Marketing and the Massification of luxury brands
The Massification of Luxury Brands – it’s happening!!!

Yes, it is happening across a broad set of categories and happening everywhere. Almost every marketer needs to think whether they have a Luxury Market Strategy in place. The big question is - **who can effectively capture this segment in your category?**

The best example ......
You are nothing without your Hermes bag
What is a luxury product?

Is economic terms, luxury products are those who can consistently command and justify a higher price than products with comparable functions and similar quality.

In marketing terms, luxury products are those who can deliver emotional benefits which is hard to match by comparable products.
What’s the definition of ‘luxury’?

luxe
lujo
luxo
luxury
lusso
luxus

inessential
expensive
sumptuous

inessential
expensive
sumptuous
What’s happening today?

We have a surplus of similar companies, employing similar people, with similar educational backgrounds, working in similar jobs, coming up with similar ideas, producing similar things, with similar prices and similar quality.

- Kjell Nordstrom and Jonas Ridderstrale
  Funky Business
What’s happening today?

We also have a surplus of **similar** brands, with **similar** brand attributes, **similar** marketing messages, making **similar** brand claims, with **similar** quality, selling at **similar** prices.

Welcome to the Surplus Economy!

- Idris Mootee
McDonaldization, Wal-Martization is everywhere. Individualism and diversity are being replaced by efficiency and social control. The principles of the fast food restaurant are going to dominate other sectors of our society.

Rocketing is getting more and more common. More people are spending a disproportional amount of in a category of great meaning to them.

Depressing TV News. People are taking a lot of stress these days. 24/7. Thanks to the information technology revolution, we’re bringing a lot of OPP (Other People’s Problem) into our homes.

Increased Liquidity of Luxury Goods. The distribution or redistribution of these products has just expanded. Thanks to eBay.
Luxury brands remain true to their heritage and stay expensive and exclusive
Luxury brands broaden markets and develop multiple brand extensions
Popular brand names develop/acquire up-market brands
Popular brand names using ‘luxury’ as a form of differentiation
Niche market players position themselves as luxury brands

State of the art technologies position as a form of luxury

Value–at-Heart

The massification-of-luxury players

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The value shift

**TODAY**

- Brand Leadership
- Make More Money
- Cost Leadership

**TOMORROW**

- Brand Leadership
- Make More Money
- Cost Leadership

**Example: Automobile**

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<thead>
<tr>
<th>Income class</th>
<th>Industrialised countries</th>
<th>Today</th>
<th>Tomorrow</th>
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<tr>
<td>Upper</td>
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(© German Ministry of Development 2002)
In the older culture, the limited production capacity of the economy sharply reduced aspirations to material comfort. In this surplus economy, much greater material satisfaction lies within the reach of even those of modest means. Thus a **PRODUCER** culture becomes a **CONSUMER** culture.
Now we all fit into **Consumption Communities**, no longer divided by “wealth, birth, political eminence” but by consumption. For marketers, brands and products need to be positioned to be **bought**, not **made**.
Living is more of a question of what one spends than what one makes.

- Marcel Duchamp
For many, what you buy is now more important than what you make, luxury is not a goal anymore, for many it is simply a necessity.
The brand pyramid

- **The Luxury Brand**
  - Pure Artist, Creator and Unique Creation. Not Scalable Business

- **The Leading Brand**
  - Exclusive, Prestige Image, Highest Quality and Service. Professional Management

- **The Quality Brand**
  - Mass Produced, Best Quality in Category. Enjoy Market Share Leadership

- **The Better Brand**
  - Mass Produced, Good Overall Price/Value Brand / Image Equation

- **Just Another Brand**
  - Constantly Under Cost Pressures, Unable to Build Brand Equity, Usually Outside of the Top Three in Market Share Leadership

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Massification of Luxury Brand

Luxurification of Mass Markets
Strategic response to the luxury markets (Traditional)

- **Price and Exclusivity**
  - Low
  - High

- **Purchase Frequency**
  - Low
  - High

- **The Luxury Core**
- **Extended Product Range**
- **Special Limited Editions**
Strategic response to the luxury markets

