

Quality takes control



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The rules of luxury brands have changed in a recessionary environment. There are lessons for all marques within the microcosm of the premium market.

The meaning of luxury has changed over time. As consumers around the globe have become more affluent, it has become more difficult to tell the difference between what might be called a 'true luxury' marque and what is simple a premium extension of a mainstream brand.

These brands which aspire to be counted as true luxury marques must now create an air of exclusivity to maintain their upmarket status, a little like those members' clubs in London and New York that refuse to advertise their presence even by their doorbells.

But with the world plunging into a deep recession, are we going to see luxury deemed unnecessary? It was a telling sign when one former Lehman Brothers employee told the press, as her bank collapsed, that she would no longer be splashing out on Gucci.

|| A recession could be good news for the luxury brands that develop smart strategies. In a disposable world. ||

With even middle and upper-class consumers turning to Aldi and Lidl for their shopping, it seems logical to assume that the premium sector will see severe culls as consumers reduce their spending.

This would be a simplification of the situation, however. A recession could be good news for the luxury brands that develop smart strategies. In a disposable world, luxury purchases could become the new thrift buys if they are redefined as quality investments that will last.

Smart spending In 1949, Arthur Miller wrote of the horrors of 'planned obsolescence' in a capitalist society in his play *Death of a Salesman*. In the 1950s, building in obsolescence to products was an accepted strategy of industrial design; they were designed to last only a certain period of time to ensure that consumption rates continued apace.

Although it's officially illegal to build a product designed to fail before it's warranty period expires – at least in some areas such as the UK – we live in a society where nearly everything is disposable. Technology is partly to blame. The computer, TV or MP3 player we buy today will inevitably be obsolete in five years' time or less, thanks to the rapid developments in these fields.

Environmental considerations mean that the challenge for society today is not thinking about what we keep, but what we throw away. By purchasing your sweater from Prada rather than Primark, the argument goes, we avoid built-in obsolescence, and save money in the long term. You also avoid having to live with the knowledge that the product was bought low cost because it was made using cheap, and sometimes unfair, labour practices.



Timeless brands such as Bang and Olufen (above) and BMW (page 3) have built their reputations on the quality of their products rather than being in fashion

Delayed Gratification Which luxury brands will survive? People need to balance their desire for hedonism (immediate gratification) with their desire for contentment (delayed gratification, or products that provide long term solutions).

In boom times, consumers have chased self-indulgence, reward and recognition by buying aspirational items that appear to offer entry into the lives of the rich and famous. Psychologists have called this phenomenon 'the hedonic treadmill'.

Consumers act on their desire for a luxury product or service, but while the pleasure of this hedonistic consumption is intense, it is also short-lived. Therefore, those that desire the latest must-have product find they must move on to it's replacement almost immediately. As a result, in recent years most luxury brands have been driven by extrinsic badging or indulgent cues rather than by intrinsic quality or longevity cues. When was the last ad you saw saying your Gucci loafers are great because they last longer?

The desire for contentment through luxury is a different urge from seeking status and overt statements of wealth. Contentment is driven by brands that provide a foundation or basis for security and support. Health, wellbeing, safety and security are all equally strong human desires, but they have taken a backseat among the target audience for luxury products over the past few years.

The world is now changing with falling house prices, luxury brand consumers who once felt that buying a home was out of reach (and spent their disposable income on hedonistic, aspirational items) may now see an environment where property ownership becomes more achievable.

At the same time, the good times have come to a crashing end. When jobs are threatened and hedonism seems less appropriate, we are suddenly hearing people talking about old-fashioned words like 'thrift'. Brands that do not talk so much about style as their quality, such as electronics marque Bang & Olufsen or car firm BMW, have been able to build their brands not on flashy statements

but a perception that they are long-lasting and a wise investment. This now seems prescient.

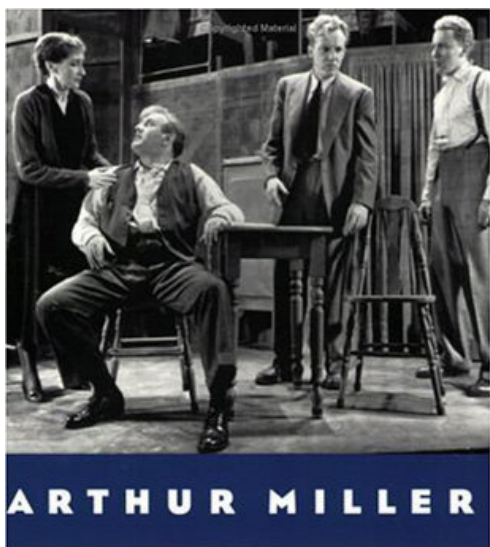
As the credit crunch continues to bite, products that represent superficial luxury – or those that are simply mainstream products with lots of premium badging – will be the ones that start to suffer. Consumers will shift their luxury spending to brands that have a tangible, functional difference as well as an emotional one.

Successful brands will balance the twin consumer desires of hedonism and contentment, providing luxury appeal with the reassurance of high quality and longevity. People will start to reconsider where the luxury brands come from. In some areas, such as the US, they are likely to look for products that are made in their own country to try and support the local economy. They may not choose to buy items that don't add value to their communities.

Branding Tips

Ways to keep luxury in vogue

- consumers won't stop wanting aspirational goods just because there's a recession.
- honesty will become more important in a downturn; everything about a brand needs to ring true to consumers.
- High priced goods need to talk about quality and longevity, not status or style.
- Think how brands can be best communicated without using ostentatious logos, looking instead at the experience they offer.



ARTHUR MILLER

Death of a Salesman



The concept of planned obsolescence, as typified in Arthur Miller's classic play (above), won't work for those seeking investment spending

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Timeless brand: BMW

Urban legend in Tokyo Even in Asia, where companies traditionally sell their luxury goods using a marketing strategy of offering to help consumer build status, there will be changes. There is an urban legend that more than 90% of Tokyo women in their 20s own a Louis Vuitton item but these purchases are often out of proportion to actual incomes.

Up until now, in a boom economy, this overspending has been acceptable. But now consumers in the Far East are downshifting from luxury brands to those that occupy the middle ground. People are looking less for brand badges and more for craftsmanship among the higher-priced goods; for cheaper products, they will want value for money.

In economic downturns, consumers may also be willing to continue buying luxuriously in one area of their lives, while saving in others.

People might not want to give up their holiday in a five star hotel but may fly with a low cost airline to get there. They might buy their staple groceries at a discount retailer but spend

their weekends browsing expensive farmers' markets looking for fresh, local seasonal produce. Another trend taking place in Asia is renting luxury items, rather than buying them – much as a UK consumer might rent a dinner jacket or a US fashionista might subscribe to the website Bag, Borrow or Steal, which lends out luxury handbags to its users. It's a business plan that may become more common in the future as it not only saves money while fulfilling the need for instant gratification, but cuts down on acquisition.

Perhaps the most important aspect of the new rules of luxury is that they don't just apply to premium goods. There is a trickle-down effect, and even the lower-priced retailers are now accentuating quality. For example, Asda's clothing brand George recently announced it would launch a range of longer-lasting clothes and move away from ads featuring celebrities such as football's wife Coleen Rooney to those using real people. So treating oneself could apply to a nurse buying herself a cashmere jumper from Asda just as much as a banker treating herself to Gucci.

Luxury won't disappear from our lives in the next decade, but clever brand owners will understand that the rules have changed. Forget bling; quiet quality is in.