

# Future- proofing your brand

By WGSN Mindset



# Executive summary

Against the current economic, political and social atmosphere, CEOs need to implement long-term plans to preserve the longevity of their brands. While much has been written about future-proofing, few have turned their attention to the specific needs of the fashion industry, where fast fashion and changing consumer preferences have changed the landscape for start-ups and established brands alike. Using the results of a survey conducted in August, 2017, in this paper we will explore:

The adoption of Artificial Intelligence (AI) as a use-case for helping fashion companies innovate

Advice on how to create more agile businesses to react to the evolving needs of fashion consumers

Tactics to help retain talent that will take our industry into the next century and beyond

A comparison of survey findings from luxury and non-luxury markets

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# Future– proofing your brand

There is widespread political, social and economic uncertainty today. From significant political upheaval in countries as diverse as the US, the UK, Brazil, Venezuela and now Germany, to economic and social controversies such as the meat scandal in Brazil, the European car emissions wrangle and the perceived slow response of digital businesses to the global rise in “fake news”. When combined with unprecedented access to information, whether accurate or not, through social media and the internet, consumers have lost trust in institutions such as government, business and media.

Consumers – fatigued from fake news and the political discourse – crave brands with integrity and transparency. They are savvy, discerning and seek meaning and purpose

from the brands they choose. They are also, more than ever, in the driver’s seat, dictating what they want from brands rather than aspiring to become part of them.

At the same time, technological advances are moving at breakneck speed. AI threatens to disrupt the global economy, while autonomous vehicles – which used to just live in sci-fi fantasies – are likely to be on the road and amongst us in just a few years.

Against this political, economic and social climate, CEOs, rightfully so, are concerned about a myriad of unforeseen forces that threaten the longevity of their companies. While much has been written about “future-proofing” brands, few have turned their attention to the specific concerns of the fashion and luxury industry.

For an industry known to be on the cutting edge of aesthetic trends, fashion businesses tend to lag behind, other industries in consumer empathy and technological innovation. The late mass adoption of e-commerce and rigid adherence to seasonal calendars despite fast fashion are just two examples of the industry being late to adopt new ways of working. But with fashion retail facing an era of unprecedented challenge, the industry can no longer afford to stand by and wait to be disrupted.

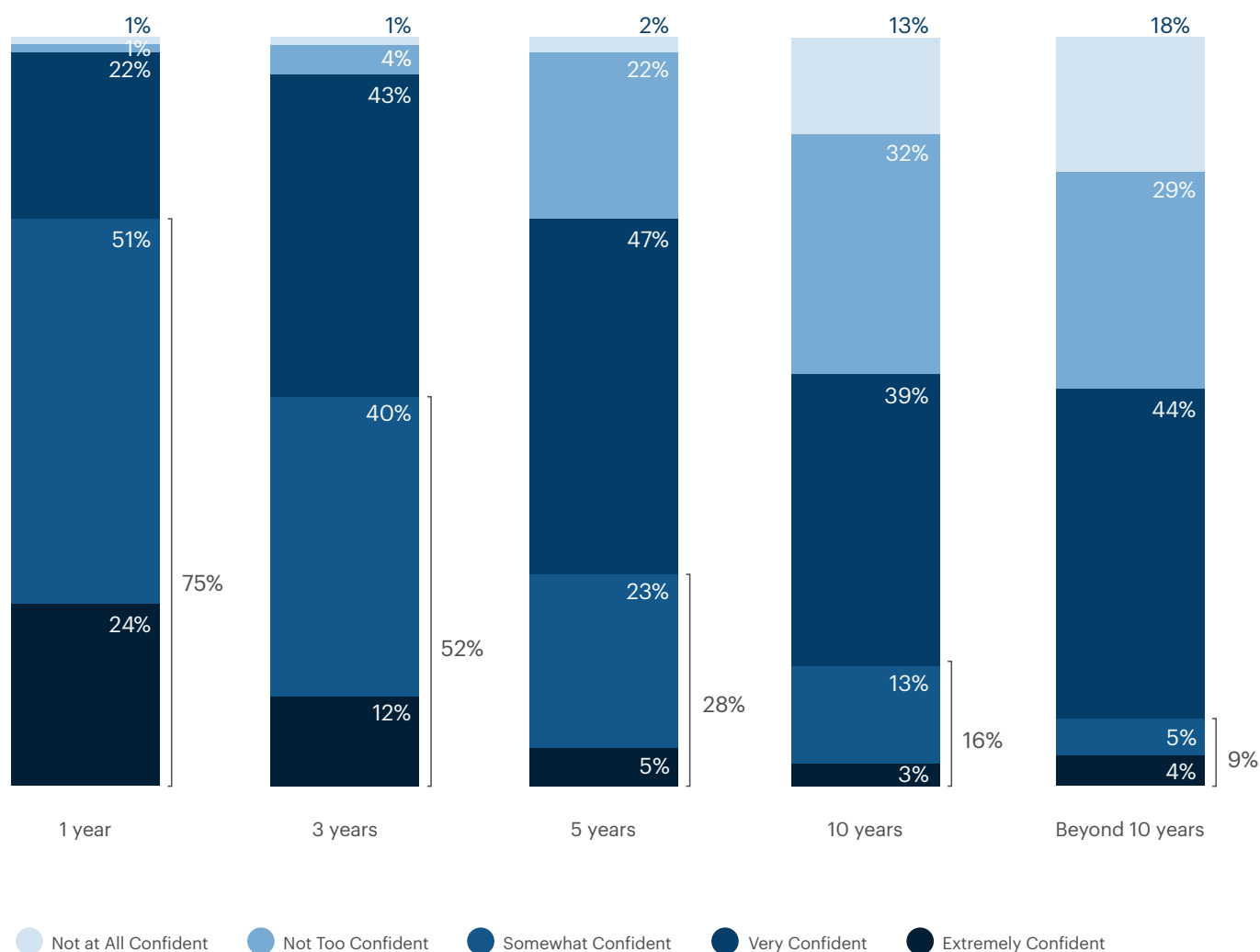
At WGSN, we are keenly aware of the specific challenges to our customers as they look to preserve and grow their brands into the next decade and beyond. We wanted to dig into why an industry that can be so boundary-pushing in one area, can also remain stuck in anachronistic business processes and practices. To start the dialogue, in May 2017, we gathered ten executives from large manufacturers to small start-up brands, for a closed-door discussion to talk openly about the challenges they're facing – from Trump to Amazon and beyond – and share ideas about how to evolve in light of such uncertainty.

