



What is the Definition of Luxury? For the Hotel Industry and Beyond.

Whether instinctively or at face value, most would define the term 'luxury' as pertaining to something of opulence, scarcity, and, most often, great expense.

While these categorizations may, in some cases and to a certain degree, be applicable, the true definition of luxury is far less limiting and, perhaps surprisingly, more intrinsic and attainable.

Luxury Defined

Merriam-Webster defines luxury as, "a condition of abundance or great ease and comfort; something adding to pleasure or comfort but not absolutely necessary; an indulgence in something that provides pleasure, satisfaction, or ease." Take notice as to how in none of these definitions neither grandiosity, rarity, nor cost were referenced. The reason? True luxury appeals to one's senses and wants, resonating with innermost desires, often exceeding expectations and preconceived notions. Everything else—the extravagance, exclusivity, and even higher price point—is largely psychological. Not necessarily superfluous or superficial, but psychological. They certainly play a role, but they do not hold the weight of the definition. It is for this reason that boutique

hotels, some without the physical/architectural grandeur of their larger palatial counterparts, have been able to establish such a strong presence in the ever-evolving industry of luxury hospitality.

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The Uptick in Investible Assets and Resulting Rise in Expectations

With the wealthy getting wealthier and the global population of millionaires and billionaires on the rise, disposable income is correspondingly rising. According to [Financial Times](#), "Globally, the investable assets of wealthy individuals is expected to double in almost every part of the world by 2030." [BBC](#) reports, "More than five million people became millionaires across the world in 2020... the number of millionaires increased by 5.2 million to 56.1 million globally". Similarly, [Oxfam International](#) issued a press release on the wealth boom, reporting, "Today, 2,668 billionaires — 573 more than in 2020 — own \$12.7 trillion, an increase of \$3.78 trillion".

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As such, material goods and experiences, historically reserved for a small percentage of the world's financial elite, are becoming increasingly more attainable. Since larger demand most often leads to a more competitive marketplace, the bar is constantly being raised, leading to higher and greater expectations. One of the only, and

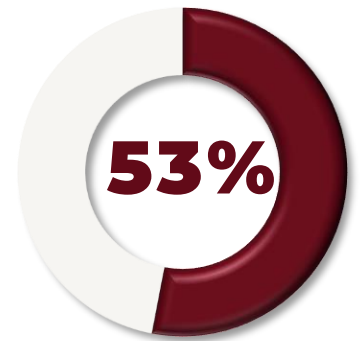
certainly the most effective, ways to differentiate is through the level of service.

What it Means to Deliver a Truly Elevated Guest Experience

The experience is what separates one from the rest and is, therefore, the ultimate determining factor. For example, even with a visually stunning product, if a brand's guest service and other experiential touchpoints, sales/booking process, and product quality are routinely subpar, regardless of how it is marketed or even regarded by others, how likely is the brand to be perceived as luxury? It may fall within that classification from a marketing or consensus perspective, but it will not ring true for the guest. Moreover, that luxury classification will prove to be unsustainable, at least in the court of public opinion. This is evidenced by the fact that "53% of consumers have cut spending after a single bad experience", according to [Qualtrics](#). It is hard to be considered a luxury brand with a declining customer base and waning demand.

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Conversely, if a product is visually appealing—perhaps not even stunning—but the brand's guest service and other experiential touchpoints, sales/booking process, and product quality all surpass the competition and the guest's expectations—even if said guest has only experienced the product or patronized the brand once—they are more likely to hold that brand in high esteem. They may even regard it over 'higher tier' products/brands. It should be noted, however, that even with a phenomenal guest experience, the product or service must also rise to the occasion.



"53% of consumers have cut spending after a single bad experience"

-Qualtrics

The bottom line? When it comes to luxury, the product/service and guest experience are inextricably linked. It is nearly—if not entirely—impossible to be considered a luxury brand or as having a luxury product or service without both components being in splendid harmony.

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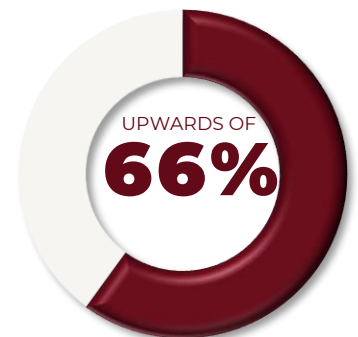
The good news is that the formula for success in the luxury space is straightforward.

**Spectacular product (service) + Exceptional guest experience
= Luxury**

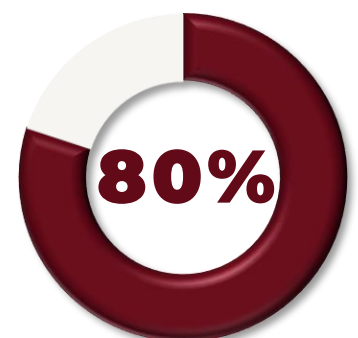
Brand vs. Customer (Guest) Perception: The Great Disconnect

The challenge luxury brands face today is twofold. How does one routinely and successfully deliver exceptional service? And how does one ensure that said service is meeting, if not exceeding, the world's ever-rising and constantly evolving definitions of luxury and being exceptional?

