

THE CHANGING FACE OF LUXURY

by Patricia Graham and Marcus Matthews

When “premium” becomes everyday, where do consumers look for indulgence—and how can marketers respond?

Ah, luxury.

The word alone conjures powerful imagery, and special feelings.

It may be a long weekend in an exclusive hotel, or a collection of the most stylish brands, or anything in between that captures our Gatsby-like sense of aspiration and longing.

Or is it?

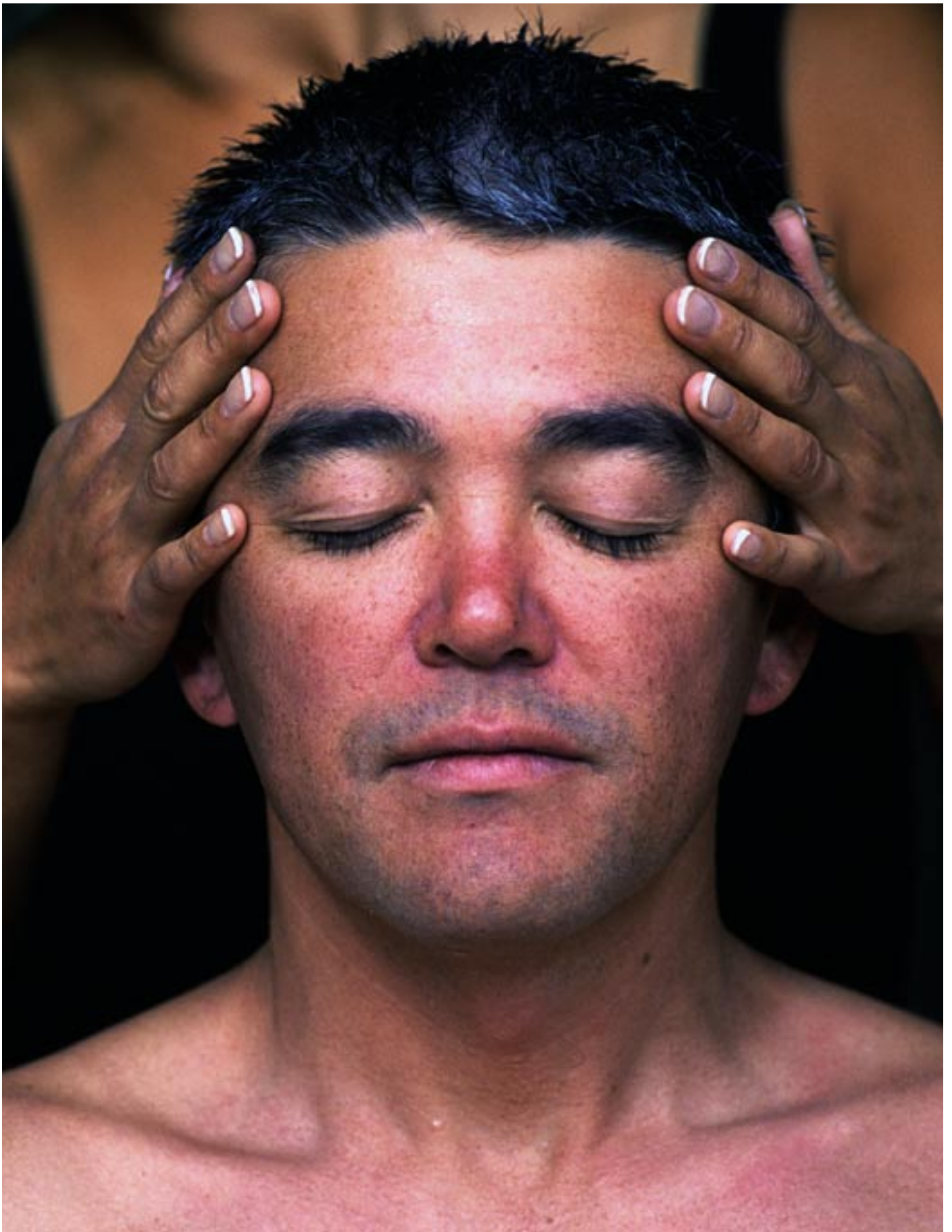
What is luxury? The concept may not be new, but its definition—the way in which individual and collective dreams and aspirations are made real—is a moving target. And in a marketplace dominated by more rapid change than ever before, what creates that sense of “specialness”—of being part of something select, taking part in something exclusive and perhaps superior?

