6 The Supply Side of Luxury

Introduction

This chapter is important because past and present industry marketing has largely shaped what the idea of luxury travel today. However, the changes in the idea of luxury that are being discussed in this book are taking place largely outside the control of the industry, and that is starting to pose a challenge for supply side providers.

At the beginning we will look at the traditional attributes of what would be seen as luxury products, but I will suggest that these are changing over time.

Before entering into the main body of the chapter there will be a brief discussion of the role of the marketing, which has helped create many consumer perceptions of luxury. However, it will be suggested that by over-using and inappropriately using the term 'industry', marketing may have served to cheapen or dilute the idea of luxury which may have long term implications for luxury travel.

In the early sections of the chapter I will seek to distinguish between different types of luxury including 'intrinsic luxury', 'single dimensional luxury', and luxury options on basic products including the issue of 'upgrading'. I will then go on to identify a phenomenon I believe is underway and I term rather clumsily 'de-luxurification'.This will be linked to issues of pricing and the rise of 'mass luxury' – two words that until now would have been seen as mutually exclusive.

After that we will explore the supply side in terms of issues such as new product development, quality and customer satisfaction.

More conventionally perhaps, the chapter will then continue by looking at the meaning of luxury in the various sectors and sub-sectors of tourism, hospitality and events.

First, in Figure 6.1 we will explore the different features that make up a luxury product.
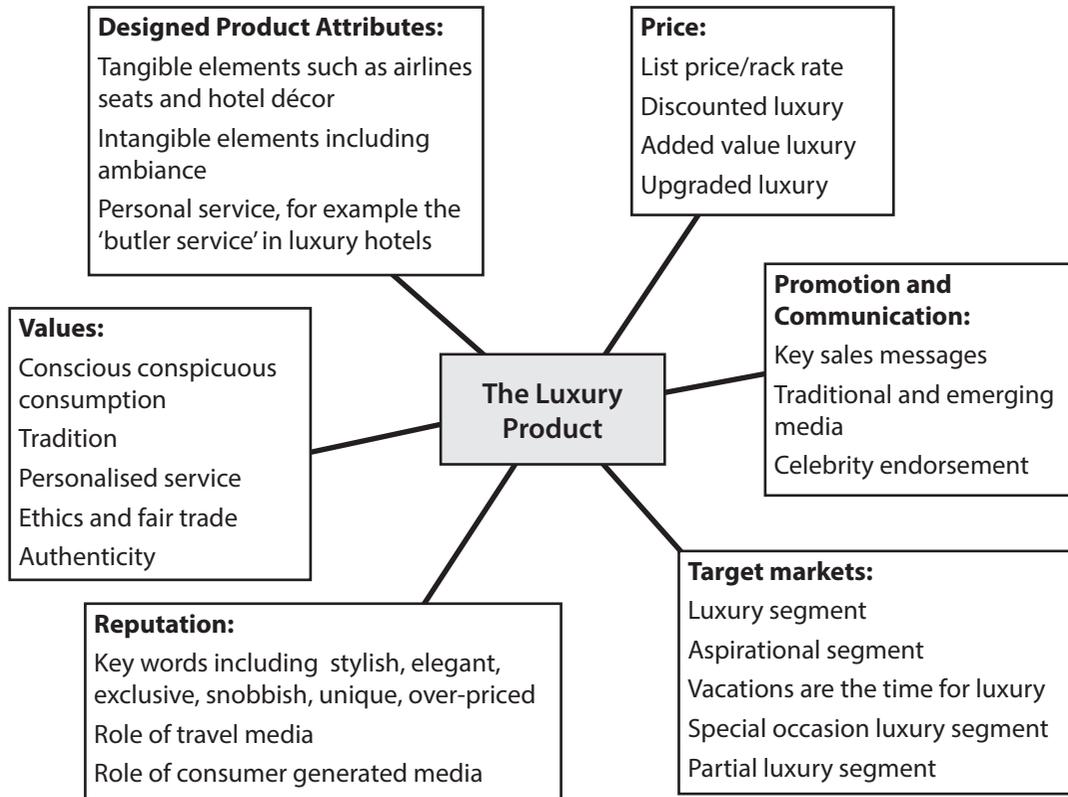
Designed Product Attributes:

