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GOWER

Premium by Design

How to Understand,
Design and Market
High End Products



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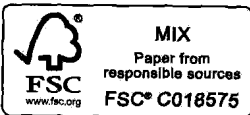
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Notes on Contributors

This book is the collaborative effort of three authors with input from many professionals in the distinct worlds of research, creativity and publishing. We want to underscore that this book is not a small choir of “*a cappella*” singers, but a huge stage with more than 75 voices. All of them were fundamental in making it happen. Their generosity in contributing their time and sharing ideas through interviews and discussions is greatly appreciated.

We interviewed our experts in successive waves. We started our quest with a pilot round to test our research approach in January 2007, through a standardized format of dialogue across the spring and summer, to finish with highly personalized interviews in the winter of 2007/8. You will meet our experts, their ideas, their expert visions and their insights about today and the future, about high end and luxury, about business and life. Our sincere gratitude goes to the experts and industry leaders listed below in a random order.

Note

A number of our 75+ contributors have changed their position, their job title and/or their company since the time of our research. The authors have indicated their formal status at the time of interviewing with the specification of “fr.” – this stands for “former” and indicates that the thought leader/expert in object is now no longer in that position.

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Gianluca Siciliano, Marketing Director USA, Lamborghini, NY, USA

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Mark Dunhill, CEO, Fabergé, London

Sian Davies, CEO, The Henley Centre, London

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Massimiliano Benedetti, Global Sales and Marketing Director, Yoox, Italy

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Rita Clifton, Chairman, Interbrand, London

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Foreword

Dr. Stefano Marzano

CEO and Chief Creative Officer, Philips Design

Whether in booming economies or recessions, in whatever region or continent, beyond race or religion, most people have always the aspiration to improve the way they feel about themselves. One might say that this is a natural tension towards bettering one's quality of life that is simply embedded in our minds: in our DNA as humans. Even – or perhaps especially? – in these times of financial crisis, people keep such aspiration as they do aspire to new hope, and if they do not do so for themselves, then they earnestly want it for their children and their beloved ones. Through the eyes of creative talent, such natural need for hope translates into the power of dreams: why else did people line up to spend their hard-earned dimes to watch wonderful musicals during the depression era? Just look at Fred Astaire and Ginger Rogers or Busby Berkely's beautiful dancers in the very heart of the 1930s Great Depression. Right at the edge of the current economic distress, Marco Bevolo, Alex Gofman and Howard Moskowitz explored the fine texture of brands, products and services that might help companies to generate premium margins, by making people happier. They are not addressing the mass market and its sometimes suicidal rush just to cut prices. Nor are they talking about that magnificent trip in a class above First Class that most of us will never manage to afford during our lifetime, with its in flight private-shower facility, its front-cabin suite and its fitness exercising program. The authors look at luxury instead as a source of insights, wisdom and sometimes even wit, in order to gain knowledge about how business uniquely works where premium margins are generated. They do so in order to unveil to the reader a world of achievable aspirations. In this world, the talent of designers and the science of market research join forces, resulting in propositions that anticipate and resonate with people's dreams and ambitions. In this world, the relationship between people and purchase results in emotional enrichment. In this world, the richness of sensorial experiences

is complemented by the power of longer-term sustainability. This is the world of the new premium, or of the High End, or – as the authors call it – the world of “Hope at Check Out”. Mind you, this is a business book with actionable tools and replicable methodologies at its very heart. Bevolo, Gofman and Moskowitz did not write an essay in social history or a theoretical dissertation on design. And their focus is not on depression times or boom times in terms of economic cycles, or on the micro-economics of selling and buying. Rather, you are holding in your hands a more practical book, one directed towards you. It is a book born with the promise to share with you how to understand this new world of different aspirations, on every level of income. It is a book about how other business leaders succeeded in achieving margins by design. It is a book about how you, the reader, might succeed in it as well, thanks to original tools and processes. Simply, this book is about BETTER, even if it is not always best, just better, but reachable and real products and services. And this book has the charming feature to be built on the marriage of insights from the world of customer science with design research, of future studies with creative industry practices, of precise statistics with the inspiring opinions of thought leaders. This book was written by getting in touch with the people who made this world of High End already happen, for those who will bring it to the next level of success. So, with that I invite you to join the authors as they go on their trip of knowledge and experience. Be ready for business success and failure stories, for scientific analysis and design leadership, and most of all for those visions and tools that will help you to get there.