We also polled our customers to find out what was keeping them up at night and what they felt were the biggest risks to their company's longevity. We then partnered with the luxury group Walpole to understand how the concerns of the fashion market compared with the wider luxury market; an industry built on traditional ideas of an aspirational "brand"<sup>1</sup>.

<sup>1</sup> We surveyed 69 WGSN members and fashion industry from the United States and the United Kingdom, as well as 41 members of the luxury industry association, Walpole, from August 15-28, 2017

Our survey revealed that fashion companies are very uncertain about the future. While 75% of those surveyed felt confident that their strategies would be viable for one year, less than a quarter felt confident in their strategy for 10 years and beyond. The survey also revealed they felt ill-equipped to deal with unplanned opportunities for expansion, with “lack of innovation” ranking as the number one threat to longevity.

## Confidence in long-term strategy



At the same time, the survey revealed there are opportunities for innovation that aren't being explored. Surprisingly, 71% of those surveyed weren't actively exploring AI, a technology that could reinvent the economy on a scale not seen since the Industrial Revolution.

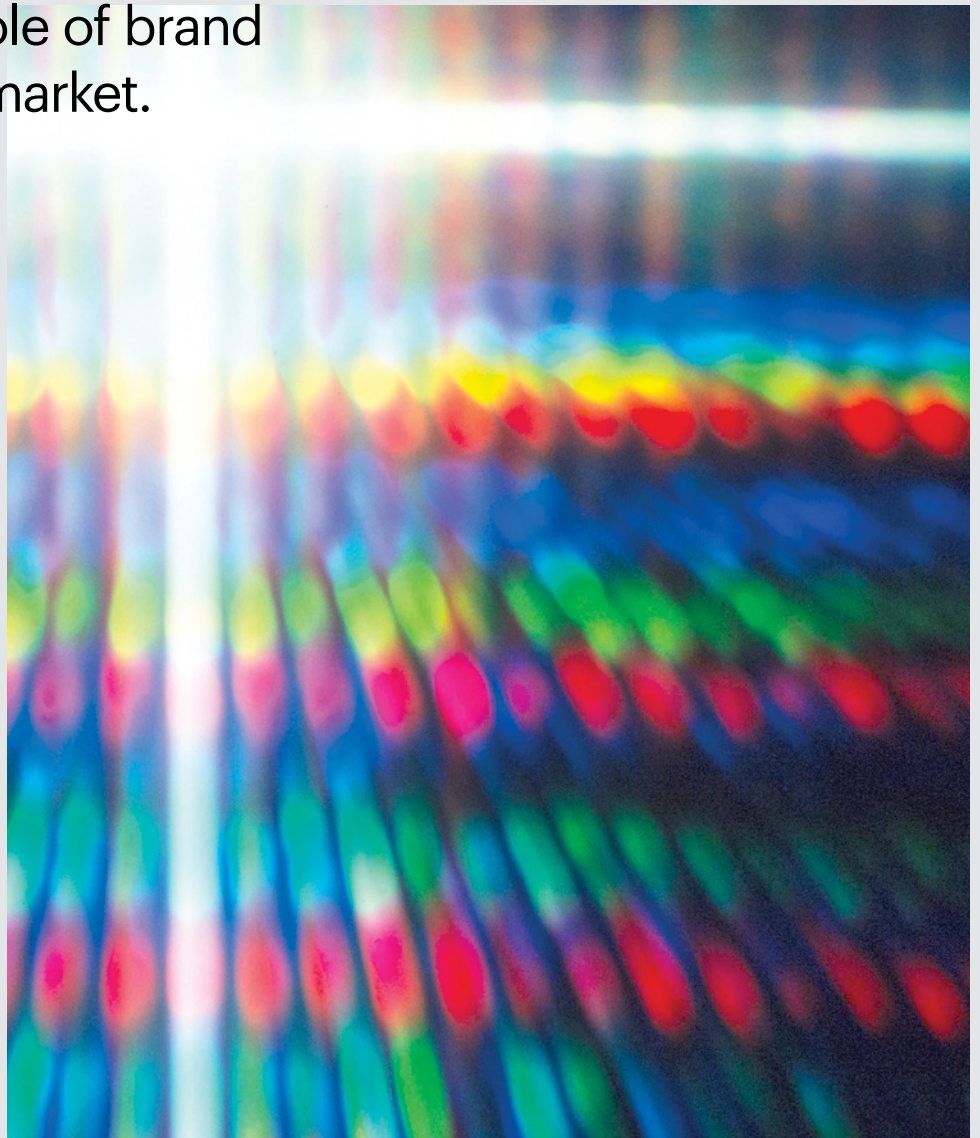
71%

of those surveyed reported they were “not at all” or “not too” actively planning for the rise of AI



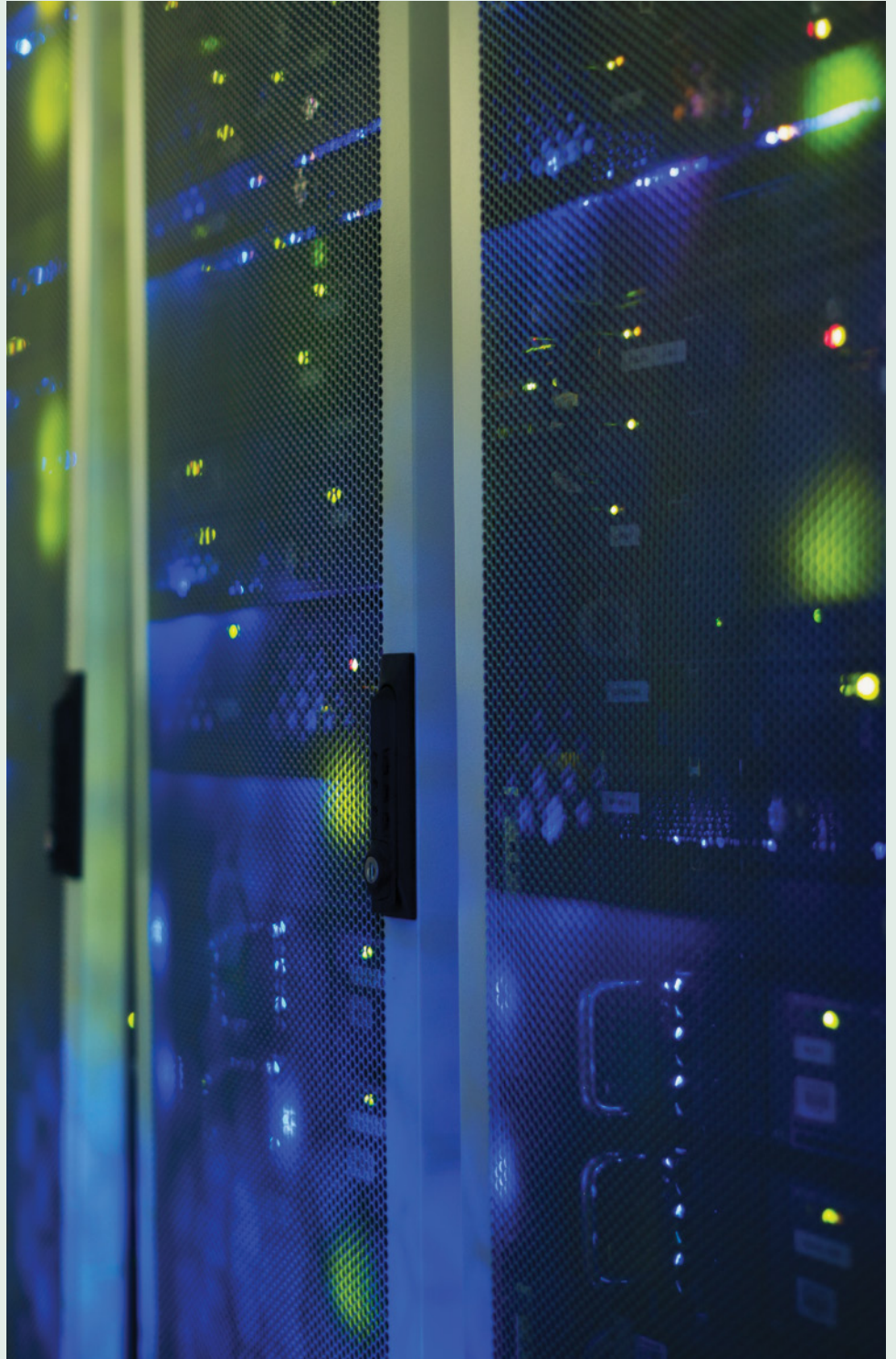
In this white paper, we'll explore the example of AI as a use-case for helping fashion companies innovate, before delving into the backbone of how to create more innovative business cultures, and retain the talent that will help take our industry into the next century and beyond.

