A photograph of a Cartier store at night. The building is dark with large windows and glass doors. The 'Cartier' logo is visible in a script font above the entrance and on three awnings. A red car is parked on the street in front of the store. Several people are walking on the sidewalk. The overall atmosphere is sophisticated and luxurious.

How a to decode the secrets of the new luxury industry

# The Code for Future Luxury and Success Story of DNVBs

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- 1 Intro
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**Dr. Julia Riedmeier**

Founder and CEO of CODE \ LUXE

This case study is tailored for businesses seeking to navigate the evolving landscape of luxury, providing valuable insights for sustainable brands aiming to infuse luxury elements into their offerings and vice versa. It offers an initial exploration of the emerging new luxury market, its evolving definition, and the remarkable success stories of digital native vertical brands (DNVB). Our analysis encompasses a comprehensive framework that delves into the characteristics, pros and cons, managerial considerations, sustainability measures, and the redefinition of luxury. Ultimately, it offers a glimpse into the future clients of new luxury brands.

This case study has been developed by Haus von Eden, the media brand for sustainable business, in partnership with Dr. Julia Riedmeier, an advisor specializing in developing strategies for leading luxury brands.

The luxury industry is experiencing a seismic shift in market dynamics. Traditional luxury consumers are being joined by a new generation of buyers who prioritize values over possessions and seek authenticity and experiences in their purchases. This shift is reshaping the luxury landscape and compelling brands to adapt to changing consumer preferences.

Sustainability has become a central concern for luxury brands. Consumers are increasingly demanding ethical and environmentally responsible products. As a result, luxury companies are integrating sustainability into their strategies, from sourcing materials responsibly to reducing carbon footprints. Brands that successfully embrace sustainability are likely to gain a competitive edge and resonate with conscious consumers. At the same time, managers in the luxury industry are facing a unique set of challenges and opportunities. Since they must balance traditional craftsmanship and heritage with innovation and technology adoption.

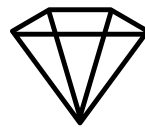
As digital business models are disrupting the luxury landscape, brands, born online, have a competitive advantage, due to their deep understanding of digital marketing, data-driven, and direct-to-consumer (DTC) models. Those brands challenge established luxury players by offering personalized experiences, transparency, and a direct connection with consumers. That is why traditional luxury brands are increasingly partnering with or acquiring DNVBs to leverage their digital expertise and reach new audiences.

In conclusion, the luxury industry is undergoing a significant transformation driven by changing consumer preferences, sustainability imperatives, evolving managerial strategies, and the rise of digital business models, leaving market players with a number of opportunities to rise and evolve.

## 02.

## DEFINITION

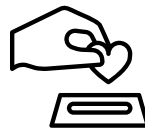
In contrast to essential commodities, luxury goods transcend the realm of necessity and the ordinary. The concept of luxury has undergone three distinct evolutionary stages thus far

**Traditional Luxury**

I am what I own -  
Exclusion, possession,  
dictation of brands

**New Luxury**

I am what I experience -  
Being, democratization,  
power of consumer

**Neo Luxury**

I am what I contribute -  
Meaning, purpose,  
power of all

“The word  
"luxury" is  
derived from  
Latin "luxus,"  
meaning  
extravagance  
or excess”

# The Evolution of Luxury - Standards for Paradigm Shift

THEME	TRADITIONAL LUXURY	NEW LUXURY	NEO LUXURY
Driver	Exclusivity	Experience	Meaning
Badge	Status	Sef-Expression	Values
Social	Ownership	Culture	Movement
Business Model	Product-centric	Customer-centric	Purpose-centric
Data	No data	Research data	Data-driven
Point of Reference	Power of Brand	Power of Consumer	Power of All
Communication	One-way	Dialogue	Co-creation
Style	Autocratic	New and Vintage	Hidden Gems
Character	Standardization	Individualization	Customization
Status	Existing	Dominant	Growing
Channels	Offline	Online	Omni
Consumption	Conspicuous	Indulgence	Conscious

## 03.

## THE NEW LUXURY MARKET

The luxury industry is a highly profitable sector with a value of billions of dollars. Although it may encounter difficulties in the future, such as economic and geopolitical concerns, the luxury market continues to thrive with conglomerates like LVMH, Richemont and Kering leading the way. Nevertheless nowadays, the concept of luxury is changing. It has progressed beyond the conventional ideas of expensive metals and gems or things considered "extraordinary."

