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Wealth and Luxury Trends 2010 And Beyond

The Luxury Renaissance
Begins in Earnest

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The Knowledge of Luxury, The Luxury Of Knowledge

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As the luxury industry ends a disappointing 2009 and prepares for 2010, there are strong signs that many top-tier luxury brands are gearing up for a renaissance. CEOs of major luxury brands are embracing the challenge to reinvent themselves, even as they fight to survive the remainder of 2009. We expect to see a dramatic redesign in key components of the luxury business model, resulting in a true, customer-centric luxury industry worthy of the name. There is hard evidence that the luxury industry is rising to the occasion, and we look forward to the innovations that will emerge in the coming year.

The following are the seven predicted trends in wealth and luxury for 2010 and beyond

Trend #1

Luxury Media
Becomes
Plain Ol'
Luxury Media

The Luxury Institute's latest WealthSurvey on 'Social Networking Habits and Practices of the Wealthy' shows that seven out of 10 wealthy consumers are now members of social networks. The wide participation of the wealthy customer is rapidly persuading luxury brands to join in the online conversation. Whether it is fan pages, contests, exclusive offers, or simple banner ads, most major luxury brands will have accepted and embraced social media participation as mainstream in 2010. Print media will always have its role in luxury, and will innovate to stay relevant.

However, social media may dominate the future, as well as morph into unforeseen vehicles to help promote a refined and effective luxury conversation that is unmatched by any other marketing or communication channel. States Mathew L. Evins, CEO of Evins Communications, Ltd., "The real value of social media to the luxury consumer is that it is neither 'push' nor 'pull' in nature. Traditional media has overly solicited luxury consumers and bombarded them with a surfeit of messages. Social media gives the luxury consumer the opportunity to decide what brands they engage with and on what terms. It's this element of control that really is the ultimate luxury."

A major economic crisis truly is a terrible thing to waste and luxury will prove it is up to the innovation task.

Trend #2

Impatient
Luxury Beginners
Exit The Industry

During the boom times, many merchants, designers, investors, private equity firms, service providers, consultants and others with no experience in luxury goods or services jumped onto the luxury bandwagon looking for immediate wealth opportunities. The newcomers were mesmerized by the beauty and awe of luxury, but they underestimated the skill, investment, dedication and time required to create and deliver at the highest levels of design, quality, craftsmanship and service. A historic truism of the luxury industry is that those who serve the ultra-wealthy can achieve great success, but luxury's slow and surgical scalability rarely allows providers to become instantly successful.

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Trend #2 - con't

Impatient
Luxury Beginners
Exit The Industry

Some wealthy entrepreneurs who entered the game during the boom have unfortunately learned that being rich and consuming luxury does not make you a luxury purveyor, especially if your orientation is not customer-centric. Luxury takes special talent, skill and sacrosanct devotion to serving customers that very few brands are able to deliver consistently. Many newcomers have discovered that luxury also takes a long time to bring to fruition and very few beginners have the patience. This exit will prove to be a blessing for the luxury industry as truly devoted luxury purveyors take back leadership and control of the industry for the benefit of all.

Trend #3

Customer Data is
Valued as a Vital
Asset Rather than
as a By-product

In good times, luxury brands thought they could afford to ignore the quality and accessibility of their customer databases. Surprisingly, even the top-tier luxury brands were negligent when it came to customer intelligence and its enhancement of the customer experience.

Demographic data such as email addresses, home addresses and cell phone numbers remained uncollected, disorganized and outdated. Transactional data, the heart and soul of customer intelligence, remained trapped in operational systems that were diligently used by accountants, but marginally valued by sales and marketing teams.

The days of customer data mismanagement will end as luxury brands begin to embrace excellence in customer data management and analytics to generate real-time, actionable customer insights.

Trend #4

Luxury Sales
Compensation
Gets a
Redesign

One of the most destructive conflicts in the luxury industry is the battle as to who really “owns” the customer: the sales executive or the company. Luxury salespeople refuse to provide their customer information to the company, believing that doing so will undermine the salesperson’s control of the customers, their independence, and ability to earn commissions.

