

# Decoding Premiumization

Ipsos POV



**Being  
'premium' is  
related to or  
denoting a  
commodity of  
superior  
quality and  
therefore a  
higher price**

Oxford Dictionary

## IPSOS VIEWS

Premium in terms of equity: brands that **lose 15% or more of their Attitudinal Equity** due to **price** being a barrier to purchase

For **innovation**, premium products show notable **strength in either relevance or differentiation**, offset by **higher price** perceptions



# Premium vs Luxury

## Luxury is...

- Expensive (43%)
- Highest Quality (43%)
- Exclusive (34%)
- Prestigious (34%)
- Indulgence (30%)

## Premium is...

- Highest Quality (60%)
- Excellent design (42%)
- Long-lasting (40%)
- Excellent reputation (40%)
- Expensive (31%)

Feeling

Tangible

Q. Using the list below, please select five items that, in your opinion, best define what premium/ luxury means to you.

\*Ipsos 2020 Affluent Intelligence

Ipsos



# Four Driving Forces of Premiumization

## 1. Consumer Needs

Consumer motivations and needs of premium products evolve – **explore opportunities in reward and small indulgence**. Profile target consumers and go beyond the traditional stereotype – **growth potential with male, millennials, and less urban consumers.**

## 4. Technology & innovation

**Technology led innovations** happen less often, but they are powerful weapon for price increase and premiumization. Premium shoppers also demand more choices – **consider small brands in the portfolio** to meet this need, instead of pushing mainstream brands



## 2. Brand/products

Brands and products with **unique benefits** are less likely to be substitutable, and hence more room to charge a premium price. **Semiotic cues from packaging** are also important for brand premiumization

## 3. Category trends

**Category dynamics** can influence a brand's ability to premiumize. Certain categories are more amenable to pushing a premium brand strategy. **Riding on category trends** is a lower hanging fruit for companies to drive premiumization.

# Consumers Needs Example





**60% of consumers say they buy premium products as a small indulgence**



\$4.09



\$4.99



\$7.29

$\$4.09 \times 4 \text{ cups over a month} = \$16.36$

$\$4.99 + \$7.29 = \$12.28$  (a cup each day for a month)

✓ The Starbucks creamer provides consumers with a way to satisfy their indulgence needs but at a more affordable price



Tiffany's little blue box is an essential expression of the brand



Visual cues like muted colours and matte finishes enchant the audience and can communicate premium options



Sounds can also trigger premium. In the beverage category, Snapple has perfected the auditory seal of quality with its signature click top cap