To overcome these challenges, let us first address the latter: ensuring that your service, at a minimum, meets expectations. According to [Salesforce](#), “66% [of customers] say they’re generally treated like numbers.” This aligns almost perfectly with similar data posted by [Qualtrics](#), where “62% of customers said businesses need to care more about them” and “80% of customers believe customer experience needs to be improved.” Similarly, [PwC](#) reports, “59% of all consumers feel companies have lost touch with the human element of customer experience.” Slightly less dire, yet no less concerning, [Acquia](#) and



Upwards of 66% of customers are dissatisfied with the level of service received.



MarTech Alliance claim that “53% of consumers feel brands fail to meet their experience standards.”

A fair interpretation when comparing these data points is that while customer (guest) expectations are rising, there is a growing sentiment that brands are failing to meet these expectations and a resounding demand that they take action to do so. Although the studies above are not exclusive to luxury brands or service providers, such as luxury hotels and resorts, it is safe to assume that the luxury guest or clientele is even more discerning, likely translating to less favorable data.

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Unfortunately, there seems to be a disconnect. According to an article published by emplifi, which references data sourced from Digital Humans, “85% of brands believe they offer personalized customer experience but only 60% of consumers agree”. The latter part of this finding may paint a slightly rosier picture than those above, but the fact of the matter is that there is still a sizable difference between the providers’ and customers’ interpretations of reality.

The Dangers of Relying on Unsolicited Feedback

The brand / customer (guest) disconnect is somewhat understandable. After all, how is a brand to know of their failure to meet customer expectations if the customer fails to share their dissatisfaction? According to a well-regarded study by Esteban Kolsky, only “1 out of 26 [<4%] customers complain [to the provider]”, but “91% of those will simply leave” and “13% will [relay their unhappy experience to] 15 or



“1 out of 36 [<4%] of customers complain”

more people [other than the provider]”. Therefore, there is an immense pressure to get things right the first time. So, how does one overcome such a quandary? Firstly, assume that there is always room to elevate the experience. Secondly, assess the data. Repeat business is an excellent indicator of performance. Thirdly, solicit feedback and truly take it to heart.

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How to Meet/Exceed the Expectations of the Luxury Guest

Let us now address the other challenge: how to routinely and successfully deliver exceptional service. There is a myriad of ways to have your brand, product or service universally accepted as luxury. Here are a few:

The first is to truly understand the definition of luxury, which hopefully—thanks in part to this article—you are now able. The second was covered above; value solicited and unsolicited feedback. Advice or criticism directly from the source is inarguably the most valuable and reliable. The third is to know, understand, and empathize with your guest. Looking at matters from a guest lens is yet another one of the best ways to anticipate their needs and wants. Fourth, embrace technology. According to [PhocusWire](#), for example, in their study of business travelers and their use of travel-related technology, “81% [claim] to have used mobile voice assistants during a trip.” Ask yourself, is your brand equipped to satisfy the demand for this single service, let alone the countless stream of others?

You must be willing to invest—physically, empathetically, and financially—in the guest experience.

Next, you must be willing to invest in the guest experience. Meeting, and undoubtedly exceeding, guest expectations can—but does not always—have a financial cost. When it does, penny pinching will likely come at an even greater cost. Similarly, creating a guest-centric environment with a focus on personalization is paramount. There is a global leader in luxury hospitality, for example, which has a longstanding policy to avoid saying 'no' to its guests. Regardless of the request, ways by which to accommodate are found, even if accommodating requires that concessions be made. In their quest to deliver truly personal experiences, other luxury brands are known to leave personal notes or small tokens of appreciation in guest rooms.

The key to hospitality is being hospitable.

This leads to the next approach, education and training. A well-trained team is invaluable. After all, the key to hospitality is being hospitable. Further, staying abreast of best practices, technology, social tolerances, and industry, outside, and market trends is imperative. The importance of keeping a finger on the pulse of all matters relevant to the brand and human condition cannot be overstated. Rounding out this list is the ability to execute elevated branding, marketing, and advertising. Establishing a cohesively elevated status leaves an indelible impression on your guests.

A summarized list of the essential luxury strategies is provided below for quick reference.

- **Understand the definition of luxury**
- **Value solicited and unsolicited feedback**

- Know, understand, and empathize with your guests
- Embrace technology
- Invest in the guest experience
- Create a guest-centric environment with a focus on personalization
- Invest in continual education and training
- Stay abreast of best practices, technology, social tolerances, and industry, outside the industry, and market trends
- Execute complementary, elevated branding, marketing, and advertising

Exceptional Guest Service and the Luxury Experience are not Exclusive to Luxury Brands

The real beauty is that, while each of the above practices are highly effective, many do not require significant capital investment. Meaning, they are not reserved exclusively for luxury brands. They are applicable to any brand seeking to elevate its guest experience and status/classification—from midscale to upper midscale, upper midscale to upscale, upscale to upper upscale, upper upscale to luxury, luxury to beyond.

Conclusion: The Future of Luxury Travel is One of Tremendous Opportunities

As wealth spreads, globalization becomes more prevalent, and competition intensifies, there will be a growing demand for and evolving interpretation of luxury service. This is supported by a study conducted by Amadeus, which in 2016 predicted that “over the next 10 years, the growth rate in outbound luxury trips will be 6.2%, almost a third greater than overall travel (4.8%)”. This presents an incredible opportunity for luxury hoteliers. An opportunity that, if the learnings from this article are applied, can provide tremendous value in the forms of not only increased business but increased guest satisfaction, leading



6.2%

“...growth rate in luxury trips will be 6.2% [over next 10 years], almost a third greater than overall travel (4.8%)”

-Amadeus

to brand affinity from and lifelong relationships with an ever-growing customer base.



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