

# ESMT Working Paper

# DESIGNING LUXURY EXPERIENCE

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# Abstract

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## Designing luxury experience

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In luxury brand management, experiences are essential. However, most of what we know about designing customer experiences originates from work developed with and/or for mass brands. Luxury brands are conceptually different and require a specific approach to brand management. Using a grounded theory approach, we present a framework consisting of seven principles to design luxury experience. Our research suggests that to create a true luxury experience brands should go beyond traditional frameworks of brand management. By compiling best practices and the commonalities amongst the interviewed companies' most successful efforts to create a luxury experience, the framework can help brands to implement a "trading-up" strategy: Luxury brands can enhance their desirability by offering a true luxury experience and non-luxury brands can adopt principles of luxury experience and become life-style brands.

**Keywords:** Brand management, luxury brands, luxury marketing, emotions, customer experience, experience design, luxury consumption

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## Designing Luxury Experience

We are living the experience economy. Experiences engage customers and in creating memorable events connect them emotionally to the company or the brand.<sup>1</sup> Experiences are holistic in that they involve a broad context within the organization, including aspects of brand and marketing management such as physical settings, visual cues, and social actors, among others.<sup>2</sup> An increasing number of organizations are placing experiences at the core of their marketing strategy<sup>3</sup> and, in luxury brand management, experiences are essential.<sup>4,5</sup> It is accepted that a brand has to be multi-sensory and experiential to be considered a luxury brand.<sup>6,7</sup>

Although we consistently found work emphasizing the importance of experiences for luxury brands or work suggesting how organizations can adopt a more experiences-oriented approach, we found that little is known about how to design and implement a true luxury experience. Most of what we know about how to design customer experiences originates from work developed with and/or for mass brands.<sup>8,9,10,11,12</sup> Luxury brands are conceptually different and require a specific approach to brand management.<sup>13</sup> Thus, we question the extent to which principles that usually apply to mass brands also apply to luxury brands.

Through our research we discovered that the holistic brand experience that high-end brands (e.g., premium and luxury brands) offer goes beyond the recommendations of traditional branding frameworks. The luxury experience is different from “simply” offering the highest possible level of quality in each of the brand touch-points with the consumer and, consequently, should be designed and managed differently.

We developed a framework that can help managers design a luxury experience. We propose that luxury brands should go *beyond* traditional frameworks of brand management to create a true luxury experience. The seven principles depicted in our framework are similar to those of traditional brand management (often designed to manage mass brands), but the

principles we identify go beyond the traditional principles and are unique to creating luxury experiences. Using a grounded theory approach, we compiled best practices and the commonalities amongst the interviewed companies' most successful efforts to create a luxury experience and combined them analyzed them in light of the state-of-the-art literature on customer experience.

Although high-end brands would benefit the most from applying the principles of the framework, virtually any brand can apply (at least some of) the principles to offer a differentiated customer experience and strengthen its brand. Specifically, this framework is particularly useful to implement a “trading-up strategy”, a recent identified trend that consists of moving a product from mass to premium or from premium to super premium.<sup>14</sup> We will see, for example, how Apple and Nike have applied some of the principles of luxury experience to improve customers' experience with the brand. Today we can say that they enjoy the status of life-style brands. Luxury brands can apply the framework to create or reinforce a luxury universe. These brands can identify, in a systematic manner, the actions they need to take to improve or strengthen their position. For example, brands that have enjoyed a true luxury status in the past and have lost ground, such as Chivas Regal, may apply the principles of the framework to regain their lust.

After presenting the seven principles and illustrating them with examples, we discuss in more detail how brands can leverage the framework.

### **Experience Design and Luxury Experience**

Experiences occur when customers interact with one or more elements of the brand context and, as a result, extract sensations, emotions, or cognitions that will connect them to the brand in a personal, memorable way.<sup>15,16</sup> Specific aspects of the brand context, such as store atmosphere or human elements,<sup>17</sup> influence customer experience. However, customer

experience is holistic.<sup>18</sup> A company should orchestrate an integrated series of “clues” that will, collectively, determine how customers experience the brand.<sup>19,20</sup>