In the final section, we'll compare the survey findings from luxury and non-luxury respondents to understand the role of brand within the wider market.





The robots  
are coming



For years, we've been hearing vague threats that "the robots are coming". However, true integration of AI into our daily lives has seemed the stuff of sci-fi movies and far-flung fantasy. Yet, all signs point to the real integration of AI into our daily lives. In fact, according to a new report from Citi and Oxford University, over 80% of retail jobs are at risk from automation<sup>2</sup>.

And while technology displacing jobs is nothing new, AI could transform the entire economic system.

Yet despite these signs, many fashion brands lack long-term plans for incorporating AI. No one identified "threat of automation" as a risk to the longevity of their company, while 71% reported that they were doing little to nothing to plan for it. For the fashion and apparel industry, the message is clear: you can't afford to ignore AI.

Despite the lack of planning for AI in the fashion industry as a whole, there is clearly interest in it amongst fashion retailers in particular. A recent survey by Drapers found that 82% of UK fashion retailers wanted to invest in AI and 90% were "excited" about the possibilities of AI, particularly when it comes to analysing buying and merchandising data. However, few had begun the journey to incorporate it into their business, citing cost and lack of know-how as the leading obstacles<sup>3</sup>.

For Lorna Hall, Head of WGSN Insight, AI might become too costly to ignore. As algorithms get more sophisticated, retailers are able to curate even more custom journeys and search experiences. According to Lorna: "There will come a time when AI will shift from improving the customer journey to controlling it, where a new era of virtual assistants will become the gatekeepers to the customer." She adds that "as learning algorithms get more sophisticated at understanding our habits and preferences, constantly refining the products and brands that they serve up to us, the less we are likely to look outside of their suggestions."

According to WGSN consultants, AI shouldn't be treated as a shiny new product, but analysed in relation to the purpose of a brand and implemented in a manner that is authentic to its heritage. Here, they offer some ideas for businesses ready to begin exploring.

<sup>2</sup> "Technology at Work: The Future is Not What It Used to Be", January 2016, Oxford University & Citi

<sup>3</sup> "Artificial Intelligence: The Future of Online Merchandising", July 2017, Drapers and Apttus

## Use human resources for human problems

“Ask what internal processes you can outsource to machines so that your employees can spend more time on creative tasks”

Chloe Jerrard, Consultant, EMEA

It doesn't surprise us that the fashion industry hasn't quite caught on to the opportunity of AI, as it still seems unclear. We hear such mixed messages on a daily basis. As recently as May this year, an Information Technology & Innovation Report suggested that legislators needed “to take a deep breath and calm down” before panicking that the robots would take over our jobs<sup>4</sup>.

Yet we can't afford to ignore AI, as all signs point towards its potential mass adoption and the resulting economic revolution that would take place. For now, we are urging companies to look in the middle and consider man-machine co-working. Work being undertaken at the Massachusetts Institute of Technology (MIT) suggests that human-robot teamwork is far more productive than if either were to work alone, reducing workers' idle time by 85%<sup>5</sup>.

Amazon is one of the first companies to undertake such collaboration. At their Warrington factory in the UK, about 1,200 full-time employees work alongside bots who help them procure products, cutting down on walking time. While there are

still kinks to be ironed out, this sort of collaborative working is a sign of how humans and machines could be operating together in the near future.

Regardless of whether robots will technically “take our jobs”, they're already changing the playing field of business processes. Some fashion retailers have begun using bots to help improve their customer service propositions, while others have turned to AI to streamline operations, allowing human resources to focus on human problems.

ASOS, for instance, uses AI to streamline its purchase-to-pay process. It has rolled out the inStream solution, which cuts down on labour-intensive clerical tasks and decision making. It takes unstructured and semi-structured information (email, social media, fax and other electronic data streams) and turns it into accurate and structured data that enters its business systems, minimising the need for human interaction. US online retailer Jet.com uses AI to process information on product availability in a customer's geographic location, allowing them to create a dynamic pricing model. Businesses who fail to adopt such optimised methods will soon lose their competitive edge.

<sup>4</sup>“Cobot Revolution: The Hybrid Workforce”, by Duncan Baizley, May 12, 2017, WGSN

<sup>5</sup>“How Human-Robot Teamwork Will Upend Manufacturing”, by Will Knight, December 2014 - January 2015, MIT Technology Review

## Always consider empathy

“Use empathy to listen to your customers, and AI to deliver the solutions”

Andrea Bell, Executive Editor, North America

During our most recent WGSN Futures summit in London, James Poulter, Head of Social Media for LEGO, spoke about his daughter, Hazel, talking to Alexa. After observing how she treated Alexa – who at times she spoke lovingly to and at other times demandingly, he realised one striking observation: “For Hazel, there is no such thing as the ‘Internet of Things’ – there are just things. And there is nothing artificial about Artificial Intelligence.” At the same time, technology is making lines more and more blurred so older humans won’t be able to distinguish either. Head of WGSN Insight, Lorna Hall, hypothesises that by 2020, we might speak to bots more than we do to our loved ones.

