts, Kiehl's is listening to what the consumer wants.

To address the need for transparent communication, the brand's biggest assets in developing this conversation are their skincare experts, Kiehl's Customer Representatives (KCRs), who undergo extensive, ongoing training and testing to ensure that their skincare knowledge is best in class.

Through customer research, Kiehl's has found that despite self-education achieved online, many of their customers find the interactions and education they receive from KCRs to be invaluable; this in-person communication is a large part of what still drives their in-store traffic. "Our customers love to have a chat with KCRs, learn about new products and how to update their skincare routine seasonally. The opportunity to try a new product before purchase through our generous sampling programme is something that our patrons love time and time again," Kiehl's says.

However, the expert consumer is ever more demanding, and companies must keep up with the digital conversation. Kiehl's has developed content that brings their skincare expertise to life digitally, including video and testimonials. More than ever before, customers want to hear about tips, tricks and personal experience with skincare solutions from real people; the brand endeavours to showcase this through their KCRs creating new digital content.

An upcoming initiative that Kiehl's is launching to cater to more engaged and aware consumers is a loyalty program, Kiehl's Loves Rewards, which will integrate both recycling and philanthropy. This new program will enable the brand to have an ongoing conversation with their customers on the topics that are meaningful to them. This initiative is sure to be an essential element in uniting their current programs that already give back to the community — Recycling Take Back and Kiehl's Gives.

Lifestyle partnerships are also on the radar for Kiehl's, as the millennial shift towards wellness and beauty from the inside out become key values.

## B./ BEHIND-THE-SCENES STORIES

## IWC SCHAFFHAUSEN:

## PERSONALISING THE NARRATIVE

The millennial generation is keen on behind-the-scenes stories; they want access to the luxury secrets that make a 'maison' unique and have the chance to engage in the production process. Luxury watch brand IWC Schaffhausen has responded to this trend by using social media to give customers unprecedented access. On Instagram, for example, consumers can message IWC's CEO directly and are given a personalised customer service. This direct engagement not only drives brand interest and loyalty, but also provides significant data that then determines production.<sup>40</sup>

Providing behind-the-scenes access requires a brand to live the story it is telling. According to Franziska Gsell, CMO of IWC Schaffhausen, who activates her commitment to sustainable practices by chairing the IWC Sustainability Committee, "Customer and societal expectations related to sustainability and social responsibility demand to be met with the same precision as our watches tell time. We intend that our responsible business practices stand the test of time as do our highest quality timepieces." That sense of longevity is key for the brand as it celebrates its 150th anniversary.

IWC activates its commitment to sustainability across the business. One of IWC's main goals in its 2020 sustainability vision is reducing emissions. At IWC headquarters this is implemented in production facilities, logistics planning, and across company infrastructure. Headquarter operations are powered by 100% renewable energy, which includes the generation of approximately 300 MW annually by rooftop solar PV installations that power low-carbon electric transport vehicles for intra-site commuting. Energy demand at headquarters and in international operations is reduced by best practice sustainable architectural standards, exemplified in the freshly inaugurated IWC Manufakturzentrum.

The company is also working to reduce average packaging weight and volume by 30% before 2020, thereby reducing material demand and transport emissions. To complement these efforts, supplier selection is influenced by demonstrated environmental achievements. For remaining scope 1 and 2 emissions, IWC purchases carbon credits, supporting capacity building for climate change mitigation projects in developing and least-developed countries.

In addition to these business activities at the core of IWC, the company encourages and supports its employees and suppliers to contribute to emissions reductions. When joining the company, employees are provided with vouchers for energy-efficient lighting as a welcome gift whilst being encouraged to submit their own bright ideas for sustainability. Employees are also encouraged to reduce their commuting footprint with a 40-60% subsidy for public transport. IWC supports active mobility, such as commuting by bike or encouraging the use of stairs over elevators.

Through these dedicated efforts, IWC aims to decouple growth from emissions and reduce greenhouse gas emissions by 10% before 2020, compared to a 2018 baseline. The company reports on its environmental performance according to the WRI/WBCSD GHG protocol, making its progress public in a biennial sustainability report that tells the behind-the-scenes story that the company lives by, while producing timepieces of the highest quality sustainably and profitably.



Image courtesy of the IWC Schaffhausen



## B./ BEHIND-THE-SCENES STORIES

### THE KRUG iD: SHARING THE STORY OF EACH BOTTLE OF KRUG CHAMPAGNE



*“We knew what we did but not why. It is the why which will allow you to evolve in such a changing world,” says Maggie Henriquez, President, Krug Champagne*

Images courtesy of Krug Champagne.

On the back label of every bottle of Krug Champagne can now be seen a six-digit number known as the Krug iD, which is designed to engage the consumer more deeply by connecting them to a digital experience that reveals the story of their bottle. Using a fun and innovative tracking system, upon entering the Krug iD on [Krug.com](http://Krug.com), Google, the Krug app (<http://app.krug.com>), Twitter (#KrugID) or Facebook Messenger (@Krug), a consumer can discover the unique attributes of that bottle, from the challenges of climate to the details of creation as revealed by the House’s Cellar Master, Eric Lebel, and much more.

