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Premium by Design

How to Understand, Design and
Market High End Products

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Achievable Dreams

I believe that High End is simply the most promising market in terms of growth and future.

Concetta Lanciaux, former advisor to Bernard Arnault, LVMH

So, what is this Cinderella thing called the *High End*, this younger sister of luxury, an affluent older cousin of *ordinary*, and the *purchasable dream* of everyone who has some spare cash? First, where does High End even come from? We can find it at the mall, even in a modestly affluent one. But, before we start with stuff, let's begin with experience, the mother of High End, rather than shopping. We start with travel, its advertisers aggressively promising enticing luxury of a lifetime, if only you take that flight or train, that safari, or simply the limousine service from home to your destination and back again.

Luxury Gives Birth to the High End

Since the beginning of commercial aviation, most passengers have traveled in less than comfortable conditions, often with food choices that made McDonald's food look like a gourmet restaurant fare in comparison. Of course, money talked then as now. A select few, those who could afford a seat in the front section of the plane, were treated much more respectfully, pampered in comfort. Just a few years ago, flat beds in the first class of some airlines were all the rage. The envying business-class passengers did not suffer much either – they had wide reclining (although not flat) seats with a lot of legroom, good meals and a personal DVD player with a tiny screen for entertainment. Nowadays, Emirates airline offers completely first-class private suites to Dubai with an oversized flat-bed massage seat, a personal mini-bar, fine-dining room service and 1,000 channels of entertainment on a high-definition oversized screen in case you tire of looking out the window. And what about business class, the affordable luxury? As for the business-class passengers, the flat beds are becoming standard, with more choices for entertaining, better airport lounges, and so on. In fact, many amenities of the former first class are now standard for

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the business class suggesting that one could view today's luxury as a preview of tomorrow's High End.

Noticed by an Italian philosopher Cesare Beccaria a quarter of millennium ago, the trend of people to emulate the classes immediately above them is happily flourishing in the twenty-first century. While mother luxury seeks ever more, what was formerly luxury migrates to the affordable, to what we call the High End. Luxury has always to outdo itself not to be swallowed by the High End. And so the stories of fabled, not-to-be-believed excesses. In Dubai, you might be one of the lucky few who can enjoy a stay at *Burj al Arab* hotel, considered by many the best hotel in the world. The hotel is built out of the water and designed to resemble a billowing spinnaker sail. You are met at the airport by your chauffer-driven Rolls Royce, for your personalized, well-serviced, always so discreet check-in. Every floor has its own private reception desk and innumerable trained butlers, all at your service. The lowest price at the hotel at the print time was close to \$2,000 a day (the rates have not changed much even in difficult economic situation, although the hotel started offering some free nights for longer staying guests). Wouldn't you just know it – the Burj is booked many months in advance – even through the crisis affecting Dubai and the rest of us. The question is, should we consider such “conspicuous consumption” lifestyles as the only picture of future premium? We do not think so, and this is why we wrote this book.

Clearly, a private suite in the air on the way to the seven stars hotel is the very best. Yet, just below that very best, just below the luxury to be dreamed of, lies a vast world of *affordable luxury*, where business opportunities flourish, and where future opportunities emerge again and again. A lot is still possible in the world that does not involve being jammed into the “cattle” class of an overcrowded airplane among screaming kids and calorifically challenged fellow passengers, with that icon of the road warrior, a Motel 6 room waiting at your destination. Or, in contrast, in that other world where you would go broke after a week's stay. Even if you cannot afford a stay in a seven stars hotel, there is a good choice of business hotels offering the amenities considered just a decade ago to be an exclusive luxury. In fact, there is an affordable whole new world of near-luxury level experiences and services that mere mortals can and do buy. It's no longer a matter of being a sultan, a tycoon or a Hollywood star to be able to afford them. It is now a matter of affordable premium, with the emphasis on *affordable*, and the emphasis on *premium*. And, for this book, it's a good business. Companies are making lots of money from this world of premium. This is the High End, the world between those top luxury prices and everyday commodities that we

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explore in this book, with occasional side trips to the land of luxury that make people feel good.

Is it Stuff? Or is it Soul?

Welcome to this expanding world, where millions of new customers now afford services unimaginable to them just a few years ago. People used to keep up in their consumption with their neighbors, or with relatives generally at the same income category. Nowadays, many want to be Trumps or Mittals, or at least live some part of the luxurious life which they believe is the everyday for these media legends. The craze is to differentiate oneself from the masses, to find things that bring with them a sense of pride, yet all within the constraints of their not limitless yet still existing means. And yet, as we will see, for some, this High End differentiation comes from ennobling actions to sustain the environment and society, rather than from conspicuous consumption. For others, it is a matter of a social status. The good and perhaps the not-so-good parts of our human natures all get to play a role.

