

COLUMNS

Luxury Unfiltered: The real reason luxury brands fail

September 5, 2024

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When luxury brands published their recent fiscal results, many brands were showing dramatic downfalls, often in the double digits.

This indicates that luxury clients are less forgiving. When they are inspired by brands, they buy and the brands grow disproportionately.

When they are disappointed, brands collapse in an unprecedented magnitude.

The fight for loyalty in every moment

Luxury clients expect the brands they prefer to be exceptional at every touchpoint, offering inspiration, emotions and a profound sense of belonging. But the brutal reality is that many luxury brands fail because they underestimate the constant, unrelenting effort required to keep clients engaged and inspired.

Luxury clients want to feel part of something truly extraordinary. The moment a brand slips into the ordinary, it begins to lose its edge.

Importantly, in the world of luxury, the ordinary is unforgivable.

I have often described luxury as the art of perpetual surprise. The failure to deliver consistently awe-inspiring experiences is the real reason so many luxury brands underperform.

The consequences are evident in the financial performance of those brands. While some manage to grow steadily, driven by strong emotional connections with their clients, others face staggering declines.

The fight for loyalty in luxury is not just an occasional necessity. Fundamentally, it is fought in every interaction, every single moment.

Brands that fail to understand this lose relevance, desirability, and, ultimately, sales and profitability. This means that the fight for loyalty is permanent in every interaction and all client encounters, and due to hypercompetition, it is fierce.

Luxury clients have more options than ever before, and they are no longer impressed by heritage or craftsmanship alone.

Quality is expected in luxury.

What luxury clients seek is a deeper connection, an extraordinary emotional bond that is reinforced with every interaction.

This is the critical truth: luxury clients don't just want to own exclusive products. Especially the ultra-wealthy can afford anything they want.

Importantly, they want to feel valued, understood and part of an engaging brand story. This is where many brands drastically underperform.

They mistakenly believe that once they have captured a client's attention, loyalty is secured. In reality, loyalty is fragile in luxury and must be re-earned with every interaction.

A luxury brand that does not actively engage its clients, that does not offer new moments of inspiration and excitement, quickly fades into the background. It happens faster than ever before.

In a recent study that I conducted with Adobe, we could show that less than two underwhelming experiences are enough to lead to a client breakup. In luxury, underwhelming means not delivering to the high expectations the clients have.

The ramifications of becoming ordinary are brutal, as evidenced by the financial downfall of many once-iconic brands. Those that manage to grow are the ones that continuously inspire their clients, while those that decline fail to maintain the emotional connection that drives long-term loyalty. In the worst case, they underperform so brutally that clients literally break up with them.

The power of emotional storytelling

Every successful luxury brand is built around strong emotional storytelling. Consequently, poor brand storytelling is the downfall of many brands,

Gucci, Balenciaga, Burberry, among many others, take notice! When a brand fails to convey a compelling story, it fails to give clients a reason to stay emotionally invested.

This is especially true in today's market, where clients want brands that resonate with their values, passions and aspirations.

Brands that rely predominantly on history or craftsmanship to engage clients completely miss the point, as luxury clients expect more, especially Gen Zers. They want to feel that they are part of something meaningful and culturally relevant.

As a result, brands must go beyond the functional and tap into the emotional. They must inspire their clients by offering stories that are not just about the product but about the lifestyle and identity that the brand represents.

It is all about connecting and inspiring. However, most brands fail to evolve their storytelling.

This is not surprising as even five to ten years ago, the approach many brands use today was sufficient to make a mark with clients. But times changed, and in today's algorithm and social-media-driven world, brands must create cultural capital through their stories. It is the ultimate superpower.

Outdated "we, we, we" narratives that no longer resonate with clients, leading to a disconnect between the brand and its audience. Brands rather need to talk about their role in the lives of their clients.

If not, clients disengage, loyalty erodes, and the brand loses its place in the market. More than ever before, brands must stay agile, continuously refining their storytelling to stay relevant in the cultural and emotional landscapes of their clients.

Ordinary is unacceptable in luxury

In a recent keynote to CEOs of many luxury hotels, I urged the industry to reinvent itself and to focus on the extraordinary.

Every product category is full of examples where luxury is present in ambition and price point only. Today's luxury market is unforgiving to those who settle for mediocrity.

In luxury, there is no room for the ordinary. Clients expect every interaction, whether in-store, online or through social media, to be exceptional.

When brands fail to meet these expectations, they lose their desirability. Once desirability is lost, it is incredibly difficult to regain.

A luxury brand that becomes ordinary is one that no longer surprises or delights its clients. It no longer creates those "wow"

moments that are the hallmark of luxury experiences.

Instead, it becomes predictable, and in luxury, predictability is the enemy of desire. Clients want to be amazed, and they want to feel that their relationship with the brand is unique and special.

When brands fail to deliver this, they lose the emotional connection that drives long-term loyalty. This failure to inspire is a critical factor in why so many luxury brands underdeliver.

They underestimate the importance of continuous engagement and assume that once a client is loyal, they will remain so indefinitely. But in luxury, every moment counts.

Every interaction is an opportunity to reinforce the brand's value and desirability, and when brands fail to seize these opportunities, they quickly become irrelevant.

Brutal financial consequences

The financial impact of failing to engage and inspire clients is brutal.

Luxury brands that do not actively work to maintain their client relationships experience sharp declines in revenue and profitability, and they do it faster than ever before. This is because luxury clients are not loyal to products.

Instead, they are loyal to the emotional experience that a brand provides. When that experience is lost, so does the client's willingness to invest in the brand, and then a breakup happens.

By 2030, up to 50 percent of today's luxury brands will disappear or be irrelevant. Do not be one of them.

Already today, the luxury landscape is littered with the remains of brands that once dominated their sectors but failed to evolve. The financial performance of many brands reflects the high stakes of the luxury game.

While some brands clock in one all-time-high after the other by continually engaging their clients, others face financial ruin because they fail to understand the importance of emotional storytelling and continuous engagement.

The real reason luxury brands fail

Luxury brands do not fail because of poor products or a lack of heritage. Often the worst performing brands have incredibly good products.

Instead, they fail because they are unable to engage with their clients in meaningful ways. Clients expect an emotional journey, one that makes them feel valued, inspired and part of something exceptional.

Brands that do not actively work to create this journey again and again become ordinary and lose desirability.

The fight for loyalty is won or lost in every interaction. Every touchpoint counts.

Brands that do not deliver on the high expectations of clients will face the brutal reality of irrelevance and financial decline. The real reason luxury brands fail is simple: they stop inspiring.

In luxury, the moment a brand stops inspiring, it starts failing. Do not be one of them!