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Frank Müller, founder of the international company **The Bridge to Luxury**, shared his reflections on the challenges and prospects of international high-end brands. In the opinion of the experienced expert, today's luxury manufacturers face many difficulties, and it is not only due to the pandemic: the crisis in the luxury industry is not temporary economic, but structural, and is caused by exogenous and endogenous factors, as well as the significant social changes and the formation of a new cultural frame.

LDaily: Please tell us about the company The Bridge to Luxury. What services do you provide for business? Which companies on the international market do you cooperate with?

F. Müller: The Bridge To Luxury, or just TBTL, is one of the very few international strategy consultancy firms, focusing exclusively on high-end brands, products, and services. TBTL and its global network support owners, management, and investors on luxury-related topics. These include market assessments and research, strategy and branding, product development, communications including social media, distribution and internationalization, organization and restructuring, business modeling and funding. We serve brands around the world in basically all high-end product categories. Our vision is to develop lasting business models in balancing strategy, creativity, commercial ambitions, and brand resources. A fantastic playground. Yet, for reasons of principle, unless permitted by our clients, TBTL does not reveal the brands it is working for.

LDaily: Please tell us more about yourself and why you chose this particular business area.

F. Müller: For more than two decades I have been working in the international luxury industry. At the beginning as a CEO and managing director of reputed luxury watch brands such as Glashütte Original and A. Lange & Söhne, later as a member of the extended management board of the Swatch Group overlooking its SEA business. In 2009, I founded TBTL.

It is a privilege to be part of the world of high-end products: I love the industry's traditions and history, the often incredible craftsmanship, the fantastic product and services, the brands' ambitions to provide the best, the elite atmosphere of luxury.

Today, as an international consultant, I am thrilled to help luxury companies on various levels: developing business visions, supporting my clients in their creative process of inventing, manufacturing, and promoting their goods. Also, it is a wonderful task to build brands and to become a storyteller relating to consumers' lives: stories about their dreams, adventures, love, dramas, special moments. I continue to be attracted by this fine balance of analytical processes to understand a luxury brand's needs and the highly imaginative procedures to develop emotional branding solutions that attract customers.

But above all, working in the field of luxury enables me to meet and interact with highly interesting and nice people of culture and sophistication.

LDaily: Please describe the luxury industry today. Can you feel its decline? If so, what is the reason for it, in your opinion?

F. Müller: The answer depends on how you define luxury. The general public often uses the words premium, prestige, or luxury synonymously. Yet, they have different meanings. Academically, four categories of high-end offerings can be distinguished. Above the mass consumer market, we can differentiate premium, prosumer, prestige, and luxury brands. Luxury brands in particular include measurable product or service world records ("the best"). Therefore, it takes the product to be produced in very exclusive quantities to be treated as unique. And criterion number two is that they offer their consumers projections of identity of being rich, cultivated, beautiful, young, and so on. Esteemed brands of this category are Bentley, Dom Perignon, Patek Philippe or Steinway & Sons. Whereas in contrast, Rolex, Gucci, Stella McCartney, Louis Vuitton or BMW are examples of successful prestige brands. In the high-end segment, luxury represents the small and lofty top of the pyramid – and it is the most difficult to manage.

Prestige and luxury brands being run by LVMH, Richemont or Kering will remain successful as these big groups can scale and fund their businesses better in contrast to smaller and independent companies being positioned in mid-priced segments. Niche brands with true USPs in terms of innovation, quality, history, exclusivity etc. acting in ultra-high segments will continue to enjoy success. In the future, the industry's former pyramid-shaped brand hierarchy will represent a pattern of an hourglass – yet with a smaller top than the bottom.

LDaily: On your point of view, what are the prospects for each category entering the luxury industry? What kind of luxury items are still in demand? And how can this trend change?

F. Müller: At present, putting aside negative short and mid-term effects of Covid-19, the so-called hard luxury is facing a difficult time: silver cutlery, porcelain, bespoke suits, ties, cufflinks are sort of like dying dinosaurs. In a complex that is to say complicated and rapidly changing world historical values will eventually regain attraction. Tradition, craftsmanship, or non-virtual reality are increasingly setting the stage for a new admiration for archaic products such as fountain pens, shaving brushes, or hats offering opportunities for dedicated existing or new brands willing and being able to work in the earlier mentioned very high-end niches.

In recent years, however, the main positive trend is the luxury experience. Consumers focus on services that create new or special moments in their lives: in traveling, sports, dining out, attending theatre performances or concerts. And consumers will do so again post Covid-19..

LDaily: What are the factors that are destroying the luxury industry?

F. Müller: First of all, we really need to admit that the luxury industry seems to have problems. The high-end watchmaking, for instance, generates stagnant revenues for seven years by now. Many product categories are not growing at all. And those that do, depend heavily on the local China market or international Chinese tourists.

We need to distinguish negative exogen and endogen factors. Exogen factors influence the luxury industry from the outside: the democratization of societies, consumer value changes (sustainability, gender equality), technological progress (e.g. the digital revolution), globalization, demographics, etc. All lead to societies that rebuke social hierarchy – but social hierarchy is one main selling point of luxury. Currently, obviously, the coronavirus leaves its devastating impact on high-end consumption.