To design a luxury experience, it is important to first define what a luxury brand is. We agree with the perspective that luxury brands are conceptually distinct from brands with extreme levels of premiumness.<sup>21</sup> We advocate that owning “legitimacy in luxury” is a necessary, though not sufficient, condition for a brand to be or become a luxury brand. Legitimacy in luxury includes an exceptional production process (often based on craftsmanship, uniqueness, and exclusivity), a product of the highest quality (often design-based, instigating consumers’ emotions and self-expressive motivations), and a tradition or history associated with the brand.<sup>22</sup> Another condition for a brand to become a luxury brand is excellence in experience.<sup>23</sup> Consider, for example, the brand Azzaro (apparel and perfume), which was at its peak in the 1970s–1980s. Today this brand has lost much of its luxury appeal despite owning legitimacy in luxury. Luxury experience provides the symbolic value and emotional connection that luxury brands need to keep the “dream component” of luxury brands alive.<sup>24</sup>

What is luxury experience? Conventional wisdom suggests that luxury experience is achieved by offering the highest quality in any of the elements that mass brands also offer. For example, the product offered should be of exceptional quality. The service added to the offering should be delivered impeccably. We believe this is not enough to design luxury experience. This is because we believe that luxury experience goes *beyond* extreme premiumness.

The luxury industry is idiosyncratic. Luxury is more than the material offering (even if the offering is a service). Luxury is a differentiated offering that delivers symbolic and experiential value besides functionality.<sup>25</sup> At times, ironically, offering symbolic and experiential value requires luxury brands to *not* offer “impeccable quality”.<sup>26</sup> For example,

while many could think of a Ferrari's noise and wasted potential as product "flaws", from a luxury experience perspective these are part of the brand's philosophy: in luxury, passion and dreaming are as important as functionality.

We learned through our research that to achieve excellence in luxury experience, a similar approach applies: Brands must go beyond what traditional branding frameworks recommend to create luxury experience. Seven principles depict the process of designing a luxury experience. True luxury brands own legitimacy in luxury (the content) as well as excellence in luxury experience (the form). Although not all luxury brands excel in all seven principles, the best of them usually do. Still, many luxury brands that excel at one or several of the seven principles may not engage in all of the principles. Having a formal framework comprising all principle helps because brands can identify the actions they need to take to transform their brands into true luxury brands, strengthen or maintain their luxury status.

### **The Research**

Grounded theory is an inductive method used to generate theory through the systematic and simultaneous process of data collection and analysis.<sup>27,28</sup> Our analysis was based on continuous comparisons between the data collected via interviews, field observations, and analysis of these data through practical and theoretical lenses. The data collection process included visits to stores, sites, and plants, and interviews with several luxury executives working in a broad variety of markets, including perfumery, jewelry, watches, drinks, fashion, services (hotels), leather goods, and cars. We conducted more than fifty key decision makers such as CEOs, executive board members, directors, designers, and brand or product managers working in the luxury industry. The geography of the interviews is diverse, with focus on the main cities in France, the United Kingdom, China, Korea, Japan, Hong Kong, United States, Russia, and Brazil. The executives were recruited from our

personal network or using a snowball technique (convenience sample). The initial interview guide was organized around the theme of “defining a luxury brand” and contained some fixed questions that every interviewee had to answer (e.g., “what are the pre-requisites for luxury in your opinion?” “what differentiates a luxury brand from a premium brand?”) as well as some questions that were adapted to a specific industry or a particular business. Following the grounded theory approach<sup>29,30</sup>, and as the core categories were emerging, we adapted the questions to gather more specific data. The interviews were set in an informal atmosphere and lasted from one to three hours.

We visited stores, sites, and plants (e.g., Rolls Royce, Ferrari, Van Cleef & Arpels, Martell, Perrier-Jouët, among others) in Europe, America, and Asia to observe how luxury brands present themselves. These visits were accompanied by the senior management of the respective brands (e.g., Hermés in Tokyo was accompanied by the general manager of Hermés Japan). During the visits, we systematically observed the point of sale in detail, noting how the brand presents itself, the associations with the brand (e.g., art), how customers are treated, whether and how the story of the brand is told, the presence and consistency of visual icons, and whether additional physical brand experiences were offered. These observations aided the analysis of the interviews and provided examples described in this article.