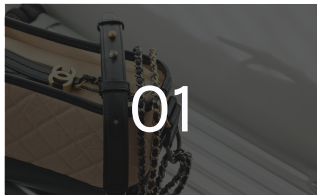
As consumer environmental consciousness grows, they seek a sense of ethical satisfaction when indulging in luxury products and services, demanding fairness, ethics, and purity as inherent expectations, thereby forcing luxury brands to provide an answer to current problems.

These dynamics have impacted massively how we define luxury today and how luxury brands shifted their strategies. Luxury was always very elitist, but now luxury becomes more common in the daily life and casual. The market has witnessed the rise of streetwear, second-hand and partnerships, injecting a sense of liberated expression that is vital for comprehending the preferences of future generations, who constitute the key consumer demographic.

Dr. Julia Riedmeier suggests that personal preferences, market and industry trends, and disrupting business model now frame the luxury industry.

# Marekt Dynamics and Trends

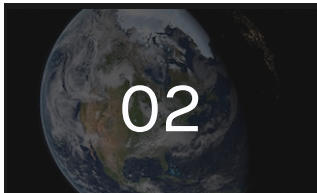
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## Individualization, Customization & Co-Creation

Co-Creation of the brand and customized products to enhance personality paired with UGC communication or clienteling Apps.

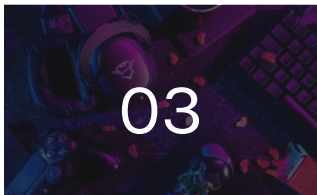
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## Sustainability, Circular Economy, Localization

Transparency along the supply chain and responsibility of company to contribute to society and environment, plus rely on local production.

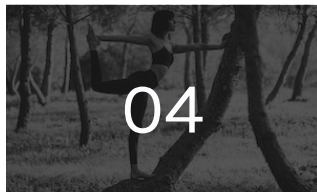
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## Digitalization of luxury & Digital Detox

Digital business models, online distribution and omnichannel strategies, e.g. digital initiatives, presence in the metaverse and gaming.

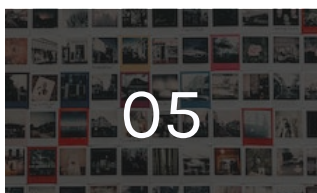
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## Health & Mindfulness, Spirituality, Minimalism

A post covid framework emphasizing on a holistic well-being and Detox with intentional focus on simplifying life and reducing material possessions

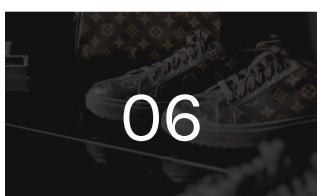
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## Ownership: Sharing- & 2nd-Life

Rental, sharing, and second-life business models are not only popularizing vintage items but also transforming luxury goods into valuable investments.