Stefano Marzano, Eindhoven, The Netherlands, April 2010

Preface

Hundreds of millions of years ago the Earth was different, a huge mass of land known as Pangea. Then the continents separated, and began to move apart further, leaving vast oceans in their wake. Following this analogy, minute by minute today's modern, ever-so distinct continents of mass-produced products and luxury are moving apart. Ever more products become cheaper and more accessible to the public because economics demands that their margins be squeezed to the limits, while, in an almost disdainful manner, extreme luxury flies into the stratosphere of unimaginable excess that could be afforded by very few.

Our world of products, of stores, of buyers differs, however, from the geological example. Do not look for an empty ocean to fill the space left by the disappearing landmass. Rather, just off the shores of luxury, there is a huge, fast growing land of premium value which inspires people to get there, even if they need to stretch their budget. In this new land, the emotional bond with customers translates into premium margins so ardently desired by business. Unlike luxury affordable only by the rich people with many zeros in their accounts, this land does not discriminate. It welcomes virtually everybody with a wide range of incomes. For some, an iPhone might be an aspiration, for others – a Mini. The land of High End has a place for everybody to create his or her warm feeling, and grab hope at checkout.

And the future? The authors believe that the future might be bright, no matter how dark the noonday sun might be. A recession cannot kill optimism, however painful and hard it is. Demography is destiny: in countries like India and Brazil, young talents are emerging in masses; in China, the middle class is growing, and its appetite exploding for exclusive and exciting yet reasonably affordable products and services, with a rapidly growing interest for “eco-chic” and sustainability too. Whereas there are many made-up, zippy, sociologist-inspired names for the trend (among them “masstige” – a term created from

merging the words “mass” and “prestige”, meaning mass affluence, premium, and new luxury), we, along with many of the experts we interviewed, like to call this new promised land the world of the High End. Much like its analogous “the land between”, High End has many inhabitants, and plenty to keep them occupied.

This book will bring you on a journey to and around High End land. It will describe its inhabitants showing their origins, successes and failures. It will show you ways to become a rightful citizen of the land giving you proven tools enabling a successful competition for your place under the sun.

Relax and enjoy.

M. Bevolo, A. Gofman and H. Moskowitz

Acknowledgments

I would like first of all to thank each of the contributors for the generosity and passion that made this book emerge into a business reality. Thank you for the constant patience and support. Of course, my wife Keiko and my mother Sara cannot be praised enough for their constant presence and patience during the intense times that saw this book come alive. As all we do is the concrete realization of the dreams of those who came before us and hopefully the inspiration for those who will follow us, this second book of mine is once again dedicated to the precious memory of my father, Carlo Bevolo, and to the brilliant future of my young family members, Masaki and Ayato, nephews of my beloved wife, Keiko.

Marco Bevolo

The joy of writing could only be possible with the support of the family, but it comes at an undeniable cost – missed soccer games, school concerts, postponed nights at the opera or just skipped time together. My sincere and profound gratitude goes to my family – thank you for your support and encouragement! Irene, Alli, Matt – I now will be more frequently warmed by your smiles than by the mysterious waves of an LCD screen. This book is dedicated to you and to my mother, Revekka, and the memory of my late father, Jacob.

Alex Gofman

No book gets written by itself. That said, a much beloved Jewish proverb in the Ethics of the Fathers teaches us “From all my teachers I have learned ... but from my students I have gained wisdom.” So let me first acknowledge my students, each of you around the world, from Beirut to Beijing, from Rosh HaAyin to Lausanne, and beyond. Dear students, you shape my thinking, and

sharpen my mind through your questions, discussions, insights. Beyond that, to my co-workers at Moskowitz Jacobs, Inc., and to my long-term colleagues and friends in psychophysics and market research. Most of all, to my family. Individually, each of you inspires and strengthens me to continue thinking, creating, publishing, and applying these ideas. Thank you.

SSI (Survey Sampling, Inc.) has been a most helpful partner in our efforts to bring RDE (Rule Developing Experimentation) to the world of the High End. Survey Sampling International is the premier global provider of sampling solutions for survey research. SSI offers access to consumer and business-to-business respondents via Internet, telephone, and mobile. Additional services include survey programming and hosting; data processing, and sampling consultation. SSI serves more than 1,800 research clients, including nearly three-quarters of the top researchers worldwide.