To quote James Poulter, the integration of AI within our daily conversations and interactions requires a shift in our mindset towards AI. He argues that we should prioritise AE: Artificial Empathy. On the other

end of the spectrum, empathy is the one antidote to the increasing automation of our lives. As Jean Lin, CEO of Isobar says: “The power of being human lies in empathy – something that cannot be automated or outsourced.”<sup>6</sup>

From Facebook’s empathy lab to Johnson & Johnson’s new patient app initiatives, empathy helps provide an antidote to the increasing alienation we feel with the rise of technology in our lives. While these specific examples are not yet directly applicable to the fashion market, they highlight the need for brands to create an empathetic relationship with their consumers. Whereas AI can frankly help create more personalised and optimised experiences for clients, it will never be able to inspire the one-to-one human connection that we as humans crave.

<sup>6</sup> “The Age of Empathy”, by Jemma Shin, July 11, 2017, WGSN

## Consider zero user interface

“Start thinking ‘zero interface’ to create frictionless, invisible experiences for customers”

Greer Hughes, Consulting Director, APAC

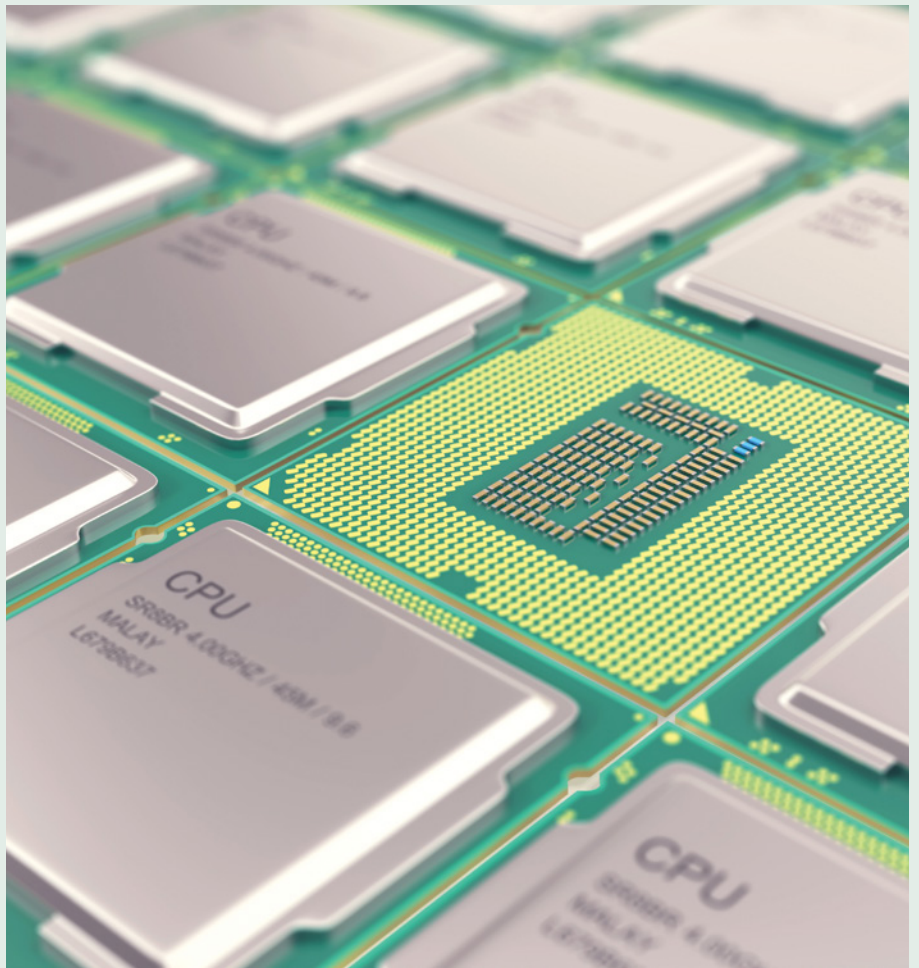
The move towards “zero user interfaces” will radically change how we interact with each other and the intelligent machines in our lives. A zero user interface describes a world where users aren’t learning a new technology, rather technology learns to meet users’ needs. Tactically, it refers to technology unmediated by a screen. Instead, it will be integrated into our everyday experience, eventually our brains.

In this world, apps as we know them are likely to disappear, leaving room for a smart system that interacts with us wherever we are, while voice technology will improve to a conversational level. For wearable technology, we’re looking at a world where the skin itself becomes the interface. Billie Whitehouse of Wearable X has already started experimenting in this realm, using wearables to increase the sensations of daily life in everything from sex to fandom, rather than simply track calories and count steps.

In China, there has been less reluctance to accepting AI than elsewhere in the

world, as it is effectively being used to create both streamlined and innovative retail experiences for millions of Chinese consumers. Alibaba has been an outspoken advocate of Artificial Intelligence. Currently, it uses AI to shape everything from the customer journey to product discovery and customer care with its chatbot, Ali Xiaomi. Through experimentation, Alibaba has been able to create real-time personalised experiences for Taobao and Tmall shoppers. In Alibaba’s 11.11 Global Shopping Festival sale last year, more than 6.7 billion personalised “virtual window shops” were created on the platform by more than 230,000 merchants, showing both the scale and level of customer service that AI can bring.





# The robots are coming: at a glance

## State of the market

1. Only 29% of fashion businesses are actively planning for the rise of AI
2. Economists have reported that AI might disrupt the economy on a scale not seen since the Industrial Revolution
3. Over 80% of retail jobs are at risk from automation, according to a study by the Oxford University and Citi

## WGSN top tips

1. Create man-machine co-working teams to optimise productivity
2. Use empathy to listen to what your customers want, and AI to help deliver solutions
3. Tap into AI to streamline business processes and free up human resources to solve human problems



# Fostering innovation



During our CEO roundtable in May 2017, our moderator asked the group one simple question: what keeps you awake at night? Among the classic answers of losing one's job or losing touch, one answer cut through and was universally agreed upon: fear of irrelevance.

It's what happened to Blockbuster, to Kodak and to Palm. Household names become irrelevant because they fail to move with the times, with technology and with the pace of their consumer. In our survey, "failure to innovate" ranked as the number one challenge to the longevity of companies. And, as we've shown with AI, our industry tends to be "late adopters" when it comes to new technology and business models. But why does an industry built on pushing boundaries lag behind in innovation when it comes to consumer experience?

