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Q&A: Unity Marketing's Pam Danziger on the State of Luxury 2020

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Luxury Daily's State of Luxury 2020: The Industry Insiders' View report is produced in conjunction with Unity Marketing and The Home Trust International. It is available for free with a new annual non-refundable subscription to Luxury Daily.

By STAFF REPORTS

The fourth edition of *Luxury Daily's State of Luxury 2020: The Industry Insiders' View* with Unity Marketing and **The Home Trust International** struck a note of pessimism for the year ahead even as brands and retailers amp up their social strategy and digital advertising while charting a return to print media for more effective branding.

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A survey of nearly 900 senior luxury executives from hundreds of companies across the luxury ecosystem found that only 21 percent of the respondents expected business conditions in 2020 to improve compared with 52 percent for 2019. Concerns on their mind include geopolitical concerns, younger generations into conscientious consumption and the ROI of social media marketing.

"For 2020 the opportunities look bright for brands that lean into the many challenges they will face this year, rather than try to run and hide from them," said Pamela N. Danziger, president of **Unity Marketing**, Stevens, PA.

"With the China market for luxury threatening to stall, all eyes are returning to the U.S. market where the number of millionaires far outnumbers those in China, 18.6 million as compared with 4.4 million," she said.

At 99 pages and 38 charts, the *State of Luxury 2020: The Industry Insiders' View* report is the luxury business' most in-depth look at what is uppermost on the minds of decision-makers at the world's leading luxury brands and retailers. **It is available for free to new annual subscribers of Luxury Daily (a \$595 report that comes free with a \$349, non-refundable annual subscription).**

Here is a detailed Q&A that Mickey Alam Khan, editor in chief of *Luxury Daily*, conducted with Unity Marketing's Ms. Danziger:

What was chief finding of the study?

In a study this rich in data our survey included around 900 responses from luxury goods and services companies, as well as advertising, consulting and media agencies that support luxury companies it is hard to identify just one chief finding, but if forced to do so, I would say that the consensus has turned markedly less optimistic about prospects

for the luxury market in 2020.

Most striking is the drop in the number of insiders who expect business conditions to improve in 2020. It has declined by more than half in this year's survey. Last year, 52 percent expected business conditions in the 2019 to improve, whereas this year only 21 percent expect improvement in 2020.

This year's *Luxury Daily* word of the year is "Sustainability," and that applies to both the products and services we deliver, as well as our businesses.

Rising uncertainty among luxury industry insiders makes "sustainability" of their businesses and business models a primary concern for 2020.

How did this year's findings differ from last year's?

In the 2020 survey we had a significantly greater level of participation of luxury experiential companies represented in our survey sample.

Since luxury consumers are shifting spending more toward experiences than luxury goods, the addition of more experiential luxury insiders is a welcome addition.

While we continue to ask a series of questions year-after-year about insiders' businesses, advertising and marketing, social media, market trends and business conditions to track trends, this year's survey included a question about the impact of the U.S.-China trade war. The results were surprising. While some see it as threat to their company's growth, many more see it as a potential boon to the luxury market and their niche in it.

In particular, many insiders see that it has brought attention to the unfair price advantage Chinese-made goods have enjoyed, as well as the question of quality of such goods, so that the perceived value of true luxury brands from the U.S., U.K., France, Italy and Germany will be elevated.

One insider related, "It will level the playing field for companies not producing in China," and another said, "It helps us since people are more conscious about the value of what they buy and are realizing some things are worth paying more for."

Was there a trend or pattern you have detected since the State of Luxury study was begun?

The overriding pattern I sense over the four years that we have conducted this survey is that as much as things change, they also remain the same.

Every year there is a call for more innovation, creativity and trying new things, yet there seems to be a tendency to keep doing the same things and investing money in the same strategies that may have worked in the past, but are becoming less and less effective.

For example, while nearly two-thirds of luxury companies plan to spend more on Internet and digital marketing, social media, in particular, has over-promised but under-delivered results for many.

With Instagram and Facebook the most widely used social channels 84 percent and 83 percent, respectively only 25 percent of Instagram and 14 percent of Facebook users rate these channels as very effective.

And the measure of Instagram's and Facebook's effectiveness declined in 2020, from 33 percent for Instagram last year and 17 percent for Facebook.

On the other hand, this year's survey suggests luxury companies are returning to print advertising.

While digital advertising may be efficient, but its effectiveness in communicating a brand's true luxury value is in question. That may be why in luxury there are early signs that companies may be turning back to print advertising as a more appropriate medium to elevate their brand messaging and reach deeper into the affluent market.

This is not to say they are abandoning digital, rather they are rethinking how print can enhance their reach and messaging.