It’s the marketer’s job to recognize the nature of the change, and to adapt to it, quickly and effectively. But it’s the *smart*

marketer’s job to anticipate the nature of the change, and to apply that insight to providing consumers with what they demand, often before they know they want it.

The most intriguing shift underway in our definition of luxury may well be the changing nature of individual expectations. Luxury in the past has most often been defined on the basis of things, and the value people place on those things. But increasingly, possession or association with “things” seems less important as an end than as a means to something else—how those things combine to help create a sense of self.

In today’s world, luxury increasingly is defined as an expression of individuality, through the *unique and highly personal experience* that luxuries help provide. Luxury brands have become not just ends unto themselves, but also means to even larger personal aspirations.





BEYOND CARTIER AND DOM PERIGNON

As luxury increasingly has become attainable for more and more people, products and services that claim the luxury label have proliferated. In today's America, no matter how mundane the product category, there is a premium, or even a super-premium, brand. In bottled water, there is Evian, advertised as if it were champagne. Cape Cod Potato Chips have risen to the status

of gourmet treat, as have the ice cream products Dove Bars. The seemingly evolutionary drive to premium or luxury branding has now spread to everything from dish detergent to diapers.

The rapid growth of so-called luxury brands makes it easy for people to begin to define a lifestyle around brands—to accumulate brands as an emblematic display of a chosen lifestyle. Modern marketing terminology calls it creating a “consumption

EXEMPLARS OF STATUS THROUGH THE DECADES IN AMERICA, 1900–1950	1900	1910	1920
	Model T cars, pianos, radios, hand-cranked Victrolas	Fur hats, electric clocks, fountain pens, Cadillacs, Kodak cameras, transatlantic travel	Fur coats, movie “talkies,” gin, vacuum cleaners, washing machines

constellation.” Handbags, scarves, sunglasses, T-shirts, shoes, watches, and luggage are all items that can facilitate the process. They help you buy a link into a chain of associations, a chain that also holds other people. Consumers are often fully aware that they are more interested in consuming aura than objects, sizzle than steak, meaning than material. In fact, if you ask them, they are quite candid in explaining that the Nike swoosh, the Polo pony, the DKNY logo are what they are after. They are not duped.

IT’S ABOUT ME

If many of the truly affluent around us can claim a surfeit of material possessions, fewer can boast a comparable surplus of the most valuable commodity of all—personal time. In a world of multiple stresses, multitasking, multimedia, and multiple responsibilities, the ability to escape—to slow down and live in the moment—also has assumed a luxurious dimension. Vacation travel and homes are increasingly seen not as indulgence or display, but as treasured escapes.

Luxury also has assumed a highly personal face—almost literally. Consumers demand not just an experience but a personal experience. “Customization” or “personalization” are now firmly ensconced in the luxury lexicon.

Each consumer wants an experience right and special for him or her alone—in an automobile, vacation, or wine. In other words, just because it may be special for someone else doesn’t mean it’s automatically special for me.

This changing concept of luxury perversely can accommodate what would in traditional terms be seen as a completely contradictory value proposition. Today, consumers of luxury goods may go to Buddhist retreats, where the surroundings are Spartan,

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the food limited, and the physical demands extreme on the way to spiritual enlightenment. It’s “conspicuous austerity”—hardly the stuff of traditional luxury branding, but it carries premium pricing nonetheless.