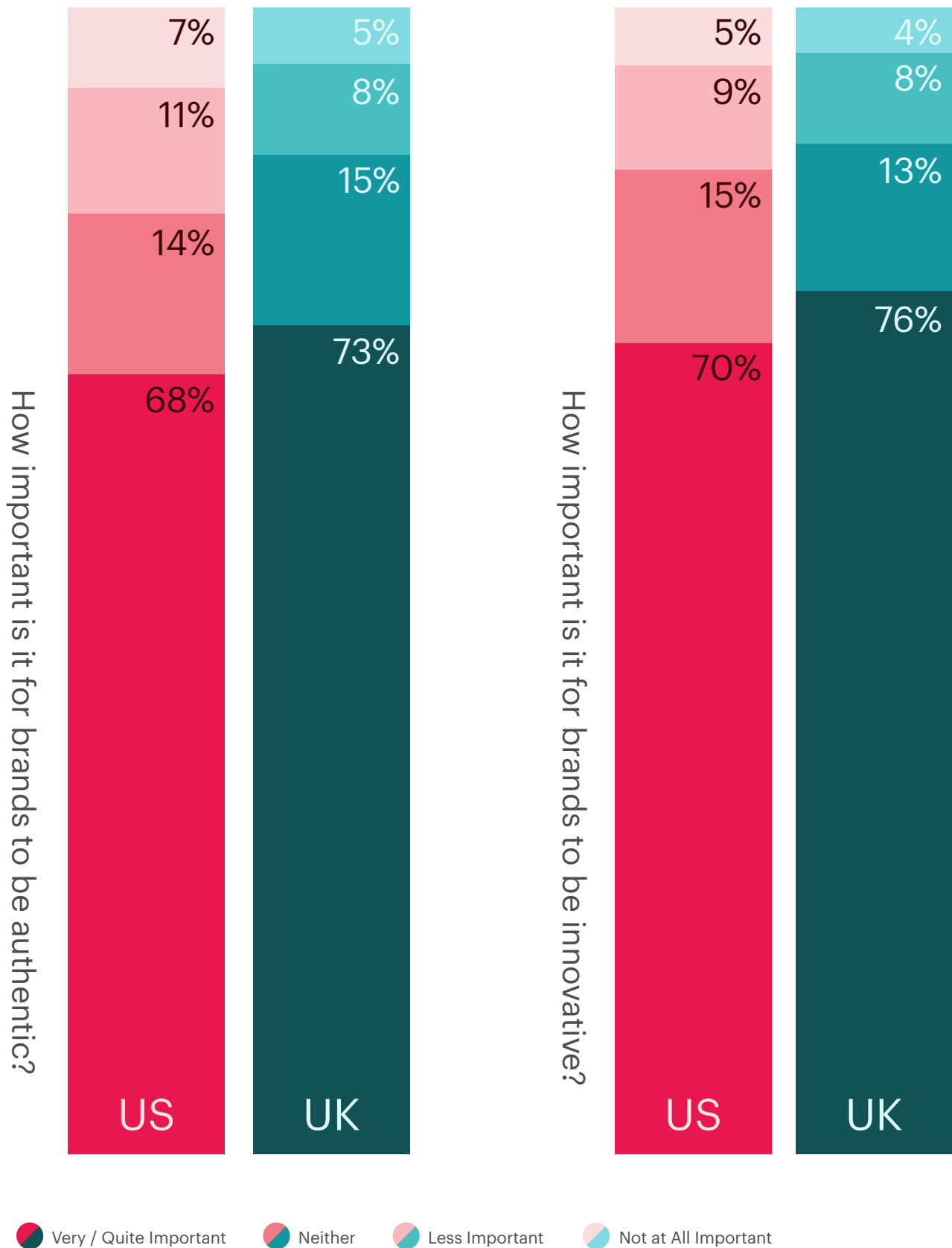
For one, fashion companies need to shift their mindset, to ensure the customer is in the driver's seat. Many fashion companies were built by selling aspirational images and lifestyles and asking the customer to buy into the associated product.

Today's brands need to solve the bigger problems and be empathetic to the needs of their customers. Brands need to be savvy listeners to pick up cues from their customers and implement the changes that make sense for their business.

At the same time, as they innovate, brands need to stay true to their own DNA. Having a strong brand identity is not only a key differentiator in an ever-more saturated market, but a non-negotiable in a market craving authenticity. According to data from WGSN Barometer, 73% of UK fashion consumers and 68% of US consumers say it's important for a brand to be authentic, while 76% of UK consumers and 70% of US consumers say it's important for a brand to stay innovative<sup>7</sup>. Striking this careful balancing act is key for fashion companies looking to embed innovation into their business cultures. Here, our consultants shed some light on how we as an industry can stay true to ourselves while moving with the consumer.

<sup>7</sup> WGSN surveyed 1,600 customers in the US and 1,600 in the UK during September 2017.

## Consumer perception: authenticity and innovation



## Remember your core DNA

“Identify where parts of your brand are fragmented and unite them through a core message”

Chloe Jerrard, Consultant, EMEA

Most businesses were started because their founders were passionate about a fundamental need in the market. To know how to innovate, companies need to articulate this core purpose and measure every opportunity for expansion or development against it. In other words, brand DNA can't and shouldn't change, but how it is expressed should evolve.

Consumers crave brands that are transparent and honest. When you move with their every whim, you erode your brand's integrity. The consumer will ultimately ask what does this brand stand for? And by consuming it, what message am I sending?

Vans has done an excellent job at staying true to its brand DNA while evolving with consumer needs. At a recent event we caught up with the son of its founder, Steve Van Doren. After filing for Chapter 11 in the 1990s, the company staged a comeback by returning to its skater roots. “We have to stay

true to who we are, we shouldn't be making running shoes, we are Vans, we are a canvas skate shoe company,” he told us. “Our number one shoe (style 44) that we sold in 1966, is the number one shoe we sell today – it's a canvas deck shoe, you can throw it in the washing machine and it comes back out again.” Within this framework, Vans has implemented small changes to its products. For instance, today's consumer craves customisation, so they have devised a “new 2.0 style” where you can design an image or text to go on your footwear.<sup>8</sup>

<sup>8</sup> “Vans at 50”, by Carlene Thomas-Bailey, March 28, 2016, WGSN Insider

## Prioritise mindsets over demographics

“It’s about consumers’ mindsets, not their demographics. Mindsets cut through the data and tell you what’s really driving a purchase, whether it be fear or joy”

Andrea Bell, Executive Editor, North America

Brands looking to innovate all too often throw out new products or features hoping to capture new demographics, or respond to the latest report about what Millennials are thinking. But behind a machine, and behind a click, is a person. And with this person comes expectations of what your brand means.