Tangible elements such as airlines seats and hotel décor

Intangible elements including ambiance

Personal service, for example the 'butler service' in luxury hotels

Price:

List price/rack rate

Discounted luxury

Added value luxury

Upgraded luxury

The Luxury Product

Values:

Conscious conspicuous consumption

Tradition

Personalised service

Ethics and fair trade

Authenticity

Promotion and Communication:

Key sales messages

Traditional and emerging media

Celebrity endorsement

Reputation:

Key words including stylish, elegant, exclusive, snobbish, unique, over-priced

Role of travel media

Role of consumer generated media

Target markets:

Luxury segment

Aspirational segment

Vacations are the time for luxury

Special occasion luxury segment

Partial luxury segment

Figure 6.1 : The features of the luxury product in tourism, hospitality and events

Let us now look at thesee six types of features in a little more detail.

Designed project attributes

In terms of the 'designed product attributes', the tangible elements are very important because they are the visible symbols of luxury that attract the consumer. They are also visible to others so that the luxury consumer can gain status when others see the tangible trappings of luxury that they are enjoying. They are equally important in motivating others to aspire to be luxury consumers themselves, so they can enjoy the same tangible luxurious features. Tourism organisations understand the importance of these features and try to encourage consumers to trade up by ensuring that the range of tangible product elements varies between airline classes or categories of hotel room, for example.

On a long haul flight, for example, the designed tangible features include:

■ The seat, in terms of pitch or leg room and width, degree of recline, whether it converts into a flat bed or not, does the seat have a built-in massage facility,

and whether there is privacy screening from neighbouring passengers, for instance.

- The onboard entertainment system, in terms of the range of programming available and the size of the screen.

- The food and beverage service, including how much choice of meals there is, can one eat whenever one wants or just when the crew decides, are meals served on china or plastic, and quality of wines offered.

And these are all in addition to the question of check-in and waiting for the flight departure, where tangibles such as exclusive check-in desks and executive lounges are also of great importance.

We could obviously make similar points about the tangible product attributes about hotels, restaurants, cruise ships, concert venues and so on. What is most important about such attributes is they are more objective and measurable than many other aspects of the luxury product in tourism, hospitality, and events, and they are almost wholly under the control of the supplying organisation. Available budget is perhaps the only major constraint facing an organisation, together with the imagination of the senior management and the research they do with consumers when developing new products.

Unfortunately, it is generally very easy for competitors to copy and even improve on tangible product features, so that an airline may spend millions of dollars introducing state-of-the-art 'flatbeds', which may give them a competitive advantage for just a few months. But not improving their offer will almost certainly cause them to have a competitive disadvantage. And with consumer expectations rising constantly, organisations are locked into a process of product development that is never-ending and expensive!

The intangible attributes of the luxury product, such as ambiance, are highly subjective and difficult to measure, yet they are clearly crucial to market reputation. This subjectivity means they may vary dramatically between different market segments. Let us think about a traditional luxury hotel by a lake in Switzerland which was built in the 19th century and still carries five stars today. To an elderly traveller from Asia or the USA, this may seem like the height of luxury with its air of quiet and calm, where restaurants are places of silence and the hand of history rests heavily throughout the property. Clearly this is often reinforced by tangible elements that help create the ambiance, such as heavy old furniture, chandeliers, art works from the 19th century and deep carpets. But to a young traveller from Scandinavia it may simply feel too ostentatious, old fashioned, formal and 'stuffy'. The answer of course for organisations is not to target all segments, but to work out which ones they wish to attract, research their views and then set out to design the property to create a particular ambiance that will appeal to the chosen segments.