Many salespeople think of their customer information as job security. The company rarely provides the salesperson with real-time insights and marketing support that can be beneficial to the salesperson as well as to the company in retaining, cross-selling, up-selling and reactivating the customer profitably. Salespeople typically are not rewarded or given recognition for collecting or using customer data intelligently.

In the current severe downturn the lack of cooperation on customer data has proven disastrous for salespeople and for luxury brands. In the upcoming year, expect the smart luxury companies to redesign their sales selection, training, reward and recognition systems to drive teamwork and accurate data collection in order to have a beneficial source of insights for continuously reinventing the customer experience.

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Trend #5

European Luxury
Launches a
Redesign of its
Service Culture

Unfortunately, European luxury brands are not world-renowned for delivering extraordinary customer experiences, albeit Europe is the birthplace of luxury. The quality of customer interaction and customer service of European luxury brands globally is nowhere near as great as their products and venues.

European luxury executives are beginning to recognize that the time has come to not only rival the non-European luxury brands such as Ritz-Carlton, The Four Seasons, Lexus, Nordstrom and Apple in customer experience, but to dramatically surpass them in 21st century style. This task will require cultural transformations of massive proportions for the product-centric Europeans and will take several years.

Look for top-tier European luxury brands to take on the challenge passionately as they begin to reinvent themselves in 2010

Trend #6

Many Well-
intentioned CRM
Projects Will Fail to
Deliver Results

Several major luxury brands have decided to undertake Customer Relationship Management (CRM) projects. But Luxury CRM is vastly different from mainstream CRM. The challenge is that many of these luxury brands' leaders believe success lies within the parameters of data, analytics, and technology.

It is critical for luxury brands to first embrace the right culture, values, people, skills, metrics and compensation systems in order to redesign the customer experience and internal business processes in ways that are extraordinary, relevant and lasting. The data, analytics and technology are merely tools that should be used only after the customer-centric culture is embedded in the enterprise.

Luxury brands also need to beware that CRM technology vendors know nothing about luxury, and surely do not practice CRM with their own clients; they only sell CRM. Luxury CRM is a virtuous endeavor, but one that can only thrive in the context of a devout customer-centric culture and a cautious approach to CRM vendors. Look for brands to finally discover this after some false starts in 2010.

Trend #7

Trusted and Authenti-
cated Peer Ratings and
Reviews Surpass
Friends and Family
Recommendations as
Influencers on Luxury
Purchase

In the recent Luxury Institute WealthSurvey: The State of the Luxury Industry, 42% of wealthy consumers chose "ratings and reviews from a trusted source" as the most influential factor in purchasing luxury goods and services. This marks a discerning shift from "friends and family" as the most trusted source.

Wealthy consumers are becoming comfortable with using the expertise of trusted peer groups to help make luxury purchasing decisions. The aggregated experiences of the larger peer group become a more reliable and expert source for making luxury purchasing decisions as long as the source is trusted.

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Trend #7 – con't

Trusted and Authenticated Peer Ratings and Reviews Surpass Friends and Family Recommendations as Influencers on Luxury Purchase

Research shows that under the right circumstances, the aggregated insight from legitimate peer groups is far more reliable than an individual, albeit trusted, source of knowledge.

Look for major luxury brands to begin to embrace this trend and begin to engage in this rich and profitable ratings and reviews conversation, especially with their own customer communities, in 2010.

As 2010 approaches, there is much in the luxury industry for which to be grateful. It will take a significant amount of time to recover and surpass the economic success levels of 2007, yet luxury is cyclical, and the category will benefit from the growth of the world economy over time.

Asia remains a very bright spot and will drive dramatic growth in the 21st century. The top-tier brands of luxury have already embarked on a reinvention and renaissance that will make luxury wonderfully unrecognizable several years from now. Look for those famous green sprouts in 2010. They are definitely there, but hard to see with the naked eye.

Resources

The Luxury Institute, LLC, conducts numerous online surveys with wealthy consumers each year. Published results are available a la carte from our [online store](#) or Members of LuxuryBoard.com have free access to these reports via the Resource Center. Visit <http://www.LuxuryBoard.com> to join.

