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How to Understand Luxury

Necessary thoughts on the unnecessary



How to Understand Luxury

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- Collaborative** Working with our clients to achieve their aims, curious, challenging but supportive.
- Commercial** 11 Design Effectiveness Awards prove our commercial understanding and awareness of the reality of sales and marketing.
- Connected** Honey is part of a group that includes an innovation business and a sales and distribution business.

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You would think that, with all the talk of hard times from here until the seas freeze over, the one sector that would really suffer would be luxury gifting, the passing of apparently frivolous products from one person to another.

Some of the panic signals out in the market and the degree of brave whistling in the dark from retailers would seem to bear this out. But that is to equate hard times with a return to a very basic level of existence. Times are hard but not that cataclysmic. At least, not yet.

And some trends are up. At one end, top London stores are showing serious profit returns. Selfridges' operating profits are up by 12.3% to a record breaking £150 million, whilst at London based food and gift emporium, Fortnum & Mason, sales have jumped 14 per cent to £74.4 million in the year to July 2014 – pushing profits up to £3.8 million from £1.8 million the previous year. At a more modest end, Britain spends up to £6.34 billion each year on takeaway coffee (that's an average of one every week) as it becomes more and more part of the everyday luxury. Organic food has also grown, with 4 out of 5 households now buying organic and the industry now worth £1.79 billion in the UK.

In hard times, people seek compensatory gifts or self-gifts to make up for other, more expensive treats being unattainable. There are, of course, still a few people whose natural habitat is Kensington and Notting Hill and who have no money concerns. The ones we so enjoy hating. They need not concern us here. They are not real people.

There is, of course, a sliding scale of luxury. It is often said that today's luxury is tomorrow's necessity, though it remains to be seen whether that cliché will go into reverse in the next few years. For the purpose of this article, I am defining luxury as frivolous, unnecessary purchase. Unnecessary from a practical point of view, that is, but highly necessary from an emotional point of view.

There is still money to be made in this area. But, like any market, there are no easy pickings. Say luxury and you think of art for art's sake. Not a bit of it. You still need rigorous segmentation and targeting. Get it right and opportunities lie in several areas.

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It is, first of all, very important to understand gifting if you want your company to head towards a luxury market. There are, believe it or not, different types of gifting and understanding these is very important. These are the 4 types of gifting:

1 Self gifting: A small compensatory gift that will ease the pain when you can't go out to dinner, can't buy that dress, have to shop carefully. Netflix, the indulgent soap, chocolates, a computer game, flowers. There are many who would argue that these have become virtual necessities to get them through the week.

2 Home gifting: You only have to look at the increasingly desperate two for one offers from the restaurant chains to know that there's a shift to eating in. Many have discovered that you can have a great and indulgent evening in for a fraction of the cost of eating out. Look at the shift of beer drinking from pubs to home consumption - we can all do the maths and consumers are increasingly canny about value now. Every retailer is working on their restaurant/bistro collection of indulgent meals, some with more success than others, in their attempt to provide what we need and want. And it's not just food. Laithwaites have built a strong business out of home delivery of wine. Table decorations and candles are taking more shelf space.

3 Ego gifting: We all have egos and there are great opportunities to profit from markets that set out to flatter. It only succeeds, however, if the aura round the offer is powerful. Think Fortnum's, then think Aldi. When you buy a Jaguar for example, you

don't just get a good car; you become part of the club. Car manufacturers have been slow to exploit this but the emergence of Driver's Clubs and branded merchandise has been very effective in creating a sense of belonging and ego satisfaction. And, for the lesser mortals, there is the knowledge that, if you can't afford the car, you can, at least, get the sunglasses. Sad, I know, but that's what ego branding is about. Apple are masters of this. It's the logic that justifies the Apple Watch, show off technology that can be justified by the suggestion that it actually does you good. This translates, via wine, back into grocery brands that generate a sense of connoisseurship, through provenance or artisan values.

4 Tourist gifting: Tourists are people and many of those people have taste and money. Chinese tourists now spend £650 a day in Britain, excluding accommodation. There are great opportunities to create something definitively British and classy. Britain, England, London and many of our major cities and rural areas have values that need to be defined and brought alive through quality brands. Harrods understand this. Their branded ranges offer levels of indulgence and ethnicity that meet the needs of a very wide range of customers and they have seen 162% sales growth of their food halls range in the 2 years since relaunch.



“Tesco finest has recorded a significant uplift in sales since it’s relaunch in October 2013.”*

It is personal

The key to success in all these areas is to remember that it’s the personal - between you and the customer, between the customer and the recipient. There’s the quality of service, the sense that a product comes from a person, not a factory, product delivery that lives up to its promise, a sense of mystery and revelation about the packaging. All of this, of course, needs to be founded in the basics of good and thorough marketing. Firstly, a great, distinctive product; luxury packaging is not luxury if it’s just a copy of something else. That’s all it is, a copy. Then a clear understanding of whom you are targeting, their habits, preferences, behaviour. Without this, you are just yodeling into a void. And great design that absolutely captures, again in a unique way, the emotional connection between product and consumer.

Other issues

There is one other element that is all too often missed and that is to have great connections to the consumer, through packaging as well as other factors. In spite of the rapid rise in online sales, this is still and is likely to remain through the big retailers. The clever operators in this area don’t wait until the brand is completed and perfectly packaged before talking to retailers. They include the retailer in the journey, making them partners, understanding their needs and ensuring an interest in the final proposition - packaging, product and all.

Get all of this together and I know, personally, that you can make a lot of money.

