



*Understanding & Cultivating Brand Addiction
in the Luxury Marketplace*

The New Luxury Customer: Understanding Them and Their Expectations

Within the last 20 years, the profile of the luxury consumer has changed quite a bit. In the past, luxury goods were considered indicators of class or status, outward signs to others that the purchaser had “arrived.” Now shoppers purchase luxury to indulge and to express themselves. The materialistic aspect is secondary – they crave new, engaging, high quality experiences overall. The luxury products they desire play roles in those experiences, but they are no longer the sole focus.

These days, when the luxury customer uses shopping to explore their identity, it’s no longer left up to the brand to create the mold. In the early nineties, a new (derisive) term for dressing in one label from head to toe was born: “matchy-matchy.” A true fashionista, so the theory goes, should be able to read meaning from many different brands, find pieces that speak to her individual style, and combine them to create her own signature statement. And while that statement should be unique, the language in which it is expressed must evolve from one year to the next, continuously integrating the language of current trends as they appear on the scene. If the language of “sexy and confident” is better expressed by Dolce & Gabbana than Gucci this year, then she will adjust her shopping preferences accordingly.

These expectations go beyond fashion: consumers demand that if shopping is entertainment, then brands must evolve, surprise and delight them. The rise of the boutique hotel chain is a perfect example of how, when there are many high-quality options competing for attention, customers favor the “one personality, many moods” approach.

One last difference between then and now: “old luxury” customers tended to buy “the best” across the board. They had the prestige wardrobe, the car, the vacations and generally spent a lot of money regardless of what was being purchased. “New luxury” customers have priorities. They indulge in the things that make them feel good or that they feel are worth it, and buy “masstige” or even lower cost items in categories where there is no luxury option that satisfies their expectations. Especially in the US this mixing of high and low is an indication of a sophisticated and savvy shopper: the mom who spends hundreds of thousands of dollars on interior decorators but also shops at Target; the family who flies coach but stays at the Four Seasons; and the younger career woman who buys thousand-dollar handbags but everything else from H&M and Zara. The luxury demographic has fragmented.

Demanding though these new consumers may be, it is still possible to inspire long-term, loyal relationships with them as long as you understand how they want to relate to your brand:

- New luxury consumers have disposable income, and they enjoy the feeling of spending it, but only when they perceive that the value and the price are in line with each other. They are especially sensitive to any disparity at the moment when money leaves their hands. They resent the time and energy required to worry, and that is one aspect of luxury that attracts them – they feel that if they pay more, they’re more likely to have an experience that meets or exceeds their expectations. Needless to say, disappointment is a big issue and may be dramatically more damaging to customer perceptions than in the mass marketplace.
- The value referred to above is not based on the product alone. It is inherent in the whole purchase experience and extends from the time customers become aware of a brand via advertising or PR, through the point where they purchase, to how their emotions and interactions are handled immediately after purchase, to any further follow-up programs with the brand. A consistent, engaging, high-quality experience is worth a higher purchase price.

- In most categories, there exists a group of customers who are happy to pay luxury prices for products that they consider “worth it.” However, if a luxury brand does not exist that meets their expectations, they will buy cheaper goods in that category.

As an example, before the Apple laptop, purchasing a computer meant that you had to sort through a lot of jargon that never seemed to make a difference once you were running Microsoft Office. With the introduction of the iBook, the Titanium laptop and the Apple Store, a clearly superior, luxurious experience (both in purchase and in use) was suddenly available and people were quite willing to pay for it.

Similar opportunities exist in virtually every part of the luxury space. To say simply, “We’re doing better than the others” is to miss the point. There exists a spot at the top of the heap of the competition that offers a way to do more efficient marketing, keep buzz going, have a strong core group of repeat purchasers and get customer insights back with relative ease. Merely being better than everyone else does not secure that top spot.

