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Luxury Unfiltered: The critical importance of luxury brand audits in turbulent times

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Daniel Langer is the founder and CEO of consulting firm quit

By A LUXURY DAILY COLUMNIST

By Daniel Langer

In every project where I refine the positioning or the strategy of a brand, I start with what I call a brand audit.

It is, in my point of view, the single most critical exercise a brand needs to do regularly. And it is curious, because the most successful brands I work with do it proactively and regularly, while we often observe that brands that are underperforming versus their objectives often don't do a brand audit.

In my experience, brand audits are a nonnegotiable strategic tool, especially in a situation where many brands are facing significant and unprecedented challenges. Hence, especially in times of uncertainty and volatility, luxury brands must reassess their positioning, values and strategies to ensure sustained success.

Navigating uncertainty with precision

A brand audit is much more than a diagnostic tool. If done right, it enables the identification of critical gaps and unleashes revenue and profit growth.

I urge companies not to see a brand audit as a cost. Not doing it will be far costlier.

The luxury market is no stranger to volatility. While the past 30 years have seen steady CAGRs of around 6 percent, double the global GDP, many brands are feeling the heat today.

The issue is not a slowdown in demand. It is, rather, a normalization.

What many brands forget easily is that 2021-2023 has seen the highest demand for luxury in history, fueled by many one-time effects. Anyone who thought that a market growth rate of 20-plus percent year on year would be going on forever did not take a long-term perspective.

The other critical point that is often underestimated is that we are amidst a change of guards from millennials as the biggest spenders to Gen Z by the end of this decade. Yet, many brands still approach the market with the same strategies that may have worked five to 10 years ago but are completely inefficient in today's reality.

In fact, economic shifts, geopolitical tensions and evolving consumer behaviors continually reshape the luxury landscape more profoundly than ever before. My mantra has always been: in a crisis you have to go all out and fire from all cylinders.

Underperforming brands that compromise on brand equity building to save costs amid top-line pressures simply accelerate their demise. In luxury, if you don't play to win, you lose.

This is because luxury is, in essence, extreme value creation in the eyes of clients. Only if a client believes that you create significant "extreme" value, then they will be willing to overinvest in your brand and pay the premiums you are asking for.

The external view is everything, the internal view is irrelevant. Therefore, a brand audit acts as a critical calibration a compass guiding brands.

It allows luxury brands to take a comprehensive look at their current market position, competitive landscape and client perceptions. By doing so, they can identify gaps, strengths and opportunities that may not be immediately apparent.

However, the mistake I observe most often is to be too positive about the strength of one's own brand exhibiting "internal bias" and too naive about overestimating the weaknesses of competitors showing "external bias." When you do a brand audit, you need to apply tough love.

It does not help to overestimate what you do if clients don't see it. What is needed is to be radically brutal in the assessment of the situation.

In our brand audits, we find that 95 percent of brands in a given category fashion, cars, jewelry, hospitality, travel, services, fine spirits, etc., tell the same story I call this a "category story" instead of a "brand story."

The result is a sea of sameness, where all players do directionally the same, offer the same value, and as a result have no chance to differentiate, create significant desirability or sustain any premium pricing. The result involves fading demand, overproduction, unsold stock, and declining revenues and profits.

Reaffirming brand values

One of the critical aspects is the reaffirmation of brand values.

In luxury, authenticity and relevance are paramount. A brand audit helps luxury brands assess if their core values are unique and consistently communicated across all touchpoints.

This process is crucial for maintaining the brand's essence and ensuring it resonates with its target audience, especially in times when consumer loyalty declines.

A typical finding I have is that the brand is often not described consistently among a company's C-level. If the top management team of a brand cannot agree on its values, how can a client perceive them consistently?

Gen Zers are the most discerning client group and expect brands to align with their values and lifestyles. A brand audit needs to examine consumer insights closely, helping brands understand shifting preferences and expectations.

The ability to create desire depends on forging an emotional bond that drives long-term loyalty. Most brands within a category have major issues creating relevant emotional connections.

However, in a crowded market, differentiation is key. The danger is in being complacent by becoming part and blending into the sea of sameness.

Brand audits provide a critical lens through which brands can assess their unique selling propositions and competitive advantages. By understanding what sets them apart, luxury brands can sharpen their positioning, ensuring they stand out significantly.

Strategic realignment for growth

Turbulent times always require sound strategies with the need to pivot when necessary. Therefore, risk mitigation is another critical benefit of a brand audit.

By identifying potential vulnerabilities, the best brands proactively address issues before they escalate. This foresight is essential for building resilience in the face of uncertainty.

Brand audits, therefore, secure long-term stability and success. The importance of a brand audit for luxury brands cannot be overstated, especially in turbulent times.

It ensures that a brand remains relevant, resilient, and ready for growth. What I see again and again is that brands do not put enough effort into the exercise if they do it at all.

When we review internal competitive analyses of brands, they often stay at the surface and don't reverse-engineer the brand stories of competitors as a benchmark for their own story. Competitive strength is underestimated while the own strength overstated.

Changes in client expectations are not factored in enough. In other words, if the exercise is not done right, it is a recipe for disaster.

When done well, it unlocks the power of a brand and becomes a northstar for its future. Choose wisely.

Luxury Unfiltered *is a weekly column by Daniel Langer. He is the CEO of quit, a global luxury strategy and brand activation firm. He is recognized as a global top-five luxury key opinion leader. He serves as an executive professor of luxury strategy and pricing at Pepperdine University in Malibu and as a professor of luxury at New York University, New York. Mr. Langer has authored bestselling books on luxury management in English and Chinese, and is a respected global keynote speaker.*

Mr. Langer conducts master class management training on various luxury topics around the world. As a luxury expert featured on Bloomberg TV, Financial Times, The New York Times, Forbes, The Economist and others, Mr. Langer holds an MBA and a Ph.D. in luxury management, and has received education from Harvard Business School. Follow him on LinkedIn and Instagram.