A couple of years ago, one of the authors (AG) observed a teenager squatting on a corner of a busy street-market in Mumbai. The adolescent boy proudly showed his friends what seemed to be a newly acquired mobile phone. It was not a cheap, no-frills model. Clearly, it was something better than his peers had (or could possibly get). The gleaming happiness of the proud owner reflected the awed faces of his friends. It did not matter whether he needed all the functionality of the product or utilized its quality production – the others saw *him* owning the desired gadget and that made him proud. He was enjoying his High End – quite conceivable, far more so than more expensive but less inspirational items (for him) like jewelry. The joy was palpable.

Desire for differentiation, to taste something from the next level of living, is blossoming everywhere – from the Asian urban areas to New York and Paris, from the countryside and most clearly to the city. The current trend to High End began, as we shouldn't be surprised to discover, in the over-advertised United States where businesses are accustomed to democratizing nearly anything, as long as the numbers on the bottom line can support it. It was in New York, in Los Angeles, in fine shops in other large cities, that Abercrombie and Fitch, Anthropologie, Coach, Tommy Hilfiger, and so on, moved deliberately but aggressively to bring new luxury to the masses, to delight where stores simply once just satisfied. In Europe, Lancia created its city limousine concept of

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affordable and stylish cars, and top fashion houses launched their second lines for wider diffusion, like Emporio Armani.

This siren call of the High End, the realm of affordable luxury, is universal. Now this trend is burgeoning in Asia where in country after country it has gathered new audiences to seduce. Occasionally it might seem that a walk in an Asian city is a walk from one High End store to another, with shopper after shopper either actively buying, looking, or often just gazing out of hopeful curiosity dreaming about the not so distant day when they can actually buy “it”.

With its consumers buying well over 10 percent of the world’s luxury goods and services, Japan represents the ever-renewing spring of today’s luxury consumption. A stunning statistic shows that 95 percent of young Japanese females own a *real* Louis Vuitton. Is it a luxury (based on the price – it has to be), a mass-product (95 percent sounds quite massive to us) or something in between? The success of a “prestige-brand-within-reach” like Coach in Japan broadcasts the possibility of a third way. This third way beguiles the everyday shopper because it is within the reach of many, although it might be with a stretch. It lies between the basic concept of a brand like Muji, the stylish, low-cost maker of everyday gear, and the European imports of top luxury.

So What is it About the High End?

Price is always important for most of our purchase decisions. Yet an absolute *homo economicus*, rational economic man, no longer rules the roost; a cheap price is not a pre-requisite for commercial success. People look for something that is not readily available to everyone else. Exclusive is a strong siren call. Many shoppers will pay higher prices for newly discovered prestige attributes. Where there is an opportunity of higher prices with higher margins, you will find no lack of companies wanting to jump on the wagon.

And the secret to this High End? The secret lies in a whole new kind of customer, on whom we focus in this book. Challenged by the economy, yet still relatively affluent, many newly middle-class consumers, just getting into the swing of affording what they had dreamt about, are simply not interested in the old-time luxury. This enfranchised class of buyers is looking for new experiences, in part to show others their newly acquired status. The old luxury industry has yet to catch up with them, as they flit from “new” to “new”,

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affording all, buying, experiencing, boasting, or just looking for the next High End to thrill them.

Some older and well-respected luxury brands believe or at least act as if their names would be all that is needed to win the war and prevail in this new movement to the land of affordable luxury. Yet is it that simple? Compare Apple iPhone – a definitive premium product – with Prada/LG phone and Armani/Samsung phones. Despite the intimidating names of the heavyweight competition, iPhone won in most places of the Western world. The iPhone is upscale, albeit at the same time exciting and affordably real. And its competitors? – perhaps every bit as good, but they missed the boat and didn't establish that emotional link, that connection with the customer.

Companies get to the High End in different ways. You do not always need technological breakthroughs to get to the shopper. Sometimes a little quirky creativity helps. An astute marketer Allyson Stewart-Allen chided that MASSTIGE stands for “Marketers Always Seduce Shoppers To Instigate Great Expenditure”. The seduction can be simply a raw but effective appeal to the emotional needs of the target consumers. Consider the Japanese company Yosimiya. What could be more basic, less High End than rice? Yosimiya offered shoppers bags of rice printed with a newborn's photo, name and date of birth. Many proud new parents simply could not resist Yosimiya's human touch. The bags were shaped to resemble a baby and weighed *exactly* as much as an infant, giving the consumer the feeling of holding a newborn. The idea felt fresh and different, customized and expensive enough to display exclusivity yet reasonably affordable for middle-class families. And most important, the offer hit the target – the ordinary, Cinderella-like, transformed to High End, and accurately aimed at the customer's emotional side.