Meet the Brand Addict

Consider Coach, Kate Spade, the Four Seasons and M•A•C cosmetics. All four do a good job of keeping the product and the experience of purchasing at the “worth it” level. Unlike other brands in their respective categories, they have customers who are totally devoted to them. These Brand Addicts equate the brands they adore with luxury in that category. When they buy gifts, they buy that specific brand. When they want to splurge on themselves, they don’t talk about “going shopping” they talk about “going to [the brand’s] store.” They coordinate the rest of their purchases around products from the brand. And they talk about the products *and the shopping experience* to everyone, all the time.

Brand Addicts say things like

“I was going to go to Telluride, but I discovered there wasn’t a Four Seasons there, so I went to Jackson Hole instead.”

“I didn’t realize I needed formal dinnerware until Kate Spade started designing it.”

“I put their product launch dates in my Outlook, and schedule meetings for myself at lunch so I can go check out their new stuff.”

“I automatically stop by the store every time I’m in the neighborhood. It feels like I’m splurging just to browse, and they know me by name now.”

Marketers already talk about brand evangelists, but unlike Brand Addicts, evangelists just like to talk. They don’t necessarily derive a lot of pleasure from shopping over and over again. Typically brands that capitalize on evangelism or “buzz” are trendy, but short-lived, because evangelists are not necessarily brand loyal. They like to talk about the next new big thing.

Marketers also talk about “loyalty” which lately has become a euphemism for “bribery.” “Loyal” customers are repeat purchasers, but they may just be buying your product out of habit, convenience, or because they haven’t found anything better.

Brand Addicts talk to their friends and are brand loyal, but they're also sincere. Their behavior comes from truly being delighted by their purchase and the buying experience. They have a strong need to experience the brand over and over again. For example, a Louis Vuitton Brand Addict not only talks about the brand, but she already has the Speedy Bag, the Deauville Bag, and the Pochette Bag as well as a wishlist and a plan to purchase others. Friends of Brand Addicts give more credence to what they say because there is corresponding shopping behavior. Brand Addicts put their money where their mouth is.

Brand Addicts exist for many different types of products and services, but they are particularly useful to understand and watch in the luxury market. Even though a wider audience buys luxury in at least one category, the available pool of overall dollars is still restricted. When price points are high, it's harder to get a nonpurchaser to commit to trying something new.

Even getting the attention of a potential customer has become more challenging. As the number of people with millions of dollars in disposable income grows, so does the number of "luxury brands." Some of these brands may be junk dressed up in good marketing and carrying a high price tag. Customers become frustrated trying to separate the wheat from the chaff.

When discussing strategies for acquisition and retention, consider what would happen if they were parts of one unified plan and if the objective of that plan seemed less like balancing positive and negative numbers and more like building a nest egg. From the customers' perspective, there is one experience, one relationship with the brand. When it is handled well, they will reward the brand with both trust and enthusiasm. It will no longer be "something I might consider if I needed it," but rather will become "something I make excuses to buy again and again."

How to Find and Nurture Brand Addicts

Brand Addicts want to savor a long and consistently amazing purchase experience. If your brand is the height of indulgence for them, they want to enjoy every minute they can squeeze out of it. Again, they're assigning value to the whole experience, not just to the product or service. The more experience you give them, the more appealing your price/value ratio.

When expressing the value of the experience, Brand Addicts say things like

"I planned my whole day the next Saturday around going to buy this bag. It was like a vacation."

