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BRANDING

Luxury Branding Below the Radar

FROM THE SEPTEMBER 2015 ISSUE

For nearly a decade marketers have been talking about the rise of "inconspicuous consumption": elite consumers' growing affinity for discreet rather than traditionally branded luxuries. Giana Eckhardt, a professor of marketing at Royal Holloway, University of London, watched with interest as the trend developed in Europe and the United States. But it took a 2012 sabbatical in China to convince her that this was a global phenomenon to which she—and every chief marketing officer in the luxury sector—should devote full attention.

"China was supposed to be the land of conspicuousness, but all of a sudden people were making fun of overt wealth and even taking the labels off their clothes," Eckhardt recalls. To find out why, and what companies could do in response, she and two colleagues reviewed the research on the trend and investigated consumer behavior in markets around the world. Although the evidence is more anecdotal than scientific, they concluded that three factors are driving the change.

First, now that luxury brands have spread to the middle class through diffusion and accessory lines, services such as Rent the Runway, fast-fashion copycats, and high-quality counterfeits, logos don't signal wealth the way they once did. As Wharton's Jonah Berger pointed out in a 2010 study, "If most of the buyers are merely thousandaires, rather than millionaires, the [product becomes] a signal of the wannabe rich." Second, upper-class consumers have become intrinsically less drawn to overt status symbols. Eckhardt and her colleagues say that although this may have started with a reluctance to stand out during the economic downturn of the late 2000s, it has persisted.

Third, social media have enabled the rise of niche brands (Goat womenswear, Bottega Veneta leather goods, Kimpton hotels, and Blue Bottle Coffee, for example) through which like-minded people of any socioeconomic stratum can send what Berger calls "subtle signals" to one another. His lab studies have shown that "the educated elite"—say, fashion students choosing which bag to buy—have a significant preference for "discreetly marked products, subtle but distinct styles, or high-end brands that fly beneath the radar," which gives the providers of those offerings greater longevity than their "more blatant counterparts."

Of course, all this poses a big problem for companies that have bet the farm on conspicuous branding. "Eighty percent of the organizations we talk to are not on top of it," Eckhardt says. "Their reaction is, 'What are we going to do? Our entire strategy is based on people buying products to signal their social status to others.' That's what they learned in their MBA programs. But we think this is a long-term shift, not a cyclical one. Twenty years from now people will look back and say, 'I can't believe we ever used brands in that way.'"

COURTESY OF PATRÓN, BOTTEGA VENETA, DAIMLER, AND TOM FORD (LEFT TO RIGHT); ALVARO TAPIA HIDALGO (BROADHEAD)

Subtle Signals

Some luxury brands have eschewed flashy logos and packaging in order to appeal to consumers' growing preference for inconspicuousness.

PATRÓN
Less gilding on its tequila bottles

BOTTEGA VENETA
No obvious branding on its leather bags

DENZA
Understated electric cars from Daimler in China

TOM FORD
A discreet shelf presence for its Private Blend fragrance collection

FROM "LUXURY BRANDING BELOW THE RADAR," SEPTEMBER 2015 © HBR.ORG

So far executives, consultants, analysts, and academics have been slow to recognize the trend's momentum and develop a response. But some best practices are emerging. Eckhardt's team cites two they think can help companies get out in front.

FURTHER READING

How Not to Extend Your Luxury Brand

FINANCIAL MANAGEMENT MAGAZINE ARTICLE by Mergen Reddy and Nic Terblanche

SAVE SHARE

Redesigning offerings to downplay brand names and luxury.

Some companies, including Louis Vuitton, Michael Kors, Tesla, and Audi, have begun downsizing their logos, hiding them (putting them on the lining of a handbag rather than on the exterior, for example), or making them optional. Emirates airline has revamped its plane layouts and boarding system so that economy class passengers no longer see the perks afforded those in business and first class. Patrón has reduced the gilding on its tequila bottles, and Tiffany has dropped the spelled-out brand name from its fashion jewelry line in favor of a simple "T."

Rebranding around experience, artistry, or utility.

Eckhardt compares the Chinese luxury apparel brands Shanghai Tang (part of the Richemont group) and Shang Xia (owned by Hermès). She says that the former emits "very loud brand signals" and is "floundering," while the latter has a quieter presence—emphasizing the artisans behind its products, its tasteful stores, and its high-quality customer service—and is growing rapidly, especially in China.

Eckhardt also cites the hotel and resort chain Jumeirah, which markets the unique qualities of each of its properties—for example, tea service with honey collected from a rooftop hive (Frankfurt) and access to turtle rehabilitation projects (Dubai). Other examples include the UK department store Selfridges, which has created “intimate shopping spaces” that deemphasize brand and price; Apple, which competes with luxury watch manufacturers by highlighting the practical benefits of its iWatch, not its social-signaling power; and high-end farm-to-table restaurants that tout locally brewed ciders, free-range chicken, and organic heirloom tomatoes, not Dom Pérignon champagne, Kobe beef, and Almas caviar.

Eckhardt’s team notes that some companies manage to have it both ways, however. Take Daimler, which still markets its conspicuously branded Mercedes line in China but has also launched the subtler, all-electric Denza brand there, or the fashion brand Tom Ford, which famously puts no logos on its clothes and packages its Private Blend fragrance collection in an equally plain way but sells the scent in oversized bottles in the Gulf region.

“The balance in a brand portfolio depends on the geographic market and the consumer the company is trying to reach today,” Eckhardt says. “But we see inconspicuousness as an overarching global trend going forward. Luxury is becoming more personal than social.”

About the Research: “The Rise of Inconspicuous Consumption,” by Jonathan A.J. Wilson, Giana M. Eckhardt, and Russell W. Belk

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"We Focus on an Immersive Strategy"

ALVARO TAPIA HIDALGO

HBR spoke with Alison Broadhead, the chief commercial officer of Jumeirah Group, about the hotel chain’s response to the rise of inconspicuous consumption. Edited excerpts follow.

How are you adapting to changing consumer tastes?

Our ethos is “stay different.” No hotel in our portfolio is like another. Our resort in the Maldives is very pared back; space is the luxury, which means you might have a 2,500-square-foot room. At Port Soller the views are what’s luxurious. In Istanbul and Rome we’re in historic buildings; the idea is to blend in and focus on local culture. Dubai is a more traditional luxury market, but we have a range of offerings, including boutique-style hotels and beachfront villas. There’s something for everyone.

Do you think the backlash against conspicuous consumption will spread everywhere?

People in developed economies have become a lot more focused on fulfilling emotional needs, and this includes travel and ensuring that their limited downtime is well spent. There’s still an appetite for conspicuousness in emerging markets, but it’s shifting quickly. Russian and Chinese people have really only been traveling for a generation, but they’re already looking for more-curated experiences.

How have you shifted your marketing?

We focus on a much more immersive strategy—we want to be visible and available when customers are looking for us, when they're dreaming and researching and of the mind to book travel. That's different from the big advertising splashes popular five or 10 years ago. We emphasize packages—food and beverage or spa and wellness, say—that offer extra value to different customer segments. And we've invested in online videos to create an emotional connection with current and potential guests. We're now the most-viewed hotel brand on YouTube.