The data analysis followed a three-step approach.<sup>31</sup> In the first stage of data analysis (open coding), we obtained core categories – or themes – related to luxury experience. The relevant categories that emerged include aspects of customer experience previously recorded in the literature<sup>32</sup> but they also included brand-related aspects that, to the best of our knowledge, have not been previously examined as part of the “context” influencing customer experience. In the second stage of data analysis (axial coding), we categorized examples and passages of the interviews according to the identified core categories. At this stage we were

able to better understand each of the identified themes. In the third stage of data analysis (selective coding), we organized the conceptual relationships between the identified categories and named them. Our analysis is built upon comparisons between the data collected through these different means.<sup>33</sup> As a result, we were able to draw a parallel between the elements of brand management that create customer experience in mass markets and the elements of brand management that create a luxury experience.

### The Seven Principles of Designing Luxury Experience

Figure 1 illustrates how the framework goes beyond traditional branding frameworks.

Figure 1. The 7 Principles of Luxury Experience

	<b>Traditional Branding</b>	<b>Luxury Branding</b>	<b>Example applied to luxury or premium brands</b>
1. Beyond...	brand values,	brand beliefs	Ferrari's belief in performance
2. Beyond...	a logo,	a set of icons	Absolut Vodka's bottle
3. Beyond...	a product,	a unique ritual	Le Labo's hand-blending and preparation of the perfume at the time of purchase
4. Beyond...	a point of sale,	a temple	Nike's "Nike Town"
5. Beyond...	consumer segments,	access to a parish	Aston Martin's 1:1 customer relationships
6. Beyond...	value communication,	myth telling	Chanel's myth around Coco Chanel
7. Beyond...	categories,	a way of life	Giorgio Armani's minimalist concept of life

#### 1. Beyond brand values, beliefs

Luxury brands should advocate beliefs to their customers. Beliefs can be seen as the brand's philosophy, apparent both at product and brand levels, and which becomes a guiding principle for those brands. Beliefs go beyond brand values because beliefs are more specific (though subjective) and consequently more segmenting. Unlike mass brands, luxury brands

should not strive to please everyone, but should attract those customers whose beliefs are similar to theirs. For example, Louis Vuitton, beyond the brand value of “travelling”, believes in practicality. Louis Vuitton initially embarked on innovation by substituting round suitcases with rectangular, flat-bottom models that could be stacked. While some consumers may dislike Louis Vuitton, those who identify themselves with the brand’s beliefs are likely to connect with the brand at deeper levels. Ferrari believes in performance and, as a consequence, it rarely advertises; however, it invests significant amounts in Formula 1 events. It focuses on actions related to its beliefs to reinforce those beliefs in consumers’ mind. In mass markets, brands distribute their investments across several efforts because they have to reach and please the broadest possible spectrum of customers. Luxury brand’s investments are focused on the specific beliefs of the brand, which create a very specific experience to customers. Premium brands can apply this principle to create a customer experience that resembles a luxury experience. For example, La Martina applies this principle by defining itself not as a fashion brand, but as a polo brand (it sells apparel and accessories related to the polo lifestyle). La Martina reinforces this belief in several touch-points, such as the atmosphere of its stores, the design of its clothes, and by being constantly present at polo events.

## **2. Beyond a logo, a set of visual icons**

When consumers think of a true luxury brand, they likely think of a whole set of visual icons that can include monograms, brand symbols, logos, colors, patterns, images, or even concepts. For example, leather goods from Bottega Veneta display no visible brand symbols, but many consumers recognize the weaved leather pattern for which the company is known. The stronger the brand, the broader the spectrum of icons can be. When one thinks of Chanel, for instance, the colors black and white, the intertwined c’s, the number five, a string

of pearls, a camellia, and a little black dress might come to mind. Luxury brands should actively choose their symbols and iconize them through constant and consistent repetition. A good example is the black dress, which appears revisited in Chanel collections every year. Luxury brands can also repeat design elements across a product range: The face of the watch in Chanel's Premiere Collection is the same shape as the stopper of the Chanel No. 5 perfume, which in turn takes its shape from the Place Vendome in Paris. Absolut Vodka is an example of a premium brand that has adopted the principle of luxury experience. In over two decades and more than 800 collaborations with artists, Absolut has iconized the shape of its bottle by consistently developing advertisements focusing on its interpretation.