- The Luxury Core
- The Essential Luxury
- The Distinctive Luxury
- The Affordable Luxury
They no longer need all the things, though. They can walk past them and not feel compelled to have them, to own them, to experience the very best in life. They have the very best life can offer and they appreciate it. **They’re rich and now they found more important things in life than just expensive things.**
An example is Carrie Bradshaw, who owns about 100 pair of $400 shoes but cannot get a mortgage for her apartment because she has no money in the bank. Many like her belongs to today's luxury-rich-and-cash-poor segment. **Style, instead of wealth become the basis of social esteem.**
A typical Metrosexual (An urban male with a strong aesthetic sense who spends a great deal of time and money on his appearance and lifestyle) He is a clotheshorse wrapped around a dandy fused with a narcissist. **He has clearly taken himself as his own love object and pleasure as his sexual preference.**
They do most shopping at Wal-Mart since prices are good. But sometimes they wake up in the morning and start wondering if they deserve something better. Asking the question: “Can we for once afford something a bit nicer... *something that I can indulge myself?*"
Two myths about luxury marketing:

Luxury is **NOT** about the quantity or quality of thing. Luxury market does **NOT** mean a vast array of luxury goods or services.

In fact any ‘market’ consist of the people who are apt to buy those goods/services. Therefore, the luxury market is about **PEOPLE**.
HOW? Enhancing lifestyle through identity and social meanings

The consumption of symbolic meaning through the use of marketing communications and consumer communities as a cultural commodity, provides the individual with the opportunity to **construct, maintain and communicate** identity and social meanings.
Marketing becomes the ultimate social practice of postmodern consumer culture, it plays a key role in giving meaning to life through consumption.
It begins with a need and then feeling anxious about resolving it. The experience ends, if successful, with a feeling of relaxation or satisfaction. If it does not satisfy the need, the process is then repeated until it abates. We judge the act by the experience. We have gone from *product* to *process*, from *problem resolution* to *emotion seeking*, from *object* to *experience*.

**Evolution of consumerism**
The customer satisfaction treadmill
Let’s examine a few ideas………

Real versus the Imaginary
Material versus the Symbolic
Social versus the Self
Desire versus Satisfaction
Rationality versus Irrationality
Materialism versus Spiritualism
Real vs. Imaginary

Consumption sometimes operates at a level of the imaginary, but it can also have real effects in facilitating the construction of self-identity.

How real is the unreal?
Material vs. the Symbolic

Just as a product fulfills its ability to satisfy a mere physical need we enter the realm of the symbolic, and it is symbolic meaning that is used in the search for the meaning of existence. We become consumers of “illusions”.

Selling illusions?
Social vs. the Self

The function of symbolic meanings of products operate in two directions, outward in constructing the social world – social-symbolism – and inward towards constructing our self-identity: self-symbolism. In other words, using products to help us become our “Possible Selves”.
Desire vs. Satisfaction

Advertising often provides gratification and recodes a commodity as a desirable psycho-ideological sign. In fact, it feeds the desire to sometimes the unobtainable. Visuals are powerful because they never satisfy. **Meaning is created through continuous search for links between identity (social) and the self.**
Rationality vs. Irrationality

The expansion of “wants” reduces our choice to “want not” and sometimes makes the very idea of rational choice become meaningless. We’re in the era of the “empty-self” in which alienation can be solved by the “lifestyle” solution in which we construct a “self” by purchasing even of limited rationality.

Solution for the Empty-Self?
Materialism vs. Spiritualism

We use all kinds of tools everyday. We are tool users and tools are not the end but he means. So materialism does not crowd out spiritualism; spiritualism is more likely a substitute when objects are scarce. *When we have fewer things, we make the next world luxurious. When we have plenty, we enchant those objects around us.*
What is required for marketers to win these markets? 4 takeaways
1/ Ability to find out where your luxury sweet spot is
2/ Ability to combine the best of both worlds

**Artists vs. Managers**
- Prefer no licensing
- Limited distribution
- Intensive image advertising
- Lavish runway shows
- Dramatic designs
- “Small luxuries” for broader audiences

**Managers vs. Artists**
- Selective licensing
- Selective but broad distribution
- Moderate mass advertising
- Distinctive packaging
- Product placement
- Artist inspired designs
- “Mass prestige” for mass audiences
3/ Ability to embed and manage meanings in brands and products

Meaning does not necessarily emanate from the material or functional aspects of products or services. Consumer understandings and experiences of what are seemingly objectives properties are simply “culturally constructions”.

3/ Ability to manage the emotional component of brands

Marketers must manage the emotional component of brand experiences with the same rigor they bring to the management of product and service functionality. That means we need NEW TOOLS, NEW TECHNIQUES and NEW ORGANIZATIONAL SYSTEMS of CREATING a CUSTOMER EXPERIENCE-DRIVEN CULTURE.
Gracias
Merci
Thank you
Grazie

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