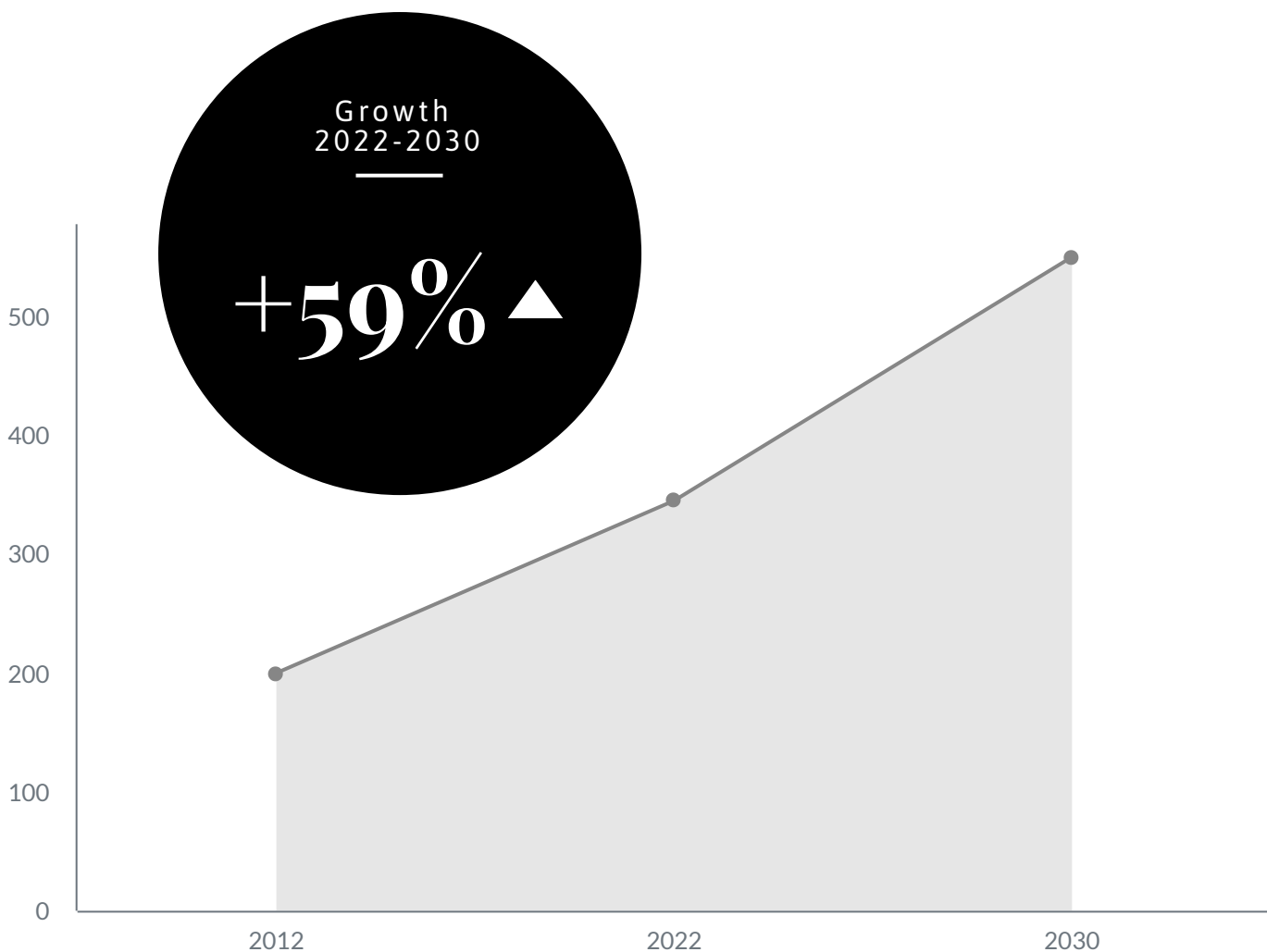
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## Casualization & Democratization, Inclusivity

Street culture as guiding principle, collaborations and new unconventional roles, such as Chief Inclusion Officer or Chief Sustainability Officer shaping the brand.