Maggie Henriquez, President of Krug Champagne, says this newfound focus on environmental and social impacts, as well as the story the House tells about itself, stems from looking inward at its own history. She argues that Krug had lost its connection to the vision of Joseph Krug who founded the House in 1848; something that had impacted sales. “We knew what we did but not why. It is the why which will allow you to evolve in such a changing world,” she says. A great luxury brand is a beautiful product extremely well-communicated, but for Krug that disconnection with the founder had made it difficult to communicate effectively.

A critical part of going back to its roots, Henriquez says, was strengthening and evolving the House’s relationship with the winegrowers. These expert partners gather annually to taste the wines of the year, each of which captures the essence of an individual plot. It is a moment that proves pertinent

to discuss how to further improve the work in the vineyards and the fine-tuning of the date on which the grapes of a particular plot are picked, and therefore critical for the beauty of the wines.

Knowing that a strong relationship with the growers is key to the success of the House, Henriquez is incredibly supportive of all the work done with them on sustainability and the pursuit of quality. Every year during the harvest, Krug Cellar Master Eric Lebel visits each plot, sometimes with Henriquez, to discuss the precise harvest date and share modern best practices. Together, Lebel and the growers work out how to reduce waste and agricultural inputs (such as fertilizer and water), which, in addition to many other good practices of the House, reduce the overall ecological footprint.

A few years ago Henriquez also set up programs where growers can share “savoir faire” with others in order to keep encouraging the search for excellence. Some of LVMH’s other businesses, such as jewellery brand Bulgari, have also implemented supply chain tracing programs for critical inputs with potentially troubled histories (such as some metals and diamonds).

It sounds so simple to dedicate time to taste wine with the growers and to discuss how to continually improve, but Henriquez believes these precious hours have been critical for the House’s recent successes. “It is not a common practice in our business, and it is such a moment of connection.”



## C./ PIONEERING TECHNOLOGY

## FARFETCH: STORE OF THE FUTURE

José Neves, Farfetch Founder, Co-Chairman & CEO, came up with the idea for Farfetch in 2007 and launched the company in 2008. He was a boutique owner and shoe designer, but had also been programming since he was 8-years-old. At the time, the global recession had started, and retailers – especially smaller boutique owners – were under pressure. He realised that there needed to be a better, more efficient way for boutiques to reach an audience of fashion lovers everywhere, beyond the people who would physically pass by their stores.<sup>41</sup>

Technology had revolutionised so many industries already, but not yet luxury fashion, a sphere José loved and wanted to see thrive. And so he built Farfetch.com, which has since grown to be a global platform for the luxury industry.

Last year, Farfetch went even further in its mission to use technology to create richer retail environments. With the launch of The Store of the Future, boutiques and brands could move more easily between the online and offline experience. “Physical retail accounts for 93 per cent of sales today, and even with online growing at fast speed, it will account for 80 per cent by 2025,” explained Neves of the innovation. The aim of Store of the Future is

to put the customer at the centre of the shopping journey to better serve them wherever they are. “Retailers need a way to collect information about their customers while they are browsing in-store, just as they collect data from online searches. The Store of the Future aims at providing the in-store experience of the future by giving visibility to retailers on what is happening in the store. It’s the offline cookie that closes the loop between a great online presence and a complete omni-channel offering and, finally, provides in-store technology which augments the experience of customers in-store and overall.”

Every technological innovation is designed with a customer in mind who wants to express their individuality through fashion. The need for an authentic, personalised and individual experience is something Farfetch aims to meet in several ways:

- **Exclusives:** A range of products that luxury consumers just cannot find elsewhere, allowing them to fulfil their desire to dress individually.

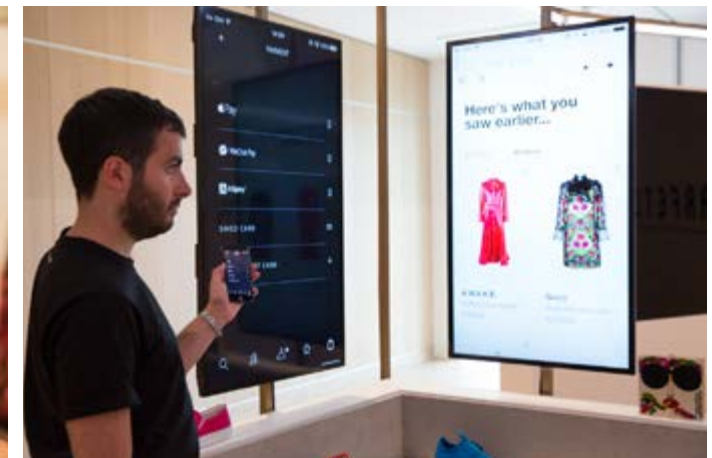
- **Discovery of emerging talent:** Farfetch helps to support and surface products from 2000 young designers, attempting to develop a business. This includes crisis areas

such as the Middle East, where Farfetch was part of the Vogue Arabia Fund and launched many Middle Eastern designers.

