

COLUMNS

12 luxury myths destroying your business

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Luxury is going through another transformational phase. Unfortunately, in times of change, there is so much noise in the system that it is very difficult to hone in on the true signal.

Myths abound with respect to the definition of luxury and luxury consumers.

Today, anyone who feels empowered by the chaos, declares themselves a luxury expert and proceeds to declare what they know to be the ultimate luxury truth.

From this, a great deal of mythology is making the rounds in the luxury media and luxury events.

Below are the top 12 myths and the corresponding realities that stand as the greatest obstacles to high-performance in luxury in 2019.

Myth #1: Time is the ultimate luxury. The reality: A high return on invested time (ROIT) is the true ultimate luxury.

Most luxury brands today are trying to emulate Amazon in efficiency, and fast delivery tactics are important. However, those are expected commodities.

What luxury clients require is an extraordinary experience when they invest their precious time, whether online, in a store, at a spa, or restaurant.

Extraordinary client experiences require the highest level of expertise in your product or service category, combined with deep human connections built through rich interactions with emotionally intelligent human beings.

Myth #2: The luxury client is excessively private and is not approachable. The reality: Luxury clients are, in fact, excessively private. And they should be. They have plenty to lose. However, the reality is that they are extremely selective versus unapproachable.

In luxury, delivering the best products and services, to a large degree, is assumed.

True luxury client are seeking a relationship with an honest, expert and trustworthy individual within a brand to provide insights and guidance. They are more than willing to provide their personal data, relevant insights, and tell

you exactly how they would like to be treated, if you build an emotionally intelligent relationship with them first, and foremost.

Myth #3: Luxury leads in exceptional client experiences because of its best-in-class training programs. The reality: The luxury business is excellent at product knowledge training and excels in training for etiquette. However, luxury brands fail to train and educate their people for the last mile consistent and creative relationship building skills that drive emotional connections.

The luxury business, given its high-value goods and services, should be leading the way for all other industries in sales training. Instead, it lags business-to-business firms in innovating in critically required business development skills and emotional intelligence.

Sales associates should be taught, required and compensated to conduct their own outreach to cultivate and grow long-term client relationships.

Today's low traffic demands that luxury selling be 80 percent proactive business development and 20 percent serving organic traffic.

Myth #4: The luxury ecommerce experience is primarily about user experience (UX), automation and chat. The reality: Digital marketing has done some good but has also damaged the online luxury experience via pure automation.

A growing number of smart luxury goods brands recognize that providing a human connection can dramatically enhance the online experience. They are putting in place personal shoppers or partnering with trusted expert advisors, who schedule client appointments and curate an online experience that leads to much higher conversion rates, higher transaction values and lower returns.

Myth #5: The sales associate has been rendered irrelevant by digital technology. The reality: Luxury sales associates have every opportunity to be hyper-relevant by transforming themselves into emotionally intelligent, trusted, expert advisors.

Boring store transactions are dead, but high-performance multichannel relationships, driven by expertise and human connection are thriving.

Ultimately, this only works when the sales associate and the appropriate digital technology can work together to optimize, not compromise, what each does in building value for clients.

Myth #6: Chinese clients are willing to buy everything with a luxury logo. The reality: Chinese clients have become highly educated, discerning and sophisticated luxury clients in record time.

Logos are appealing, but many brands with subtle branding are appealing more to Chinese clients who are completely confident in their new wealth and in their own skin.

The Chinese luxury consumer is on the leading edge of luxury trends and may soon become the most sophisticated in the world.

Myth #7: The economic bifurcation is between the luxury industry versus mass market. The reality: While all boats in luxury were once lifted by a rising economic tide, today the luxury industry is divided into a very few big winners and many mediocre and poor performers.

Many of the losers are luxury pretenders who wrap their messages in luxury values, but deliver mass-market experiences at high prices.

Luxury brands that want to be successful must differentiate themselves from the luxury pack to a much greater degree than ever before.

It starts with products and services that are unique and it builds through time with a human relationship. That is what justifies luxury value and price.

Myth #8: Customer loyalty is dead in the luxury business. The reality: Luxury used to be populated by a very select group of brands. Now, every luxury category has far too many competitors.

Clients are inundated with too many choices that call themselves luxury, but are far from it.

True luxury brands continue to prove that they can retain their clients and their offspring over several generations.

Loyalty requires a far greater, better, effort today, but is completely attainable.

Myth #9: The only way to protect a luxury brand's equity is to maintain complete control of all ideas and activities. The reality: Brands can maintain their DNA and identity and still use open innovation methods to disrupt, reinvent and transform themselves to remain highly relevant in today's evolving luxury industry.

Brands do not have to compromise their values and DNA to thrive.

Myth #10: Only the top 20 percent of clients really matter to a luxury brand. The reality: For most luxury brands, the top 20 percent of clients drive 70 percent of sales. Luxury brands are exhausting their top 20 percent of clients and are seeing a drop-off in retention.

Some brands are so reliant on top clients that 10 percent of the clients account for 70 percent of sales. That metric is unsustainable.

Brands have huge opportunities to cultivate short- and long-term relationships with the remaining 80 percent of clients, many of whom are high income, high-net-worth individuals who buy luxury from competitors.

Myth #11: If you want to grow substantially as a luxury brand, you must have the largest marketing budget. The reality: Big marketing budgets generate awareness and trial, but they have limitations beyond those two opportunities.

The way to grow large and profitable in luxury is to deliver the highest value products and services via extraordinary experiences that make clients feel special.

Happy clients become a brand's best advocates, and the brand grows dramatically through customer retention and referrals. This has been proven over and over, but it is hard, laborious, highly skilled work.

Lazy luxury brands would rather spray and pray with marketing than roll up their relationship sleeves.

Myth #12: Luxury brands should only hire executives and front-line people who have luxury experience. The reality: Today, many luxury brands are so inbred exclusively in luxury that they have locked themselves into vicious cycles of ineffective groupthink and obsolete behavior.

Many people in luxury today have expired mindsets with expired experience for a changing world.

Cross-pollination with talented individuals who are emotionally intelligent from all industries and industry segments is the way to drive open innovation and long-term success.

The product knowledge can be easily taught to talented individuals. People who have that predisposition more easily perfect the emotional intelligence skills.

LUXURY MYTHS are rampant today, and many of the pundits who deliver these myths have zero empathy because they have never experienced luxury themselves from a professional or client perspective.

Luxury is, and always will be, one of the greatest opportunities for innovative brands to deliver the best of something, with humanity and deep care, to human beings.

True luxury players, who are in it for the long run, live by that mantra. Some luxury brands would be wise to remember that in tumultuous times.

This article's postulations were gleaned from members of the Luxury Institute's Global Luxury Expert Network

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