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STATISTICS

"The main opportunities for the sector in the medium term are related to ESG developments (partly due to increased regulation) and new technologies, such as Generative AI, which have the potential to impact the entire luxury goods value chain"

Bain and Company

Luxury market size 2022

€345 billion 19% ▲

Luxury market size projection by 2030

€530-570 billion 6% p.a. ▲

EBITDA of high-end companies

+10% ▲ by 2023

Profit margin luxury brands

+10% ▲ by 2023

## 04.

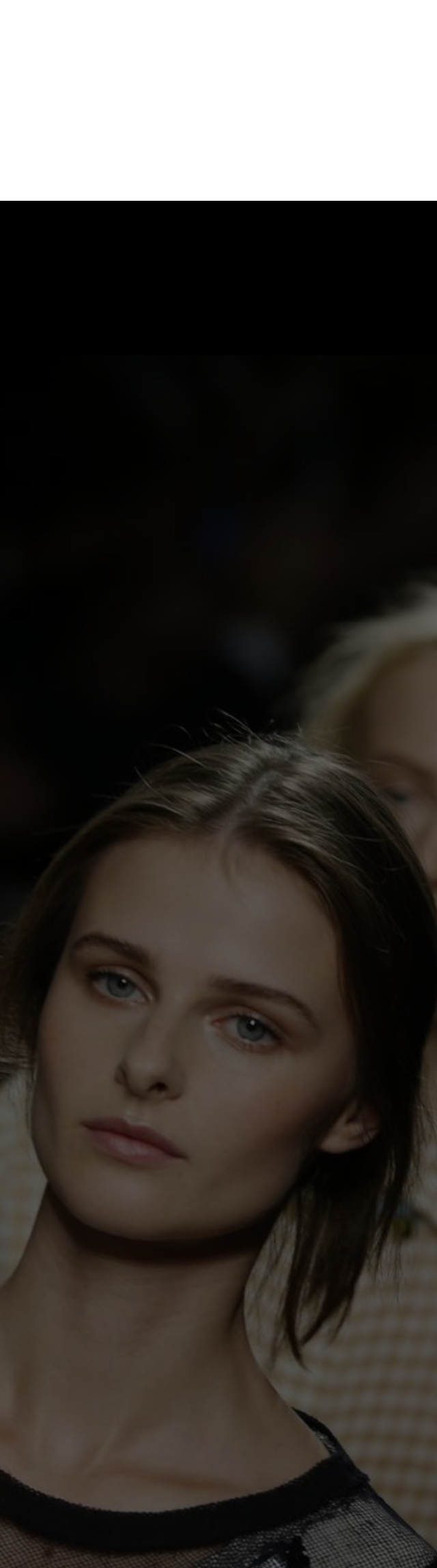
## LUXURY BUSINESS MODELS

Luxury has often been associated primarily with its high price point, but when discussing luxury business models, an alternative perspective emerges. This viewpoint can be likened to a pyramid structure with three distinct layers: At the core are the signature products, situated in the middle; at the base lies the accessible range, encompassing products that provide an entry point into the world of luxury brands, often including accessories or cosmetics; and finally, at the pinnacle of this pyramid, you find the upper segment, consisting of individualized, tailor-made products, limited editions, and collaborative creations.



*Illustration based in the example of fashion*

From a product perspective, luxury items serve both functional and emotional purposes. Starting with the functional aspect, it's inherent that a handbag, for instance, is designed to facilitate the transportation of items from one point to another. However, the emotional dimension can be further dissected into two facets: symbolic value and experiential value. The symbolic value pertains to the collective or shared essence of a luxury brand, symbolizing a carefully crafted and evolving narrative, myth, or dream world. This element reflects what the product signifies to others. On the other hand, experiential value is tied to an individual consumer's personal hedonistic appreciation of a brand. It's a personal aspect that reflects what the brand means to the individual, often encompassing experiences that resonate with their values. For example, these experiences could be something consumers directly encounter or engage with, connecting deeply with their personal values and preferences.



**“As the world adapts to the ongoing challenges of a global pandemic and extreme climate change, fashion, among so many other industries, must avoid falling back into old habits; the future is already clear: survival of the fittest will mean survival of the greenest.”**

Federico Marchetti, founder of the  
Yoox Net-a-Porter Group

## DEFINITION

Pur.pose/  
pərpəs  
The reason  
for which  
something is  
created, done  
or exists

In the era of neo-luxury, the emphasis lies in making meaningful contributions to society and the environment, representing a profound shift towards a luxury approach centered on purpose, sustainability, inclusivity, and co-creation—qualities not typically associated with traditional luxury, as they often contradict its core principles. This new form of luxury significantly challenges conventional luxury norms, shifting the focus towards a customer-centric approach that involves concepts such as customization, casualization, and transparency, while also effectively communicating core values. This transformation is vital for maintaining relevance among conscious Generation Z and Y and even the future Gen Alpha consumers. The key question is how to strike a balance between traditional luxury brands and startups, fostering collaboration and mutual learning in a spirit of innovation.