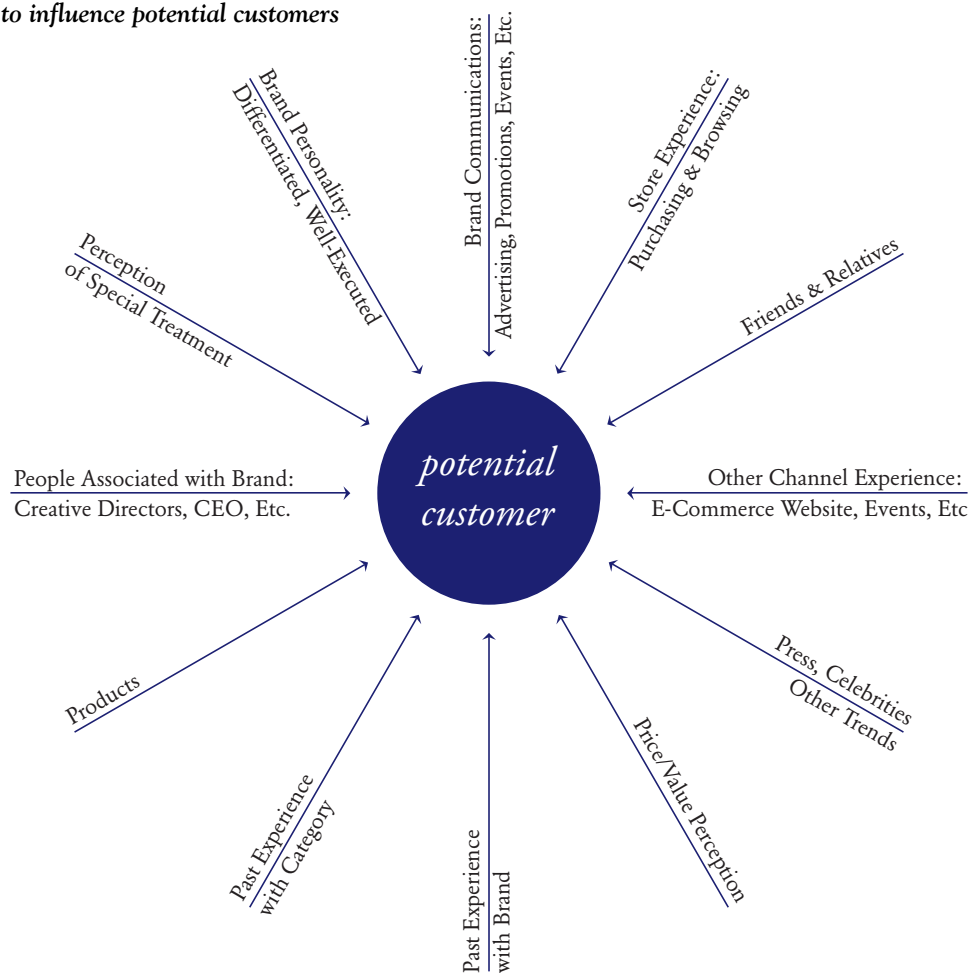
"I visited the store/website a couple of times just to bask in what I planned to buy."

"I bought the shoes and didn't wear them out for a month. I'd come home from work, put on a different outfit and just wear them around the apartment to admire them."

"As soon as I got back from my last trip with them, I started dreaming and planning the next one, even though it was going to be at least a year off. I wanted to commit to doing it so that I could look forward to it."

To consider how to create an experience that inspires such emotions, let's look at what influences a purchase decision (figure 1, below).