CRACKING THE AFFLUENCE CODE

In this expanding definition of the luxury concept, information takes on a new and bigger role and importance.

Indeed, the information quest is a key difference between old money and new money. The newly rich don’t want just more

1930	1940	1950
Baseball tickets, canned foods, indoor plumbing	Televisions, air travel, college degrees, refrigerators	Color televisions, credit cards, visits to Disneyland, convertibles

information. They have a “need to know”—a drive to learn what it means to be truly affluent, how to “crack the code” of what it means to be associated with money.

Likewise, if luxury is more and more defined in terms of personal fulfillment and customization of experience, then consumers no longer will be content to select from a standard or traditional roster of “luxuries.” The luxury experience will embrace a much bigger universe of products and services—all of which must be discovered and defined. Marketers increasingly will have to bring not just more information to the consumer’s attention, but information that is intelligently selected and delivered—information right for a highly fragmented marketplace. The market’s “need to know” has expanded exponentially.

There’s an important implication here for luxury providers: the rising importance of personal relationships between consumer and marketer. One size definitely does not fit all, especially in a luxury brand. To provide a truly personalized experience, it’s critical to have a real understanding not of a market, but of the people who make up that market, and the specific triggers that make a brand experience enriching, rewarding, fulfilling, unique—or any of the other characteristics that satisfy the individual’s expectations for the luxury brand.

What luxury brand managers have experienced so far may in fact be just the tip of the segmentation iceberg. Marketers

already speak of the need to better understand the young affluent; working women; the super affluents; and the growing upper middle class that buys luxury brands. Luxury market segmentation still has miles to go.

WHEN BEING SCARCE IS A PLUS

If the definition of luxury is becoming subject to the tastes and predilections of an increasingly complex set of consumers, how is the poor marketer to begin to create a cohesive definition of luxury? Has the luxury brand become so specialized and fragmented that it can no longer be effective in a mass-market context?

Not necessarily. Witness some recent successes in luxury brand reinvigoration.

In December of 1999, Gucci bought Yves St. Laurent’s (YSL) ready-to-wear business and turned its attention to the once-exclusive Opium perfume brand. Gucci’s YSL Beauté unit recently relaunched Opium with a seemingly contradictory strategy of turning away some distributors who wanted to sell the product. Gucci proceeded to close nearly a quarter of the total outlets selling the perfume, including a duty-free shop in Hawaii that accounted for some \$10 million in annual sales. According to Gucci executives, Opium was “overdistributed,” so their strategy was to make it more difficult to find. One year after this strategy was

EXEMPLARS OF STATUS THROUGH THE DECADES IN AMERICA, 1950–2000

1950

Color televisions, credit cards, visits to Disneyland, convertibles

1960

Stereo sound systems, 35-millimeter cameras, Warhol lithographs

1970

Designer jeans, VCRs, solar homes

implemented, the operating margin for YSL Beauté climbed from 5.6 percent to 8 percent, and Opium rose back into the top five in the French fragrance market.

Tiffany & Co. has severed relationships with 260 retailers in the United States and 146 in Europe, giving up an estimated \$36 million in sales. Giorgio Armani has stopped selling its premium black-label \$2,200 suits at Wilkes Bashford, an upscale retailer in San Francisco.

Even rap mogul P. Diddy (a.k.a. Puff Daddy/ Sean Combs) pulled his clothing line from May Department Stores, thus sacrificing an estimated \$22 million in annual sales.

These lessons haven't been lost on other marketers, who increasingly see the value in moving aggressively to protect and, when necessary, reinvigorate luxury brands. And in most cases, an understanding of the various factors important to key target customer segments rests at the heart of each response path.

The number of ways to reach out to consumers with a taste for luxury is nearly endless. During the recent downturn in travel, the Four Seasons Hotels followed an aggressive marketing strategy—never budging from their room rate of \$600 per night. As a result, the occupancy rate for the

hotels is higher than its main competitor (The Ritz Carlton) and Four Seasons has five hotels that have earned five-star ratings.