DNVBs are the disruptors reshaping the industry, and unlike traditional brands, they do not rely on heritage but instead adhere to the principles associated with luxury brands, which include high prices, quality and design. However, their approach is distinct in that they prioritize the consumer perspective over the product perspective. In other words, DNVBs identify consumer pain points and make it their mission to address specific unmet needs that have been overlooked by industry giants.

# 05.

## DNVBs SUCCESS STORY MERGING LUXURY & SUSTAINABILITY

### **PURPOSE- DRIVEN**

DNVBs begin with a streamlined product range, focusing on crafting a single product tailored to address a specific niche, and they promote this product with a purpose-driven philosophy, emphasizing its impact on both people and the planet.

### **DATA- DRIVEN**

DNVBs tailor their brand and product portfolio to align with customer preferences, with data serving as their primary asset. Companies born-online are transforming industries through DTC models, establishing direct relationships with suppliers to ensure adherence to standards, fostering transparency and accessibility. Their agility allows for swift adaptation to evolving preferences.

### **COMMUNITY- DRIVEN**

DNVBs are brands with a strong social presence, primarily focusing their marketing efforts online. This approach allows them to maintain full control over their image and ensures authenticity. By gathering data throughout the digital customer journey, they can offer personalized communication and tailor their offerings. Consumers become part of a community and feel a sense of belonging