Today, demographics are increasingly blurred. Boomers attend Burning Man in droves, while Gen-Z Instagram influencers are the newest “Editors in Chiefs”. Your brand needs to connect with the person behind the numbers before they can ask the question: is this change right for me?

What’s more, companies are drowning in data. For years, they have been collecting data on everything from what time their consumers watch TV to how they walk from their car to the store. There are millions of ways to quantify Millennials, but this data goes unused simply because there isn’t enough time to go through it, or there is so

much information, it becomes impossible to make a decision. Mindsets cut through the data. What is driving purchases? Fear, desire, happiness? It’s hard to connect to a data point. Everyone, including a CEO, relates to a feeling.

Glossier in New York cuts through the data to develop and understand its consumer on a human level. Founder Emily Weiss started the brand after building her blog Into the Gloss. Using blog comments, she found what American women wanted in their beauty products, and continues to engage with consumers on her blog and interactive platforms like Slack to understand exactly what they need. The company has turned the beauty industry on its head, regularly sells out of its limited product line and has registered 300% growth in the two years since it was founded.

## **Adopt a start-up mindset**

**“Adopt a start-up mindset and structures that facilitate entrepreneurial cultures, or create incubation hubs within existing business structures”**

Lori Gooding, Senior Consultant, EMEA

Small companies are by nature, more agile. They can push through ideas faster, cut through the red tape and are frankly not under as much of a legal or public microscope as the largest brands and companies of our time. At the same level, the need for consumer empathy requires businesses to create almost personal connections with their consumers. So how does a large, established company make changes at the speed of the consumer?

One way is to learn from start-ups. Nike’s recent reorganisation signals a move towards businesses creating smaller, actionable teams within their larger umbrella. The plan, known as “Consumer Direct Offense”, accelerates innovation by creating hubs for the brand in 12 key cities including Berlin, Barcelona and Seoul. Combined, these cities represent 80% of Nike’s projected growth through to 2020. President and CEO, Trevor Edwards,

explained: “Today we serve our athletes in a changing world: one that’s faster and more personal. This new structure aligns all of our teams towards our ultimate goal – to deliver innovation, at speed, through more direct connections.”<sup>9</sup>

Another way to adopt a start-up mentality is to build your own start-up. Larger companies should embrace more emerging talent and disruptive thinkers. “Incubation hubs” can provide a pool of new talent and entrepreneurial sparks for your company amongst people who might not otherwise “fit” within existing structures.

<sup>9</sup> “NIKE, Inc. Announces New Consumer Direct Offense”, June 15, 2017, *Business Wire*





## Fostering innovation: at a glance

### State of the market

1. 73% of UK fashion consumers say it's important for a brand to be authentic; 76% say it's important for brands to innovate
2. 54% of fashion brands say "failure to innovate" is the biggest threat to the longevity of their company
3. 3,500 = number of US retail stores expected to close in 2017, including 13 iconic retailers from Macy's to Payless<sup>10</sup>

### WGSN top tips

1. Look for incremental changes that fit within the larger purpose of your brand
2. Don't hide behind consumer data. Ask what's driving your consumer emotionally and use this as the basis for innovation
3. Adopt a "start-up" mentality by setting up smaller operating units closer to your customers

<sup>10</sup> "13 Retailers That Are Dying and taking the Industry With Them",  
by Kate Taylor, April 5, 2017, Business Insider

# Retaining talent



Behind the most innovative companies are the most innovative people. Retaining and incentivising the talent who will have the “next great idea” is step one for creative organisations. Creative employees unearth new market opportunities, shake industries up from the ground and innovate new products. And when an organisation is built on the promise of creativity, losing this talent could mean losing its competitive edge.

At WGSN’s roundtable in May, retaining talent and, in particular, Millennials stood out as the first obstacle for building future-proof brands. Similarly, retaining talent ranked as one of the top three potential obstacles to the longevity of a company among those surveyed.

Yet, retaining talent remains a challenge today: 44% of those surveyed reported average tenure was 3-4 years at their companies, while 48% said the ideal would be longer at 5-9 years. New consumer patterns suggest talent retention will become even more challenging – and even more pivotal – in the years to come. According to PwC, Millennials will make up more than 50% of the workforce by 2020, making this cohort the largest share of the labour market<sup>11</sup>. As such, employers need to understand their shifting priorities first and foremost.

So how do you retain the best of this Millennial talent? And how do you make the most of their entrepreneurial spirit? We asked our consultants for their top advice on companies looking to retain and foster talent.

<sup>11</sup> WGSN surveyed 1,600 customers in the US and 1,600 in the UK during September 2017

## Mirror the inside to the outside

“Create a strong company purpose and mirror this through everything you do, both internally and externally”

Daniela Dantas, Consultant, LATAM

For Millennials, there is no longer a disconnect between purpose and work. We spend more time at work, and with the people we work with, than anyone else, including our loved ones. To continue making this decision day after day, we need to believe in the purpose of the companies we choose.

Creative-led companies not only need to act with purpose, but provide opportunities for employees to find greater meaning within their day jobs. In fact, one recent study found that 55% of Millennials claim they would consider turning down a job if they didn't find meaning within it<sup>12</sup>.

This is part of a larger trend that we at

WGSN call “The Meaning Economy”. As we reach the man to machine tipping point, people crave real meaning, purpose and connection in the products they buy, the experiences they have and the places they choose to spend their time.

In Latin America, one company that does this exceptionally well is the streetwear brand LAB. Run by Brazilian rappers and brothers Emicida and Fioti, they were the first brand to present at São Paulo Fashion Week with 90% black models, and produce in sizes 0 to 30. Despite their increasing fame and critical claim, they maintain an affordable price range, exclusively partner with artists that hold the same values and continue to showcase diversity in everything they do.