### **3. Beyond a product, a unique ritual**

True luxury brands cannot stop their offering at the product. Luxury brands should go beyond that and offer unique services or rituals. This can start with attentive salespeople and prompt customer service, but it should go beyond that to offer a differentiated, unique buying and consumption "ritual" that exceeds expectations. A powerful example of moving beyond products and offering a unique ritual is the perfume brand Le Labo. Using the premise that the quality of perfume deteriorates over time, it revolutionized the consumer buying experience by offering a personalized and special experience: each Le Labo perfume is hand-blended and individually prepared in front of the customer at the moment of purchase. The glass decanter is then dated and the customer's name is printed on the label. After taking the package home, the customer needs to let the perfume marinate in the fridge for one week before wearing it. It becomes a personal, exclusive, and unique choice of fragrance.

#### **4. Beyond a point of sale, a temple**

Luxury brands must pay special attention to the way they sell and innovate at the point of purchase. Where before luxury brands used brick-and-mortar stores mainly to sell products, they now aim at designing multifunctional, controlled spaces to create brand experiences and communicate brand beliefs through events, exhibitions, and collaborations. These stores function almost like religious temples for discerning consumers. For example, Prada embarked on a unique project in combination with AMO, a research studio based in Rotterdam, and the renowned architect Rem Koolhaas. The result was a wide-ranging project that included special “Epicenters”: stores designed to provide a working laboratory for experimental shopping experiences. The project also included a plan for an extended web presence, the development of specialized, site-specific shopping tools, the application of emerging technology, and innovative programming ideas such as exhibitions, film screenings, concerts, and other public events. BMW World in Munich is another example of a temple-like showroom where consumers can experience the brand. The initiative entertains, engages, educates, and interacts with consumers in an environment that materializes the BMW brand. Brands like Apple and Nike have similarly transformed their stores into temples in their respective “Apple Store” and “Nike Town”. The temple is the opportunity that the brand has to physically connect with the customer. The “Red Bull Station” in São Paulo was designed to “give wings” to young artists by providing them with music studios, artist residencies, and exhibition spaces. Importantly, creating a temple does not necessarily require high investment. Kiehl’s uses its small stores to offer customers a consistent and attentive experience that is unique in the cosmetics industry. Used in this way, the store-turned-temple is a brand's best opportunity to connect with consumers.

## **5. Beyond segmentation, access to a parish**

Mass brands define groups or segments of consumers and push products towards them. For luxury brands the roles are reversed: consumers are pulled towards the brand with the promise of belonging to the exclusive community. Many consumers want access to this special group, but, similar to what happens with many religions, only a select number who share the brand's beliefs may truly belong. In addition to using pricing or distribution to naturally segment customers, luxury brands create other artificial barriers or initiation rituals to select which consumers gain admittance. If customers want to buy premium brand Apple products, they can simply pay the price, but luxury brands make it more difficult for customers to reach them. Luxury brands may even deny access to customers with the means to purchase. For example, Hermès customers have to form a long-term, intimate relationship with the store before they are given the opportunity to buy one of the brand's "it" bags. Rather than putting off customers, this behavior creates a sense of belonging to a special group. Customers who are admitted then stay for a long time and are rewarded for their loyalty. For example, Aston Martin extends invitations to events and maintains one-on-one relationships even with customers who bought their cars fifteen years ago.

## **6. Beyond communicating value, myth-telling**

Mass brands aim to communicate their value or advantages over other brands, but luxury brands don't push consumers to buy products. Rather, they communicate the legends associated with the brand. Myths should be conveyed indirectly and should be consistent in every point of delivery, including products, stores, or marketing actions. Myth-telling is a subtle narration of the story and heritage of the brand. Luxury brands often do this by inducing a certain degree of mystery, or by making a connection with art to tell the myths in an elevated way. For example, Rolls Royce invites a few selected customers to visit its

manufacturing facilities to see and experience its storied production process in person. Yet, there are no direct messages, no pushing a customer to buy something. Chanel's brand communication is yet another example. Chanel keeps the myth of the brand's creator Coco Chanel alive, which feeds the brand's beliefs up to these days.