Americans continue to want to reward themselves for working hard. In this case, all

GUCCI'S UNORTHODOX STRATEGY: ENHANCE OPIUM'S LUXURY STATUS BY MAKING IT MORE DIFFICULT TO FIND. THE RESULT: OPERATING MARGIN ROSE ALMOST 50 PERCENT.

the terminology associated with experiential branding becomes real and relevant: the brand is about helping customers attain the desired sense of self, of individualism, as well as accomplishment and "having made it." In this example, successful marketing can be said to not just embrace the usual marketing disciplines, but also to place the role of psychological and sociological understanding front and center in the requisite skill set.

THE FUTURE OF INDULGENCE

How is the evolving concept of luxury likely to play out? Futurists offer some intriguing insights into a brave new world displaying many of the same trends associated with the new definition of luxury.

1980	1990	2000
Vacation homes, BMWs, microwave ovens, junk-bond portfolios, personal computers, champagne	Flat-screen computer monitors, Internet stocks, Palm Pilots, cell phones, SUVs	BlackBerry pagers, flat-screen televisions, designer accessories for pets, Birkin bags



For example, our future approach to the most basic element of human experience—where we live—may be very, very different from the traditional view of “home.”

Rather than buy houses or apartments, people would occupy compartments—custom-manufactured living units, made of exotic advanced materials, produced assembly-line fashion with the precise luxury components desired by the individual resident. Once vacated, these modular new-wave homes wouldn’t so much be resold as recycled.

Imagine a suburbia made up not of bungalows or Cape Cods, but of customized structures of unique, perhaps playful, design and shape. Imagine living quarters that define luxury in new and different ways:

Granite countertops and trophy kitchens have given way to specialized technology and environmental automation as the icons of luxury. Safety and comfort supplant sprawl and square footage.

Farfetched? Perhaps. But the ideas inherent in this housing scenario already are playing out across the computer screens of architects, Web companies, and the housing industry. The industry is embracing the prospect—no, the *inevitability*—of change, and looking for ways to adapt. As the baby-boomer generation ages, so will their demands, for housing, and for other goods and services. By 2025, more than 62 million Americans will be aged 60 or more, up from less than 35 million today.

THE EYE OF THE BEHOLDER

So what can we learn from this about the evolving concept of luxury?

Success in luxury branding increasingly will be less about identifying and providing the trendy “things” important to people and more about understanding the role “things” play in people’s lives. The modern hallmark of luxury will be goods and services that enable individuals to achieve self-fulfillment and self-realization in a busy, noisy, fast-paced, and cluttered world.

Luxury is becoming a concept rooted in our modern drive to find personal meaning and satisfaction—about finding ways to feel good about ourselves—apart from the list of exclusive and select things we possess.

As a starting point in the process of dealing with this changing environment, marketers will need to think beyond the traditional notions of luxury. The roster of so-called “luxury” products already is expanding at a fantastic rate. The list may not be endless, but it’s certainly not finalized, either. In a world that increasingly defines luxury in individual rather than collective terms, there is plenty of opportunity for the creative mind.

That also means successful marketers aren’t as much providers of pricey or unusual goods and services as much as psychological agents capable of understanding those drives. Success depends on not just understanding the psyche and value systems of an increasingly fragmented marketplace, but also on establishing a relationship with

them that extends far beyond the traditional buyer-seller roles. It means giving people what they value most—from “quality time” for themselves in an exclusive hotel with the finest foods and whitest beaches, to an extended stay in an ascetic environment that fuels “self-discovery.”

Marketers will need to become information providers, guiding consumers through the process of self-discovery that enables them to find the luxury products and services that satisfy their unique needs.

It’s a daunting assignment. But a potentially rewarding one.

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