- **Customisation:** In what could be seen as a return to the very definition of luxury, it’s become clear that consumers love to be emotionally involved in the creation of something bespoke. Farfetch is at the forefront of this trend, working with brands including Fendi, Nicholas Kirkwood (an LVMH company), Sergio Rossi, Opening Ceremony, UMD, and Toga Pulla, with more to come, allowing people to customise items to their own specifications on colour, materials, and more.

- **Clever and careful use of data:** Today’s consumer knows that there is a value exchange with companies and their personal data. In return for handing over precious information, they expect companies to use their data to provide a better, more personalised, and seamless experience. Farfetch uses data to make the online experience better for their customers, for example, by suggesting the best sizing option for a customer, or surfacing products they might be interested in.

Images courtesy of Farfetch.



### So what other innovations can we expect from the company this year?

*“2017 was a busy year for Farfetch. We’ve made some important announcements, including acquiring Style.com, announcing our Store of the Future technology, and partnering with JD.com to help continue to expand our global footprint in China, which is an important market for luxury. 2018 looks set to be busy a gain, with continued focus on Asia and other key markets, continuing to build our brand and our team. Our efforts on sustainability will receive even more focus, as we develop our sustainability strategy for the future. Watch this space!”*



## C./ PIONEERING TECHNOLOGY

## L'ORÉAL: A TECHNOLOGY TOOL TO TRACK SUSTAINABILITY

Natural beauty and its ingredients have forced a huge shift in the beauty industry over the last few years. Issues such as the sustainable sourcing of ingredients, packaging, coherence in brand values and what you communicate and convey by the design and packaging of the product are questions brands have had to consider to stay relevant.

No one knows this better than L'Oréal's Chief Sustainability Officer, Alexandra Palt. She believes it is essential to assess the environmental and social footprint of a company's products, and that this footprint should be communicated to consumers.

Palt believes consumers shouldn't be obliged to spend more on products just because they're sustainable. In fact, she argues, companies should transform the way they operate, to offer products that have the best sustainable performance for the same price.

L'Oréal worked with 12 international experts to develop SPOT (Sustainable Product Optimization Tool) – an innovative tool that assesses the environmental and social footprint of a product throughout its lifecycle. By taking into account the sourcing of raw materials from the moment a product is conceived until the end of its life, L'Oréal can improve the sustainability of its products at every step.

SPOT covers everything from packaging, bio-degradability and natural ingredients, to raw material sourcing. The tool is available to all teams working on product development: Research and Innovation, Packaging and Development and Marketing, allowing teams to test the environmental and social profile of different design options at the very beginning and thus identify the levers for improvement. SPOT therefore enables its users to measure impact reduction at a product level, in accordance with a methodology aligned with European standards.

The success of SPOT stems from its ability to provide meaningful insights and tangible results in order to improve the footprint of a product. The tool is technically robust, externally recognized and integrated into the working progress, making it the right one to help L'Oréal achieve its target of improving 100% of the environmental and social profile of new products by 2020.

Palt believes that while the health and social aspects of a product strongly influence consumer behaviour, the lack of communication surrounding the environmental footprint of a product creates a considerable gap between what people think they should do versus what they actually do. As a result, L'Oréal will go one step further by 2020, creating a consumer-facing version

of SPOT. Palt hopes that clear and effective communication about the environmental and social profile of products will help bridge this gap.

L'Oréal is comprised of more than 30 international brands, including Garnier, Maybelline, Lancôme, Biotherm, Vichy, La Roche-Posay, Redken, and Kerastase. Each brand has two main sustainability objectives: firstly to monitor and improve the environmental and social profile of new products by using the SPOT tool, and secondly, to identify a social or environmental cause that aligns with its values and build a program to help address the cause while raising awareness among its consumers. For example, L'Oréal Professional has chosen to tackle musculoskeletal disorders, which make up 75% of the occupational injuries suffered by hairdressers.

**Opposite page: The Group reports each year publicly on the four main criteria that make up the target to improve 100% of L'Oréal's products. Biolage and L'Oréal Paris Botanicals are one of the best in-class examples of how L'Oréal has incorporated SPOT on both formula and packaging. All images courtesy of L'Oréal.**

## Innovating sustainably

## 2020 TARGETS



100% of L'Oréal products will have a positive environmental or social impact.

Every time a product is created or renovated, the Group will improve its environmental or social profile with regard to at least one of the following four criteria:



• the new formula reduces the environmental footprint, particularly with regard to water use;



• the new formula uses renewable raw materials that are sustainably sourced or derived from green chemistry;



• the new product has a positive social impact;



• the new packaging has an improved environmental profile.



*"While the health and social aspects of a product strongly influence consumer behaviour, the lack of communication surrounding the environmental footprint of a product creates a considerable gap between what people think they should do versus what they actually do," says Alexandra Palt, Chief Corporate Responsibility Officer, L'Oréal*





## D./ PROVENANCE MATTERS

# BELVEDERE: THE EXPLORATION OF TERROIR IN VODKA



Environmental factors such as farming practices and a crop's specific growth habitat have influenced wine connoisseurs for centuries. Known as 'terroir', Belvedere Vodka has now used this tradition to give vodka an innovative spin – and prove that working with nature can lead to exceptional product development.

