Style and status are hallmarks of high-end brands

Consumers increasingly spend more on luxury experiences and less on luxury goods, and are developing an appetite for novel benefits when buying high-end products and services

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When people talk about Swiss brands, they often think about the luxury products and services for which the country is justly famous – its watches, jewellery, chocolates and deluxe hotels, for example. Over the last decade, my own research and teaching activities at INSEAD have taught me that decoding luxury consumption patterns requires a move away from the overused term 'luxury' and a deep dive into the inner socio-psychological drivers underlying how consumer think, feel and behave towards the high-end and high-quality products so core to what Swiss brands really stand for.

Two concepts remarkably explain brand success in the luxury space: style (a durable, recognisable pattern of aesthetic choices physically and psychologically linking consumers with an idea, a person or a brand); and status (the admiration and respect that consumers imbue an idea, a person or a brand with). These are the common thread that explains the success of luxury and other high-end brands across different domains. And it is a unique combination of style and status that counts: brands that are very successful at identifying or creating styles with original identities which differentiate their products or services and combine them with high status.

Many Swiss brands spanning high-quality goods and services own a powerful and distinctive identity earned in the past, highly authentic and associated with the country's own DNA and values that lead consumers to trust those brands in the future. Creative directors and managements then imbue those unique style characteristics with high status – for instance through scarce production or the use of influencers, as Swiss watch brands often do with leading sportsmen and sportswomen, and as Nestlé has done with the famous film actor George Clooney in marketing Nespresso.

Alternatively, products can be positioned as high-end because they have unique characteristics that create barriers for potential competitors – as French wine brands do with their emphasis on their terroir. A high price can also signal to potential clients that a brand contains high-quality ingredients or involves very specialised skills that are worth paying for.

Managing status can be difficult, however, because high-end products may be vulnerable to influences which undermine their status – for example, through unwanted association with individuals or groups who damage the brand. For instance, Burberry, historically seen as a high-end fashion brand, became associated in the mid-1990s with hooligans in the UK. Brands can, of course, be rejuvenated and win back their status, but for Burberry it took new management a lot of effort to restore its status attribute, in part through innovative strategies leveraging digital technologies.

In the long run, the success of high-end brands will increasingly rest on their ability to respond to three key game-changers in consumer-brand relationships: how brands integrate digital technologies in their strategies; how brands address consumers' shift in demand from conspicuous consumption (ie, value and benefits associated with the visibility of goods produced) to conspicuous production (ie, value and benefits associated with the way goods are produced); and how to pivot from European and US markets to China and other emerging economies.

Digital technologies are increasingly instrumental to brand success, powered by the growth of social networks, e-commerce platforms, messaging tools and others. These tools enable businesses to create and magnify connections between individuals, products and influencers, with strategic implications for brands. By fostering greater transparency, technologies such as

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social media potentially undermine brands' exclusivity by producing unfiltered content about how consumers interact with brands (for example, mixing and matching clothes, wearing counterfeits).

By multiplying content visible to everyone about high-end products and implicitly highlighting their similarity, social media can also undermine the value of products and nudge consumers to turn to experiences. Indeed, the data shows consumption spending on material products grows significantly less rapidly than that of experiences. Many luxury brands are investing heavily in providing luxury experiences and using digital tools to improve those experiences, as experiential consumption can sustain the unique characteristics of brands and defend their high-end status.