## **7. Beyond a category, a way of life**

The final element of the framework suggests that luxury brands should move beyond the mental limits of a product category and offer a "way of life". At some point, strong luxury brands will sever their association with the product category in which they are rooted and push the brand to the ultimate level of intangibility. In other words, they sell a pure aesthetic principle and offer consumers a certain way of life. One way to offer a way of life is through horizontal brand extensions. For example, Giorgio Armani created a homogeneous and consistent world across a wide range of categories (e.g., clothing, accessories, cosmetics, home furnishings) for customers embracing the brand's signature minimalist style. Ultimately, by extending its "Stay with Armani" philosophy to the Armani Hotel, where the brand's style is woven into each of the guest rooms and suites, Armani makes it possible for customers to live both with and within the brand. Another way to offer a way of life is to collaborate with other brands. An interesting illustration is a collaboration between the Porsche Design Group and Poggenpohl, a luxury kitchen brand, to create a high-design kitchen for men. The Fondation Cartier is an example of how this principle is applied to communicate the Cartier's way of life to the public. Fondation Cartier expresses Cartier's commitment to the arts as a corporate patron. For Cartier, patronage is not just a one-time deal based on current trends and movements, but an enduring choice that is constantly reaffirmed.

We believe that offering a way of life is the ultimate behavior of a true luxury brand, because it requires the brand to possess other strong attributes that can be communicated subtly. For example, Armani's strategy would not make sense if Armani's icons and beliefs were not strongly present in the mind of consumers. Offering a way of life must be based in authenticity and must be consistent with what the brand represents.

## **Conclusion**

### **Managerial implications**

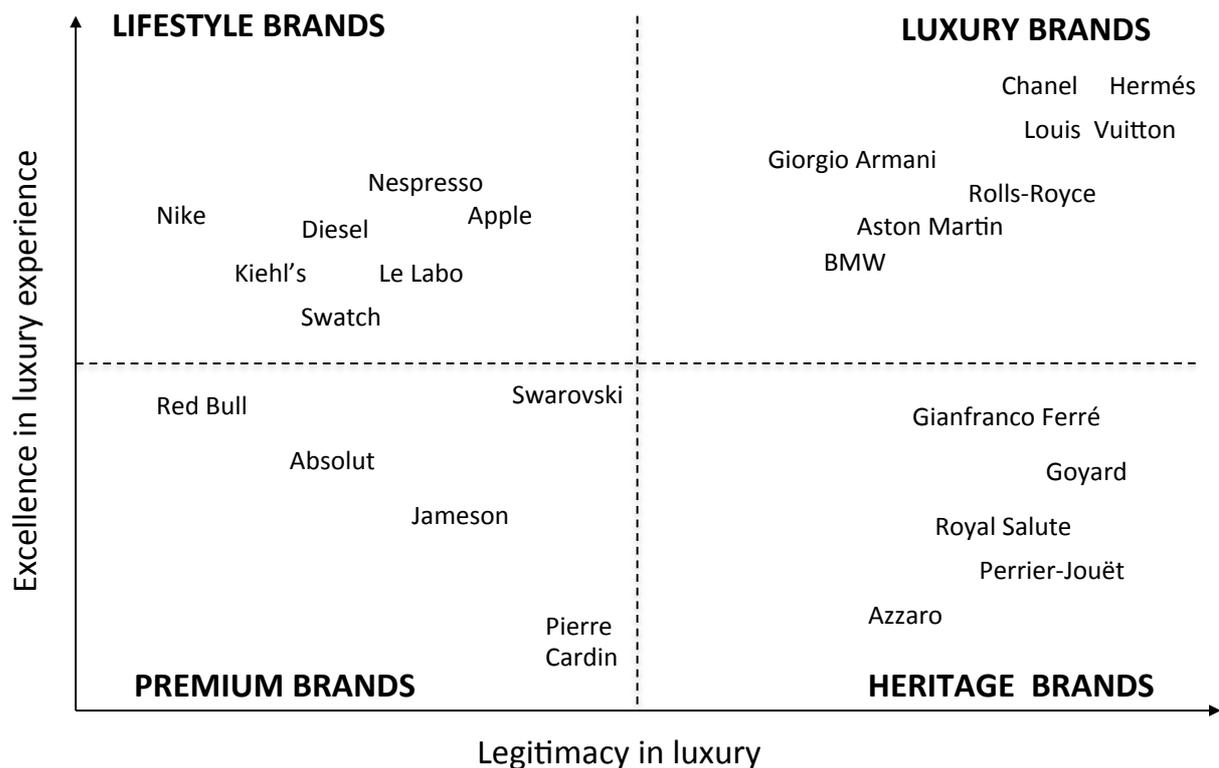
Although creating a strong luxury experience is crucial for high-end brands, virtually any brand can benefit from applying at least some luxury experience principles. While luxury brands can apply the principles to create, recreate, or reinforce a luxury world, any brand can achieve excellence in luxury experience to then become, or at least resemble, a luxury brand. Figure 2 depicts how excellence in luxury experience can help brands to enhance their position.