In recent years, terroir has taken on a new life; amid growing interest in the provenance of food and drinks, consumers have embraced terroir-heavy innovations like tea, coffee, spirits and even honey. More than ever, millennials are demanding provenance from brands, but few brands have been able to master responsible production alongside innovation that starts from the origins.

Belvedere has championed this relationship between nature and product without laboratory-induced flavours and additives.

The Belvedere Single Estate Rye Series represents an extraordinary

exploration into the idea of terroir (soil, topography, and climate) in vodka, making the claim that climate variation affects the taste yielded from the same superior Polish Dankowskie Diamond Rye used in each unique expression. Belvedere Vodka has championed Polish rye vodka and superior natural ingredients since its inception and, with this innovation, is further demonstrating its longstanding commitment to producing vodkas of complex character. For the Single Estate Series, the brand works with just two rye farms — the lakeside Barteżek and forested Smogóry — to illustrate the variation of terroir on Dankowskie Diamond rye. When tasted side by side, the two new vodkas deliver demonstrably different taste profiles.

The Single Estate Rye Series is a substance-forward series that kicks off Belvedere's innovation agenda. It satisfies consumer thirst for provenance, ingredient stories, and craftsmanship, and the series builds on three of Belvedere's major brand

Opposite page: the two rye farms of the Single Estate Rye Series -- lakeside Barteżek (left column) and forested Smogóry (right). This page: Belvedere Dankowski Rye Fields.

truths: respect for rye, passion for character and respect for Polish heritage.

The innovation is an example of how commitment to quality is synonymous with a commitment to environmental excellence. The Single Estate Rye Series represents a pioneering exploration into the concept of terroir in vodka, and aims to increase awareness among consumers that – much like wine – a vodka's origin can affect its taste.

Belvedere's Head of Spirits Education, Matt Pomeroy, said the art of terroir "enables us to experience the history and traditions of a place through our palate and senses." In addition, brands are increasingly capitalising on their heritage and the authenticity of a product, and 'terroir' – whether the product is a wine or not – is becoming evermore central to this proposition.



Images courtesy of Belvedere Vodka



## D./ PROVENANCE MATTERS

## ARGYLE PINK DIAMONDS: GUARDING RARE TREASURES

A diamond is no longer only associated with marriage. Millennials especially are investing in diamonds to commemorate personal achievements and landmarks.

But responsibly sourced and sustainable diamonds are top priorities for this new breed of consumer – and therefore also for the entire supply chain from the mine to the market. The key ingredients in this new imperative are ‘conflict-free,’ ‘fair pay’ and ‘environmental care.’

Argyle Pink Diamonds, produced at Rio Tinto’s Argyle Diamond Mine in Western Australia, are some of the world’s most sought-after diamonds. Upholding the precious provenance of each of its diamond productions, Rio Tinto has been at the vanguard of reform of the diamond and jewellery industry to build better practices in governance, environmental and social performance and has been recognized as a leader in sustainable development policy and practice.<sup>42</sup>

The Argyle Diamond Mine produces more than 90 per cent of the world’s pink diamond supply. The market for pink diamonds is quite separate to white diamonds; due to their rarity, pink diamonds typically command prices far in excess of their colourless counterparts.

Argyle pink diamonds are sold as polished diamonds in a range of colours, grades and sizes to an international customer base comprising luxury jewellers, collectors, connoisseurs and coloured diamond specialists.

Argyle Pink Diamonds is recognised for the careful custodianship of its polished pink gems throughout the supply chain, from the moment they are unearthed as rough diamonds, to the time they are offered for sale as polished diamonds.

This careful custodianship starts with the Traditional Owners of the land that is the birthplace of the Argyle Diamond Mine. It extends to those who transform the rare gems, the master craftsmen located at Argyle’s state-of-the-art manufacturing facility in Perth, Western Australia and the small number of jewellers worldwide who have been granted exclusive access, selected for their unrivalled craftsmanship and deep engagement with the Australian story of provenance.

For more than a decade, Argyle Pink Diamonds been laser inscribing its diamonds, establishing a certification programme that, in 2017 aided by advancing technology, now includes diamonds that are just eight points (0.08 carats) and larger. These

diamonds are laser inscribed with a unique lot number that is only visible under magnification, and are issued with an Argyle Pink Diamonds Gem Identification and Authenticity Document. A symbol of its responsible sourcing, the inscription and accompanying documentation delivers an important guarantee on the chain of custody from the mine to the point of purchase, providing assurance that the gem has always been in the care of Argyle Pink Diamonds and its trusted trade partners.

*Responsibly sourced and sustainable diamonds are top priorities for this new breed of consumer – and therefore also for the entire supply chain from the mine to the market.*

Images courtesy of  
Argyle Pink Diamonds.





## E./ ENGAGED EMPLOYEES ARE GOOD FOR BUSINESS

### HARRODS: HOW TO ATTRACT AND MAINTAIN A COMMITTED WORKFORCE

As a world-famous luxury retailer, Harrods faces high expectations and is subject to intense scrutiny from both customers and the industry. It's one of the reasons why an innovative and well-executed corporate social responsibility program is key to the business.

For Harrods, driving a Corporate Responsibility agenda isn't just about being a responsible retailer; it's also good business.