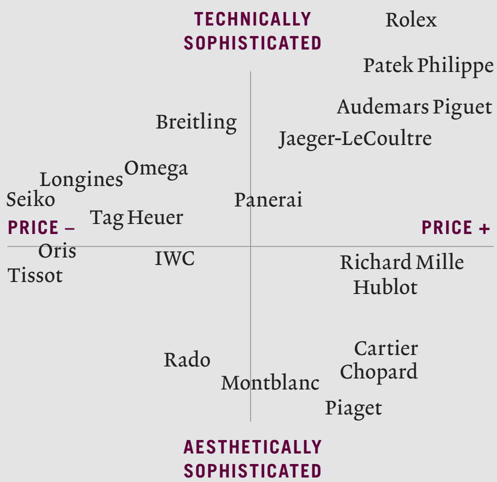
My recent research also shows that companies can gain significant competitive advantage by using 'big' data generated by humans when they interact with digital technologies. I identified four key data sources that, when combined, significantly enrich brand strategies. I call them the 4S data: *search data*, which reflects what people are looking for on search engines or e-commerce platforms; *social media data* on what people like, share or post on Facebook, Instagram and other social networks that reflect public sentiments about brands and products; *site data* recovering websites' visitor journeys; and *shop data*, providing real-time feedback on the market success of products and services.

For instance, I analysed together with data scientists from Swiss-based company TSquared Insights millions of search queries about luxury watchmaking. By estimating correlations in search proximity between brands, we were able to generate search-based perceptual maps reflecting consumer behaviour in this industry (see Figure 1).

A second key game-changer is that people are moving from a world which was about conspicuous consumption to one which is about conspicuous

FIGURE 1: SEARCH PROXIMITY BETWEEN LUXURY WATCHMAKING BRANDS

(France general population sample, 2018)



Source: Dubois, Trepanier and Haumont, Working Paper 2018

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production. Consumers, particularly millennials who were born between 1981 and 1996, are more and more interested in the provenance of different products and services, including the source of raw materials, the amount that employees are paid and how companies spend what they earn – hence encouraging sustainable strategies. People showcase their status less by consuming conspicuous products and more by consuming virtuous and sustainable products. This raises interesting challenges for established high-end companies whose traditional customers may be older than the younger people those companies want to target – such as entrepreneurs who are becoming wealthier earlier in their lives.

Similar questions arise for companies like banks which want to expand outside Europe in emerging economies such as China, where clients may be younger and have different priorities to the older generation. They must try to strike a balance between preserving the brand DNA that was originally behind their emergence as high-end companies, while adapting to different ways of thinking that are popular in their target emerging markets. Global elites will not become completely homogeneous, but high-end companies can use appropriate digital tools to learn more about new cultures to strengthen the relevance of their value proposition.

Technological developments can also present challenges to the owners of high-end brands such as luxury watches. The arrival of cheaper Asian-made digital watches in the 1970s and 1980s was dubbed the 'quartz crisis' for its impact on European manufacturers of mechanical timepieces. The Swiss watch industry responded by launching the relatively low-priced range of Swatches with many fewer parts, aggressively marketed them and was credited with restoring Switzerland as a major force in the global industry.

The quartz crisis was about the cost of watches, but new challenges now face the Swiss industry with the arrival of smartwatches like the Apple Watch which are more experiential in nature. A recent response from Swiss watchmakers has been the launch of the Tag Heuer Connected Smartwatch – a luxury watch in appearance with smartwatch capabilities – astutely providing an entry product for millennials who have a digital watch but may want to upgrade to a more substantial traditional luxury watch.

In summary, Swiss brands need to simultaneously tackle the pivot from European and US markets to China and other emerging economies, the transition from material products to luxury experiences as well as the increasing role of technology. Crucially, in doing so, they need to keep what has been core to their success: embracing a long-term perspective. Consider for instance Nestlé's success in launching Nespresso to accompany the long-term movement of status expression in the home: previously expressed in the living room, status progressively 'migrated' from the bedroom and the bathroom to the kitchen. Nespresso perfectly understood the kitchen as a status symbol had become increasingly essential in people's homes and effectively addressed consumers' desire for beautiful machines such as a high-status coffee machine. Similarly, high-end fridges and furniture in the kitchen have been on the rise.

The question for Nestlé – and other Swiss brands – now is: in this new area marked by agility, speed, technological disruption and fundamental shifts in consumer demand, how will they strategically leverage these game-changers to retain the hallmarks of high-end brands?

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