

Beyond bling

Contributed by Euromonitor International
 Wednesday, 05 September 2007
 Last Updated Monday, 14 July 2008

Date published: 29 Aug 2007

The collecting of experiences rather than ostentatious consumption has become key in the search and acquisition of luxury among the super-rich and affluent. An emphasis on status and exclusivity remains key in all luxury consumption. What is more, consumer behaviour of luxury buyers is a predictor of future consumer trends. Key trends Beyond goods. 'Shared experiences' are the new take on exclusivity in luxury consumption; Experiences with storylines are being used to sell traditional luxury goods; Fractional ownership – living the life, not owning it; Experiences/lifestyle driving travel and pampering services; Designers diversifying into holistic experiences. Commercial opportunities: It is hard to penetrate luxury markets and it takes time to achieve brand recognition, with nearly two thirds of new brands failing. Carefully consider the investment needed to thrive in the market; Think about tailoring your offer specifically to baby boomers. The US Brandchannel website counsels that boomers enjoy the highest incomes of any age group, even though US advertisers still view 18-30-year-olds as the prime demographic target; The behaviour of the wealthy remains a predictor of general consumer trends. Examples from UK-based luxury consultancy, Ledbury Research, include mobile phones, spas and the rise of organic food – an expensive niche a decade ago, and now a booming sector worth £10 billion. Studying the 'uber premium' trend can offer insights into how to infuse your offerings with 'status' to bring in higher margins. Consider which 'uber premium' ideas suit your 'non-uber premium' customers; High-end is not masstige (prestige for the masses). The trick is to diversify without cheapening the brand; In a world where consumers can cheaply create a designer feel in their homes demanding clients look for style. A challenge for fashion-brand hotels is their need to constantly reinvest to stay cutting-edge. SUMMARY

The collecting of experiences rather than ostentatious consumption has become key in the search and acquisition of luxury among the super-rich, and affluent consumers indulging in selective extravagance, in mature markets.

The value placed on experiences and lifestyle is driving key trends in luxury consumption including the use of storylines in the marketing of luxury goods, fractional ownership, new travel and pampering trends and the related diversification of designers into experience provision.

Luxury as time-saved is often part of the picture.

To mark themselves as distinct from the herd of other newly wealthy, the rich in emerging markets are starting to follow suit.

An emphasis on status and exclusivity remains key in all luxury consumption. BACKGROUND There's more disposable cash around and more wealthy individuals with it. The total number of global HNWI's (high-net-worth individuals) who each hold at least US\$ 1 million in financial assets) increased by 7.3% from 7.7 million individuals in 2003 to 8.3 million in 2004. Meanwhile, the numbers of Ultra-HNWI's (those with more than US\$ 30 million in financial assets) increased by 8.9% in 2005, to 77,500 (source: World Wealth Report 2005, Merrill Lynch & Cap Gemini); Spending on luxury experiences in the USA, including travel, dining, entertainment, spas and beauty services and home services, nearly doubled, from an average of US\$ 11,632 in 2004 to US\$ 22,746 in 2005 (source: Pam Danziger, Unity Marketing); While bling rules in emerging economies still eager to travel the status-through-product consumption road, producers and retailers of luxury goods are becoming aware that bling isn't enough for growing numbers of consumers in developed economies; Luxe still breathes exclusivity and status remains crucial. To maintain their dream value, and avoid the risk of commoditisation, luxury brands must be desired by all but consumed by the lucky few; Desire for experience-led luxury is leading the luxury market in mature economies, and the rich are flaunting their wealth more discreetly via less visible and identifiable luxury goods brands and experiential services; With counterfeiting, and premiumisation, luxury has been filtering down to the non uber-rich and going downmarket, which makes conspicuous consumption uncool - a theme covered in books such as 'Deluxe: How Luxury Lost its Lustre', Dana Thomas, to be published 6th September 2007; Add to this equation the rise in environmental consciousness, and lifestyle trends like downshifting, all threatening over-conspicuous consumption. Beyond goods. 'Shared experiences' are the new take on exclusivity in luxury consumption

Money alone only goes so far – you have to be in the know about spending it, hence the rise of beyond bling trends in experiential luxury, interwoven with connoisseurship – one way for the super-rich to distinguish themselves.

The rich and very affluent need to flag their identity for status reasons. A key aspect to experiential luxury and bling is which audience the real rich are sending signals to show 'you've arrived' – i.e. experienced luxury is an effective route to 'hanging out' with 'other desirable' luxury consumers. The need to differentiate yourself from the merely affluent luxury consumer, is emphasised in 'Richistan' a Journey Through the American Wealth Boom and the Lives of the New Rich – Robert Frank, June 5th, 2007 – which sees the super-rich (with savings of US\$ 10 million upwards) as a separate nation.

The book zooms in on the unwritten status codes of this population. In 'Richistan', typical bling such as Rolex watches are seen as reverse status symbols. The book also claims that 'inhabitants' (like Bill Gates) prefer to enjoy quality time away from blingers in destinations like the Yellowstone Club and other gated hideaways for the super rich.

