

## Article 2



Special report

**Perceptions of prestige - CONSUMERSICN analyzes how shoppers in some major markets look at luxury**

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Japan: Experiencing more than consuming

In recent years, the notion of luxury has evolved in Japan. Luxury brand names still have an appeal, but the challenge is bigger. Consumption is shifting away from luxury brands as status symbols and is going more towards purchasing for personal values. As disposable income is being spent more widely, less goes to fashion goods, whereas more is spent on home and services, says Chanel fragrance and beauty division general marketing manager Philippe Larrieu.

Parfums Givenchy president and representative director Jérôme Mallet agrees: We can no longer sell [just] anything and put our brand on it. Selling a luxury brand has become a real challenge. Today's clients are more aware; we have to tell them a story and make them feel they are part of our story. They are our best ambassadors.

The Japanese are still keen on new and limited-edition products but are looking to live an experience. They are more interested in attention to detail. Services aimed at providing a total lifestyle experience are as important to clients as simply shopping.

If the experience is a new aspect of luxury, the quality of the product is still, of course, important. Larrieu comments: The real value of the product itself is more and more important, even more so than the glamour a brand can convey. Consumers seem to be less faithful to a brand; hence the importance of customized service and membership programs.

For luxury brands, it is important to create a strong relationship with clients. Therefore, service on the counter, as well as telling the consumer a story, is a must. Chanel's consumers know the history of Gabrielle Chanel; they want to know about her life and personality. When we sell L'Interdit de Givenchy, we sell the fragrance, but also a part of Audrey Hepburn's history and relationship to the brand, claims Mallet.

China: Tools for social success

The concept of luxury in modern China dates back just 10 to 15 years with the arrival of imported brands such as French leather-goods manufacturer Louis Vuitton. In such a young market it is not surprising that consumers still lack sophisticated knowledge about luxury brands, as ACNielsen China head of travel and leisure research Grace Pannotes says. A brand's reputation, advertising and price tag are key factors.

More than in most nations, in China luxury is seen as a way of attaining social status. Luxury products are [perceived as] tools to move you forward, and any brand in China needs to be positioned with this in mind, advertising agency J. Walter Thomson Greater China ceo Tom Doctoroff comments. Intrinsic benefits are not so popular and you need to have an extrinsic payoff, he adds. Brands need to explain that their products are a means of achieving upward mobility. As such, they must be visible without giving the impression that the person who uses them is trying to be noticed. An easily recognizable yet discreet logo such

as the white star on Montblanc pens or the Louis Vuitton monogram is a tremendous asset. According to market researcher Euromonitor, Sales of premium skincare products increased in value by 335% between 2001 and 2006, to reach almost \$1.2bn.

The growing upper-middle class, or households with an income of more than \$12,500, accounts for less than 1% of the total population, according to ACNielsen. Depending on their income bracket, consumers have different

expectations. For executives of state-owned companies and people working for the government, luxury is embodied in the best-known international brands. However, some members of the younger generation in the private sector are avid for new brands and products.

Another important phenomenon is the appeal of luxury to consumers in their twenties with limited buying power. Brands need to offer products in small formats or accessories with affordable prices. Lastly, the growing sophistication of the market is forcing brands to differentiate themselves with a unique positioning.

Russia: It's still about the name

Russians love luxury. Some consumers, especially women between 20 and 30, can spend half of their monthly salary on a Giorgio Armani fragrance or a lipstick from Chanel. Many people who cannot afford an expensive apartment, car or vacation readily buy premium perfumes and cosmetics.

As the number of wealthy people grows, more consumers strive to join the world of luxury. The Russian selective beauty sector is estimated to represent 10-30% of total cosmetics and toiletry sales, according to trade-show organizer ExpoMediaGroup Staraya Krepost. Although this figure is less than in the US or France, the sector has outstanding growth of 15-20% a year.

The history of premium beauty products in Russia started with Chanel, Christian Dior and Estée Lauder. High demand for famous brands is still the norm, but there is an increasing interest in lesser-known, new and niche brands. As consumers have little information about such brands as French fragrances Serge Lutens, sales are not comparable with those of, for example, Chanel, but consumers are paying more attention to previously unknown brands.

Although the luxury beauty market has existed for only 10 to 15 years in Russia, consumer preferences have evolved. For example, shoppers are no longer satisfied with only a brand name: they want a high level of service. They love to have exclusive VIP cards, to receive presents on their birthdays or on other holidays, and to feel they are receiving special attention. Gifts with purchase and novelty testers are also highly appreciated.

The idea of premium-brand clubs is not widespread in Russia. However, VIP clubs organized by specialty retail chains for example, Arbat Prestige, Ile de Beauté or Douglas Rivoli have proved to be much more popular.

Polls have shown that the shopping atmosphere is not especially important to luxury-products consumers, because all premium boutiques offer a similar type of ambience. Consumers have reported, however, that Douglas Rivoli has a less glamorous image. People want to see more light and color in retail-space design. A café opened by Arbat Prestige also showed little success: shoppers are not prone to spending too much time in a store.

Nevertheless, beauty cabins opened by Ile de Beauté had tremendous success and boosted cosmetics sales. A complimentary cosmetologist's service seems to make women more disposed to make extra purchases.

Premium brands have always aroused special attention. Now they are more accessible than ever, as consumers become less sensitive to price. A brand targeting the Russian premium segment should think about an exclusive concept, work in close cooperation with retail chains' VIP programs and launch advertising in glossy magazines.

US: Exclusive, exclusive, exclusive

In the eye of US consumers, fragrance and beauty brands need to meet four criteria to achieve luxury status, according to New York-based Luxury Institute ceo Milton Pedraza. A brand needs to deliver superior quality as a cost of entry, he tells ICN. Beyond that, it is about uniqueness and exclusivity, meaning limited high-end distribution. Then it must confer status, as in being used by people the [shopper] admires and respects. Finally, it must give the [shopper] an experience of feeling special in consuming it. Pedraza cites Hermès as a prime example in the fragrance category.

Parfums Christian Dior North America general manager Terry Darland affirms that in the luxury skincare arena, the product must have a compelling ingredient story and provide an extraordinary sensory experience to the consumer. She cites Christian Dior's L'Or de Vie serum and cream, launched in the US in November 2006 in 45 Neiman Marcus, Saks and Dior doors. The products are formulated with anti-oxidants extracted from grapevines, which the brand says are found solely in the vineyards of Château d'Yquem in Bordeaux, France. The

consumer is intrigued to hear the story and the science behind the formulation, Darland says. In the realm of color cosmetics, she continues, the consumer expects to see the same level of quality, energy and excitement in couture beauty brands that she sees in their fashion.

Focusing on skincare, consulting firm Fletcher-Knight president **Laurence Knight** believes the US luxury consumer is looking for a special experience. The [shopping] experience is still the number-one [sales] driver, Knight

explains, because the consultation and the environment are critical in telling the brands' story. He describes the American consumer as being in search of enjoyment and a sense of wonder when purchasing luxury skincare and cites Barneys, Bergdorf Goodman and Sephora as places where such experiences can be enjoyed. He also lauds TV shopping channel HSN, in light of its affiliation with Sephora, for extending luxury shopping to women far removed from high-end retail channels.

Noting that while European consumers associate luxury beauty with couture houses, Knight believes Americans are more flexible in their outlook of what constitutes luxury. The common thread, whether you are a Neiman Marcus or an HSN shopper, is the sense of rarity and exclusivity.

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