

Luxury: Gotta Have It At Any Price

by Joyce Kauf

How many times have you looked longingly at a Chanel bag or a Tag Heuer watch and thought / *have to have it*? How frequently have you flipped through the pages of the Neiman Marcus catalogue sighing over a designer outfit that's *so you*? How often have you imagined the thrill of sitting behind the wheel of a Cadillac Escalade?

What is it about luxury that sends a pulsating message to the brain, "I want it...I need it"? To understand this phenomenon, the Fashion Group assembled a panel of experts to look at "The New Face of Luxury: In the Eye of the Beholder." The November 19 symposium fittingly took place amid the Art Deco elegance of the Waldorf Astoria.

"We live in an age when unnecessary things are our only necessities," wrote Oscar Wilde. With that provocative quote, Nancy Berger, *Allure* magazine's vice president and publisher, set the tone for the lively discussion that ensued. As moderator, she challenged the panel to define the unique attributes of luxury and to identify the customer behavior that drives these purchases. Berger began by asking, "What is the motivation behind the desire to acquire? "

Jim Taylor, vice chairman, the Harrison Group, believes that "luxury is an expression of self, adding that it is not about what we can afford. Based on his 20 years experience in marketing to the affluent, Taylor concludes that luxury is based on "the perception of the object" and what it "affirms for the individual."

Cited by *The Wall Street Journal* as one of America's five leading business futurists, Taylor has formulated "Seven Lessons from the Trenches of Luxe." In doing so, he created a ``franglais" phrase, *object de luxe*—neither French nor English—to add a gloss to items of financial, esthetic, social and/or emotional value.

- Luxury is a necessity—part of the purchase intent of virtually all consumers.
- True luxury is the emotional connection an *object de luxe* holds for the customer—not in the object itself.
- The language of value is inversely modest in proportion to price or authenticity. A flawless, ten carat diamond needs little explanation.
- The stronger the emotional connectivity, the greater the marginal value to the seller. More meaning means more profit.
- The meaning grows to the extent that the *object de luxe* offers self-reflexive connections to a person's sense of self-esteem, competence and personal value.
- Inherent scarcity, consistency, transitivity, emotional connectivity and mastery of excellence in a category are the hallmarks of value.
- The value of the *object de luxe* is shaped by meaning, not design—even clumsy designs can be valued, collected and treasured.

"How do you define luxury?" continued Berger.

"Luxury is both a need and a want," said Barbara Cirkva Schumacher, executive vice president, Chanel, Inc. The luxury experience is "as much a part of the process as the product itself." It's all about getting "a piece of the club."

"It's not about a price point," explained Ulrich Wohn, vice president of marketing, Tag Heuer North America. Owners of this prestige watch share a sentiment—unspoken—but intuitively understood. "A Tag says 'You're already there.'"

To Jay G. Spenchian, executive director, Cadillac worldwide marketing, “Your product image communicates a personality that is understood by your peer group.” There is no need for an explanation—or justification. It’s an acknowledgement.

Does luxury then imply self-indulgence?” asked Berger. “Indulging yourself can be rewarding,” Spenchian admitted.

“In an affluent society, there is no meaningful distinction between luxury and need,” responded Jeffrey Netzer, vice president Neiman Marcus, quoting the noted economist John Kenneth Galbraith. “Are we just helping the needy?” he asked, eliciting a chorus of laughter from the almost 400 attendees.

Berger asked Cirkva Schumacher and Netzer to elaborate on the special challenge in selling luxury.

“The luxury goods customer has changed dramatically and some sales consultants have not yet recognized this fact,” explained Cirkva Schumacher. You can come into the brand and become part of the “Chanel club” with a lipstick, but the “consistency of experience should be the same as if the person is buying a suit.” This idea was reiterated by Netzer. “You have to do it right at the low end too.”

With an aging population, the challenge may be finding the next group of luxury buyers. “How do you speak to teens and those in their 20s? How do you bring them into the franchise?” asked Berger.

“We are faithful to our DNA,” explained Wohn. “Historically we offer different price points to meet them where they are at any point in time.” It is not about age or gender but more of a mindset. “Our message is the same—all the time.” Five years later a Tag Heuer is still relevant in looks and design. It still resonates with an element of timelessness. Their current customers are their best advocates.

With so many product categories, Chanel has an advantage in that it can appeal to different age segments. Yet Cirkva Schumacher acknowledged that the new customers are not yet brand loyal. But actions like Karl Lagerfeld’s venture with H&M help them reach out to a new generation—without compromising the brand.

“We didn’t tell them the Cadillac Escalade is cool,” said Spenchian. We let MTV fan the flames. “Cool brands just kind of happen if you are true to who you are.”

All the panelists agreed that their sales were driven more by editorials that reinforce the product’s aspirational aspect rather than by advertising. Celebrity endorsements can convey luxury if the reputation of the “cosmopolites”—as Taylor calls them—“radiates with the core brand promise.”

Another key factor—the ever-expanding role of technology—was acknowledged by most of the panel as a powerful medium driving sales of luxury goods. “Get to them at the electronic water coolers,” advised Taylor. Teenagers will graduate to brands later. But you have to reiterate it as part of their lives as early as you can.

Wohn extolled the value of CRM as a viable tool for viral marketing. Neiman Marcus’ online presence is an important component of luxury sales. According to Netzer, the Internet helps spread the “democratization of luxury without a store experience.” Spenchian pointed out that customers “never negotiate the same way in a showroom as they do in a safe environment.”

The luxury market was one of the bright stars of the holiday selling season. As retailers and manufacturers look to the future, they should pay close attention to the factors motivating customers' dreams and desires.

But they should also keep in mind the words of a master image-maker. "You may be living in the lap of luxury," said Orson Welles, "except that you never know when luxury is going to stand up."

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