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Unsolicited Advice

## Making 'Exclusive' Exclusive Again

Marc E. Babej and Tim Pollak 09.08.06, 6:00 AM ET

Once upon a time, not so very long ago, luxury brands and status went hand in hand.

In the good old days, luxury brands weren't only indulgent and presumed to be of superior quality, they also conferred an image of exclusivity to the buyer. The brand was a club of sorts, and purchase was a fee; no membership application required. Wearing Gucci, driving a BMW or staying at the Four Seasons made a statement about good taste *and* financial success. Even more importantly, association with luxury brands marked their buyers as belonging to an exclusive circle, as "having arrived."

But thanks to two decades of massive luxury goods marketing (and abundant credit), luxury brands have become democratized--and, in the process, diluted to a point where they no longer are exclusive.

### In Pictures: The Newest Members-Only Clubs

A recent search for Prada on eBay yielded 9,219 items. The starting bid for a pair of shoes: \$65. Handbag rental services such as Bag Borrow or Steal are bringing the Netflix model to luxury goods. A monthly membership fee of \$90 allows users to pick, say, a Louis Vuitton bag for delivery. You use it, show it off, mail it back and get another one. Anyone can lease a nicely equipped Mercedes E-550 for less than \$1,000 a month. Luxury vacations can be had at steep discounts at [Luxurylink.com](http://Luxurylink.com).

It's a classic case of marketing being overtaken by its own success. Luxury brands have become so prevalent in popular culture, so broadly desirable, so widely available, that they fail to live up to their original promise of conferring status. They still say many things about their buyers, but no longer say, "I'm part of a club, and you're not."

The upper end of the market has started to catch on to the fact that branding is no longer enough. And the methods being used to revive exclusivity--invitation-only customer vetting and membership--are so old they're new again. They hark back to the *Age of Innocence* rather than *Sex and the City*. The new exclusivity doesn't seek to publicize status through visible marketing campaigns or trumpet the social standing of the wearer through a logo. Rather, word about them makes its way around the world as a well-spread secret.

Remember the first time you heard about a black American Express card? Initial word about the Centurion Card spread like an urban myth--and that was the point: You have to be invited to have the privilege to spend \$2,500 to carry a black card that requires minimum annual spending of \$250,000. Currently, the club's global membership numbers about 10,000.

SoHo House in London and New York is another case in point, offering members-only access to a bar and restaurant, health spa and rooftop pool. Prospective members are vetted like an exclusive country club, but with a 21st century twist: The screening of applicants focuses less on such traditional factors as wealth or family background than on style. The membership questionnaire asks applicants about their favorite bar, restaurant and hotel. A photo is required. Every night, the clubs are filled with patrons who eschew the cities' better restaurants and hipper bars to flaunt their status as "members."

Celux, a private membership club in Tokyo owned by LVMH, takes exclusivity one step further. It seeks to "curate an entire lifestyle," with the lofty goal of "creating a new standard in luxury." The privileges of membership in Celux include such things

as fashion items designed exclusively for members and personalized fashion advice from in-house stylists.

The lines of distinction between privileged access and members-only can be fluid. Only a thin line separates VIP access to an exclusive nightclub from a members-only club such as SoHo House. And a sale for preferred customers is only a half step removed from a members-only store. A store that requires membership for access? Absolutely. To get into luxury department store Daslu in Sao Paulo, Brazil, you have to be a member, or be accompanied by one.

Even countries are entering the membership fray. The Thai Elite Card, a subsidiary of the Tourism Authority of Thailand, offers exclusive access to wealthy visitors willing to pay \$25,000. The fee buys perks such as a five-year renewable visa with 90-day stays, free first- or business-class companion tickets, and the right to purchase permanent residence in the kingdom.

For the most part, the members-only wave emanates from Europe and Asia. It might sound snobbish to American ears--and, of course, it is. But there are plenty of Americans who will overcome their egalitarian compunctions rather quickly once they are invited in.

Our prediction is that it's going to catch on big-time. As long as status-consciousness is part of human nature, products and services that show off one's place in the pecking order will have a market.

Expect membership-only programs and clubs to proliferate in years to come--especially once luxury goods companies join the fray. Concepts such as Celux, in particular, are harbingers of things to come, as they combine membership with controlled access to luxury-branded products unavailable through other channels.

Members-only offerings have a unique appeal, but like any other product or service, they have to live up to their promise. Above all, that means keeping a fine balance: Allowing enough members in to be profitable--but not so many as to dilute the promise of exclusivity.

### **In Pictures: The Newest Members-Only Clubs**

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