<sup>12</sup> “The 2016 Deloitte Millennial Survey: Winning Over The Next Generations of Leaders”, by Deloitte, 2016

## Hire for entrepreneurial spirit

“Hire for entrepreneurial spirit, not for experience and then provide opportunities for every voice to be heard. In doing so, you’ll create a culture of intrapreneurship”

Greer Hughes, Consulting Director, APAC

The internet has democratised ideas. Anyone with a Twitter account can express an opinion and anyone with a phone can start a movement. Yet many businesses fail to provide platforms for their own employees to share ideas within and for the organisation. We aren’t talking about anonymous employee surveys or small-scale “task forces”, rather a change at the organisational level where everyone feels empowered to share and think big about the business.

opportunities for education empower their employees to stretch beyond their day-to-day. Accenture recently invested \$941 million on a hyper-personalised education program including boot camps, virtual training and digital learning boards. “In the areas of learning, we completely democratise it,” explains Ellyn Shook, CHRO of Accenture. “People can access the learning they want. They have access to everything real time, on demand, curated by world-class experts.”<sup>13</sup>

In a similar spirit, companies that provide

<sup>13</sup> “Millennial Workforce: Shifting Priorities”, by Jemma Shin, August 2, 2017, WGSN

## Create flexible working environments

“Create flexible space for creativity and focus, remember that there is a need for both sides of a job”

Chloe Jerrard, Consultant, EMEA

People are moving away from the confines of a nine-to-five workplace, which is a really positive move for employers and employee productivity. Not only does it enable greater levels of productivity (one study estimated that 71% of the UK workforce felt that working from home enabled higher levels of creativity), but it also speaks to an underlying feeling of trust and commitment<sup>14</sup>. People don't need to be at their desks to think about work and, in fact, they may do their best thinking outside of the confines of an office.

Flexibility also extends to vacation. Many Millennials are mixing business with pleasure travel, what we at WGSN call “bleisure”. Other companies are empowering this movement with unlimited vacation days. Patagonia merges both the importance of employee activism with flexible working. As part of their emphasis on employee activism, the outdoor attire company offers employees up to two months paid time off to work for an environmental group of their choice. This Environmental Internship Program may not be a traditional sabbatical, but is a great perk for the environmentally conscious employee who wants to make a difference.

<sup>14</sup> “Home, Sweet Home”, by Paul Sawers, *The Next Web*, Feb 22, 2017





## Maintaining talent: at a glance

### State of the market

1. Millennials will make up more than 50% of the workforce by 2020
2. 55% of Millennials say they would consider turning down a job if they didn't find meaning within it
3. Retaining talent is the third biggest self-identified risk to the longevity of fashion companies, behind failure to plan and innovate

### WGSN top tips

1. Provide a flexible work environment. Consider remote working programs, global exchanges and purpose-based sabbaticals
2. Create a strong brand purpose that employees feel passionate about
3. Develop a culture of learning to attract top talent that's motivated by the opportunity for development

# The luxury conundrum



When looking to future-proof, luxury companies face a unique conundrum. For one, many have been built on the power of the brand and the scarcity of a product; the internet could be seen as diluting both the former and the latter, by enabling the knock-off of products and distribution en masse by third party vendors. Nevertheless, luxury companies have been early innovators in the digital and e-commerce space and the internet provides numerous opportunities for engaging customers with content and an enhanced shopping experience. You only need to look to Net-a-Porter and Burberry as examples.

Luxury companies also tend to “weather the test of time”. Despite the economic uncertainty in the wake of Brexit, the UK luxury market outpaced growth of the UK economy as a whole and continues to invest for the long-term.

According to Walpole, almost 50% of British luxury businesses were established in the last 50 years. Elsewhere the average lifespan of a company is 15 years, compared to 67 in the 1920s.<sup>15</sup>

To uncover some of the driving forces behind the luxury market, we compared the results in our survey between luxury and non-luxury participants. According to our research, the two groups were aligned across categories including how to maintain talent and foster innovation without losing their brand identity. However, the two groups differed fundamentally in two distinct areas: how passionate employees felt and the importance of instilling entrepreneurial spirit in their workforce.

Luxury CEOs identified entrepreneurial spirit as a key part of their success as a business. 97% stated that their companies maintained a spirit of entrepreneurship, compared to 62% of non-luxury respondents. By building a flexible, open environment and empowering employees to share their ideas, companies set themselves up to hear consumer changes, as their employees are first and foremost, customers. In doing so, they position themselves to be the next great disruptor, rather than being disrupted.

<sup>15</sup> “Can a Company Live Forever?”, by Kim Gittleson, January 19, 2012, BBC News

So how do luxury companies instil this spirit in their employees?

Respondents to the survey suggest a variety of methods for building an entrepreneurial spirit

“Encourage everyone to brainstorm ideas for products, services, marketing, design and sales, regardless of their department”

“Recognise the small wins”

“Never be satisfied. Search for what is new, innovative and trending”

“All our employees get to test and use our products so they can judge by themselves what a difference they make. This then turns them into dedicated brand advocates”

One of the clearest differences also emerged in response to the question: “To what extent are your employees passionate about your company’s products and services?” Of the luxury respondents, 97% reported that employees were either “extremely” or “very passionate”; this compares to 74% of non-luxury respondents.

The intrinsic passion that employees of the luxury companies feel for their company may be a key advantage, and something non-luxury companies look to as they implement future-proof strategies. During the roundtable, employee passion came up as a key tactic. As one participant said: “The inside needs to mirror the outside. If employees feel passionate about what they do, they will go above and beyond, and may become the source of your next great idea.”

When employees are passionate, they also become brand evangelists, allowing you to tap into a wider global network. According to Lori Gooding, a WGSN senior consultant working with many luxury brands: “A collective sense of empowerment will amplify your power and intrinsically ‘future-proof’ your company. Your audience should go from people who buy your brand, to people who believe in your brand and are actively interested in its success.”

Having heard concerns from clients worldwide, WGSN also asked respondents whether they were concerned about global marketplaces, such as Amazon and Alibaba, eroding brand value. Amazon began aggressively entering the luxury market in 2016. Unlike their own e-commerce platforms, luxury brands have little control over the appearance and critically important customer experience on Amazon. At the same time, Amazon is synonymous with mass market brands and products, as well as accessibility – all of which seems counter-intuitive to the luxury brand business model. However, there’s no doubt that Amazon is “digging in its heels” as it looks to, in its own words, become the “best place to buy fashion online”.

According to those surveyed, there are a few ways to respond to the effects of global market places. For many maintaining control over their distribution is key to be able to ensure the highest standards of customer experience. Those surveyed suggest creating exclusive brand experiences only available through a store’s brick-and-mortar locations and carefully managed distribution agreements. However, others still suggest that companies need to have strategies in place to respond to the changing market landscape.

