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MARKETING

Will Gen Z break up with your luxury brand?

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Half of the existing luxury brands today likely will not survive by 2030. They must deliver a best-in-class performance or risk becoming obsolete to Gen Z. Image credit: Shutterstock

By Daniel Langer

According to recent research findings, one in two luxury customers is likely to switch his or her preferred brand over the next two years.

In line with this, quit Research estimates that up to 50 percent of the existing luxury brands today will not survive by 2030. A mass exodus of brands is on the horizon.

The driving force is the deep disruption happening in luxury.

Gen Z, Web3, rapidly evolving client expectations and lifestyle shifts are creating changes at an exponential speed that is overwhelming most brand managers.

In fact, the magnitude of change is so dramatic that most brands are losing pace compared to the best-in-class brands.

These are brands that have full clarity on their storytelling and distinct client experiences. And they combine both traits with best-in-class AI powered consumer sentiment sensing systems that can detect even the slightest deviations in client behavior.

What we observe is that the top 10 brands that are most advanced are also those that invest most in story, experience and technology, thus widening the gap between the top 11 and below.

Hence, many brands that underinvest in brand equity are not even aware that they are losing competitiveness with each passing day. This puts them at risk of becoming obsolete once Gen Z becomes the most important client group, which will happen somewhere around 2027. The clock is ticking.

Why is this so critical? Picture a situation when you buy a luxury item and something goes wrong. In times of ecommerce, this may be a delivery delay or a damaged product. If the brand does not fix the situation immediately and proactively, the client will do one thing: dump you.

While it can happen in any product category, in luxury any client issue is catastrophic. People buy luxury because they expect extreme value they look for something special. Almost like falling in love. And then something goes wrong. Maybe an arrogant salesperson. Maybe the client does not feel valued. Maybe extended waiting times.

There are many reasons, but when we are "in love" with a brand, we trust. We believe our love will be returned. And when we do not feel the same value returned to us, trust is broken and the brand love falls apart.

Breakups happen more often than brands expect, and the high anticipated rate of brand change indicates that customers are growing increasingly impatient with brands.

Many clients of Rolex had to wait a year or more even for the most basic of their watches. I witnessed myself how during the last 12-18 months many Rolex stores around the world had literally no watches they could sell.

Even Herms, the house selling the world's most iconic handbag, the Birkin, is receiving backlash for forcing clients to buy items they do not want to qualify for purchasing a Birkin.

In a recent discussion with my luxury MBA students, two previously loyal Herms buyers reported that they started to lose patience with the policies of the brand and long wait times.

What was acceptable for many years can lead to a breakup by Gen Zers, who expect inclusivity rather than exclusivity. And who have zero patience if their time is wasted.

The brands that put the management of the customer relationship at the center of what they do and who have the ability to go above and beyond in value creation will emerge much stronger. They will extend the share of heart, grow quickly and become more profitable as their ability to price increases and as consumers come back to buy more.

What should brands do?

To be maximally consumer-centric, brands need to think differently. In other words, they need to shift their focus from products to planning a holistic customer journey in which every detail is mapped, strategized and constantly evaluated.

What happens after the purchase is just as important as what happens during the purchase. This means a shift from transactional thinking to relationship management.

To do strict planning does not mean that the customer interactions are scripted and "mechanical." Instead it is a critical enabler to achieve excellence. Without it, everything is random. And when things are random, there is no systematic brand equity building. It is that simple.

While this sounds intuitive, 90 percent of audited brands have significant issues in experience creation during the customer journey.

Few brands really think through the journey end to end and over periods of time. A luxury customer may not come back to purchase, say, another watch for several years, but when he or she comes back the choice will depend very much on how they were treated after the purchase. Were they treated well at all?

There is a lot of work to do. Breakups will decide the fate of brands, and many will not make the cut. Do not let your brand be one of them.

This is an op-ed article that reflects the views of the author and does not necessarily represent the views of Jing Daily.

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