

Q&A

## Urgent need for luxury brands to innovate as path to purchase is redefined

February 8, 2017



*Hems produces video vignettes of its products that nail the spirit of the brand, in this case, the trademark scarf showcased using contemporary technology to attract a younger clientele. Image credits: Hems*

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In the recent luxury insiders' study, titled "[State of Luxury 2017](#)," conducted by luxury business publication *Luxury Daily* and Unity Marketing, one of the critical calls to action for the luxury industry was an urgent need to innovate. This industry executive in the study shared:

"The change in how consumers define luxury and the new path to purchase is dramatically redefining the marketing strategy. Luxury brands must be very agile and innovative in order to gain the favors of the new luxury consumer."

Something old, something new

While the industry suffers no lack of creative talent to tackle the innovation challenge, luxury brands with their longstanding heritage and tradition face unique barriers to change, as this insider expressed: "Finding the right balance between innovation and tradition is a challenge for many brands."

Confronting the need to balance innovation and tradition, many luxury brands opt for small baby steps and modest tactical shifts, rather than the dramatic reinvention and innovation called for by the rapidly changing priorities and mindset that today's luxury consumers demand.

The insiders' survey probed on the changes that luxury brands planned to invigorate their brands.

Most insiders shared their focus for growth was a take on the traditional 4Ps of marketing product, price, promotion and placement shifts. This insider summarized it thus: "New products, new channels, ease of cost comparison, product and service differentiation."

Another study respondent said, "Diversify our portfolio and find new paths to market that will help develop our market, find new customers, as well new ways to market our products."

These moves are all well and good, but they will not overcome the consumer complacency luxury brands must beat to grow.

With the critical need for innovation front and center, I sat down with Mickey Alam Khan, founder and editor in chief of *Luxury Daily*, who from his unique vantage point of watching, analyzing and reporting on the luxury industry every day, has a valued perspective on how luxury brands need to innovate and grow.

Innovation means different things to different people and different industries. What does it mean specifically for luxury brands?

Innovation to luxury brands signifies progress in technology, sustainability practices, and more effective communication with customers and prospects.

Marketers have to show their audience that they're not ossified, but also march to the beat of progress while maintaining brand authenticity and integrity.

What makes the tension between innovation and tradition such a stumbling block for luxury brands, in particular? Balancing innovation and tradition should not be tough. The luxury business is not like Western classical music, almost frozen in time and limited to two centuries of output.

Luxury brands have to evolve with the lifestyles of their customers and prospects.

Baby boomers had different tastes from their parents and Gen Xers and millennials are more inclined toward collecting experiences rather than simply accumulating material goods.

So the challenge is to turn the luxury product into an experience, or at least the act of purchasing the product or service.

Thinking of change, many luxury brands have had to deal with death of iconic leaders/founders, which inevitably requires innovation to manage the transition to new leaders? What can other brands learn from heritage luxury brands that managed this transition well?

In terms of brands surviving their founders, I'm a firm believer in building the brand over the individual. The transition has to successfully occur over the founder's lifetime.

Founders also must know when to exit, so as to give breathing room to successors to manage the brand and institutionalize the values and codes.

Successful brands survive their founders. Heritage names such as Cartier, Hermes, Louis Vuitton and Chanel come to mind, albeit even they have had their fair share of ups and downs.

One of the luxury insiders surveyed said, "Customers are changing, old established luxury houses are struggling to keep up with developments, creative destruction opens opportunities for new companies." What does the idea of creative destruction mean for luxury brands?

Creative destruction is more of a management construct than anything. What luxury brands need is creative evolution.

Take Herms, which started out as a saddler. The company still makes one of the best saddles in the business. What the brand did is carry those values and care for quality and craftsmanship to other allied lifestyle categories.

Now, **Herms** is known more for its scarves and ties than saddles, earning some of the highest profit margins in the business as it has evolved into an all-embracing lifestyle brand from self to home products.

Several of our luxury insider respondents point to diversification as an opportunity for innovation. How can a luxury brand manage diversification without diluting the brand value?

Luxury brands obviously look to diversify to grow their streams of revenue. But they should not dilute what their brand stands for beyond certain limits.

Burberry and Gucci paid a price for indiscriminate licensing, but finally dialed back to restore their brands to health.

I'm a big believer in focus.

If brands want to diversify into other product categories or services, they should under the umbrella brand. But another alternative would be launching a subsidiary brand or collaborative partnership, so that the exclusivity of the key brand is not jeopardized.

Another call out in our study is innovation through channels of distribution. Besides the obvious Internet are there any emerging channels that offer opportunity for luxury brands that they may not be thinking about?

One lesson for luxury marketers navigating the 21st century is to focus on the customer, and not simply the channel.

The customer shops the brand and wants equal convenience across all channels. It's a challenge, I'll admit, because the luxury experience is best had in the bricks-and-mortar store.

But the rich are also quite tech-savvy and prefer shopping online and on their phones and tablets.

So an equally sharp branded presence across all channels will be mandatory for luxury brands to thrive. Ignore ecommerce and mobile commerce at your own peril.

Several insiders commented that luxury companies are simply too slow to change. How can brands create a business environment that encourages change in important ways, yet maintains even keel in the face of marketplace ups and downs?

Luxury brands are rightly slow to respond because they play the long game.

For the smart ones, their actions of today determine their longevity into the next few decades.

Luxury brands are amongst the oldest brands around the world. And the reason for that is they don't hasten to join the latest fad.

But the Internet and mobile have changed all of that.

What brands have to do is stay true to their customers' desires and wants, regardless of market shifts, but also retain age-old values that symbolize quality, craftsmanship and a care for heritage.

Successful luxury brands have to embrace the right combination of high-tech, high touch.

[Please click here for more details on the State of Luxury 2017: The Insider View report](#)



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