

MARKETING

## What luxury brands will need to know in 2022

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*The luxury industry is undergoing its biggest disruption ever. That is why analyzing its disrupting forces will be crucial for brands in 2022. Image credit: Shutterstock*

By [Daniel Langer](#)

The luxury industry is undergoing the biggest disruption it has ever seen.

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While the top players from five years ago remain the same, the underlying business model has changed dramatically, competition has exploded, and the distance between the best brands and their followers has significantly increased.

At the start of 2022, it will be critical for brands to analyze the industry's disrupting forces and become innovation leaders rather than followers.

Today, challenges are multifold.

One of them pertains to the luxury metaverse. Many see it as an overhyped niche, but, as [Elon Musk](#) recently stated, the metaverse has implications far beyond augmented and virtual reality (AR/VR). In a reality where consumers decide how to engage with brands, branded experiences must be coherent, regardless of the access point.

To do so, data generation (CRM on steroids), analytics (advanced AI beyond what most companies use today) and data-driven actions (highly automated support tools for digital sales) have quickly become critical success factors.

As such, the luxury leaders of the future must fundamentally become data companies centered around the customer. They must provide a fluid metaverse experience no matter the customer's global location, where they shop, and whether they experience the brand online or off.

While many brands claim they have this capability already, the cold reality is different.

I just audited the experiences of a leading global luxury fashion brand across several locations and touch points and every interaction felt separate. Instead of seeing a single brand experience, it felt like several different brands. In a metaverse reality, that is deadly.

Radical customer-centricity cannot be random. It requires strategy, tools, rigorous training and flawless execution.

Since data is becoming an enabler for brands, countries are making access stricter.

One of the harshest regulatory changes comes from China, where data has become a key means of production. In fact, it is now considered a national security concern when data gets accessed by outside interests.

The result has led to rapidly tightening regulations on privacy through CSL (critical information), DSL (regulating data as a national security issue) and PIPL (privatizing personal data).

As such, it has become much harder nearly impossible to use consumer-specific data globally.

For luxury customers who live cosmopolitan lifestyles, receiving consistent experiences based on their preferences and past purchases has gotten less and less likely. And for brands, it means that the stakes in creating consistent brand experiences have become dramatically more crucial and challenging.

But this barrier is not the only one coming from China's changed regulatory framework.

Since President Xi Jinping demands reformed social values, equality and common prosperity in China, regulators intensified their crackdowns on celebrity and youth culture in 2021.

The fear is that celebrities and their fans could create chaos, envy and distrust among the general population as they promote what authorities see as "extravagant pleasure."

As a result, China's Cyberspace Administration issued regulations on celebrities, as well as their advertisements and fan groups. These laws threaten to ban fan-run pages, which sometimes consist of tens of millions of followers.

Many Western luxury brands have relied heavily on **Chinese key opinion leaders**, influencers and local celebrities, but their over-reliance could turn into a disaster if the sentiment toward celebrities changes.

At some point, showing excessive wealth may not be cool anymore in the market that was the luxury industry's savior during the pandemic.

Another challenge is the rapid changes to Chinese social media platforms.

Many Western brands have constantly been running behind, to the point where the Chinese digital reality looks out of many brands' reach. Once they catch up with one platform, its influence may already be waning as new platforms quickly emerge and grow in China.

One example is **WeChat**. While only 10-15 percent of Western luxury brands have mastered WeChat, many young consumers already see it as an "old person's platform." Therefore, many have moved on to newer alternatives and online games that provide more specific social functions.

For many brands that still have deficits on the major platforms in China, that means the gap to become a best-in-class company is increasing.

Lastly, the immersion of technology into all aspects of luxury and ambitious **Gen Z** startups are requiring traditional brands to completely change their approach to legacy categories.

As the speed of change increases at an accelerated rate, brands must not simply talk about agility. They must also do something about it.

Speed, market aggressiveness and radical customer-centricity are what brands must develop to be successful. And this is the opposite of the traditional mindset that has been dominant in many luxury categories for decades.

Consumer preferences are shifting, too.

Health and social responsibility are becoming deciding factors for luxury consumers, especially in China and Japan. Brands that just talk about sustainability will be in for a rude awakening. Consumers will not accept greenwashing anymore. They want to see tangible and specific actions. And when they feel cheated, they move on.

Recently, **Chanel** experienced a massive backlash over its now-infamous Christmas calendar. While it was highly anticipated, customers felt it was massively overpriced for what they got. The brand may have gotten away with several price increases over the last few months, but people do not forgive when they feel the value is not there.

That leads to a challenge all luxury brands face: how to price. It is one of the most elusive topics in luxury, and mistakes are costly.

Too many brands have made spectacular errors during the pandemic, from promotions to not backing up their high

prices with extreme customer value, in both cases, alienating their best customers.

Last but not least, in an increasingly digital world, luxury brands must get back to the basics. They must strengthen the brand positioning, optimize brand storytelling, clearly differentiate from the competition and create desire by leading the industry in creative innovation. But they should balance their risks carefully.

A winning strategy is to develop brand icons and then create a steady flow of limited editions around them, reducing the risk of failure and creating renewed desirability around proven products.

Are luxury brands prepared for the challenges of 2022 and beyond? Only they can answer this question after going through rigorous strategy audits.

But one thing has become clear: The luxury market is becoming increasingly complex, with an ever-growing number of challenges. Yet, these are exciting times for brands with a winning mindset and a leadership mentality.

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