Harrods has developed a CR strategy that focuses on meeting key business and social needs, whilst appealing to a millennial workforce. The retailer has focused on identifying opportunities to have fun in the workplace, at the same time as giving back to society.

This has had a dramatically positive impact on the business. Over the last 10 years their employee engagement has increased from 62% to 85%; labour turnover and absenteeism have dropped by 50%; sales have increased tenfold and individual performance has dramatically increased, too.

Harrods has discovered that employees of all demographics enjoy opportunities to support their charity

partners and that younger employees are particularly resourceful in their fundraising ideas and activities.

Community is one of the key pillars of their CR strategy and this has become much more than just fundraising — it now involves skill-enhancing opportunities thanks to volunteering, pro-bono work, mentoring, team-building and much more. Indeed CR has become a key element of the employer value proposition, emphasized on Harrods' social media channels and throughout the interview and hiring process.

Harrods has numerous measurements in place to ensure that they are continuously improving as an employer, and carries out CR surveys to identify which issues employees are prioritising — for example, business ethics, climate change, gender equality or social issues such as homelessness or child welfare.

Harrods highlights value driven development in two key areas. Firstly, through responsible business — which enables the company to address employee priorities in the way they operate on a day-to-day basis. Secondly, the company is committed to social purpose,

contributing to a better society in a way that is relevant and appealing to their employees.

Harrods' employee engagement and dialog forum ("Your Voice") is built on the retailer's sustainability framework of workplace, marketplace, environment and community. Issues discussed include key sustainability topics such as recycling, innovation and ethics.

Harrods CR strategy is built on the UN Sustainable Development Goals. This enables the business to work based on a globally recognised framework, allowing it to have a deep diagnostic on what it can achieve as a retailer. This also gives meaningful context to the actions the retailer delivers, for example, ensuring sustainable practice throughout the supply chain.

Harrods CR program has had a hugely positive local impact. A substantial number of Harrods employees live and work in the wider Kensington borough, and the business is committed to championing the community in which it operates. Harrods has worked closely with the Kensington & Chelsea Foundation, an umbrella group of more than 300 local

charities across the borough, which highlights local needs and creates campaigns to combat these needs, as well as championing the work of charities whose work benefits local residents. Harrods employees feel passionate about playing a role in the local community, regularly offering their time and skills to local causes; volunteering at food banks such as The Dalgarno Trust at Ladbroke Grove, taking part in Age UK's 'Big Knit' campaign and engaging in takeovers of local charity shops.

In the wake of the tragedy of the Grenfell Tower Fire in 2017, Harrods employees — some of whom lived in Grenfell and were personally affected — collected blankets, toiletries and toys for donation, while in-house chefs produced food for local relief centres. Due to its international workforce, Harrods employees were able to donate their time offering to volunteer as interpreters and translators on the ground in Kensington. Harrods was overwhelmed by the generosity of its employees in supporting the local community at this time, and wished to mirror this by offering a donation of £1m to the British Red Cross Fire Relief Fund.

Harrods' CR Strategy aspires to future-proof the business by making sure that it aligns with best practice; mitigating business risk, enhancing the brand's reputation, seeking ways

to authentically engage customers and effectively responding to employee priorities.

Other positive outcomes include higher employment standards and a resulting culture where employees can excel in everything that they do.

The retailer recently launched a 2021 plan to ensure that its CR strategy is aligned with key business risks and opportunities, continues to engage with their diverse workforce and "wisely" integrates the latest wider CR trends into practice.

Image courtesy of Harrods.



**Over the last 10 years Harrods' employee engagement has increased from 62% to 85%; labour turnover and absenteeism have dropped by 50%; sales have increased tenfold and individual performance has dramatically increased, too.**



## F./ OPERATIONALISING SUSTAINABILITY

## BELVEDERE: ESTABLISHING A RESILIENT, SUSTAINABLE INFRASTRUCTURE



Belvedere Vodka has long been a pioneer in responsible business, aligning with the UN Sustainable Development Goal of “ensuring sustainable consumption and production patterns”.

This commitment is driven by the demands and expectations of Belvedere’s consumers. Millennials are far more discerning with what they put in their bodies, and value a full, quality experience from the provenance of ingredients to the craftsmanship of taste. However, they are also experimental, and willing to value style in their purchase decisions because they want to be in-the-know and at the forefront of trends. As a result, brands need to be holistic in their approach to business and look at why “origins matter”.

At the heart of Belvedere’s dedication to product excellence lies a commitment to natural origins and production. Belvedere Vodka

is created with no additives or laboratory flavours, and employs a natural distillation process that is on its way to becoming the world’s most environmentally sound.

Throughout the vodka distillation process, Belvedere is continually mindful of its footprint and committed to conserving energy. To ensure a resilient infrastructure, Belvedere has instilled several innovative environmental initiatives within its facilities. These include:

- Energy efficiency in electricity and natural gas consumption, allowing them to shift from fuel oil to natural gas.
- Reduction of carbon emissions by 42% since 2012.
- Reduced water consumption thanks to an upgrading of the distillery control system.
- Updating heat and energy recovery systems to monitor energy use from a central system.

