Luxury is the new obsession. Every day we are assailed by the latest luxury catchphrases - Affluenza, Luxury Fever, Mass Affluence, and by more luxury anecdotes than could fit comfortably into a bottle of Krug Clos du Mesnil.

An explosion of luxury spending has seen consumers “trading up” from the basics to premium lifestyle brands and products across all categories of consumption. There is little doubt this is going on and even less doubt it has become the new obsession of management consultants around the world.

What is startling about the analysis of the luxury phenomenon, however, is its anecdotal nature. Typically authors and analysts focus on what people are doing today that is different to yesterday, completely ignoring why they are behaving differently. Alas the world of consumption behaviour is more complex.

If the analysis of the luxury phenomenon has any underpinning science at all, it is in the use of demographics, income and what banks like to call “high net worth”. However, each of these is a poor determinant of consumption behaviour. You will get no argument from me that income is important — you must have money to be able to spend it — but the shock of the new analysis is that those with money don’t automatically have any desire to part with it. And this is where the international examination of the luxury market falls short.

Of all the new luxury titles on the market, Trading Up by Boston Consulting Group partners Silverstein & Fiske (2003) is the best. The authors’ reconstructed definition of luxury — embracing the high-end of everyday product categories — is an accurate observation of what is going on right now in the US and Australia.

However, the authors predicate the boom in luxury spending on income — the “122 million Americans with the means and desire to trade up” and we have concrete evidence that means does not have a direct earned cash. In Australia, 8 million adults, many of them affluent, have opening their wallets. They have the capacity but not the desire to spend; they are not trading up to anything.

Rather, the neo-luxury phenomenon is being driven by those with spending propensity as well as spending capacity.

Our data shows that 3.8 million Australians and 33.9 Americans are directly responsible for the neo-luxury boom. Known as neo-consumers or neos, they dominate the luxury market with seven of every 10 neos buying luxuries compared with three out of every 10 non-neos.

These neoos buy four times more Moet & Chandon, Veuve Clicquot and Krug, take international holidays four times more often and buy three times more digital video cameras and high definition televisions. The luxury list of neo consumption is seemingly endless.

But let’s pause for a reality check. My co-author Verity Byth and I interviewed 250,000 respondents over five years and track hundreds of consumption variables on what is arguably the largest consumer database in the world — Roy Morgan Single Source. We have identified the neo: 24 per cent of the population who know more, read more, drink more wine, eat out more, expect more and pay more for an experience that matches their values and expectations. San Francisco-based Rich Cartiere, executive editor of the influential on-line Wine Market Report, said the neo typology had “shaken the very foundations of marketing in the 21st Century and helped the global wine industry prepare for this new world of business”.

In Australia, the editor of AdNews magazine urged marketing gurus to “forget AEs (socio-economics) as the identifier of high-value customers. It’s time to think of neo consumers”.

But let’s return to the lap of luxury. If you would like to observe neos at work luxurianting their way through economic and military uncertainty, check-in to the W Hotel at Woolloomooloo; check-out Gourmet Traveller magazine; grab a meal at the new Bondi Junction David Jones; listen for whispered secrets like the fresh truffles from Simon Johnson; buy something gorgeous to wear from Willow or something to cherish from RG Madden.

While neos dominate luxury spending, what separates them from the non-neos (traditional) who buy luxuries is that neos are inconspicuous consumers.

Neos buy brands that speak quietly to their own aspirations, which enable them to surrender to the experience. Traditions, on the other hand, buy brands that trumpet their success to everyone else; they define themselves by the brands they own and wear. Making up half the adult population of Australia and the US, traditionalists will be the first on the block to buy that huge screen home theatre system or they’ll buy a Mercedes Benz or BMW as a badge of status.

But what’s disconcerting about the large number of price-sensitive traditionalists included in the “trading up” luxury constituency is that they consume infrequently. They’ll buy one BMW, one Rolex in their life, one bottle of French champagne a year. They have the capacity, but not the desire.

The true drivers of the neo-luxury market are the neoos who consume constantly, keep evolving, keep changing their nests and their jobs and pay a premium for a premium lifestyle — in every category.

The luxury revolution is on. But the revolutionaries are not “middle market America” or middle Australia because, in consumption terms, there is no such thing. Demographics, like the luxury analysts around the world, have let us down.

Silverstein & Fiske have done a great job describing what is going on right now. They just looked in the wrong place for the change agents.