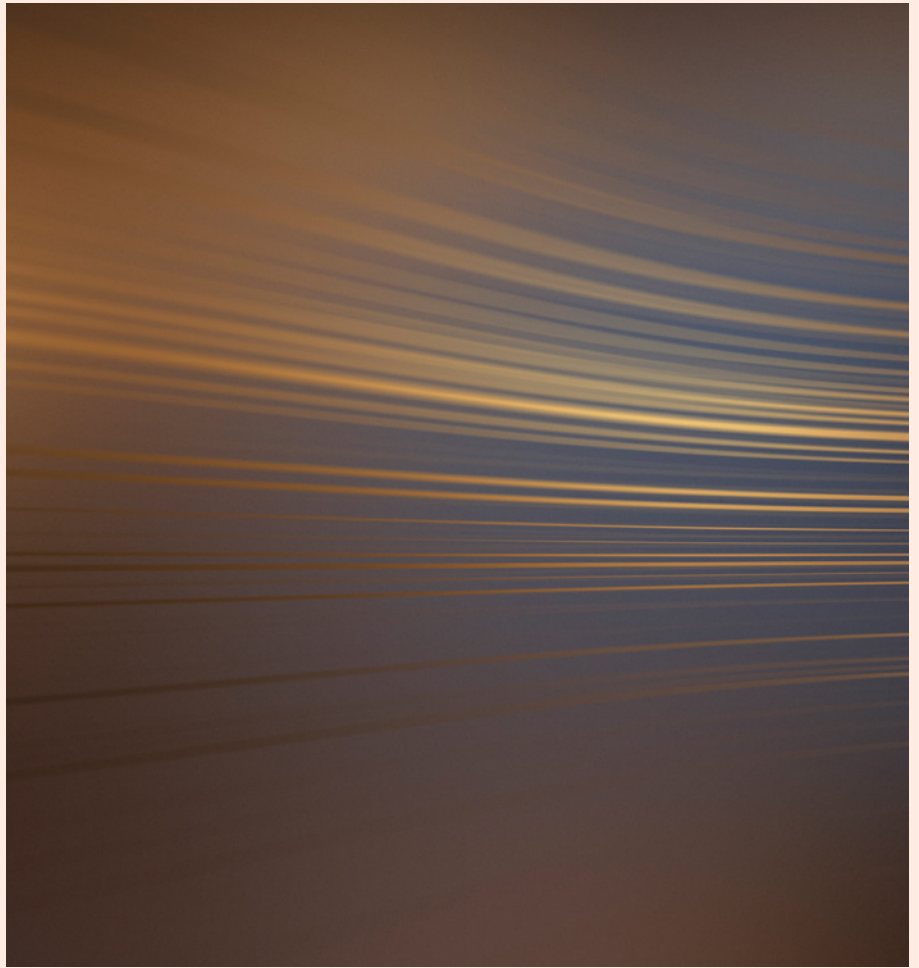


For Lori Gooding, today's consumer climate also gives luxury brands the opportunity to thrive, rather than just survive. Citing brands like Warby Parker and Mansur Gavriel, she says the key is to move beyond clever lifestyle messaging and well-honed product assortments to a persona grounded in ethics and values. In doing so, these brands create an identity manifesto, work as collectives and build followings with very personal attachments. According to Lori: "This in turn becomes a new type of aspiration, one that is less tangible – it is about a shared ideology and not a product. Consumers want to be part of this clique, a perceived attainable niche, they want to be a 'Warby Parker Boy' or a 'Reformation Girl'."

This shift is already prevalent in luxe leaders and established brands, as evidenced by Alessandro Michele at Gucci. Although faithful to Gucci's heritage, Michele injects fun, diversity and a youthful attitude to the brand's communications strategy creating an unexpected and unapologetic community.

As the fashion and luxury markets remain closely intertwined, they face similar threats and opportunities. Looking at the survey results, the luxury market should celebrate and build upon the sense of pride its employees feel in their products, as well as the spirit of entrepreneurship that pervades the industry. At the same time, like the fashion world, they need to be keenly aware of potential disruptive effects like artificial intelligence and global e-commerce marketplaces to develop future-proof strategies to ensure the brands we rely on today will evolve into the brands we trust and believe in tomorrow.





## The luxury conundrum: at a glance

### State of the market

1. 97% of luxury executives reported that employees were either “extremely” or “very passionate”; this compares to 74% of non-luxury respondents
2. 97% of luxury executives stated that their companies maintained a spirit of entrepreneurship, compared to 62% of non-luxury respondents
3. Almost 50% of British luxury businesses were started in the last 50 years

### WGSN top tips

1. Hire passionate individuals who can be brand ambassadors, start your network of advocates with your employees
2. Breed a culture of innovation by soliciting feedback from employees across departments
3. Move beyond lifestyle messaging to personas, grounded in ethics and value. Create shared ideologies and your own brand “cliques”

# Conclusion



Today, the very pace of change seems to be changing. Every day, new technologies promise to open new possibilities. Previously local cultures enter the global economy, and previously unknown 'mom and pop' shops enter and disrupt established industries. And while some might look to this change with uncertainty and fear, at WGSN we see the future as one of possibility. How will you evolve your brand? Who will you become? What will take your company from today to tomorrow?

In many ways, the fashion industry was built in a silo. For decades, designers and companies devoted their time and resources to creating beautiful objects. They created strong and durable brands that took them into the 21st century. But brand-building is no longer enough. Today, you must look around. You must listen to the consumer – not only what they buy or where they shop – but what they feel. You need to look to other industries to spot innovation early, and look at your own brand DNA to find out what makes sense for you.

Some changes are required. From our research, we've identified that AI will move from a 'nice to have' to a 'need to have' within the next few years to enhance customer service offerings and streamline manufacturing. Other variables are unpredictable. Few political scientists predicted Brexit, and fewer predicted Donald Trump's rise to power. Unforeseen climate events have shaped the resilience of nations, and radical shifts, as an example in technology, have disrupted industries. Rather than getting carried away with the unknown, we need to face uncertainty with certainty. But how?

At WGSN, we believe that if you make a practice of obsessing about the future, of thinking and planning, you have the power to write your own strategy and determine the fate of your business. You may not know every detail now, but you can build agile processes and empowered teams who will carry you into the next decade and beyond.

As we explored the concept of future-proofing throughout this year, one common thread struck us: there are real contradictions in what we, as consumers and employees want. We want flexibility, but desire certainty. We crave human connection, but cling to the convenience of technology. We want to be at the cutting edge, but are wired to resist change.

Perhaps this is why there is no one-size-fits-all solution. There is no fundamental truth we can share with the fashion industry. Instead, companies need to look at their DNA, their customers, and develop strategies that will stand the test of time. One thing is certain, though: If you aren't looking ahead, you could be passed by.

# About Mindset

WGSN Mindset is the custom advisory service from the world's leading trend authority. At Mindset, we work with you to identify your next growth opportunity by leveraging the combined expertise of our trend team, our unrivalled insight on future trends and our data warehouse.

To find out more about Mindset, visit [wgsn.com/mindset](https://wgsn.com/mindset)



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