

DEVELOPING A LUXURY BUSINESS STRATEGY IN SOUTH AUSTRALIA

A luxury product allows a business to sell an item at a price far beyond its practical value and draws on the emotive desires that luxury inspires in a buyer.



LUXURY FOODS

PREMIUM
FOOD AND WINE FROM OUR
CLEAN
ENVIRONMENT





This fact sheet outlines the capability requirements for businesses considering a luxury business model.

Luxury market opportunities for South Australia

The global luxury market was estimated at AUD1,174 billion in 2014, of which luxury foods comprised AUD53.9 billion and luxury wines and spirits accounted for AUD80.1 billion. The Asia Pacific region accounts for 30% of the overall luxury market.

Growth in the luxury market is fuelled in the Asian Pacific Region by increasing numbers of High Net Worth Individuals, growing interest in fine dining, reduced taxes on luxury items and an increase in outbound tourism.

In Asia, where hierarchical and newly industrialised societies exist, displaying one's economic status by consuming luxury products and visibly showing possessions is a social norm. As markets outside China (such as Singapore, Malaysia and Korea) have large Chinese populations, they draw cultural cues from China. In this culture there is a focus on gift-giving, known as *guanxi*, to build and maintain business and social relationships. Trust is also established by holding banquets to honour guests. Luxury foods and wines are playing an increasingly symbolic role in such events. As such, consumers are particularly concerned with product packaging and the quality and craftsmanship of a product, with packaging having a direct correlation with the perception of luxury.

Having a luxury product allows a business to sell an item at a price far beyond its practical value and draws on the emotive desires that luxury inspires in a buyer. This higher value allows South Australian businesses to negate the higher production costs that often limit their competitiveness in commodity markets.

What can your business do to get involved?

The key capability requirements identified for businesses considering entering the luxury market include:

- Marketing activities to support entry into, and establishment of channels to, key luxury markets. The specific emphasis in this export program should be to build and communicate an effective narrative for SA producers to engage with the luxury food market.
- Access to necessary luxury business skills developed through a cluster of luxury food producers and supported by a sophisticated ecosystem, including packaging, design, and cultural insight.
- Expertise in market cultural drivers and purchase motivations. Attitudes to luxury food consumption are often determined by the prevailing cultures and dietary tastes in each country. In order to be successful, luxury brands must adapt to local consumer preferences and target retail and marketing strategies to appeal to specific consumer groups.
- Narrative creation. A primary cue in the purchase of luxury goods is the emotional response they invoke. A critical skill for a luxury business is to develop an effective narrative to build meaning and create value associated with food and beverage products.
- Design expertise for high-profile packaging and labels. An understanding of packaging design to create emotive cues necessary for successful luxury business strategy is required.



- Marketing skills including e-commerce. Knowledge of luxury food marketing channels such as prestige magazines or events is needed. In countries where e-commerce is an important element of the retail experience (like China), luxury brands must consider their e-commerce presence when entering the market. Local social platforms should be adopted to align with local retail culture.
- Highly personalised customer relationship management. Luxury consumers have high expectations of what their experience with the brand should be like. While in the past the quality and lure of a product alone could tempt buyers, today's customers expect more. Developing an emotional attachment between the brand and the customer is vital to the survival and growth of the luxury retailer, and is one way to retain and cultivate brand loyalty. To do this, it is important to ensure that prestigious clientele have a personalised and memorable shopping experience. Attracting new clients, retaining loyalty and continuously delivering a service which exceeds expectations can be a challenge. By keeping a carefully maintained consumer relationship management system recording consumer purchasing and preferences, luxury businesses are able to develop accurate and detailed insight to deliver a personalised service, which is synonymous with flawless customer service, customer retention, and a unified and memorable brand experience.

Luxury business model planning checklist

1. Ensure you have full stakeholder support to implement a luxury business strategy for your target market:
 - Many South Australian business stakeholders are philosophically opposed to implementing product lines that are exclusive – does your business have this backing?
 - If you are export focussed, do you understand the impact of what pursuing a luxury business strategy will have on your existing domestic customers and do you have plans to manage this risk?
2. Define your target luxury market demographic or product and use scenario and emotive cues or needs motivating consumers to purchase your product. Define your 'brand DNA' or narrative to be developed that will engage your target demographic.
3. Determine if incorporating unique craftsmanship will enhance the capacity of your product to meet the target market's emotive cues.
4. Determine if you can use local production facilities that can build an authentic basis for the craftsmanship behind your product.
5. Determine if you have a legitimate basis to build product exclusivity and inaccessibility.
6. Determine your pricing strategy.
7. Establish a promotional strategy that fits your brand and product. In the luxury world, the dream is what sells. There is no need for a rational reason to justify a purchase. Content is very important.
8. Establish a product positional strategy. Consider the options: physical retail space, online shopping, and own-brand shops. Outstanding customer service that represents the brand DNA is essential.



www.pir.sa.gov.au/functionalandluxuryfoods

South Australian Food Innovation Centre | Phone: (08) 8226 0109
Email: PIRSA.foodinnovationcentre@sa.gov.au