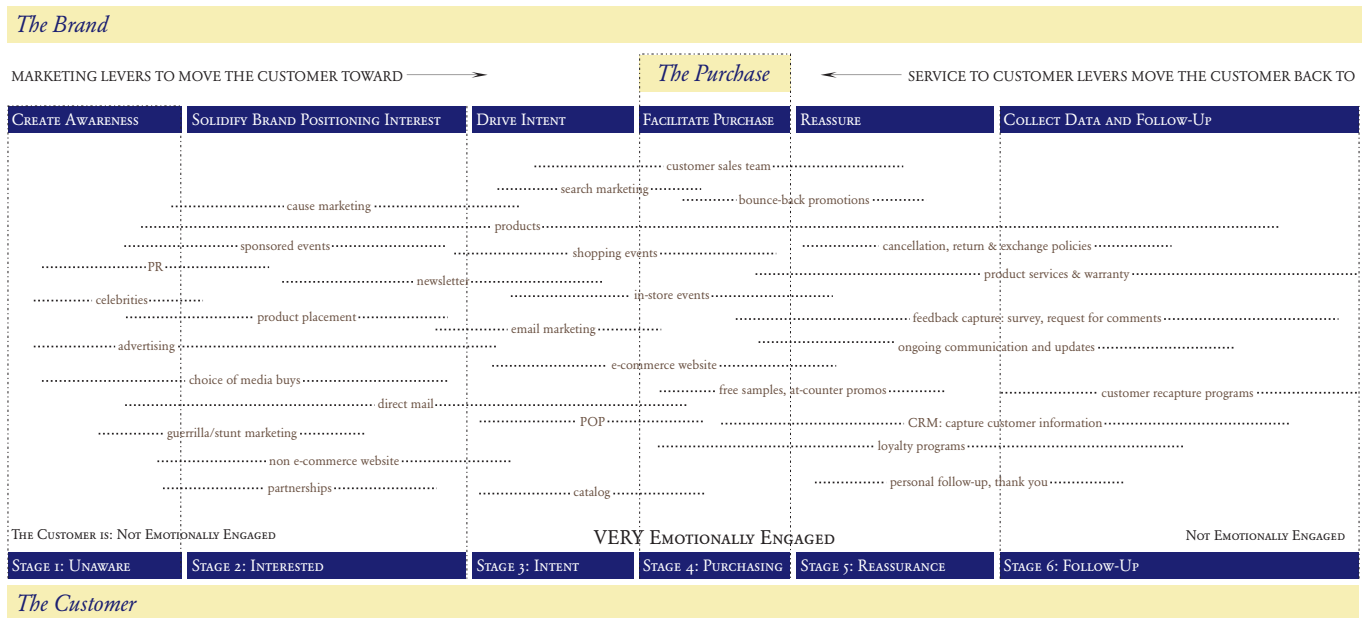
fig. 1: Ways to influence potential customers



This chart covers a wide range of influences, some of which the brand can manipulate and some – like the customer's past experience with the category – that just are what they are. When making a purchase, customers don't necessarily differentiate between these influences, but they are aware of how they "sound" as a whole. In the same way that we hear harmony without knowing the notes, people sense when there's discord or contradiction within a brand's suite of influences. Successful brands can "play" these influences like a piano.

Let's consider these levers of influence from your perspective at the piano bench. The piece you'll be performing is the customer experience, beginning with the first time they encounter your marketing. In figure 2, each part of the process shows which levers of influence are most effective at helping your brand move customers on to the next stage.

fig. 2: Customer Experience



In the beginning: The objective here is to get people’s attention, to get them over the hump of being unaware of your brand and what it stands for. Consider this step as something separate from actually convincing them to buy your product. With all of the competitive noise out there, it’s profoundly difficult just to get them to notice you, but once they do, you’ll have more numerous (and more efficient) chances to get them to purchase. Do not hesitate to make your strongest brand statements here; you can even go a little overboard.

In the middle: Give people a chance to explore, to try on, to experiment and to understand. Provide a lot of information in many different ways and ensure your audience has easy access to it. (This is what your website is for.) Make it clear if that if someone wants to buy, through any channel, the way forward is both clear and safe.

At the point of purchase: The mantra here should be “remove all obstacles, ensure smooth sailing.” Roll out the red carpet. This is where customers are the most emotionally engaged as they’re about to give you their money. Hence, this is where you have the most to lose. In terms of customer recapture, a bad purchase experience is much more difficult to fix than a bad ad campaign.

In the end: After your customers have parted with their money, they are (hopefully) at an emotional high. The brand has an opportunity to loop them back to the interested or intending to purchase stage. At this point, they’re looking for more reasons to feel proud or reassured about their purchases. Learn from your customers and remember that encouraging repurchase does not have to involve free gifts.

Note that the customer experience cycle works both for and against you. Success cannot be measured only by comparison with the competition, and in some cases (especially within hospitality industry) a brand may end up competing with itself. Every good customer experience is a point in your favor. Conversely, every experience that doesn't meet your customer's expectations is a point against you, and at certain critical stages, if you fail to deliver (or worse yet, actually make someone angry) you may lose the whole game.

