

COLUMNS

Luxury Unfiltered: Crisis or opportunity? Why luxury brands must focus on strategy, not fear

November 13, 2024

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The Chinese word for crisis is *wij*, which is composed of two characters: (*wi*) - meaning "danger" or "precarious," and (*j*) meaning a "crucial point" or "critical moment," sometimes also interpreted as turning point or, even if not hundred percent linguistically correct, as an opportunity.

Danger and opportunity are always close when there is a crisis. And indeed, every crisis is a turning point for the better if it leads to decisive action or for the worse if more of the same is done.

The luxury sector is bracing for impact as many brands find themselves at such a turning point.

Prepare for a turning point

Across the board, brands and analysts alike are voicing concerns about waning consumer confidence, economic uncertainties and dipping sales.

Frdric Grangi, Chanel's watches and jewelry president, recently warned in *Business of Fashion* of a creeping "trivialization of luxury" and the pervasive "customer fatigue" haunting the industry. Analysts from HSBC are describing this period as "cruel," with predictions suggesting that 2024 could rank among the worst years in luxury's recent history.

Major markets, including China, are grappling with unprecedented challenges: youth unemployment, a slump in real estate and overall fragile consumer confidence.

Yet, beneath these headlines, a nuanced reality emerges, one that distinguishes brands in genuine crisis from those seizing the moment to deepen their client relationships and strengthen their brand equity.

In my discussions with luxury brands that are doing exceptionally well in the current situation, a common thread appears: a mindset of bold commitment to the client, coupled with a humble focus on excellence in execution at every touchpoint. These brands are doubling down on what matters most, rejecting the panic and "sea of sameness" that many competitors have fallen into.

In contrast, many brands in steep decline point to the outside while neglecting the soul searching on the inside. As Diane von Furstenberg expressed in 2020, when her namesake brand was near collapse, brands with pre-existing conditions fail when markets get tough on her.

Now is the moment for luxury brands to pause, refocus, and recalibrate. Rather than surrendering to the crisis, luxury brands must approach this as an opportunity to enact transformative strategies and prepare for the future.

Here are three critical areas for brands to focus on as they navigate this challenging environment.

Redefine brand storytelling with authenticity and timelessness

The surge in demand after the pandemic saw many luxury brands raising prices, capitalizing on what seemed to be insatiable consumer appetite. But while prices climbed, many brands failed to back those hikes with real value.

Many brands have ignored, and still ignore, Gen Z as a decisive force in reshaping the industry, a force that has much higher expectations that many brands don't match. Instead of reinforcing desirability, many brands have left an equity void a significant gap between perception, rapidly emerging client expectations and price that now risks eroding client trust.

Effective luxury branding is rooted in client-centric storytelling that inspires and taps into the psychological aspects of luxury purchases. However, most brands talk about themselves and forget to define their role in the eyes of clients.

Yet, to reach the next generation of clients, brands must communicate a brand story that resonates deeply with them, creating connections grounded in shared and inspiring values. Storytelling in luxury is about building a narrative that feels inevitable yet fresh a story so well-executed that it creates an emotional contract with the client.

The list of brands that are failing on this dimension is long and there is a clear correlation between lack of emotional brand storytelling and brand performance. Clients can see through superficiality, and with economic pressures mounting, their expectations for genuine engagement are higher than ever.

Brands need to move away from generic stories and instead ask: what unique, authentic emotion and experience do we offer that no one else can replicate? To succeed, brands must treat storytelling not as a marketing campaign but as a deep guide that incorporates everything.

Invest in Client-Centric Training to Deliver Extraordinary Experiences

If ultra-luxury buyers are driven by one currency above all else, it is trust. Trust is earned, piece by piece, through each interaction a client has with the brand.

In recent years, many brands have become complacent, relying on rising demand to fill any gaps in service or client engagement. One manager of a luxury brand told me about two years ago, at times of massive demand, that "we know we are not good in servicing clients, and it cost us many; however, as long as we gain more than we lose, we are fine."

This complacency has left many brands vulnerable. When prices rise but experiences stagnate or even deteriorate, clients start questioning the authenticity of the luxury they are buying into, and when trust is broken, everything else falls apart.

Luxury staff and sales training, therefore, are critical. Luxury brands must invest in intensive, transformational and client-centric training programs that go beyond product knowledge and into the psychology of ultra-luxury client expectations.

I have never led a training where participants would not say, "This was eye-opening." Successful brands are those that embed empathy, elegance and precision into every client interaction, ensuring that all staff members - from sales associates to brand ambassadors to people in call centers - exude the ethos of the brand and understand why the client needs to be at the center.

Client-centric training also involves cultivating an understanding of cultural nuances and the shifting values of younger generations, particularly Gen Z. This cohort is less impressed by symbols of status and more compelled by experiences that reflect their individuality and values.

For luxury brands, training should prepare staff not only to cater to a diverse client base but to understand and anticipate each client's unique desires, or what I call the "emotional key," enabling truly personalized experiences.

Strengthen Brand Equity by Focusing on Longevity, Not Quick Gains

Luxury is about creating a sense of the extraordinary. However, the industry is now plagued by a "sea of sameness," where brands often offer generic products at premium prices without differentiating themselves meaningfully.

The significant price hikes over recent years did not translate into proportionate gains in brand desirability, leaving many brands vulnerable to today's downturn. To create desirability, brands must prioritize strengthening brand equity over chasing immediate short-term gains.

This begins with a renewed focus on uniqueness and creating the extraordinary. It means resisting the impulse to discount, which destroys a brand's perceived value.

Instead, brands should reinforce their positioning by enhancing product quality, emotion and the intrinsic value of their offerings. The goal should be to sell more meaningfully, ensuring that each client purchase becomes a lifelong connection to the brand's storytelling.

Moreover, a stronger brand equity also involves setting the foundation for trust. It's about creating long-term brand desirability by developing relationships that are so deeply rooted in the client's identity that even economic downturns cannot shake them.

The top brands understand that they are curators of an emotional experience, not just purveyors of luxury goods. Every decision a brand makes must reflect this ethos, from product development to client engagement.

In this turbulent time, luxury brands have a critical choice to make: either succumb to the pressures of the moment or leverage the crisis to build an even stronger, more resilient foundation. Brands that prioritize strategy over fear and choose to deepen client trust, enhance brand equity and refine their client interactions will emerge stronger than ever from this period.

Luxury has always thrived not by following the crowd but by leading with vision and inspiration. This is the time to reimagine what luxury can be and to execute it with passion and precision.

Now, more than ever, strategy and execution are the ultimate keys to unlocking long-term success in luxury. Are you ready?

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