

Luxury Brands and the Web (Part 2)

Sustaining brand values and creating online experiences

Introduction

This document discusses the value of luxury brands and how they can use new media to move from aspirational to **EXPERIENTIAL BRANDS** relevant for the modern consumer. It discusses how a luxury brand should deal with the translation of their brand values into the multi-dimensional and personal environment which is the web.

EXPERIENTIAL BRANDING rests at the core of our approach to our consultancy for premium, lifestyle and luxury brands. If you have any questions please don't hesitate to contact us.

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The content:

- The importance of brand values in the luxury market
- New media: building brand values through dialogue with consumers
- Evolving luxury brands from 'aspirations' to 'experiences' to build brand values
- What's an e-experience?
- Ensuring a positive e-experience.
- A closer look at luxury brands' websites: do they offer experiences?
- How can luxury brands build e-experiences?
- Are you making the most of your website?

Are brand values important in the luxury market?

Consider the following:

1. Luxury brands are increasingly difficult to manage
2. The market environment has become highly competitive
3. Consumer segmentation has radically transformed
4. Luxury brands need to handle economic downturn
5. The relationship between consumers and luxury is nowadays emotionally driven
6. Brands have become social value communicators

From analysis of these points we find that brand values are still important and still relevant to brands today.

1. Luxury brands are increasingly difficult to manage

Most luxury brands have developed line extensions or have licensed product categories in order to broaden their offer both to their original consumers and to enable targeting the wallets of mass market consumers.

Growth and diversification mean that brands are much more difficult to control, especially when the brands don't control the whole value chain (i.e. for licensed products, department store point of sale etc). Brands, in fact, risk of diluting their 'DNA' and confuse consumers.

In order to keep consistency, brand managers should therefore invest more in the brands' core values for use as a platform across their portfolio and marketing activities.

This means a focus not only on product development, but also on long term brand strategy. After all, products come and go, but brands represent an asset for a company.

D. De Sole, CEO and Chairman of Gucci confirms it in an interview: *'We are brand managers, not retailers (...). We weight each business decision on its ability to enhance the value of the brand'*.

2. The market environment has become highly competitive

Creativity, quality and cachet don't seem to be enough even for luxury goods to keep them fresh in the eyes of the consumers.

What happened?

- Globalisation and the wide use of mass media have generated high awareness of luxury goods.
- Today, Luxury brands are far more available, due to their own expanded presence in every market. They are also more affordable, due to the launch of value driven merchandising and licensing.
- All brands fight for space and visibility in a very cluttered media and merchandising environment: glossy magazines overflowing with ads and advertorials, shopping streets and department stores where labels are against labels.
- Obtaining good PR and publicity has become very difficult, if not impossible. Everyone is more or less the same and there is not enough new news to justify a special attention from the media.
- Luxury perfumes and cosmetics co-exist next to premium brands
- Designer labels sit close to high street labels
- High street labels imitate very easily designers products

In this context, it is obvious that luxury brands need to work hard to differentiate themselves in order to protect and grow their share not only in the market, but in the consumers' mind.

3. Consumers segmentation is radically transformed:

The creation of a mass luxury market and the redistribution of wealth in the last 15 years, has contributed to the development of new luxury consumer groups, aside the traditionally rich. If we consider the 'middle-class' segment, as they represent one of the most interesting targets for luxury goods nowadays (If you are following PSFK market segmentation this group is the "Leaders segment"), the main characteristics of this group are:

They tend to possess the same mindset of even more affluent consumers. 'Self-Indulgence' and 'Well-Being' have become commonly used terms. They no longer lay at the bottom of the pyramid, but as soon as they have the money available (a rise, a

bonus, saving, unexpected income) or, often, even if they don't have money available, but they feel like pampering themselves, won't hesitate to buy expensive goods.

In other words, *this group is always potentially ready to buy luxury goods*. The success of the sitcom *Sex & City* and the emulation of its protagonists is one example of this social phenomenon.

- **They have promiscuous buying habits**, they like to try new things and mix labels. Especially in the fashion and beauty market.
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- **Purchases tend to be more product rather than brand driven.**
- **Their purchasing power is on and off.** So their behaviour is inconsistent: mixing luxury with high street goods is the norm.

The issues described above suggest that brand loyalty with this target remains an issue.