What is uppermost on luxury marketers' minds?

This comment from one of the luxury insiders says it best: "It is not so much that luxury has lost its meaning, as it is that luxury has to evolve its meaning. Now it is much more of an omnichannel experience. It gives us the opportunity to redefine luxury as a service or experience vs. being simply an object of desire."

Much concern is expressed that the meaning of luxury is not well understood by many consumers, or even among luxury companies, giving rise to an opportunity to return to what made luxury great in the first place: quality, craftsmanship, design, attention to detail, uniqueness and authenticity.

"We need to reinterpret luxury from labels and conspicuous consumption to a quest for goods and services that are personal, authentic and unique. Many successful companies are returning to this definition," expressed an insider.

What are they optimistic about?

Luxury insiders are optimistic about the growing wealth class, but at the same time, they are keenly aware of the resentment felt by those left behind.

They are optimistic that their own companies have what it takes to succeed in the current market, all the while they are far less so for the luxury market as a whole.

They are optimistic about the current strength they see in the U.S. and global economies, but at the same time, extremely cautious that a downturn is pending given the rapidly changing economic and political forces.

What keeps them concerned about the luxury business?

They are concerned about the changing ways luxury consumers are shopping, choosing more sustainable options and practicing conscientious over conspicuous consumption.

Is digital growing into a bigger piece of the retail piece?

In their classic book, *The Luxury Strategy*, J.N. Kapferer and V. Bastien wrote, "For luxury products to flourish on the Internet, two conditions must be fulfilled: correct, personalized identification and multisensory experience. Today's Internet world is a sensually reductive world: it is not experiential enough."

At the time of publication in 2009, the authors believed that the Internet was for showing, not selling luxury. But that ship has sailed, as a vast majority of luxury goods companies already sell online and some two-thirds of experiential luxury companies sell some products there as well.

Navigating successfully in the virtual, non-tactile and de-personalized digital world and the experiential physical world is a challenge that luxury brands face, as this insider said: "How to create a luxury experience online? Do luxury consumers actually want to buy an expensive luxury item online without any physical experience? How can we ensure that we still feel exclusive and special online?"

What about bricks-and-mortar retail how will that evolve this year based on the study's results?

While many see opportunities online, others are looking to enhance the in-store experience and see more popups, more branded boutiques and more independent retailers as avenues for growth that delivers more experiences to shoppers.

Luxury goods companies understand physical retail is where luxury brands can create true luxury experiences for their clients, such as this one who sees personalization as key to its future: "As customization and experiences grow, we believe this is a HUGE opportunity for retailers and also for consumers looking for a bespoke customer experience."

And another finds personal customer experience a priority with "new experience-based' partners," and continues, "Our top customers tend to connect worldwide with high-end events and we look for partners who can collaborate and assist especially in new markets."

How is 2020 likely to turn out for luxury brands and retailers based on the study's responses?

For 2020 the opportunities look bright for brands that lean into the many challenges they will face this year, rather than try to run and hide from them.

With the China market for luxury threatening to stall, all eyes are returning to the U.S. market where the number of millionaires far outnumber those in China, 18.6 million as compared with 4.4 million.

The still-strong U.S. economy offers opportunity for entrepreneurs and dreamers to create new expressions of luxury in both goods and services and explore new business models that will turn their creativity into profits.

The opportunity keywords revealed in the 2020 State of Luxury Study are:

- **Collaborations** Some 50 percent of insiders identify this as a growing trend in 2020 and it doesn't just apply to streetwear brands, but to true-luxury collaborations, like Armani and Ferrari.
- **Sustainability** The luxury resale and rental markets, as well as lab-grown diamonds, illustrate opportunities for companies to create sustainable new business models that address the growing concern for sustainability among consumers.
- **Personalized experience** Every luxury consumer is an individual who deserves to be treated in a way that acknowledges their specialness. Bespoke and made-to-order, as well hands-on customized design, travel and other services, are the highest expression of it. "Consumers have a quest for experience and luxury that delivers a story. They find it in handmade, artisanal products and personalized services," said an insider.
- **Craftsmanship and quality** The future for luxury is to return to its roots of craftsmanship and quality, after too long letting those slide in the search for sales growth. The idea of craftsmanship doesn't just apply to luxury goods either, because the best luxury service and experience brands take a craftsman approach to the professional services they provide, whether in the home or on the road. That craftsmanship guarantees the quality.

This luxury insider sums up the opportunities for 2020 and beyond: "Broad cultural/societal diversity will challenge brands to attract and provide voice to diverse creative audiences. The ones that get it will stand out and create more interesting and differentiated products and services. This is a great opportunity for new, emerging brands."

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