When your customer experience is consistent and working well, Brand Addicts will start to surface. It's now the job of those who interact directly with customers to initiate one-to-one relationships through different types of interactions. This does not mean giving them better service. If such a disparity becomes apparent, it will create resentment among the rest of your audience. Customers should never be made to feel as though they have to compete for the brand's best attention. Instead, consider that Brand Addicts are open to more personalized communications both ways. Whereas an occasional shopper may find surveys and personalization profiles pushy and a waste of time, Brand Addicts will welcome these interactions as a sign that you really care about them and what they think. Such interactions will, in fact, encourage your addicts to become even more addicted.

Putting Customer Experience Design into Practice

There are four areas to consider when examining how your company can create and support control over the customer experience: positioning, which is essentially what your brand means when it speaks to the customer; planning, or how your brand will speak to the customer; implementation, which is your brand actually speaking to the customer; and customer experience management, which provides oversight to the entire experience and ensures, based on research and feedback, that the brand is being heard correctly.

The brand's positioning

Positioning is a clear statement about your company – what it does, what it means, what it stands for – that differentiates it from the competition. Both internally among your staff and externally to your purchasing and non-purchasing audiences, people need to know what to expect. It helps them to feel more comfortable and to make better decisions. The positioning statement should be owned by someone at the CXO level (preferably a CEO or COO), and shared among the management team and any strategic specialists who are brought in on discussions about the brand's personality or vision for the future. The process by which Positioning is shared should allow the team to make decisions easily, but also allow for any team member to be replaced and the successor easily indoctrinated by the rest of the team.

Although this idea seems straightforward, many brands encounter significant problems putting it into practice in a sustainable way. Too often, especially with fashion, the CMO or Creative Director is tasked with creating and owning positioning. As it must be applied to the entire customer experience (large parts of which fall under departments over which a typical CMO has no control), this usually results in failure. Not surprisingly, CMOs currently have an average tenure of 24 months or less. Beyond being inconvenient for marketing executives who enjoy job stability, this phenomenon is damaging for the brand as well. Customers see a brand with, at best, no identity and at worst, schizophrenia. Either way, they don't know what to expect and, as a result, take their trust and their wallets elsewhere.

Intentional, repeatable, coordinated customer experience planning across all channels

Planning means architecting a customer experience that creates a prolonged, seamless purchase cycle. It extends from marketing, through transaction, through service to the customer and then feeds back into repurchase. All aspects should be based on business objectives derived from Positioning.

Thinking back to all of the levers of influence that are available to you as a brand (fig.1, p.4), this is the act of deciding which levers to use for which messages, at each point in the customer experience. This part of the process takes objectives and long-term direction from Positioning and feeds things like media plans, training materials, and creative briefs to Implementation.

While Positioning should not change dramatically over time, the way it is expressed can and should be dynamic. Watching a great brand is like watching people with excellent taste grow and change over time. There is confidence and deftness in the way that they adapt trends to fit their individual personalities. They show different moods, and are able to experiment without being insincere. Your customers want that kind of variety and evolution. The mistake many brands make is to evolve at the positioning level. It should happen with Planning.

Planning should happen across all of your customer-facing departments and should be strongly coordinated between them. Planners may need to meet as much amongst themselves as with co-workers in their vertical department.

The trick here is to use the right tool for the right job. Each of your communication channels has strengths and weaknesses; understand and use them to your advantage. Remember that Brand Addicts savor the purchase. They want to feel wooed by marketing and seduced by the stores. They want the experience to last as long as possible. Align the visual and verbal messages in marketing, purchase points and follow-up customer service so that they're all part of the same story.

Consistent, high-quality implementation across all channels

Implementation is where the actual messages are executed: the advertisements, the direct mail pieces, the websites, the store designs and staff training. A consistent voice can be tough to ensure, but if Planning has done a good job of communicating (i.e. if all of the creative briefs and planning documentation sound like one cohesive story), it should be far more manageable than one might imagine.

Instead of devoting an army of resources to policing consistency at the Implementation level, focus instead on creating a culture that values quality, especially in those channels where your customers make purchases. Catalog, online sales and in-store experiences all have to be professional, pleasant and comfortable. The new luxury customer has no patience for snobby sales staff or difficult web shopping.

