



They big *Spender*

AS THE LUXURY MARKET EVOLVES, THE
WORLD'S FINEST BRANDS ARE FINDING
NEW WAYS TO ATTRACT THE ATTENTION OF
THE SUPER RICH, WRITES **SHANE CONROY**.



The super rich can be a strange bunch. Take the Wall Street executive who spent US\$60,000 (A\$65,285) installing a boxing ring in his Manhattan apartment. Or the successful hedge fund manager who dropped US\$40,000 (A\$43,525) on plasma screens for his Nintendo Wii.

But even these big spenders pale in comparison to the high net worth individuals who power the luxury market. As premium brands scramble to attract the attention of the Saudi prince with millions to spend on fitting out his own Airbus A380 or the billionaire relaxing on the deck of his WallyIsland super yacht, the idea of just what makes a premium product truly luxurious is expanding beyond the physical.

"Since there is so much commoditisation and 'me-too' product in luxury today, the experience in the store, on the website, and with the brand ambassadors becomes critical as a differentiator," says Milton

Pedraza, CEO of New York-based research firm the Luxury Institute. "Brands at the highest end of luxury travel, yachting, jewellery, apparel, and so on, are creating very personal one-of-a-kind products and experiences for their clients."

With the global luxury market worth an estimated US\$600 billion (A\$652 billion) per year – and projected to hit US\$1 trillion (A\$1.08 trillion) by 2010 – creating a complete customer experience is big business for luxury brands.

Louis Vuitton is one such luxury brand committed to going beyond the product to deliver unique customer experiences worthy of the company's prestigious image.

"We ensure that each and every store is a fascinating journey throughout the world of Louis Vuitton. For example, all our stores feature a display of antique Vuitton trunks alongside the latest products, uniting tradition and modernity in a glorious reminder of the company's rich heritage," says

Louis Vuitton's Australia and New Zealand CEO, Philip Corne.

"Since the beginning, the company has offered its customers the possibility of producing special orders to cater to a specific need or fulfil a particular desire. Today, the company's original workshop, based outside Paris in Asnières, designs and makes some 450 special orders a year, complying with the most exceptional requests – a travel safe or a portable library, for example."

With luxury brands placing a firm emphasis on delivering distinct sensory experiences for the luxury consumer, researchers are suggesting that luxury products have transcended their traditional place as a status symbol, and are now taking on a new role in the way we define ourselves.

"Consumers do create strong associations with luxury brands they like and in which they feel emotionally, and financially, invested. They form their own 'constellation' across categories," ▶

“With the global luxury market projected to hit US\$1 trillion, creating a complete customer experience is big business for luxury brands.”

LIVING THE HIGH LIFE

Wearing Gucci and driving a Mercedes is all well and good, but it's the lesser-known luxury brands that really get the billionaires going.

:: WALLY

If you were a sun-kissed European billionaire looking for your next toy, chances are you'd be heading to the Monaco offices of world-renowned yacht building company, Wally. Its 118 WallyPower yacht was the striking creation featured in the Scarlett Johansson film, *The Island*, and its mammoth 325-foot Wallyisland comes complete with an incredible nearly 1,000sqm deck.

:: LUFTHANSA TECHNIK

Pimp My Ride for billionaires, Lufthansa Technik can fit-out jets with big-screen TVs, the finest carpets, handcrafted furniture and lights to simulate star constellations. But, like Saudi prince Al-Walid bin Talal who's looking to fit-out his new Airbus A380 'Superjumbo', you'll need up to \$100 million and two years' waiting time.

:: MAYBACH

True captains of industry don't drive – they're driven. The plush Maybach 62 is tailor-made for a premium chauffeuring experience, with fully reclining rear passenger seats for the ultimate power nap. And when you order a Maybach you're invited to company headquarters in Germany to discuss exactly how you would like to customise your vehicle – all for around a cool \$1 million.

:: VACHERON CONSTANTIN

When shopping for the billionaire who has everything, you'd be well advised to seek out the classic creations of Swiss watchmaker Vacheron Constantin. The world's oldest watchmaker in continual operation, the company dates back to 1755 and its 250th anniversary watch sold for more than US\$1 million (A\$1.08 million).

:: VERTU

While mobile phones are often a fashion accessory among the tech savvy, if you really want to put the bling in your ring then Vertu is your mobile phone manufacturer of choice. Wrapped in fine leather, encrusted with diamonds, and featuring a free concierge service, its special edition models have sold for as much as \$340,000.