**26% of consumers often buy premium products because of unique/innovative packaging of brands**

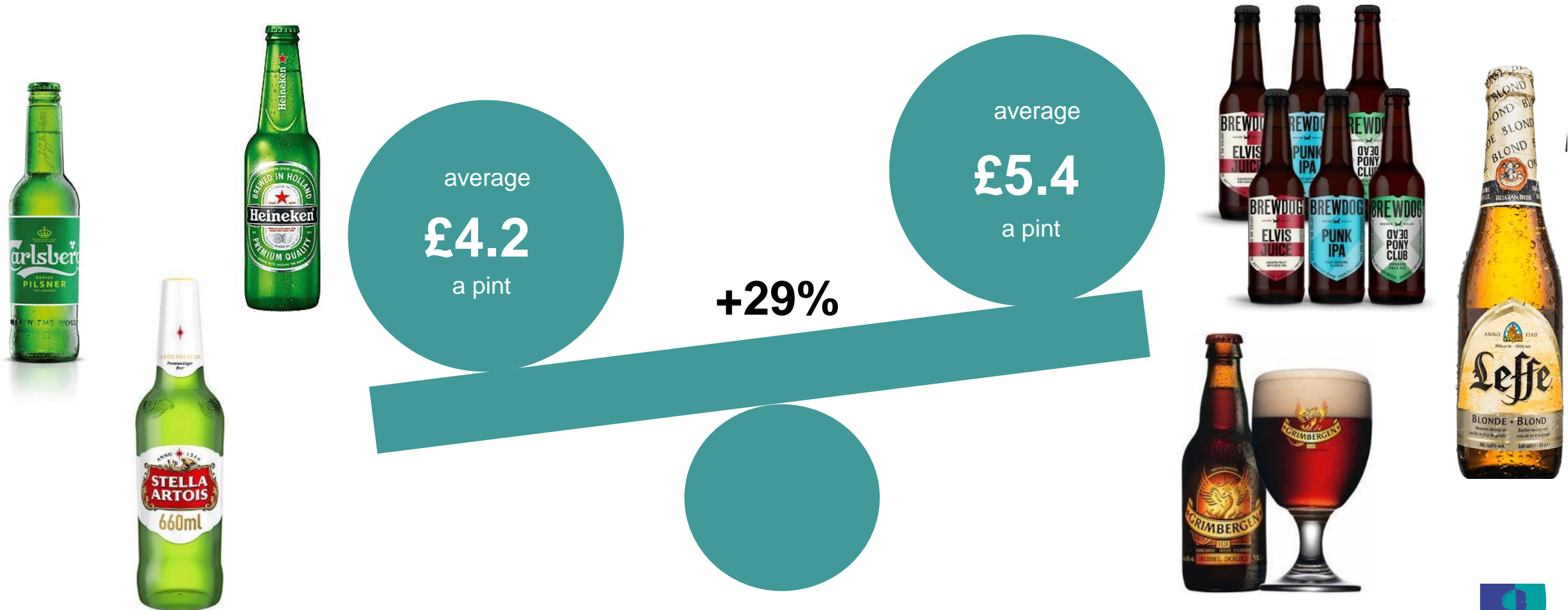


# Category Trends Example





# Craft beer products have been the main driver of premiumization for beer category in the last 5 years





**Brand/products**





**People categorize their purchases and mentally allocate financial resources to each. By reframing purchases, we can switch purchases to a category where people are willing to spend more**



#### **Case Study:**

Instead of laundry which fits in a mental necessity bucket, the founders of Laundress, who used to work for Chanel and Rauph Lauren, positioned the brand as a fashion essential for expensive clothes, thereby moving it to a mental bucket for which people are willing to spend more money on.



# Carefully consider the competitive frame of reference: price is always relative - association with higher priced competitors will increase perceived value

£2.49



Hand Soap as  
frame of reference

Expensive

£12



Soap Dispenser as  
frame of reference

Cheap

£39



Small Appliance as  
frame of reference

# Technology & Innovation Example



# Gillette has been using innovation and product superiority to drive premiumization over the years

Disposable blade

First adjustable razor

First system razor

3-blade technology

Manual & Power function

Pivoting razor to maximise contact with face

Clinically proven for sensitive skin

1900



1950



1965



1998



2006



2015



2019



# Tips for brands

1

Premium products should always deliver perceived higher quality, offer unique benefit and meet a need

2

When relaunching existing products with price increase, brands should demonstrate what the enhancement is and ensure the new version is a better product to justify the price premium

3

The balance between **functional superiority** and **emotional value** is defining luxury vs. premium. Mass products trading up should reassure more on tangible benefits, while prestige brands should focus on experiences and emotional value

4

Premium does well where there is potential for technical product innovation, high levels of consumer engagement, and the ability to project aspirational values

5

Rethink competition set – sitting in premium shelf segment in store or association with a more premium competitor can drive up perceived value of a brand

6

Ride on category trends – consumers are willing to pay more for craft, artisan, organic, sustainability and speciality





# For more information contact:

**Your Canadian Ipsos Innovation Team:**

Kelly Becker

Dionne Daley

Jaclyn Chiarello

Molly Deal

Rohit Nair

firstname.lastname@ipsos.com