Luxury Daily®

The News and Intelligence You Need on Luxury

MARKETING

Luxury recalibrated: Three action points for brands in 2023

December 15, 2022

As we enter a new phase of uncertainty and volatility, getting back to the basics will be key to strengthening the equity of your brand in 2023. Image credit: Shutterstock

By Daniel Langer

We are in times of massive change and disruption.

Generation Z is storming into the market. Already responsible for 15 percent to 20 percent of sales of luxury brands in the Western world, that demographic will account for 40 percent to 50 percent of luxury revenues by 2030.

Given that its expectations are different from those of previous generations, its rise poses a massive challenge to luxury lines.

Additionally, we are entering a new phase of uncertainty and volatility.

Inflation in Europe and the United States, Russia's war against Ukraine, and the push by President Xi Jinping for greater equality are not just abstract risks they are already greatly affecting all luxury industries.

Over recent months the demand for luxury cars has plummeted, cooling a dramatically overheated secondhand market. Secondhand Mercedes G-Wagons, the poster child of luxury automobiles, now retail 20 percent to 40 percent below their peak just a few months earlier.

Fancy color diamonds have similarly fetched much less in recent auctions by Christie's and Sotheby's. And many watch brands have been given a rude awakening as the demand for luxury timepieces significantly slows down.

While it was almost impossible to find any new Rolex during 2021 and in early 2022, stores started to see their stock levels rise and prices on resale platforms drop significantly.

This does not mean the end of luxury or a structural slowdown. It is rather a market correction as supply and demand recalibrate back from an overheated level. And this correction exposes the weaknesses of many luxury categories, as well as brands that thought they were untouchable after the strong demand of 2021.

The Swiss watch industry is a great example.

When I was interviewed earlier this year by the *Wall Street Journal*, my advice for brands was: "Don't confuse a short-term spike in demand with a guarantee for the long-term health of the business." At that time, in late spring 2022, it seemed that the demand for fancy watches was unstoppable.

Luxury car brands, too, were riding the wave of demand, which masked more fundamental risks such as not having competitive and commercially successful offers in their electric car portfolio or falling behind in terms of in-car tech and digital user experiences.

Now, according to German publication Manager Magazin, BMW, Mercedes and Audi are in crisis mode, and face massive challenges in key markets such as China.

So what should labels do to be ready for 2023 and beyond? Here are three action areas for luxury brands to become future ready.

Get real
When times are good, the No. 1 risk is to become complacent. This is the moment to audit your brand and ask a few core questions: Is your brand positioning not only differentiated and clear, but also understood by your salespeople and clients?

You would be surprised at the number of brand audits where we find massive gaps, either in the understanding of what the brand is, in knowing its competitive advantage, or in the delivery of the brand ethos consistently and across all channels.

Here, it is critical to get real. I hear excuses too often. As an example, in a recent discussion about the decreasing service of restaurants and airlines, one manager said, "We can get away with it because everyone else has the same issue." It is a surprisingly common statement. And for brands it can be deadly, especially in luxury.

Your clients expect to be treated in a very personal, proactive and caring way, and, unfortunately, this has become the exception in luxury and not the rule.

You should further ask if the brand positioning has any relevance and whether it is defined through the eyes of your clients consumer-centric thinking or by you talking about yourself.

If the brand positioning is something like "we offer the best [insert quality, material, service, ambiance, etc.]" then your brand positioning is nothing more than stating an objective.

To maintain relevance, especially with Gen Z, the positioning has to be culturally relevant and reflect the values of your target audience.

About 90 percent of today's brands do not do that and, consequently, 50 percent of these will not be around by the end of this decade, according to quit Research.

Define who you are
Assuming your brand audit reveals that your positioning has gaps, then you must address these. The brand story is at least in luxury your most critical asset as it carries in some cases 95 percent to 99 percent of the entire brand value from a client perspective.

If there is no story, there is no value.

If the story does not define which emotion your brand evokes, then there is no value. And if your staff cannot bring the emotion to life, then there is no value.

Hence, defining who you are is the No. 1 responsibility and the biggest lever for success. Everything else follows.

Sadly, most brands go the other way: they have clarity on product, but they cannot express well who they are and what they enable their clients to do differently. They do not know apart from buzzwords such as "progressive, innovative, bold, etc." what their core value creation model expressed in the words of their clients is.

Hence, if you believe you, as a brand, are progressive, then you need to translate this into a tangible consumer benefit. Otherwise, your brand story is nothing more than empty words: they sound nice but create zero value.

Create memories
Another reason why the story is central is that in luxury you are fundamentally in the business of creating memories.

A memory is the result of a moment that people never forget. A moment that changes you. A moment so magical that you want to relive it again and again.

If you are 100 percent certain that your brand is creating memories for your clients in such a distinct way that they are consistent and on brand, then no action is needed.

If you, however, think that many client interactions may be producing either underwhelming experiences or no distinct experience at all, then action is needed.

The experience that your brand provides should significantly differ from the experience of your competitors and it needs to be consistent, whether a client visits you in Shanghai, Dubai, Paris or Los Angeles.

Very few names can provide this consistency in a way that creates distinct memories.

Even worse, in recent brand audits of luxury car experiences, luxury jewelry experiences and luxury fashion experiences, there was not only a lack of differentiation and excitement, but the experiences were also literally the same. And in a sea of sameness no brand equity can be built.

Reflecting on the action areas for brands to get ready for 2023, it is about getting back to the basics to fundamentally strengthen the equity of your brand.

It is critical to prepare your brand for times of even greater change, volatility and uncertainty. Times that only brands which are in the best shape will survive.

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

Named one of the "Global Top Five Luxury Key Opinion Leaders to Watch," Daniel Langer is CEO of luxury, lifestyle and consumer brand strategy firm quit, and executive professor of luxury strategy and pricing at Pepperdine University in Malibu, California. He consults many of the leading luxury brands in the world, is the author of several best-selling luxury management books, a global keynote speaker, and holds luxury master classes on the future of luxury, disruption, and the luxury metaverse in Europe, United States and Asia. Follow @drlanger

Published with permission from Jing Daily. Adapted for clarity and style.