While consumers in emerging economies use bling to broadcast new wealth, things may be changing. A now classic 16th September 2002 Time article, 'Wretched Excess', profiles a newly-rich Chinese property entrepreneur, for whom going abroad allowed him to benchmark himself against other moneyed people, inspiring him to create a mountaineering club for the 'right people' back home. Experiences with storylines being used to sell traditional luxury goods

Luxury consumers are buying into a narrative as experience is becoming part of the consumption of high-end goods like clothing. Vivre online designer boutique has the feel of a glossy magazine. For founder, Eva Jeanbart-Lorenzotti "Luxury is not about money, it is about those special moments in a woman's life" and we can help create those moments.

Harrods, London's renowned luxury department store is unveiling a 'Timeless Luxury' season, 10th September-20th Oct 2007 with a strap line of "luxury always has a story to tell". Intriguing questions include: Have you ever pondered which Pucci-designed item accompanied the Apollo 15 crew to the moon?

French-based online Luxuryculture.com declares "We embrace luxury as more than just an aspiration. It's a philosophy. It's a discipline. It's a culture". One category, 'brand gallery', for instance, seamlessly blends high-end goods/travel with culture-rich know-how. Fractional ownership "living the life, not owning it

With its ancestor timeshare apartment ownership, fractional ownership refers to the part ownership of goods, and typically experiences in high-end luxury consumption.

You can now buy a time-bound slice of nightclub membership, contemporary art, designer accessories, fast cars, yachts, vineyards, and even pets.

As Piers Brown, founder of 'Fractional life', a web portal for everything fractional explains: "Fractional ownership and asset-sharing let consumers get the most out of their investment by purchasing only the shares or time they require, leaving money free for purchasing as many experiences as possible". For him, the surprise is that "The biggest driving force behind this new marketplace is lack of time".

The hunt for status as part of non-masstige-style communities and lifestyles remains a key ingredient in these partial luxury consumption patterns. The tagline of a popular site, yours2share, is 'share valuable assets with like-minded people'. Experiences/lifestyle driving travel and pampering services

High-spenders are splashing out on travel and pampering experiences particularly if there is a perceived built-in element of self-improvement/'meaningful' experience in the service.

Boomers are heavy experiential luxury consumers. "Boomers are getting a whole redo on their life" comments Shelley Rosen, CEO of Airlift Ideas, a Chicago advertising and marketing firm. "They get to do [life] over: Education, relationships, their physical appearance, their overall well-being" and they're spending money like crazy because they have it. One only need look at the record numbers associated with plastic surgery, health and beauty products and spas, she adds.

Even before the holiday begins "expect all major airports, traditionally sites of impulse and planned luxury goods spending via duty free shopping, to have or be in the process of planning a spa facility, such as the Men's Lounge at Paris' Charles de Gaulle airport.

A November 2005 'The World of Travel in 2020' study, commissioned by global travel giant, Cendant Travel Distribution Services, predicts that over the next 15 years, people will increasingly want to be differentiated by what they do - not what they buy.

Luxury will no longer equate to the most expensive "a trend towards inconspicuous consumption may mean that luxury will equate to the things money can't buy such as time spent pursuing a passion. Travellers are likely to combine pampering with personal development and purchase vacations based on emotional, not financial values.

Interestingly, the study predicts while there will still be demand for traditional package holidays by newly affluent consumers from BRIC countries, these too will need to incorporate exciting, self-improving, educational or cultural elements to meet the aspirations of the 2020 tourist. Designers diversifying into holistic experiences

Famous luxury brands are diversifying into experiences.

These experiences focus on hotels and interior decoration. Armani in Dubai, Missoni in Kuwait, and Bulgari in Milan, for instance, have branched into the 'experience' business by lending their design styles and brands to high-end hotels, residential complexes and resorts. Significantly,

you live a dream lifestyle in places like Palazzo Versace in Australia, but everything is pretty much for sale so you can take lifestyle home with you.

“The emergence of such 'lifestyle' destinations is [because] customers are interested in collecting experiences”, says Robert Bernard, a partner at global consultancy firm PKF.

To attract such choosy customers, hoteliers are laying on an inviting mix of luxury and experiences including personal shoppers etc. Fashion houses are focusing on venues where there is already lots of money and interest in luxury brands, particularly the Persian Gulf region, and in Italy.

Live in 'icons of modern living', truly surrounded by stylish interiors and home accessories. Yoo residential, serviced apartments and hotels from Philippe Starck, the designer-turned-developer, with hubs in the USA, UK and Hong Kong. Yoo projects are sprouting up in Spain, Israel, Denmark, Thailand, Bulgaria, Dubai, Mexico, and Panama as well as in more expected mature market centres.

OUTLOOK
Watch them! The consumer behaviour of luxury buyers is a predictor of future consumer trends. In 'Richistan', Frank argues that they are “driving our economy, our culture and our spending habits”. The Boston Consulting Group claims that in Japan, spa-loving seniors and still-at-home highest spending 'Parasite Singles' define New Luxury.

We are likely to see a continuing shift from luxury goods towards services “away from status symbols towards status experiences or status skills such as cooking lessons from celebrity chefs, Kabbalah tours to inner meaning with celebs etc.

Travel companies will have to redefine their luxury offers, e.g. to meet an expected increase in

Anthro-tourism (authentic cultural encounters).

Designer hotels, once they have secured a strong presence in cities that are significant retail spending hubs, will need to diversify internationally to build international recognition, notably in rapidly developing markets in Asia.

For further detail about this article and other related findings, please visit [Euromonitor International](#) by clicking here.