- Waste segregation.
- Innovation in packaging.
- Implementing efficient shipping processes.

In recognition of Belvedere’s consistent commitment to sustainability, the distillery was the first to be awarded an EU grant to facilitate the process of reducing its environmental impact.

Belvedere also fosters important relationships with local communities through schemes such as partnering with Lodz University scientists on the Raw Spirit Program. The Raw Spirit Program is a research project that focuses on reducing the negative impact on the environment at both a cultivation and distillation level, alongside improving grain quality. It’s symbolic of Belvedere’s journey.

**Above: Polmos Zyrardów distillery. Images courtesy of Belvedere.**



## F./ OPERATIONALISING SUSTAINABILITY

## FOREVERMARK: DIAMONDS WITH ABSOLUTE INTEGRITY

“We are increasingly seeing that millennial consumers are seeking concepts that offer them individuality, authenticity and responsibility. They are investing in brands that not only have authentic messages but also have a purpose that consumers identify with,” explains Costantino Papadimitriou, SVP Brand Strategy and Innovation, Forevermark.

That premise is what’s driven the success of Forevermark, the diamond brand of the De Beers Group, which promises that each stone is beautiful, rare and responsibly sourced.

Forevermark’s guiding principle above all else is integrity – the physical integrity of their diamonds throughout the journey, as well as the conscientious integrity with which Forevermark runs their business.

Forevermark diamonds are amongst the world’s most carefully selected diamonds. Each of their diamonds undergoes a journey of rigorous selection, with less than one per cent of the world’s diamonds eligible to be inscribed as Forevermark.

Respect for nature is deeply ingrained in Forevermark philosophy, as it is in the over-arching De Beers Group. Forevermark and De Beers Group are focused on implementing innovative programs that commit to protecting the planet for future generations. For example, De Beers Group is investing in a ground-breaking carbon-capture and storage project that could lead to it having carbon neutral mining operations within a decade. It also maintains 164,000 hectares of

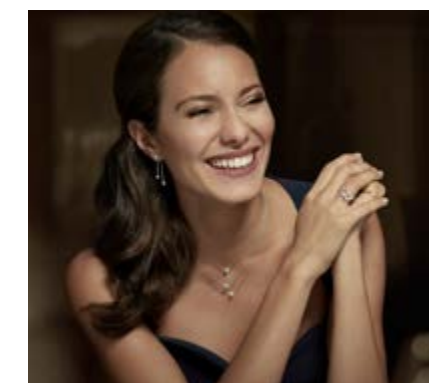
land for conservation, an area five times larger than that affected by its mining activities. And with any additional hectare mined, they will add another five hectares towards the preservation and conservation of natural habitats.

Not only is Forevermark leading the diamond industry in providing standards for responsible sourcing practices, where they are going above and beyond the Kimberley Process, but they are helping an emerging group of young designers to enter the global industry of design. “The Shining Light awards, which recognise and celebrate emerging jewellery designers in our diamond producing countries, Botswana, Namibia and South Africa, provide entrants with a valuable platform to build their careers in the jewellery design industry. The 2016/17 theme of *Protecting Nature’s Beauty* was chosen by Forevermark, in recognition of the company’s commitment to biodiversity, conservation and sustainability.”<sup>43</sup>

In keeping with the attention on diversity, De Beers Group announced a three-year partnership with UN Women to accelerate the advancement of women across its organization, in its diamond producing countries and in its marketing campaigns. “As part of the De Beers Group and our partnership with UN Women, we are also working on shaping our marketing campaigns and reviewing gender stereotypes within advertising to serve as a positive force for gender equality,” says Costantino

Papadimitriou, SVP Brand Strategy and Innovation at Forevermark, citing new jewellery collection The Forevermark Tribute™ Collection.

The Forevermark Tribute™ Collection and accompanying campaign is focused on celebrating women for who they are, rather than the roles they occupy in other people’s lives. Jewellery from the collection can be given as a gift of love, a gift to a friend or bought for oneself, and designed specifically to be worn stacked or layered to reflect each wearer’s individual style and character. All whilst knowing that because it’s a Forevermark diamond, the wearer can be sure that the stone is responsibly sourced and helps deliver socio-economic benefit to the community where it originated.



**Images courtesy of Forevermark**



## F./ OPERATIONALISING SUSTAINABILITY

## WELEDA: HEALTH AND BEAUTY THAT'S MORE THAN SKIN DEEP



Weleda isn't focusing on a specific target demographic. The company's mission is larger than that: striving to build a world where notions of health and beauty are far more than skin-deep.

Weleda's 'Diversity Wins' programme, which creates opportunities for displaced refugees, is one such example. What started as a 'Gardening Together' project — encouraging people to gather home-grown food and cook together — has evolved into internships, training, language teaching, sponsorship and has even spawned a new 'Intercultural Project Choir'. The various Weleda gardens around the world bring together communities, helping people to reconnect not only with nature but with society.

The company is also having a positive impact on the fashion industry, thanks to its decade-long sponsorship of The Model Zone during London Fashion Week. The space was designed to allow models to rest and recover in a peaceful

sanctuary during the demanding schedule of shows, fittings and photo-shoots. Models can receive holistic skincare advice, organic facials, massage treatments, health and wellbeing advice from Weleda pharmacists, personal counselling and healthy eating suggestions to help nourish their spirit and energy.