SSI provides access to more than 3.5 million research respondents in more than 70 countries via proprietary communities and managed affiliate relationships. Founded in 1977, SSI has an international staff of 335 people representing 50 countries and 36 languages. The company is based in Fairfield, Connecticut, with additional offices in London, Paris, Rotterdam, Stockholm, Frankfurt, Madrid, Beijing, Shanghai, Sydney, Tokyo, Toronto, and La Quinta, California. For more information, visit www.surveysampling.com.

We thank SSI for providing access to their high-quality on-line panels for quantitative research in the USA, UK, China and Italy.

Howard Moskowitz

About the Authors

Marco Bevolo is a Lecturer in International Leisure Management/Sciences at NHTV University of Applied Sciences, The Netherlands, and the founder of Marco Bevolo Consulting, formerly a director at Philips Design in 1999, assuming responsibility for the cultural trend research program. He was instrumental in the creation of CultureScan, an trend forecasting research project investigating cultures and aesthetics at the regional and global level.

Prior to joining Philips Design, Marco's work focused mainly on publishing and marketing communications. His professional career started at Italdesign Giugiaro in 1990. He was subsequently editor-in-chief for "Intervista", an Italian lifestyle magazine, then worked as copywriter with Armando Testa with clients such as Procter and Gamble and Bolton. He joined the Euro RSCG Milano agency in 1998.

Independently, he published in 2009 "*The Golden Crossroads*" with Palgrave of the UK. His areas of expertise span from strategic design consulting to event design, with a world-class track record in researching and analyzing aesthetics, architecture, automotive, advertising, fine arts, and the world of premium value, including the rising concept of "sustainable luxury".

Marco graduated from the University of Turin with a degree in the Psychology of Communication. He lives in Turin, Italy, and Eindhoven, the Netherlands, with frequent traveling to Tokyo and the rest of Japan.

Alex Gofman, PhD (www.alexgofman.com), is Vice-President at MJJ, a strategic marketing research company headquartered in White Plains, New York, USA, which he joined in 1992. Mr. Gofman is an accomplished technology-oriented marketing research executive with a strong portfolio of successes researching, designing and managing web-based marketing and market research technologies, innovation, consumer insights and analytics for major

global clients. Dr. Gofman is widely published and recognized internationally for contributions to consumer research and product development, Web pages optimization, marketing intelligence and related Web technologies, consumer insights, conjoint analysis, segmentation, online marketing, consumer driven dynamic advertisement optimization, and so on.

Alex has authored over 100 papers and patents, and presented at multiple international conferences. He is a co-author with Dr. Howard Moskowitz of *Selling Blue Elephants: How To Make Great Products That People Want Before They Even Know They Want Them* (Wharton School Publishing, 2007). A best-seller on several international lists, the book is currently translated into 15 languages.

Dr. Gofman is an adj. associate professor of marketing teaching graduate courses at Pace University (Lubin Business School). In addition to multiple academic publications, his articles appeared in *Financial Times Press*, Wharton School Publishing and *Marketing Research* magazine along with his regular contributions to the *Daily News* and *Analysis and Research World*.

Howard R. Moskowitz, PhD, is president and CEO of Moskowitz Jacobs, Inc., a strategic marketing research company headquartered in White Plains, New York, USA, a firm he founded in 1981. A well-known experimental psychologist in the field of psychophysics and an inventor of world-class market research technology, he is widely published in the scientific press. A leading thinker and creator of advanced research technology in the area of new product and concept development, his extensive speaking engagements span both scientific and market research conferences, as well as guest lectures at leading business schools. He lectures in the USA and abroad and serves on the editorial board of major journals.

Dr. Moskowitz has been the recipient of numerous awards, including the 2010 Walston Chubb Award for Innovation, to honor and promote creativity among scientists and engineers; the David R. Peryam lifetime achievement award by the American Society for Testing and Materials; the Charles Coolidge Parlin Award from the American Marketing Association, considered to be the "Nobel Prize" of market research, for his lifetime contributions to the field, ranging from product work to the optimization of consumer concept and package designs; and the 2006 ARF Innovation Award for the development of the most innovative research idea. From November 2004 to November 2006, Dr. Moskowitz appeared weekly as the "Food Doctor" on ABC "NewsNow", where he anchored a live program, featuring food and beverage entrepreneurs. He