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says Pedraza. “That is why a negative experience with a brand in which you are invested is painful and creates a sense of betrayal.”

“People love luxury because they believe it reflects something about who they are and their lifestyle,” agrees Simonne Santana, founder of Love Me & Leave Me. “There are waiting lists for ‘must-have’ accessories. This only creates more hype and desire to own an item that everyone wants. It is simple economics – supply and demand.”

Launched in late 2006, Melbourne-based Love Me & Leave Me has found growing success among Australia’s fashion savvy by allowing customers to rent designer products for a monthly subscription fee and weekly hire charges. The company has also heralded a trend towards borrowing that is giving the middle class greater access to the luxury market.

“Australia is about to enter a borrowing boom,” says Santana. “Borrowing gives people access to luxury products when they usually could not afford the full retail price. Before, only celebrities could afford the luxury of spending thousands of dollars on a lavish handbag or the latest pair of designer heels. Now, high-end fashion products are not only available to the rich and famous, they are available to the average fashion consumer.”

According to Pedraza, the borrowing trend is also being embraced by the very wealthy who are becoming less interested in owning assets that may depreciate, opting instead for leasing packages

with organisations that give their members access to variety at the highest levels. Yet the democratisation of luxury has sent ripples running through high-end suppliers, who are faced with the challenge of protecting their exclusivity as well as maintaining their brand integrity.

This, says Pedraza, has led some luxury brands to make strategic decisions to move closer toward mass-market penetration. “Of course, no-one wants to state that overtly, so they announce deals and distribution strategies that are effectively mass-market, and just let the strategy evolve. Luxury consumers, who are paying with their hard-earned money, eventually migrate to truly luxurious brands, but the mass-uptake can be very profitable as aspirational consumers now have access to a luxury brand. It is a valid strategy.”

But for those brands wanting to uphold their strength as truly aspirational luxury suppliers, maintaining exclusivity is the major challenge.

“High-end luxury goods are deemed exclusive not only because of their price and because of the rich and famous who [flaunt] them, but also because they are generally very difficult to source and cannot be bought in bulk,” says Santana. “We only tend to carry between one and three of a particular style because of this reason.” ▶





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“As luxury has become more ubiquitous, we find lots of premium products pretending to be luxury,” adds Pedraza. “It’s a nice label to put on your product to charge more. But wealthy consumers are willing to pay a premium only if the product is not worn or used by everyone else. They are trading higher to unique, exclusive, limited-edition and one-of-a-kind products.”

For Louis Vuitton, maintaining exclusivity means limiting the availability of their product to company-controlled retail channels. “The company has a clearly defined distribution strategy,” says Corne. “You can only purchase a genuine Louis Vuitton product from one of its stores. Our exclusive distribution network is an assurance of quality and service.”

While maintaining exclusivity may be about keeping your product off the street, it is most definitely about keeping it on the red carpet. Celebrity endorsement, through official advertising campaigns and via unofficial brand alliances captured in paparazzi photography, is an important channel for luxury brands to establish their image as a desirable status symbol.

“The calibre and reputation of that celebrity is fundamental in positioning the brand up the luxury ladder and ‘must-have’ list for fashion-conscious consumers,” says Santana. “Luxury designer brands have incredible marketing machines. This, coupled with designers using the rich and famous to display their latest collections, creates the ultimate billboard.”

While Louis Vuitton has featured model Eva Herzigova and actress Scarlett Johansson in advertising campaigns, the company has broken the mould by appointing Keith Richards of The Rolling Stones as the latest – and somewhat weathered – face of the brand.

But, according to Corne, it’s all part of communicating the brand’s rich identity. “The campaign restates travel as the fundamental and defining value of Louis Vuitton, interpreting it as a personal journey, a process of self-discovery.”

Establishing a brand’s iconic standing has never been more important, as emerging regions of wealth in the Middle East, India and China become bigger players in the luxury market, and the increasing spending power of Generation Y starts to feature in the long-term marketing strategies of many luxury brands. Both, according to Pedraza, are the engines of growth for the 21st century and will steer the direction of the luxury market.

“It will bring luxury online,” he says. “This means Gen Y will not only research and buy luxury products and services online, but also participate in dialogues online. This will be a real adjustment for luxury brands, but they will do it sooner or later, or perish.”

Advice well noted by Louis Vuitton: “We are adapting constantly to the changing market,” says Corne. “As a market leader, the key challenge is to maintain our position. Every aspect of the business is committed to a continual process of innovation and improvement.”