

MARKETING

Luxury brands must guard themselves against emerging threats

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Luxury brands should think about working with Amazon. Image credit: Amazon

By SARAH JONES

NEW YORK Consumers have more options than ever before, necessitating that luxury brands defend themselves against encroachment from new competition.

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The "Threat From Premium Brands to High-Luxury" panel during Luxury FirstLook 2018: Exclusivity Redefined on Jan. 17 discussed the many different pressures being exerted on luxury, from Apple to Amazon. As premium players increasingly disrupt and challenge luxury, the very notion of exclusivity is also being disrupted.

"There's way more choice than there ever was before," said Jasmine Bina, CEO of **Concept Bureau**. "Premium is definitely eating into the luxury category.

"Sometimes the concept [of exclusivity] doesn't entirely ring true in today's environment," she said. "I believe some millennials read exclusivity as being possibly out of touch or outdated and people are always banging at the door wanting more access with the sharing economy and social media.

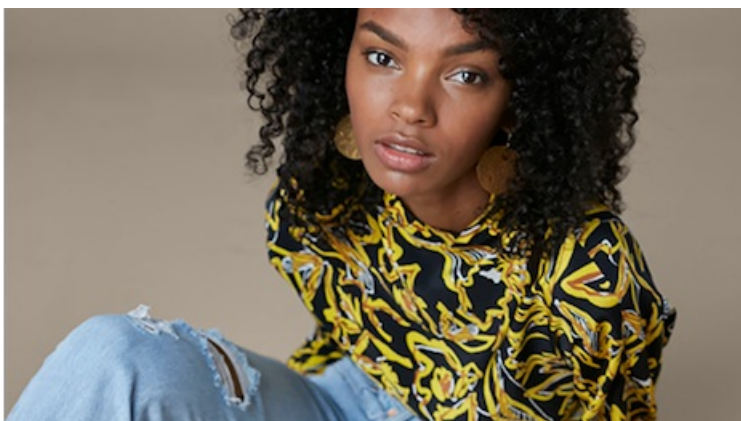
"So I think...there's no clear cut answer when it comes to what exclusivity means today."

Luxury FirstLook 2018: Exclusivity Redefined was produced by Luxury Daily

Up-and-coming competition

Millennials have grown up in a world in which many institutions crumbled, from Wall Street to marriage. According to Ms. Bina, this has led to a distrust in authority among this generation, which is a threat to the idea of luxury.

In this new environment, consumers wield more power as they seek out products that fit their personal brand. This has led to more mixing and matching, as consumers might find themselves wearing both high-fashion and streetwear.



DVF has partnered with Levis to reach the high-low buyer. Image credit: DVF

Chris Paradysz, CEO of [PMX Agency](#), also sees that consumers consider themselves the new luxury. With the relationship between brand and consumer closer than ever, brands can listen to their customers and use them as a guide.

While consumer feedback can direct brands, luxury also has a need to educate customers to prevent trading down or lost wallet share.

Three-quarters of [Elite Traveler](#)'s audience came into their wealth within the last 10 years. Most of the affluent with the funds to spend on luxury did not grow up with high-end merchandise, necessitating communication about products.

Greg Licciardi, the magazine's chief revenue officer for North America, said that online research might not be enough for consumers to make a decision on a significant purchase. Rather than immediacy, for luxury brands it is more important to get the right message to the right customer.

Amid an increasingly fragmented brand environment, some mass players such as Amazon and Apple have successfully created purchasing ecosystems, allowing them to maintain customer loyalty. According to Ms. Bina, while luxury brands may not be able to recreate this concept, some have been successful at establishing community, such as automakers positioning a car purchase as an entrance into a club.

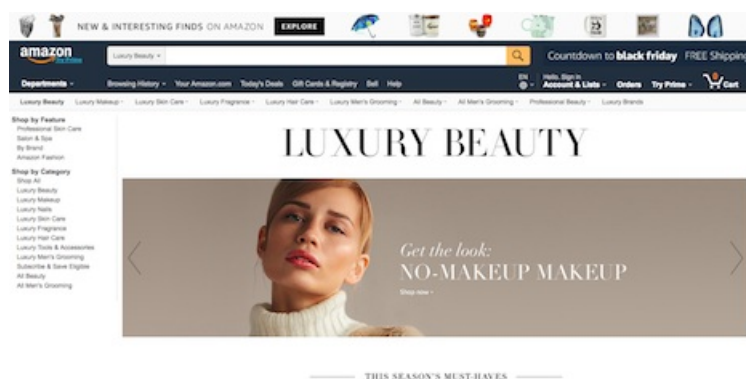
For instance, British automaker Bentley Motors expanded its driving tours with new locations and partnerships to draw new consumers and treat Bentley loyalists to curated experiences.

The tours traveled through Britain, Italy, France and parts of the United States and link up with luxury partners such as Chanel and Harrods. Providing customers with experiences that situate a brand in the larger context of luxury while demonstrating the best of what showcased products can accomplish enables automakers to cultivate loyalists ([see story](#)).

Amazon approach

Today, 55 percent of customers start their purchase journey on Amazon, with the platform becoming a key point of discovery as well as a channel for commerce. While luxury typically does not sell on the ecommerce site, high-end brands are common search terms used by customers.

Donnie Pacheco, co-founder and principal at [Clean Channel Consulting](#), pointed out that since many luxury brands do not work with Amazon, often what consumers see when they are searching is unauthorized or grey market results. Others may be redirected to alternatives or find no results and assume that a product is not available at all.



Amazon's Luxury Beauty section. Image credit: Amazon

Even if they do not want to sell via Amazon, brands can find other ways to have more control over their presence. Mr. Pacheco suggests looking into advertising or establishing a brand experience to own the narrative as consumers are seeking them.

Amazon's data rich environment means it can serve up marketing on a very targeted level, reaching consumers who would be more apt to have an interest in luxury. An advertising agency itself, Amazon is changing more than just retail.

"I don't think they're quite ready for luxury brands to come and sell on the platform, but if you engage with them and understand what they're doing you can get input on what it would take to get to that place," Mr. Pacheco said.

As ecommerce giant Amazon disrupts and challenges retail, marketing, merchandizing and distribution traditions,

the luxury business across disparate sectors is not immune to heightened consumer expectations.

While typically considered to serve a separate audience from luxury, Amazon counts many affluent consumers among its customer base and competes for wallet share of luxury buyers. Even though the Seattle-based retailer's forays into luxury categories such as beauty and fashion have so far proven failures, Amazon's weight is forcing luxury businesses to adapt to its methods of selling ([see story](#)).

In the face of ecommerce giants such as Alibaba and Amazon, marketers need to learn new skills.

"Defending your brand is as much a part of our responsibility as marketers as it is telling the stories in the traditional ways to make sure we connect emotionally with what is so special and core to that product," PMX Agency's Mr. Paradysz said. "But defending our brand is something new and if we be inert, we will be encroached upon as luxury marketers."

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