Another important component of your customer-facing channels is their ability to become the personalized voice of the brand and develop relationships with your Brand Addicts. Each channel must be able to collect and analyze information from customers to assess how engaged they are without impeding the customer experience or the purchase process. If customers qualify as addicted, they should be surfaced and recognized as such.

A strong finish feeds your customers' desire to experience more. They will start to seek out your communications and marketing vehicles on their own, without prompting, as they want to be tempted to purchase again.

The entire experience is overseen by one team

There should be one team that has everything in view at once: from looking after the interests of the customer to understanding how all of the pieces are working together. This team serves as the inside, up-to-the-minute source on customer perspective and uses that information to keep everyone else honest in their decisions. Ideally, this group should be responsible for compiling and assessing customer feedback and market intelligence, and then providing recommendations to each of the other three groups: Positioning, Planning and Implementation.

OK, I've Got Brand Addicts, How Should I Use Them?

Brand Addicts help drive sales, spread the word and influence the opinions of their peers, particularly in situations where winning the attention and trust of new customers may be costly or difficult. Use them to help refine your customer experience approach, understand the competitive landscape and buffer your brand from factors outside of your control.

- ***Find them, cultivate relationships with them and watch their behavior.***
To do this well requires a commitment of time, training and resources on the part of the corporation, but the benefits of the market research opportunities alone are worth it.
- ***Measure and compare yours to your competition's.***
Want to really understand why people choose one brand over another, and vice versa? Brand Addict behavior can show which levers of influence are working and which are not.
- ***Learn from dialogue with them.***
Learning does not imply taking orders from your Brand Addicts. Listening will give you insight into who or what else is vying for their affections – the results may surprise you. If you plan to add categories, this also will help you to determine which directions are safe for expansion.
- ***Encourage their interest and feed them special information, especially as a group.***
This feeds their need to get closer to your brand emotionally, and makes them feel as if they are a part of your success.
- ***Create more of them.***
Challenge your team to design and implement longer and more engaging customer experiences. With strong positioning, allowing your brand to explore different channels shouldn't be scary.
- ***Understand how they evolve over time.***
CRM and market research should become cultural imperatives at your company, and included in every customer-facing initiative your company undertakes.
- ***Let them protect you when you make mistakes.***
Mistakes happen at every company: either you produce a line that doesn't sell, or go too far with partnerships, or just flat out screw up and don't have sufficient inventory. This group will not only let you apologize and make it up to them, it actually may result in a closer relationship.

Putting It All Together...

Cultivating Brand Addiction requires a company-wide commitment to listening to customers (through both research and feedback), clear positioning, a consistently-applied process, and a systematic approach to maintaining a seamless, high-quality customer experience across all channels.

Although it calls for more upfront planning and different patterns of internal communication to sustain, the benefits are numerous: from more efficient marketing programs, to a self-directed, dynamic internal corporate culture, to an engaged and enthusiastic customer base that is the envy of your competition.

About 400twin

400twin provides evaluation and strategic direction for luxury clients to inspire brand addictive behavior in their audiences. We work with high-end retailers and service providers in the beauty, fashion, travel and hospitality industries to establish them in the minds of their clientele as unequivocally luxurious. More than mere shoppers with a high line of credit, this audience is discriminating, thoughtful and searching for brands that understand their lifestyle and resonate with them.

Our clients come to us for an expert understanding of the complete customer experience, from the earliest stages of brand awareness, through purchase and customer care, to follow-on programs that feed back into the purchase cycle. We help them to clarify their positioning and to use that knowledge to inform and refine all of their customer-facing programs. The end result is greater quality and consistency across the brand coupled with less hand-wringing and brute-force effort at all levels of the organization.

Our advisory services are available in a variety of formats from workshops to consulting to comprehensive research packages. We advise on fine-tuning positioning, on how to direct and orchestrate your resources across departments and also on how to use outside vendors such as agencies most effectively.

For more information, visit www.400twin.com. Sign up for our monthly email newsletter to receive whitepapers like this as soon as they are published. Or contact us directly, we'd love to hear from you.

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