People are at the heart of Weleda's business. Although Weleda has made a significant investment in technology, with increasingly sophisticated manufacturing and digital marketing, the company is unlikely to become fully automated. Whether it is manual labour in the gardens or hand-potentiating of tinctures in the medicine manufacturing units, Weleda believes this human touch gives a subtle energy to the process — and differentiates the end product.

With the ever-increasing push for innovation in manufacturing, Weleda in-source as much as possible so they are architects of the entire production chain from seed to shelf. Raw materials are grown in Weleda's

gardens and then formulated by the company (including being naturally scented by the brand's own fragrance development team). There's in-house production rather than contract manufacturing, and finally sophisticated testing of the finished product by Weleda's experts to ensure the purity and efficacy of each batch. The result is a pipeline of consistent quality and ever-increasing quantity.

Weleda was built on understanding the importance and strength of local community, a polycentric focus. This belief — and full control of the entire production system — allows Weleda the flexibility globally to offer a series of products in some countries that are not available in other markets, specifically targeted for that particular region. With more than 140 natural and organic cosmetics in the range, each market has its own bestseller, for example Skin Food in the UK (which celebrated its 90th birthday in 2016), Children's Tooth Gel in Korea, Haircare in Chile, or Arnica Massage Oil in France.

Opposite page: a visit to Weleda gardens (left); Weleda's Diversity Wins programme (right); images courtesy of Weleda.



We asked Peter Braendle, Regional Director of Western Europe, Weleda...

### What is your proudest achievement for Weleda in 2017?

"The achievement we should be most proud of is that we managed to grow our business substantially without any compromise to quality or sustainability. We mastered great growth, upgrading and modernising, whilst still keeping true to our heritage and company ethos."

### What are Weleda's top three goals for 2018?

"Our top three goals for 2018 are continuing with our healthy business development, whilst also taking the time to pause, reflect and re-evaluate our strategy as we approach our Centenary, and to further upgrade our capabilities."

Weleda is already a global market leader in natural cosmetics — but we still can and want to grow in the markets outside our heartland."

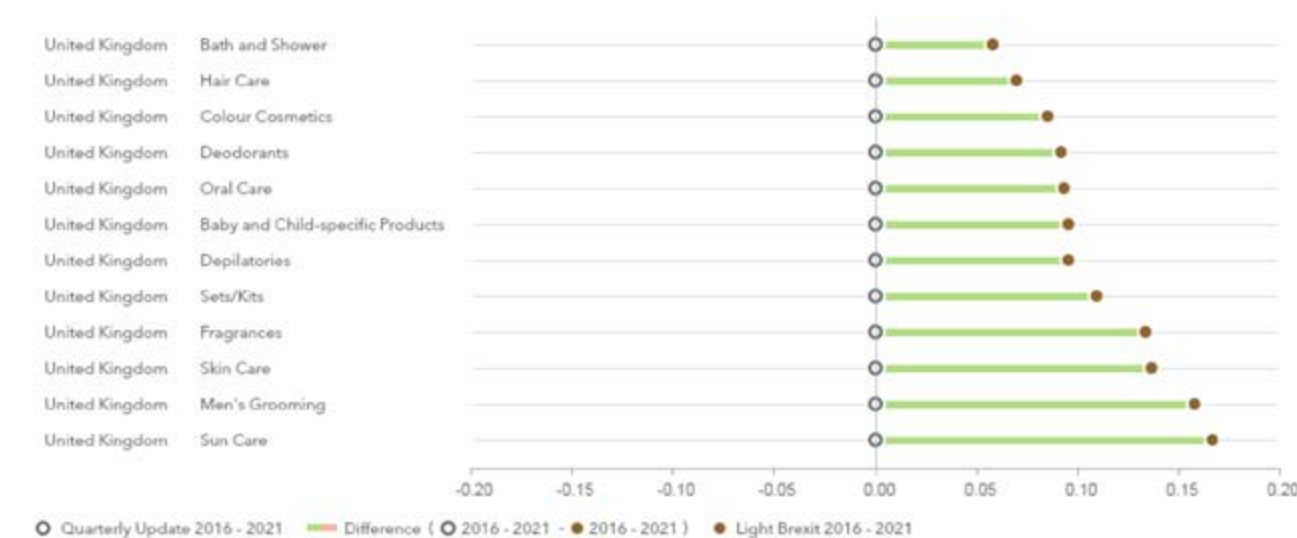
### What is Weleda's number one sustainability priority for 2018?

"Just as the current cycle of our sustainability strategy draws to a close, the top sustainability priority for 2018 is to re-evaluate our objectives and set new targets. This is obviously on top of continuing to ensure that we find the plants in the quality and quantity we need to achieve growth — not an easy challenge given the impact of climate change and political situation in several of our key sourcing markets. Luckily, we have our own gardens which supply a large proportion of our raw materials."