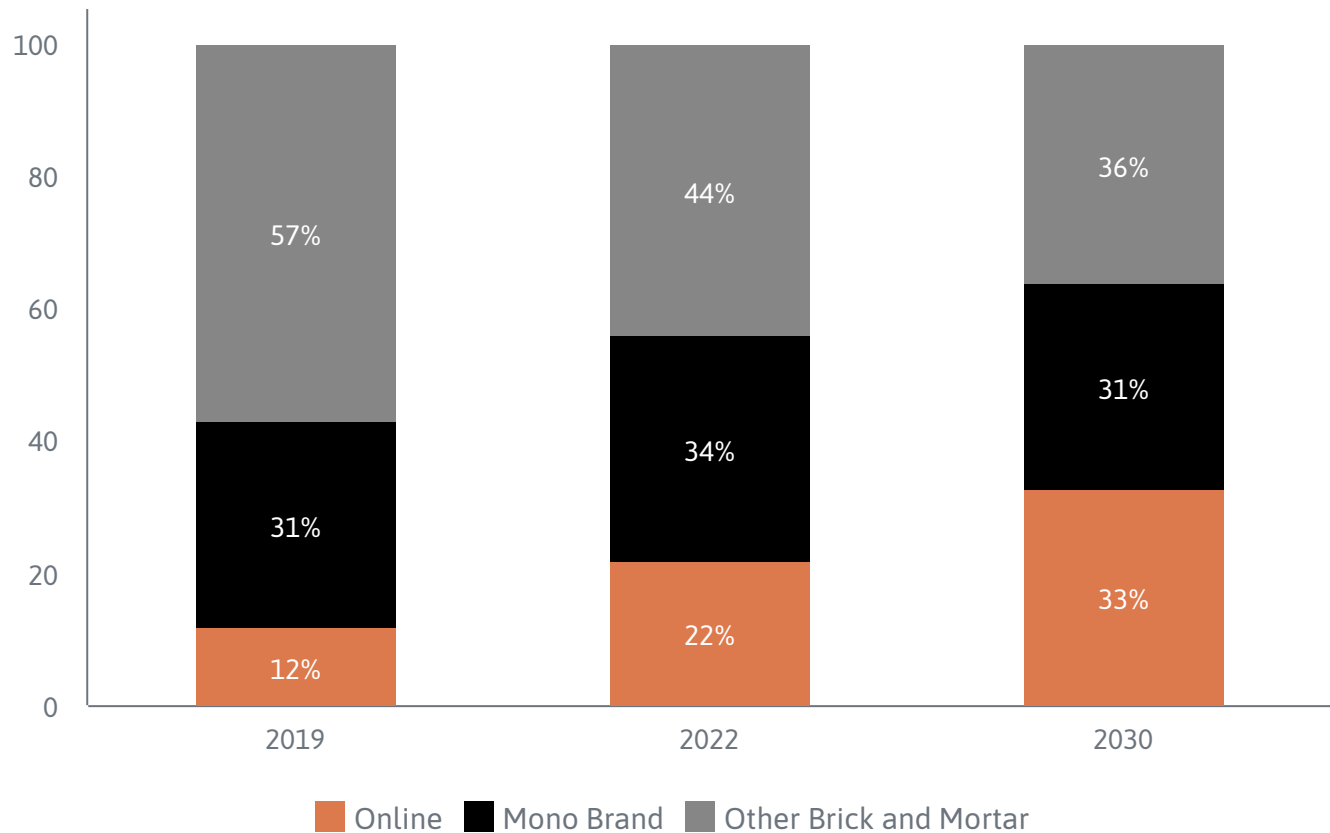


Direct-to-  
Consumer



Purpose &  
Community

Luxury Market Channel Sales



STATISTICS

"By 2030 Generation Y will become the primary luxury goods consumer, with online emerging as the dominant channel. In the upcoming years, the lines between physical stores and e-commerce will continue to blur, compelling brands to adopt an evolved 'omnichannel 3.0' strategy, enhanced by new technologies."

Source

Luxury market online sales 2021 - 2022:

20% growth

Online luxury sales 2022:

\$75 billion

DNVB share of online sales:

20%

Consumer share by 2030:

55% Gen Y / 30% Gen Z

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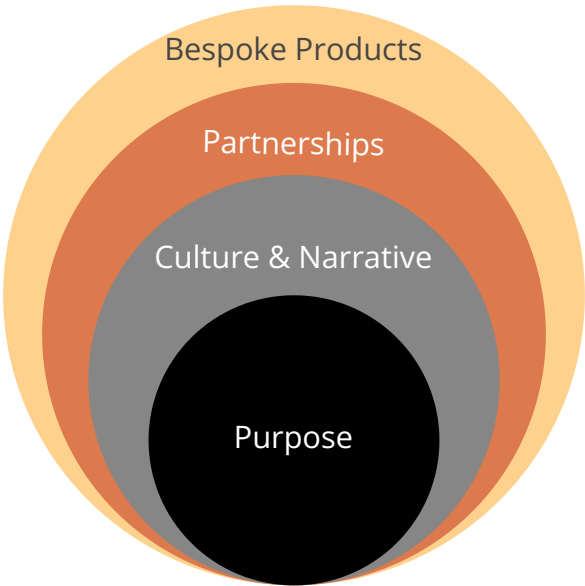
*A Luxury Brand's strategy  
is not longer about  
well-designed, expensive  
products or services .  
Just as the code of  
exclusivity is changing,  
the luxury code of the future  
needs different elements  
such as stronger sense of  
purpose and greater societal  
and environmental value*

”




- Dr. Julia Riedmeier

Digital brands thrive thanks to four essential elements: purpose, brand culture, collaborations, and bespoke experiences. This necessitates a rethinking of the traditional business model. Digital brands are recognized for championing meaningful causes, aligning their values with those of consumers, thereby cultivating trust and loyalty. They employ storytelling to craft unique brand cultures, forging personal connections with consumers. Additionally, by partnering with complementary brands enriching offerings and extending market reach. Finally, leveraging data and technology enables personalization, tailoring products and services to individual preferences, thereby enhancing customer satisfaction.