We think that companies should enhance and invest in their brands' core values, as this is the essence of what makes them different from other brands beyond the products (i.e. the philosophy, the source of inspiration, the beliefs, etc). Brands must focus on building on the values to enable brand consistent communication and a dialogue driven unique relationship with consumers.

The difficult issue that the brands must address is "**TO FILL THE GAP BETWEEN PURCHASE MOMENTS**", which for luxury goods tend to be wider. By keeping a constant on-brand dialogue with consumers, this gap can be filled and this ensures a higher chance that the consumer will purchase the same brand next time.

4. Luxury brands need to handle economic downturn

Some key factors which, affect luxury manufacturers during recession are:

- Overall consumption of luxury goods decreases mainly because the leader customer segment buyers are the first affected by recession, (Middle Management, Small Business Owners and Senior Management etc) and they represent a high percentage of sales.

- Luxury companies, in line with the mass market, tend to cut media spending, especially that linked to branding activities, to concentrate on sale push.

Not only sales are affected, but brand image is also in danger.

One of the first rules about building brand value (and protecting image) during downturns is to keep talking to ALL your consumers. Even those who have stopped spending.

Because:

- "If you stop talking, they'll see your weakness" ('they' include also influencers and top customers)
- Because those consumers hit by financial downturn will come back and companies can't afford to lose them to a competitor.

If we observe banks during recession, they keep reassuring consumers by offering credits and loans and keep talking to them, to keep them 'hot'.

(PSFK Discussion Document "Downturn" looks at the effects of the travel downturn, SAR's and terrorism and presents some interesting strategies for combating this)

5. The relationship between consumers and luxury is nowadays emotionally driven

A study commissioned by Advertising Age and conducted by Ziccardi Partners Frierson Mee (New York) in February 2002, suggests that the relationship between luxury brands and affluent buyers has moved to a more intimate, personal, emotional level. Buying luxury is an expression of one's personality and is lived in different ways at different stages of life. It's about living a unique experience. It's about mental wealth, well being, self-improvement, privilege, feeling unique and special.

Amongst the reasons to buy '*For my well-being*' is the No. 2 motivator, after '*To buy things I know will last*'.

Buying luxury goods '*as a status symbol*' ranked only 14th. '*To enjoy my favourite brand*' which ranked 3rd in each luxury segments researched, suggests that '*the favourite brand*' rather than the brand name on its own, can contribute to a sense of well-being.

The changed relationship with luxury goods, can be observed in various aspects:

- a. **It's not only what you've got, but also what you do with it.** Luxury does not mean only material possession; it refers more and more to intangible values such as time, love, family, success, etc. It's the progression from quality of life to quality of living, which means that material luxury is an enabler to enjoy life.
- b. **To know what few know.** This is a new sophisticated form of snobbism, which is about being knowledgeable about luxury and luxury living. Hence knowing the exclusive clubs, discovering a niche jean label from Japan, the new Icelandic make up brand, French perfume from Provence and so on. It's about spending money for what is perceived to be really special and that few people know about.

Already in 1996 a research conducted by Yankelovich MONITOR suggested that in the decade 1985-1995 all tangible goods have lost importance. "Direct knowledge has gained importance - knowing 'in' places to eat, knowing the latest trend in body care, being recognised as someone who knows. To know confidential news and being hyper-informed are the new ways to become important in a moment in which material luxury doesn't last." (extract from the book 'Generational marketing' 1997, which reports extracts from the MONITOR research).

- c. **'I'm worth it'.** Another expression of the developing 'intimate relationship' with luxury is the growing segment of self-buyers, amongst which a high number of urban women. It's the legitimisation of 'self-pampering' which L'Oreal have cleverly summarised in their communication, which is turning now into a social motto.

What can we learn from this?

- For consumers 'individuality' is a core need;
- It's very hard for people to keep up with the new and different, because even luxury brands are largely available;
- Brands need to find opportunities to talk more personally to consumers and make them feel special, unique, pampered.

6. Brands represent social values

Brands today have acquired the power and the responsibility to carry social values whilst diminishing credibility of institutions such as government, church, school and even families. Despite the concerns this may raise brands are now acting as important sources of emotions, role models, education and consumers identify with the values, which the brand carries.

