PREDICTIONS for the LUXURY INDUSTRY
SUSTAINABILITY & INNOVATION
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Positive Luxury was founded in 2011 by Karen Hanton MBE, founder of toptable.com, and Diana Verde Nieto, pioneering sustainability expert and named Luxury Women to Watch in 2016, with the ambition to mobilize 2.5 billion wealthy consumers to buy better from brands that are doing better.

Positive Luxury awards a first of its kind interactive trust mark - the Butterfly Mark – to luxury lifestyle brands that not only take pride in their craftsmanship, service, and design; but also care for their employees and suppliers, and work hard to protect our planet.

The Butterfly Mark helps people to instantly recognize which brands they can trust, giving them the purchasing power to choose from those companies that embody luxury whilst not harming our world.
METHODOLOGY

Positive Luxury’s 2016 Predictions for the Luxury Industry: Sustainability & Innovation has been published in partnership with the Luxury Institute, a high performance client relationship consulting company. The methodology used for the report is a combination of desk research, one to one interviews with key opinion leaders in the luxury lifestyle space, NGOs, The World Economic Forum and CMO’s, CSO’s and CEO’s from top luxury brands and groups.

Within the report we revise the key events that affected their industries in 2015 and forecast the key challenges and/or changes that the luxury industry will face, as a whole, in 2016 and beyond within sustainability and innovation.
INRODUCTION

from DIANA VERDE NIETO
Co-Founder & CEO of Positive Luxury
Young Global Leader - World Economic Forum

In this report, we identify the most impactful events of 2015 and look forward to the biggest trends of 2016 in the world of luxury and sustainability.

2015 propelled the luxury industry forward when it comes to how they think about sustainability. The biggest shift, and one of the most important in order to accelerate change from the top down, is the rise in demand from the investment community for sustainable business models. For years, investors have focused on a company’s financial performance and determined whether purchasing stock was worth it based on the company’s profitability. Now, sustainable investing strategies are growing, as investors are realising that performance is intertwined with future social and environmental impact.
C-suites are starting to realise that in order to keep creating value and accelerating growth they must invest in and improve their sustainability performance, as well as how they communicate their positive impact.

One group in particular aligns with this concept more than any other, millennials. This group is almost three times as likely to want to work for a company because of its social and environmental practices(1).

The demand from affluent millennials doesn’t stop at employment opportunities.

2015 saw millennials using their spending power more and more to buy into companies who positively impact society and the environment – in fact they are twice as likely to buy from brands with strong management of environmental and social issues(2).

2015 was also the year governments and world leaders took action. Events such as the launch of the Sustainable Development Goals, COP 21, and the passing of the Modern Slavery Act, reflect a shift towards a world where creating, maintaining and growing companies with a positive social and environmental impact is increasingly a matter of legal obligation, as well as ethics.

All these changes have left luxury companies with no option but to improve, as the potential for sales and stocks to plummet increases and the hand of the law hangs over them.

With that in mind, we look forward to 2016 and the trends that will help luxury companies continue on their sustainability journey. New innovations, communication techniques and constant evaluations of how consumers view brands will allow companies to stay at the top of their game, in a world that demands socially and environmentally responsible brands and expects sustainability to be an integral part of the brand DNA.
FOREWORD from
DR. NEIL STOTT
Executive Director
Centre for Social Innovation Cambridge Judge Business School University of Cambridge

The Centre for Social Innovation at the Cambridge Judge Business School acts as a platform for research and engagement with social innovators, academia and policy in the UK and across the world.

We welcome the ‘2016 Prediction for the Luxury Industry’ produced by Positive Luxury because it highlights the importance of leadership for social change which aims to have a positive social impact whilst creating sustainable, social and economic value.

This report provides the luxury industry with an insight into the tools available to them which will enable the industry to be at the forefront of change, whilst highlighting the value of communicating the positive steps that they are taking towards a sustainable future.
FOREWORD from MILTON PEDRAZA
CEO
Luxury Institute, LLC

The Luxury Institute has long been a supporter of the work Positive Luxury does to encourage, enable and evaluate how luxury brands are working towards a more sustainable business model and how they communicate those actions to their consumers. This report, written and distributed by Positive Luxury, looks at the important events of 2015 which have had such an impact on the luxury industry and their relationship with sustainability, and also looks forward to 2016 and beyond, giving luxury brands an insight into the tools and innovations available to them to keep improving their impact on society and the environment.
FOREWORD from PETER LACY

Global Managing Director
Sustainability Services within Accenture

Through our work together as Young Global Leaders within the World Economic Forum, and through my work as the Global Managing Director for Sustainability Services within Accenture, Diana and I have had many discussions about how businesses are changing their view of sustainability and the role it plays within their operations.

It has been clear to me for a while that until the investment community started to look at the ethics and social and environmental impact of a company, sustainability would always take a back seat to profitability. Now that this time has come, companies that have already invested in sustainable business models are blazing forward, while others have realised that they need to step up their game.

With the events of 2015 comes a huge opportunity for luxury brands to rejuvenate their goals and start changing the world from within their businesses. This report is a great resource for luxury brands looking to do just that.
With the COP 21 agreement comes the pledge by all nations to keep the global temperature rise well below 2 degrees. Any effort of this size, and especially one with such large consequences, brings the need for companies to take responsibility for their own greenhouse gas emissions.

To tackle these two issues, all companies will need to integrate sustainability into their corporate strategy seamlessly and innovate, creating new ways to do business that will have a positive impact on society and the environment.

While the incentive is clear for some luxury companies, we wanted to create a report that would look at how businesses can invest in social good and environmental responsibility, a contribution that is more important to the luxury industry than any other. Raw material quality is critical in the creation of premium products, and many of these materials derive from ecological processes that can be easily disrupted by climate change.

For this report, we interviewed CEOs, experts and analysts from the luxury industry to find the reasons why brands should, and can, invest in a sustainable business model.
2015 was the year governments and world leaders finally took action – a turning point for the world and sustainability. Several high-profile events changed how the global economy views the value of businesses incorporating positive social and environmental impact into their leadership, corporate strategy and operations.

These pivotal events, including the passing of the Modern Slavery Act, the UN’s Sustainable Development Goals and COP 21, reflect a more general trend whereby integrating sustainability into business models is moving from a ‘good thing to do’ to a legal obligation, and have increased demand from stakeholders for transparency and action.
For years, investors have focused on a company’s financial performance and determined whether purchasing stock was worth it based on the company’s profitability. Now, sustainable investing strategies are growing, as investors are realising that performance is intertwined with future social and environmental impact.

There are already $6.57 trillion of assets under management in the US in sustainable investments, and as millennials begin to reach the age where they are investing, this number will only grow.
CONSUMERS’ EXPECTATIONS are HIGHER THAN EVER

With a new buying generation comes a new influx of buying behaviour patterns. As millennials reach the age where they have growing disposable income, the economy is registering a change in the expectations consumers have of brands.

Millennials are twice as likely to support brands with strong management of environmental and social issues, and expect brands to not only manage their impact but communicate it.
INNOVATION is KEY TO HAVING A POSITIVE IMPACT

From the development of Kering’s Materials Innovation Lab to Flokser’s artificial leather fabric, innovation is having a big effect on how companies are measuring, improving and communicating their social and environmental impact as well as bringing these metrics into the core of their business.

While it is encouraging that many companies are already focused on their social and environmental impact, and understand the benefits of integrating sustainability into everything they do, more work needs to be done to help luxury companies realise that sustainability and profits go hand in hand, and they can reap the rewards by communicating their positive impact.
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