The following studies were referenced in this whitepaper:

1. **WealthSurvey: Current State of the Luxury Industry.** This proprietary survey examines the state of the luxury industry as of August 2009; a similar survey was conducted in January 2009. According to high net-worth consumers - "Superior quality" and "superior craftsmanship" continue to be the attributes most commonly associated with a luxury brand. The study examines a variety of critical topics as outlined below.
Published September 2009. 55 pgs. PDF format.

<http://www.luxuryinstitute.com/catalog/product.cgi/14/72/P1/default/N/0>

2. **WealthSurvey: Social Networking Habits and Practices of the Wealthy.** Conducted in the second half of 2009, this proprietary survey examines a variety of topics related to social networking. Topics include: use of social networking sites (i.e., top 10 sites, access via mobile devices), benefits of social networking, trends and changes resulting from social networking, online communities (including social shopping site memberships), social media marketing and social media barriers to entry.
Published October 2009. 72 pgs. PDF format.

<http://www.luxuryinstitute.com/catalog/product.cgi/14/73/P1/default/N/0>

Luxury Institute – Voice of the High Net-Worth Consumer

No entity in the world conducts more independent and actionable research with more wealthy consumers, on more critical topics and more luxury brands, than the Luxury Institute. The Institute delivers a portfolio of quantitative ratings and research, qualitative research, and a comprehensive set of consulting services that deliver profitable solutions to the world's leading luxury goods and services professionals and brands.

Voice of the High Net-Worth Consumer Research

Luxury Brand Surveys

Each year the Luxury Brand Status Index (LBSI) surveys run in over 25 categories (automobiles, handbags, consumer publications, wealth management firms, shoes, etc). The LBSI is the only independent and impartial measure of the value and equity of leading luxury brands, based on data collected directly from wealthy consumers. The surveys are conducted in the U.S., Europe, Japan, and China

Wealth Surveys

The Luxury Institute conducts proprietary quantitative research with several segments of wealthy consumers in order to examine and validate critical issues, opportunities, and best practices.

Online Community

LuxuryBoard.com is a membership-based online community for luxury goods and services executives, professionals, entrepreneurs, and the firms that serve them. Nowhere else in the luxury arena can professionals find such a dynamic and complete resource of independent and impartial market and business intelligence to allow them to better serve their wealthy clientele as well as tools to connect with other members.



www.LuxuryBoard.com

Other Products and Services

Wealth Report Newsletter

This newsletter, with 8 issues a year, recaps leading-edge insights from recent affluent consumer surveys as well as leading publications, consultants, and researchers. Also includes the "Excellence in Luxury" interview that provides a view into what unique and innovative individuals are doing throughout the industry.

LISCA Program and Certification (Luxury Institute Seal of Customer Approval)

Knowing your customer well and having high customer ratings is a strategic advantage in any economy. Through the certification program, the Luxury Institute surveys your customer base and provides you with the complete set of consumer ratings and comments. This data gives you a candid, actionable view of how your customers perceive your brand and enables you to pinpoint critical areas of focus for continuous improvement. Your firm is eligible to receive Gold or Platinum Certification based on your customer satisfaction metrics.

Luxury CRM Consulting Services

The Luxury Institute provides objective and independent Luxury CRM (Customer Relationship Management) consulting services that develop and optimize your firm's customer-centric values and culture into a complete Luxury CRM business model. Our services are designed to complement our fact-based "voice of the high net-worth consumer" research and provide you with end-to-end solutions that help you out-perform and out-behave your competition.

- Senior Management Workshops
- Audit and Consultation
- Analytics and Statistical Modeling
- Qualitative and Quantitative Measurement Methods
- Customer Experience Measurement
- Rapid-Cycle Test-and-Learn Campaign Management Consulting
- Process Redesign, Piloting, Front-Line Training and Roll-out

To learn more, please visit our [product overview](#) page. We would be happy to provide you with additional information and determine how we can best serve your needs. Contact us via our [contact form](#) and we'll reply promptly.



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