#### LIGHT BREXIT SCENARIO

### Beauty and Personal Care: premium will be the biggest beneficiary

Retail Value Sales, Real US\$ mn, 2016 - 2021 CAGR %  
2016 Constant Prices, 2016 Fixed Year Exchange Rate



Source: Euromonitor International Beauty and Personal Care Forecast Model



# CONCLUSION: WELCOME TO THE ERA OF CORPORATE SOCIAL OPPORTUNITY (CSO)

The word ‘sustainability’ has become one of the most-used words in business, and yet one of the least understood. As few people know what it truly means, it would perhaps not be an overstatement to say that, often, when you begin a sentence with the ‘S word’ the room has cleared by the time you finish it.

Corporate Social Responsibility has long been thought of as a box-ticking exercise; important for business credibility, of course, but hardly a tool to help drive business growth. But that is all about to change. Now that the digitally-savvy, socially-aware generation is beginning to reach maturity, corporates who put sustainability at the heart of their business will be able to engage with a new audience, both as consumers and employees, and ultimately reap what they sow.

By 2020 millennials will become the dominant force in both the luxury marketplace and workforce, a demographic change Forbes contributor Larry Alton is urging corporates to take on board.

“Millennials are often criticised for their obsession with technology and general egocentricity, but like it or not, this is the up-and-coming generation that’s going to shape the workplaces of tomorrow, let alone the world,” he says.<sup>44</sup>

It is becoming increasingly evident that millennials view themselves as global citizens with a responsibility to live sustainably, and advances in social media have allowed them to find like-minded individuals and mobilise around causes that matter to them. Brands that are able to operationalise sustainability and communicate that action will build a powerful community of advocates – and position themselves as leaders in their field for years to come.

Turning the world’s greatest challenges into opportunities isn’t easy. But, as

this graph from Accenture Strategy’s Executive Summary shows, the United Nations Sustainability Development Goals can provide a helpful framework for corporates finding it difficult to start the journey of alignment in this fast-moving, competitive environment.

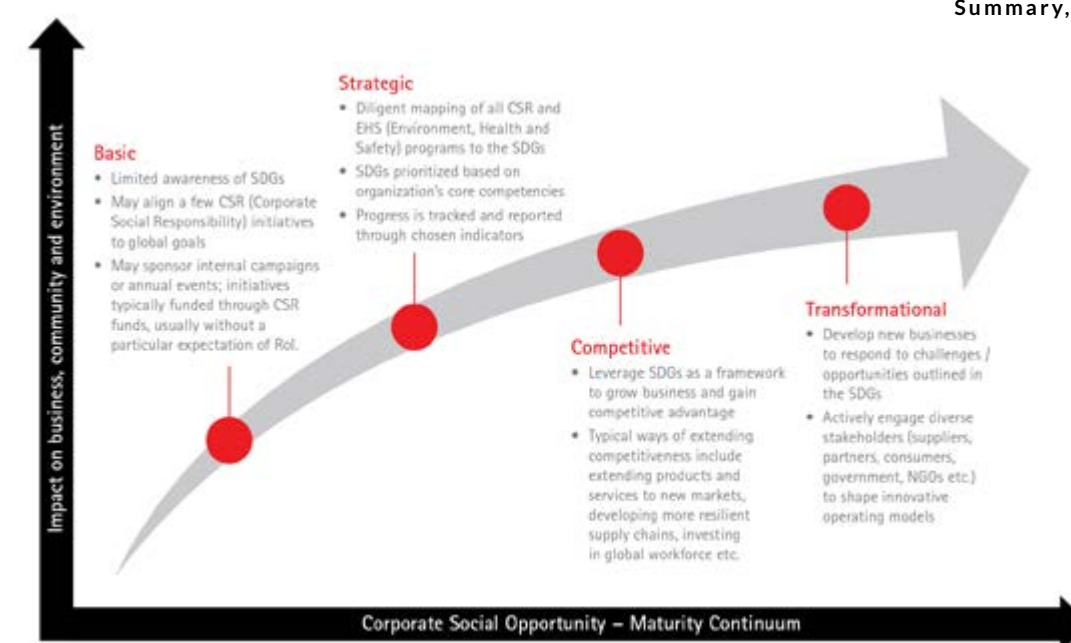
Perhaps the most important concept luxury brands must master is that CSR can no longer be skin deep.

Sustainability must provoke an emotional response. “I’ll buy a local product because I care about reducing my carbon footprint” or “It’s not enough that my moisturizer makes my skin glow; it also has to be cruelty free” are the type of statements becoming commonplace for today’s globally-responsible consumer. We also saw this sentiment in action when the \$710 ‘We should

all be feminists’ T-shirt from Christian Dior’s first female Creative Director Maria Grazia Chiuri sold out in a matter of days because it enabled people to express their commitment to gender equality.<sup>45</sup>

In the past, the idea of ‘building an emotional connection’ with consumers has often been greeted with cynicism as emotion itself was almost impossible to measure in terms of ROI. However, advances in emotional linguistics and analytics are proving invaluable for corporates to build concrete business cases around product and marketing innovations. The causes people care about are enabling brands to engage this new generation in an honest, authentic way.

The continuum of corporate social opportunity and maturity. From Accenture Strategy’s Executive Summary, “Corporate Disruptors”.





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