In Times of Trouble – High End and High Hopes

As we write this book, a worldwide economic downturn continues to unfold, raising a question – are we writing about the history of hope, in the midst of a nascent depression? It is clear that this downturn has affected the High End. People cannot buy if they do not have money. At least not for long. Yet we believe with Michael J. Silverstein, the “grandfather” of “trading-up”, that the trading-up phenomenon is built-in, hard-wired, a characteristic of people everywhere. The desire for dreams, the Busby Berkley of products and services is hope, and, in its deepest heart, recession-proof. People always want something. Even if

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they cannot have, they can dream. And it is this dream that lasts, and will allow the High End to weather the crisis. And of course at the end of the crisis is the hoped for rainbow of profits, just waiting.

The whole world seems to be reaching for the higher end of life. Despite low incomes, despite hardships, and expenses that occasionally seem unbearable, people want *their* piece of a better life, and *do* pay extra for it – sometimes, even when to do so they cut back on their necessities. We see our neighbors, friends, colleagues, and by extension the world in general, moving towards upgrades, seeking experiences and services that were noticeably better. It is built in. All people with some smattering of hope in their hearts want to share in this universe of better, which until recently was not even part of the dream of newcomers from the developing world. This is why we see the High End as one of the possible engines of growth and rebirth for our economies, well above and beyond pure “conspicuous consumerism”.

Whether you are an established luxury corporation or operate in a mass-products area, you cannot afford to ignore this exploding market of high-end/high-margin products. Otherwise, you could be drowned in the surrounding waters of competition. If not now, then soon.

Our Vision

In our effort to peek into the future, we are going to move beyond the plain, beyond stuff, beyond services, and beyond luxury. We do not dismiss material goods: we love them. However, to find this new land requires us to look more deeply, beyond cute design and growing functionality, into the new categories and industries that will be created in the near future by cultural and social changes. These are the opportunities for you that are being born, each day.

As we explore this new world, keep one more thing in mind – Experience as well as Stuff will start to matter in this world of “more and better”. We kept hearing and now see growth in the demand for *experiences* and *ennobling emotions* that define this better quality of life. More and more people are looking for sustainable solutions, stepping above the egocentric ME, I, MINE. In front of our eyes, in the brutally competitive past world of “old luxury”, money, affluence, and competitiveness we find growing another world, of environmentally and socially friendly consumption. That is also the new High End, and it will concern us as well.

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We wrote this book with two aims. One is to analyze a social/business force that will affect business and business thinking. The other aim is to guide those who want to understand, envision and create products and services for this new world. We believe in knowledge, but knowledge must lead to meaningful action. We also believe in tools for business and creativity, because it is impossible to go it alone. The tool is our action-driven High-End business toolbox, ready to create that strategic knowledge, and those products and services.

A little more about documenting, because documenting is best done in the thick of what's happening, while the emotions are running hot, while the competition is alive and the threats and opportunities real. We wanted the voice of those who create the future, the experts in business, sociology, and trend-watchers, as well as High End customers. Merging the insights from the top global industry leaders and trendsetters with sociology and with a quantitative peek into the mind of the High End consumer, we hope to make this book unique in the burgeoning market of luxury and High End publications. And a fun read.

We designed this book is for a wide range of people – starting from C-level executives, VPs and entrepreneurs, but moving on to designers and to researchers, all people who will just want to make the High End happen. Academics, students and even non-professionals, who are curious about the topic, could find some tasty mind-food in this book.

In this book, you will move from a broad view of Luxury and the High End to its specifics. You will soon see what is really happening out there, what the trends are, where the opportunities lie, and who is doing it right. Most importantly, you will discover the rules guiding today's design for High End products and services. That is the goal – going from describing to doing.

In Short: Why Knowing About High End Matters

You will not win if you are fighting the price war. At least, not for long. Those who battle in the arenas of mass markets fight the price wars and copycat brands. Contrast that losing battle with High End propositions, which command a higher price because of design, quality, scarcity, constant freshness. These factors help High End goods and services fend off competitors who would commoditize markets by introducing successful spin-offs. And – they create

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