

LUXURYSOCIETY

Luxury Marketers Need To Aim Higher, Get More Focused & Work Harder in 2011

Douglas Gollan, group president and editor-in-chief of Elite Traveler Media Group, outlines why segmenting the luxury market into unambiguous wealth cohorts is the way forward

The fog from the financial crisis may have cleared, but with economists still divided on the outlook for key luxury markets such as the United States, the likelihood that aspirational consumer spending on luxury products and services sees a significant rebound seems remote.

Jobless recovery and layoff fears continue to spook the Mass Affluent (consumers I define as having a Household Income of \$100,000 to \$500,000 per year) as they struggle with high expenses they took on during the glory years (big mortgages, big car payments, vacation homes) against the knowledge that a large portion of their Net Worth (house and stocks or 401k) is still substantially below where it was 36 months ago.

At the same time the newest Merrill Lynch Cap Gemini research – The World Wealth Report – shows Ultra High Net Worth Households (those with at least \$30 million in investible assets) recovered most of their losses from 2008 during 2009. With access to better investment advice than Main Street Affluents, these UHNWs in some cases have made significant gains in 2009 and 2010.

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Stories such as the one about hedge funder manager David Tepper who personally took home \$2.5 billion by buying Bank of America and Citigroup while others were running for the exits underscore that there is still a large amount of money out there just waiting to be enticed by amazing villas, exotic safaris, fine Swiss watches and attractive jewelry. Tepper's clients took home \$7 billion.

In my conversations with various luxury brands, high--end sales are continuing. However, there is a common theme that I continue to hear: Making the sales has become more difficult, with a longer sales cycle and more work.

What is missing from the stories such as the one about Mr. Tepper is the instant big hits are fewer and farther apart. This means that the head of household worth say \$150 million is more likely to have the viewpoint that in three years his or her Net Worth will climb to say \$165 million whereas in 2007 that same person may well have thought they were months away from becoming a billionaire.

So while these consumers are extremely rich by any standards, the sun has set on the days of being able to count on consumers who would come in your store or hotel and literally throw money at your cash register.

Cue the theme for 2011: If you are a CEO or Head of Marketing for a luxury provider company, you need to aim higher, get more focused and work harder to target Ultra High Net Worth Consumers, particularly in the Americas and Europe.

“ Consider Hiring a Director of UHNW Marketing ”

Here I have a few top line recommendations:

- First and most importantly, clearly segment all marketing, media, sales and events opportunities for 2011 into two groups: Ultra High Net Worth or Mass Affluent/Aspirational

- Fish where the fish are: Ultra High Net Worth consumers have the money to move your sales needle. Shift marketing and sales resources to UHNW

consumers. Focus on consumers who have a Household Income of \$1 million + or at least \$10 million + in investible assets. These consumers have the money to return your marketing investment.

- Big Hat, No Cattle: Who still has money and who lost it? How do you find the money? A good way to find consumers who still have money today is to focus on private jet travelers and users/owners of superyachts. The cost to fly by private jet is \$5,000 to \$10,000 per hour meaning you are talking to consumers who as you are talking to them are spending \$15,000 from a trip from London to Rome or \$30,000 to go from Dallas to New York return. Consumers chartering super--yachts or mega--yachts (those vessels at least 75 feet or more) are spending when all is said and done well over \$100,000 for a one week charter while owners are covering well over a \$1 million in annual operating costs. By focusing your marketing, media, sales and events at these consumers you will increase your awareness and contacts with consumers who have the money to buy your products or services.

- Create a true Ultra High Net Worth Strategy: This means not only print advertising to make sure your brand is in the consideration set and top of mind, but product and collateral placement in places such as private jet terminals, mailings and emails to private jet and yacht owners, an UHNW web strategy such as specialized microsites (think of it as an online version of the private salon), events and sponsorships in exclusive venues where UHNWs go such as Art Basel Miami, the Fort Lauderdale Boat Show and Monaco Boat Show.

- Spend extra time doing due diligence to make sure events will truly have UHNWs and not just be filled with good looking people there to drink your champagne. Make publishers or event organizers show you hard data such as Audit Statements that prove they are actually delivering your message to UHNW consumers.

- It's the Company you Keep: Just as you pay attention to location of your stores and hotels, pay attention to the company your ads or sponsorships will be alongside in magazines, websites or at events. Seeing your store on Madison Avenue or Rodeo Drive means something to consumers in a positive way, just as seeing your ad between economy cars, diet soda or three star hotel groups will work against you.

- Consider Hiring a Director of UHNW Marketing: While many companies have armies of folks focused on web marketing in many cases UHNW marketing means having a few excellent salespeople who are left to fend for themselves. Now is a good time to give these elite salespeople more support with targeted media, database and direct marketing support to help make sure their prospects already have your company in mind when they make contact.

Lastly, it will take a little bit more elbow grease. With the wealthy today being harder to sell, it means a comprehensive multi--platform marketing strategy that keeps you top of mind with consumers who have money to spend means that your company will be well placed to increase your share of their spending.

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Elite Traveler Media Group encompasses Elite Traveler, the private jet lifestyle magazine, Elite Traveler Getaways, its new regional private jet travel publication, Elite Traveler Superyachts, covering the superyacht lifestyle with distribution aboard superyachts, Elitetraveler.com, the private jet lifestyle online and other media and marketing support targeting UHNW consumers.

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