For example: Coca-Cola - friendship and sharing experiences; Flora margarine - controlling cholesterol; Burberry and Rimmel using Kate Moss, who embodies the modern values of British youth, to revamp their brands; Malboro creating a whole territory about rugged lifestyle; MasterCard which says 'they can't buy emotions for you'.


We believe that luxury brands can and do play a fundamental social role as trendsetters and value communicators.

However many luxury brands are still out of touch with their customers needs and or have been inconsistent with the way they address their targets. They still have not addressed the dialogue question and have not entered into communication with their customers.

Summary of why brand values are important for luxury goods.

The issue

The role of brand values

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|---|---|--|
| - Companies struggle to keep control across complex portfolio. |  | Keep brand consistency |
| - Luxury brands struggle to keep new, exclusive, different and above all, aspirational. |  | Help brand differentiation. |
| - Consumers are not loyal |  | Encourage brand loyalty. |
| - Risk of losing ground during recession |  | Sustain brand image. |
| - Relationship with luxury has become subjective and emotional, but also critical. |  | Help brands to bond with consumers at a deeper and more personal level. |
| - Brands don't sell only product, but create social values. |  | Increase relevance and identification with a brand. |

**NEW MEDIA: BUILDING BRAND VALUES THROUGH
DIALOGUE WITH CONSUMERS**

- New media communication offers **INFINITE POSSIBILITIES OF DIALOGUE** to reach consumers from different angles. It's not only about the website itself, but its about finding ways to reach consumers in various moment of their day and stages of their life.
- The web can be used to build **CONVERSATION POINTS** and gather similar people together through shared interests. Once consumers are 'hooked' in a place, they can be reached with any marketing activity.
- New media offers the opportunities of **KEEPING THE CONVERSATION GOING** with consumers as a relatively low cost. Furthermore new media enable one-two-one relationships, which allow a much more open dialogue and upfront approach than off-line activities. At a more personal level, a brand can keep building trust and loyalty.
- New media is an excellent tool to **CUSTOMISE AND PERSONALISE THE RELATIONSHIP** depending on the target to be reached. (We should also consider that the wealthy target represent a fast growing consumers of these media)
- E-communication is an extremely **FLEXIBLE MARKETING TOOL**, which can be used for different purposes, including sponsorship and partnering.

Overall, the nature of this media facilitates the building of **TRUE BRAND EXPERIENCES (which we call e-EXPERIENCES)**, which allows consumers to enjoy the brand and get closer to it.

New media is still a territory to be discovered by luxury brands. Luxury brands still use new media communications in a product centred and impersonal manner. They rely on websites as their only new media tool and few of these websites acknowledge what consumers really want and are therefore unable to answer accordingly.

Luxury brand websites should create unique experiences to attract even the most demanding and media savvy consumers.

Evolving luxury brands from 'Aspirations' to 'Experiences'

Luxury brands are regularly defined as 'aspirational' brands whereby their communication to consumers tends to reflect what the buyers look or want to look like, their desired lifestyle and the exclusivity that the brand represents.

Yet this is threatened, as discussed before, on one side by the increasing affluence to luxury goods and on the other by the more individual enjoyment of luxury, which sees luxury goods less and less considered as a means for showing off.

Research (Covered earlier) about the changing relationship between consumers and luxury goods, suggests that people relate to those brands with which they feel emotionally and intellectually involved. Consumers want to 'enjoy' their brands.

We interpret this as a call for luxury brands to turn from 'aspiration' to 'EXPERIENCES', something that enriches consumers at a more intimate level. It's about sharing passions, interests, a philosophy.

E-COMMUNICATION IS AN IDEAL TOOL TO CREATE BRAND EXPERIENCES

Some examples:

NIKE

A successful example of experience brand is Nike which with JUST DO IT has been able to build a brand new idea of sport as a way of living. The experience is developed cross the whole marketing mix and each communication channel builds on the same core values. In particular, the Internet site is a truly interactive, entertaining, informative experience with a very high level of interaction.

To give an idea of what helps build brand value using the tone of voice, here the thank you message after subscribing to the Nike mailing list, which shows how the brand acknowledge that its consumers have a busy life:

Runner:

Thanks for signing up on nikebowerman.com. If you've signed up to receive the Bowerman Bulletin, we'll be in touch when we have Bowerman product and event news. But not too often -- we've got too many miles to log, and you probably do too.