Brands that do not own legitimacy in luxury can apply the principles of the framework to become lifestyle brands, premium brands that offer an enhanced experience. Although these brands cannot become true luxury brands unless they acquire legitimacy in luxury, they can adopt luxury experience principles to increase their brands' desirability. In other words, the framework offers a roadmap for brand managers to follow a "trading-up strategy".<sup>34</sup> For example, Nike has adopted at least one of the seven behaviors when they transformed their points of sale into temple-like spaces: their "Nike Town" stores are an almost sacred home for the brand.

Brands that have enjoyed a true luxury status in the past and have lost ground may apply the principles of luxury experience to regain their status. For example, Royal Salute whisky is improving its positioning as a luxury brand by applying some of the luxury

experience principles. Created in 1953 to celebrate the coronation of Queen Elizabeth II, the brand is emphasizing its “royal beliefs”. By working closely with polo enthusiasts (e.g., providing support for global polo events, using polo player Facundo Pieres as a brand ambassador), Royal Salute affiliates itself with the “parish” that holds the same beliefs. It also has an ephemeral “temple” in the Tower of London, where it holds special events for customers to taste and savour the whisky and experience the brand while helping support the Tower of London.

Figure 2. Excellence in Luxury Experience and Legitimacy in Luxury Define True Luxury Brands



Note. Figure to illustrate the dimensions of luxury branding rather than the actual positioning of any particular brand

Brands with legitimacy in luxury that fail to follow the principles of luxury experience do not achieve the status of true luxury brands. We call these “heritage brands” because they have what it takes to be a luxury brand but fail to offer an excellent luxury experience.

Finally, brands with legitimacy in luxury can achieve excellence in luxury experience and thereby reach the status of a true luxury brand. These brands can monitor their behavior to maintain or enhance their privileged positions. Louis Vuitton, for example, has moved towards greater popularization. Recently, however, the brand increased the price of its products to reduce their accessibility. In addition, it created a new handbag that was released in small batches, generating a long waiting list.<sup>35</sup> These monitoring and protective measures help the company to maintain its position as a true luxury brand.

### **Theoretical Implications, Limitations, and Future Research**

Our framework extends the current academic and managerial propositions of how to differentiate luxury and premium brands in a world of higher consumer demand for these kind of products.<sup>36,37</sup> The framework goes beyond offering additional services<sup>38,39</sup>, connecting to art<sup>40</sup>, and developing symbolic values<sup>41</sup> and offers a fuller model of brand management to create a luxury experience. In addition to elements of experience previously identified in the literature<sup>42</sup>, we add brand management elements such as, for example, brand beliefs. We propose that besides owning legitimacy in luxury, brands that wish to become “true” luxury brands should follow principles that go beyond the recommendations of traditional marketing frameworks. This generates a rupture in behavior if a brand wants to move from premium levels to luxury.

As a qualitative study our research helped to generate a framework with principles to create a luxury experience, but it cannot assess the relative importance of each principle. We recommend future research to address this issue quantitatively so that statistical inferences

can be drawn to answer this question. Before that, however, it is necessary to develop measures to reliably capture all aspects of experience.<sup>43</sup> This is not a trivial question: Because experiences are intangible, emotional, and holistic, they are difficult to measure. Advancing our knowledge in the area of measuring experiences constitute an important area for future research.<sup>44</sup> Both the luxury industry and potential luxury customers are somewhat similar across global markets. Nevertheless, it would be interesting to examine differences in luxury experience across international markets. We speculate that the relative importance of each principle will change across markets (e.g., mature vs. developing markets). Finally, though we broadened the context elements that influence customer experience by including elements of brand management, it is important for future research to reassess this framework to further investigate its applicability and make potential adjustments.

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