

ADVERTISING

What luxury brands should do in case of an economic downturn

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By RACHEL LAMB

Attention to quality, craftsmanship and value is what luxury brands should demonstrate in their advertising campaigns in the event of another economic downturn, according to experts.

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Luxury marketers that rely on the factors that make them luxury are better off than those that are just going for blatant product pushing when consumers are worried about finances. In addition, luxury marketers that shove their goods in consumers' faces could be considered a brand in poor taste, since conspicuous consumption was a major factor in spending hold during the Great Recession.

"If we do get another economic downturn, I think that luxury brands will also decline," said Al Ries, chairman of marketing consultancy [Ries & Ries](#), Roswell, GA. "So far, of course, they have not, but another downturn will cause even high-end consumers to start cutting back on their spending.

"Some brands might need to focus their advertising messages on the long-term value of the brand," he said. "In other words, present the brand as a classic product that will never go out of style, like a Chanel suit."

Step by step

Interestingly, although luxury spending has gone up, brand executives are still worried about the future.

Indeed, the hold on spending on Wall Street and the increasing trouble in Greece, Spain and other markets overseas are not helping.

For example, Prada's net worth for the first quarter of this year increased by 111 percent, but underlined its worry about the "increasing risks deriving from the uncertain international economic environment," per a report from the [Wall Street Journal's Market Watch](#).



Prada spring/summer 2012

Indeed, the luxury goods maker said that it would be ready to take any necessary actions to safeguard its assets and preserve its long-term growth strategy, according to the report.

Along the same lines, jeweler Tiffany & Co. reported a weaker outlook in the United States than it had projected for the rest of this year.

The jeweler blamed flat earnings on a slowdown in the 52-week low ending at the end of last month, according to [Women's Wear Daily](#).

Weathering the storm

Even though the luxury market did not exactly slow down during the Great Recession, there was definitely worry in the minds of consumers. However, some of this was spending guilt.

"As a general rule, the luxury market has been recession-proof," said Paula Rosenblum, managing partner at [RSR](#), Miami. "The Great Recession was the only instance I can think of that significantly impacted rich and poor alike.

"Some of that was perceptual," she said. "Conspicuous consumption went out of vogue and considered in poor taste."

Therefore, to get rid of the idea of conspicuous consumption, brands may want to tone down their advertising so that it is not so flashy, per Ms. Rosenblum.

Furthermore, they may want to focus on craftsmanship, quality and other components that make a luxury product so high-end.

For example, Lazare Kaplan Intl. is looking to highlight its legacy and the quality of its diamonds through a rebranding campaign called Lazare 2012 with the tagline, “When it’s a Lazare, you just know” ([see story](#)).

Also, Italian automaker Ferrari created a collection of premium golf equipment, footwear, apparel and accessories that reinforce the brand’s philosophies such as innovation, performance and design ([see story](#)).



Ferrari golf collection shows "making of" features

“On a very basic level, just be wary of throwing the luxury message in the middle class or working-class citizens’ faces,” Ms. Rosenblum said. “That means toning down advertising a bit, and being far more careful in brand messaging.

“All indications are that the luxury and low-end markets remain strong,” she said. “It is the middle that is getting squeezed.”

Indeed, since very high-end consumers are a luxury brand’s core target, luxury labels should focus on marketing solely to them.

“Years ago, we worked for Mercedes-Benz and tried to get them to focus on the long-term economics of owning a Mercedes,” Mr. Ries said. “Instead of buying a new car every two or three years, buy a Mercedes and keep it for 10 years.

“That way, you will own a luxury vehicle without spending a lot of money,” he said.

Final Take

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