The Nike Bowerman Team

In the same site, another element of bonding with consumers (and drive sales) is the possibility for people to buy trainers that they can personalise using the options in the web.

PRADA

Prada, along with the image site, has created a conversation point with www.pradaluniarossa.com (all about sailing and the American Cup), which gathers people with the same interests (the target for Prada Sport).

Figures reveal that this initiative has helped the brand recruiting the target of young sportsmen for Prada Sports, engaging them by sharing a common passion.

JEAN PAUL GAULTIER

JPG's website is a triumph of emotions and of visual enchantment. From the very first moment values as 'Frenchness', originality, unconventionality are conveyed. Once you step in, ART and CREATIVITY are the themes throughout the site and they are used to develop in various directions. Interesting the development of a sub-site through which JPG sells limited edition t-shirts.

So, what do we mean for "e-experience"?

It's about making people feel somehow enriched when they interact with the brand online. It's about telling consumers something new and different. It changes (improves?) the attitude towards the brand. It motivates consumers to 'keep in touch'. It creates word of mouth.

How can a brand ensure a positive e-experience?

There is always an expectation when entering a website for the first time. It's like visiting someone's home where details give away insights of the owner's inner personality. No matter what, the first impression counts and reflects on the brand image. For this reason, a website needs to be a positive experience for the visitor.

In order for the visitor to understand from a first impression what the brand is about, the disclosure of information should be orchestrated in a way that builds curiosity, interest and excitement.

If the site looks like it's giving the hard sell straight away it won't benefit the image of the brand and it will definitely turn away those people who don't like being sold (bear in mind that a lot of people surf internet for pleasure)

This is truer for luxury brands' websites, where expectations are higher and which should encourage emotional bonding with the people.

Do you know what the visitors think of your website? Do they feel welcomed, entertained? Do they think it's useful, enriching?

A closer look at luxury brands' websites: do they offer experiences?

The majority of luxury brands' websites, tend to be classic 'image sites' and very few work at emotional level. Some tend to replicate the point of sale or the catalogue. Others import off-line activities.

PSFK asks what values does importing a print ad on the website as it appears on the glossy magazines bring.

Campaign Magazine quotes the agency who developed the website for Nike: *"We won't retrofit television and print ads on to the web. It's like pulling a page out of a newspaper with your print ad on and putting it in an envelope and saying it is your direct mail campaign. It doesn't work."*

Internet as a medium is dynamic, visual, interactive - perfect to create a multi-dimensional experience. A passive approach for the consumers won't add any value to the brand and only frustrates Internet users thus reflecting badly on the brand.

HOW CAN LUXURY BRANDS BUILD E-EXPERIENCES?

In order to achieve an experiential state a brand's manager needs to undergo preparatory work, creating an experience is not a straightforward thing to do:

Identifying the brand's core values

What do we want our brand to stand for?

What do we want to share with our consumers?

Once this is established, all activities will be developed consistently.

Exploring how the internet is used

People use it for various reasons:

- Gathering information
- Buying products or services
- Using services
- Entertainment (chat rooms, playing games, listen to music, watching movies, etc)
- Curiosity

It's a multi-dimensional medium and, as such, each of the above areas offers infinite possibilities to the brand to interact with consumers.

Targets to be reached

A clever use of the Internet enables brands to talk to different targets using different 'vehicles'.

For instance, brands with various products and/or with sub brands may decide to have a separate website, or in the same website various 'doors' can be opened.

We can help identifying the targets and suggest the best way to communicate with them.

Are You Making The Most Of Your Website?

There are some questions, which can be answered to understand if the medium has been fully exploited:

ABOUT YOUR BRAND	ABOUT INTERNET
What is your brand's vision and mission?	What's in common between your brand and internet?
Who are your consumers?	What's in common between your targets and internet?
What do they think, feel, do?	Why have you opened a website? Is it successful? In which way?
What does your brand stand for them?	What was the communication strategy for your website?
What would they like to hear from your brand?	Do you foresee internet to become a key communication channel for your brand? Why?

If you can answer all of them in a way which you feel satisfied with, probably you don't need us.

If you struggle with one or more of them, probably PSFK can help.