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Why a cognitive approach is key to luxury marketing

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By Matthew Willcox

Some luxury goods manufacturers may currently be on the edge of a fiscal cliff if we are to believe what *The Wall Street Journal* cites as "the European luxury-goods market deep in recession."

True or not, luxury marketing is a complex area affected by fluctuating economies and trends. It is, however, grounded in one constant: consumers' instinctual attraction to that which is luxurious and special.

Experts know that the vast majority of consumer decisions are intuitive, not rational, but marketers often fail to apply this thinking to high-ticket items.

Yet even in the world of luxury goods, where art and sophisticated design fuel desire, instinctual behavior still applies.

As today's world of luxury products grows ad infinitum, it seems prudent for wise luxury marketers to consider five practical areas, identified by behavioral sciences, that can be useful to affect the instinctual drivers of current and would-be luxury consumers.

1. Disfluency

Making things easy and simple is a good rule of thumb in the psychology of consumer decision-making.

In cognitive terms, this ease is called fluency. Used well, it helps consumers make decisions that are literally no-brainers.

But in luxury categories the rules are different. There is a reversal of this effect for luxury products.

According to Adam Alter, a psychologist and professor at New York University's Stern School of Business, people associate more complexity with luxury products and so disfluency, or cognitive difficulty, makes luxury products more appealing.

One thought is that things that are distant drive aspirations. Disfluency creates a kind of cognitive distance.

The implication for luxury brands is that they would best require some effort from the consumer to understand and appreciate them.

Laphroaig Malt Whisky, Louis Vuitton and Häagen Dazs, for example, all have names that require us to think about how we pronounce them – at least for the first time.

Ornate labels that make type more difficult to read, such as Chivas Regal, or typefaces that are less legible, such as Neiman Marcus, similarly create the need for effort on the part of consumers. All of these things take a bit more effort, creating cognitive disfluency.

2. Self-efficacy
Self-efficacy is the condition consumers attain when they have the confidence to achieve goals.

Very much evidence-based, it is revealed to us when we realize we have what it takes to get us to the next level.

When people create a sense of their self-efficacy in an area, they will make more daring choices and are likely to move away from their default choices.

This clearly has implications for luxury marketers and many potential applications for luxury brands in digital environments.

Providing experiences that allow people to see that they are acquiring knowledge, discernment and savoir-faire will help them make bolder choices with confidence — which in turn increases their appreciation of the goods they have chosen.

Nespresso is a case in point. It provides a coded system of names and colors that may appear complex at first but is learned quickly by users, making them feel more expert in the system and about coffee in general.

Other brands, such as the Mercedes-Benz's AMG Driving Academy, offer unique learning opportunities to acquire new skills.

3. Scarcity
Professor Robert Cialdini, author of *Influence: The Psychology of Persuasion*, describes

one of the six rules of influence as the scarcity principle, according to which people assign more value to opportunities that are less readily available.

Cues of scarcity can come from descriptions of precious materials; from manufacturing processes that clearly cannot keep up with demand, i.e., “handmade by a dying breed of artisans in ateliers in the Pyrenees;” or even blatant marketing approaches such as limited editions or time-limited offers.

Scarcity, or sense of rarity of some sort, should be implicit in every luxury brand’s narrative. It is a principle that has particular opportunities to be played out in time- and context-sensitive digital environments.

Consider aged spirits: the “12-Year- Old” brand. By definition a limited supply. (You can’t turn the clock back and make another batch.)

Ferrari’s famous mantra of making one car less than anticipated demand is a blatant example of the scarcity principle.

4. Anticipation
Research shows the anticipation of a vacation to be the emotional high point – higher than the experience itself. This contrasts with trend goods, where instant gratification is the strong driver.

With luxury, it is not just about having. It is about desiring. The wait is part of the experience.

Luxury brands tend to focus on the experience they deliver, but building anticipation of the experience should be considered equally important. Anticipation is not just about creating a pent-up sense of demand. It reflects on the quality and care of the brand or manufacturer and, of course, implies scarcity.

Both the Bentley Brooklands Coupe and the Mercedes-Benz CL65 AMG have waiting lists of more than 18 months – providing plenty of time for people to anticipate the pleasure the cars will bring.

Hermès and Chanel also use waiting lists to great effect.

5. Prominence
Evolutionary psychologist Geoffrey Miller writes in his bestselling book, *Spent: Sex, Evolution, and Consumer Behavior*, that "… all ads effectively have two audiences: potential product buyers, and potential product viewers who will credit the product owners with various desirable traits. The more expensive and exclusive the product, the more the latter will outnumber the former."

A number of evolutionary psychologists, including Mr. Miller, suggest that luxury goods are markers of sexual selection. The beautiful and rare objects that we prize are really signs to others that they should prize us.

Thus, luxury brands will often be subtle and visible only to those in the know, as a large part of their raison d'être is to infer status on their aficionados and advocates.

Rolex has a level of broad prominence via its celebrity ads and significant presence at golf and tennis tournaments such as the U.S. Open and Wimbledon that it reaches wider than its potential user base.

Aston Martin's long-term relationship with the James Bond franchise is all about making the brand recognized by people who will never own one, clearly establishing that those who do buy one know they will be sending a strong impression to other people.

The emerging understanding of how the unconscious drives our choices can be paired effectively with digital environments.

Digital provides unique opportunities to give a brand's patrons a chance to boost their knowledge and mastery in a category.

Artful customer relationship management can turn a wait into a brand experience, and the one-to-one nature of digital can preserve a sense of scarcity even if – heaven forbid – economic conditions require a premium price to be dropped a little.

Luxury brands will always need to appeal to the senses and to have the hand of an artist not far away.

But to make the most of their brand in the modern world, perhaps that artist should have two new bedfellows: the digital technologist and the behavioral scientist.

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