FOUR PILLARS OF DIGITAL  
SUCCESS MODEL



Source: Sean MacDonald, global chief digital officer at McCann Worldgroup at The Drum

Sustainable Unicorn DNVBs	 Founded	 Funding	 Status
<b>ANKORSTORE</b> Europe - Retail	2019	\$35 MILLION	Unicorn since 2022
<b>ALLBIRDS</b> USA - Fashion	2014	\$202 MILLION	Exited Unicorn
<b>ROTHY's</b> USA - Fashion	2012	\$519 MILLION	Unicorn since 2021
<b>VESTIAIRE COLLECTIVE</b> Europe - Fashion Resale	2009	\$722 MILLION	Unicorn since 2021
<b>DAILY HARVEST</b> USA - Food	2015	\$120 MILLION	Unicorn since 2021

DNVBs make up an increasing share of disruptive players in the market, estimated to more than double their revenue share from 15% to 35% by 2030 as loss-making retailers fail and disappear from the playing field. (Bain & Company). But the digital space is becoming crowded, making it harder for new entrants to stand out. Despite the surge in retail e-commerce following the Covid-related hype, cost of capital are rising and acquiring customers online is becoming costly. DNVBs are heavily dependent on advertising platforms and algorithms, causing an uncertain risk. Digital models consistently grapple with issues related to shipping, returns, and customer service. In fact, more than 90% of businesses that originated through e-commerce earn less than \$1 million in annual revenues, hindered by their ability to to expand beyond their niche (McKinsey). Consequently, even major brands like Allbirds are venturing into offline retail to offset these challenges.



## IMPLICATIONS

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### CREATE SUSTAINABLE VALUE

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An effective strategy must be purpose-driven, originating from senior leadership and focused on creating long-term value, particularly by enhancing the sustainability of core business operations and portfolios. The incorporation of sustainability into operations through innovative business models can confer a competitive advantage, necessitating the right operating model, capabilities, and governance structure.

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### GATHER INFORMATION

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To thrive, a company must capture attention and gather data, which can be achieved by focusing analytical efforts on specific use cases to create personalized models that analyze customer preferences, purchasing motivations, and satisfaction, ultimately translating data into tangible business value, predicting and preventing churn.

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### BUILD COMMUNITIES

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In addition to transparency, community building is another essential aspect. Google research reveals that 82% of consumers desire fashion and luxury items that reflect their identity. As individuals seek more meaningful relationships with the brands they choose, authentic communication both through company-driven and user-generated content, becomes increasingly vital. This fosters a sense of belonging among customers and engenders loyalty not solely based on exclusivity.



# Four Manager Typologies of Luxury Brands

The Luxury Brand Manager Typology with four distinct types (Riedmeier & Kreuzer, 2022) offers a variety of ways to identify which leadership approach individuals want to take and the level of protection they seek for their brand. They allow them to determine their level of exclusivity and openness in certain areas, to enable collaboration and ultimately driving purposeful change with a significant impact.

## **THE AUTOCRATIC GUARDIAN**

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This approach is characterized by a top-down leadership style that strongly guards the brand, emphasizing a singular ruler and viewpoint.

## **THE SMART GUARDIAN**

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This managerial style prioritizes brand protection while selectively allowing certain stakeholders to participate.

## **THE AGILE FACILITATOR**

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Recognizing the complexity of contemporary brand management, this style advocates for a team-based approach to handle the intricacies effectively.

## **THE CONNECTING SUPER NOVIST**

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Embracing openness to both internal and external stakeholders, this approach revitalizes the brand, making it not only relevant but also radiate brilliance.



*Haus von Eden offers appealing content and curates exclusive knowledge on most in-demand sustainability insights, future-oriented trends and trailblazing success stories. The Intelligence Hub is contributing businesses to anticipate understand and implement success factors of the future, by providing a comprehensive range of resources, including News & Trends, Reports & Analytics, Masterclasses & Best Practices, and Innovators & Solution Network.*