Yet, it would be too easy to just blame uncontrollable exterior effects for the challenged luxury industry. A lack of attractive and relevant branding, too aggressive commercial ambitions, wrong budgeting and reporting tools, or uninspired r&d are only a few of the reasons why the industry has overall lost its momentum.

LDaily: What are the main trends in sustainability and luxury?

F. Müller: It is important to notice the rising consumer's knowledge about questions that concern society, nature, trade fairness, working conditions in developing countries, and so on. Consumers are not stupid and become globally more and more reflective about the world they live in. For instance, the interest for ecological topics today is not confined anymore to small groups of young political activists but has reached all social levels – wealthy people continue to enjoy expensive food but now increasingly wonder about where do ingredients come from, how they are grown, how profits along the supply chain are shared.

Hence, what are the sustainable topics in the luxury of the future? Indeed, ecological production. And coming along with it is ecological consumption. In this respect, Tesla is a good example of a building-up desire among big spenders to consume with good consciousness. The fashion industry has to prepare for the storm once consumers find out to which degree chemicals are woven into textiles. Here, mothers in particular will protect their children and boycott any brand that is unable to guarantee hazardous-free clothes. And mothers are not the only group that will ask critical questions. In the agenda-setting function of the media, the first articles appear about how high-tech sportswear does pollute the ocean waters.

Related to the sustainable theme is the emerging second-hand market for luxury goods. The Internet already hosts a large number of resale luxury websites. At least for some time, sell-through of newly produced luxury goods will suffer when consumers prefer to skip launch cycles and therefore will reduce purchases of recently introduced goods.

The third domain of new consumer reflectiveness touches working conditions at the place of production: safety, wages, child labour, etc.

Hence, in developing new products and services and in planning communications luxury brands need to develop a new sensitivity about all these topics from the very start to avoid later consumer unrest.

LDaily: What kinds of luxury will remain in the digital era?

F. Müller: Highly-priced luxury goods demand for customers' trust. Building it up demand for quality, refinement, innovation. High-end products' consumers generally need a "feel & touch" experience that ideally is embedded into a wider aggregable customer journey. A posh retail store, events, factory tours, and so on are required if a luxury product ought to be considered more than just a commodity but a lifetime friend.

Consequently, luxury brands cannot be built-up or managed without retail and wholesale touch points. Top spenders often want to be personally part of the brand family – thus some human interaction with brand representatives is a necessary condition for long-term success.

Unfortunately, over the last 15 years, the industry has reduced its exposure via classical retailers to the advantage of retail and especially owned online business. Yet, the consequences are severe. Not only is retailing expensive in times of economic downturns as Covid-19 reveals these months, it also does not enable brands to get access to new luxury customers outside of the brand box. At the same time, online selling has not turned into a full economical substitute.

On top, many luxury brands could not resist the temptation of online related grey market activities and discounts. In doing so, the elite and exclusive touch of luxury has been sacrificed for short-term gains.

Obviously, on the communication level, the digital era offers new opportunities. Yet, online can easily be as expensive as traditional print, for example, without always yielding the positive results one would expect.

To survive long-term, luxury brands – whether they like it or not – will have to accept a very complex multi-channel distribution environment including classical wholesale in offering goods and services to hyper-segmented customer groups. Analog and digital CRM programs will need to become more sophisticated in establishing truly 1-to-1 communications with elite consumers.

LDaily: What is the future of the luxury industry?

F. Müller: There will be no extrapolation of the glorious past into the future. Its crisis is not a temporary economic but a structural one. The luxury industry will — as contradicting as it may seem — only renew itself by reflecting on its original nature: the courage to be socially provocative. Luxury brands must lead! To me, the key is branding and not the comprehensible but often opportunistic moves in retailing and online selling. The core of an attractive luxury brand is an attractive luxury brand. We need to read the consumers' psychology and to offer solutions that satisfy their open or hidden, reasonable or unreasonable dreams of something that enriches their lives beyond the usual!

First companies are starting to react to the challenges, especially with regard to saving traditional manufacturing knowledge, albeit hesitatingly. The luxury group Richemont promotes young crafts with the Michelangelo Foundation. LVMH LAB invests in start-ups and so-called farm teams. The LVMH Innovation Award was also launched.

However, the responsibility to save luxury does not only rest on the shoulders of companies. Politics, state institutions, and the media are also challenged to recognize and preserve the social, cultural, and economic value of luxury. In Germany 800.000, in France 400.000 and in Italy 300.000 jobs depend directly on the well-being of the luxury industry. That duty also applies to the consumers themselves. The decline scenario of luxury can be hopefully countered by saying that the more an egalitarian society emerges, the livelier is the desire of some to evade conformity by purchasing and using special luxury products.

LDaily: What was 2020 like for your company? What are the results of the year?

F. Müller: Obviously, Covid-19 has put a tremendous amount of pressure onto the international luxury industry. Being a specialized consultancy firm, demand for TBTL's services has increased with the challenges our global clients are facing. In the spring of this year, we began participating in many projects to adapt luxury brands' business strategies, to seek funding and investors or to support efforts of internationalization.

