

**"Give me luxuries of life, and  
I will willingly do without  
the necessities."**

**Frank Lloyd Wright**

# What Is Luxury?

- Luxury is a point-of-view...luxury is a lifestyle...luxury is for everyone and different for everyone...luxury is expensive...luxury doesn't have to cost anything...luxury is something you surround yourself with...luxury is a feeling..."I can't tell you what it is, but I know it when I see it."
- Luxury is the future of the consumer market.

# Research Discovers Why People Buy Luxuries

- Luxury Consumer Research : Integrated Qualitative & Quantitative research (May through August 2002)
  - ▲ Series of 7 focus groups with affluent women living in high value homes
  - ▲ Telephone survey among luxury consumers
    - Total 866 randomly selected affluent homeowners (20-minute survey)
    - 627 super-affluents (homeowners with HHI \$ 100,000 or more)
    - 239 affluents (comparative cell of moderately affluent homeowners with HHI between \$50,000-\$ 100,000)
  - ▲ 14 Luxury Products and 7 Luxury Services
  - ▲ Foundation for new book *Let Them Eat Cake: Marketing Luxury to the Masses (as well as the Classes)*
- *Why People Buy Things They Don't Need* (Ithaca, NY: Paramount Market Publishing, 2002)
  - ▲ Focus groups & two quantitative telephone surveys national representative sample
  - ▲ 30 different discretionary product categories

# Affluent Market Represents 15 Million Households

## Household income before taxes:

- ▲ Median: about \$42k
- ▲ Some 43% of households have incomes over \$50k
- ▲ Total: 15 million households over \$100k

## Affluent households have on average:

- ▲ Married couples with 1 child;
- ▲ 2 incomes;
- ▲ 3 vehicles;
- ▲ primarily white;
- ▲ high education levels;
- ▲ own home;
- ▲ ages 35-64 years old.

## U.S. Households by Income Level in thousands

	Total	%
\$49,999 or less	62,281	57.0%
\$50k to \$69,999	16,706	15.3%
\$70k to \$99,999	15,187	13.9%
\$100,000 to \$149,999	9,533	8.7%
\$150,000 to \$199,999	3,005	2.7%
\$200,000 to \$249,999	1,096	1.0%
\$250,000 and above	1,490	1.4%
<b>Total</b>	<b>109,297</b>	<b>100.0%</b>

Source: Census, 2000

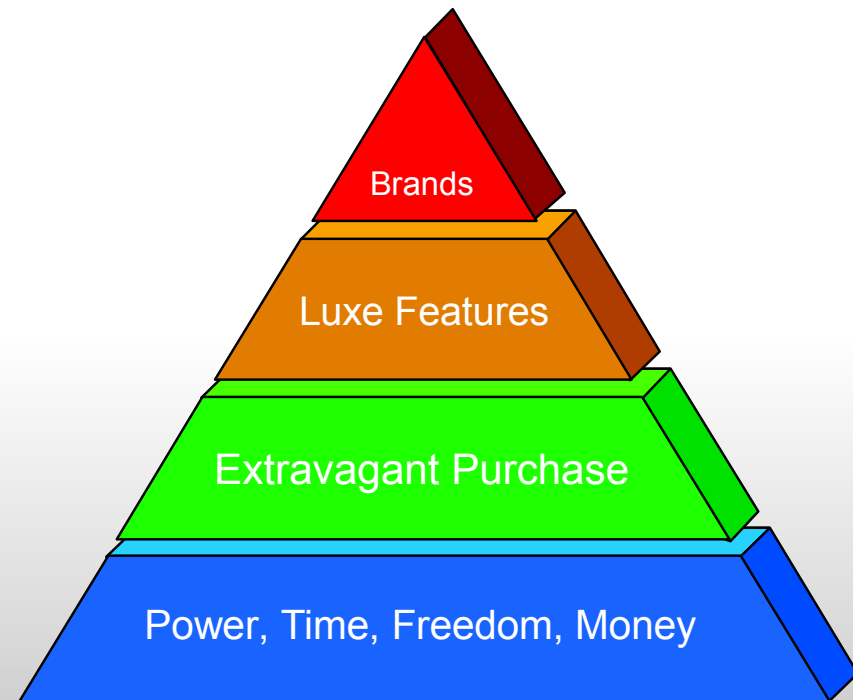
**First the rich do it, then  
everybody else!**

**Affluent market is bellwether of  
trends that will occur in the mass  
market**

# Luxury Is Power to Pursue Your Passions

- Luxury is individual, personal and defined subjectively
- Dimensions of Luxury define how consumers express luxury
  - ▲ Power to pursue and achieve luxury (money, knowledge, social, time)
  - ▲ Luxury is anything that is not needed or considered extravagant for one's current standard of living (e.g. *Why People Buy Things They Don't Need*)
  - ▲ Luxury product features, qualities and attributes which most consumers define as "luxury." (e.g. hand crafting, careful attention to detail, superior quality and design, sharp colors, appealing textures, long lasting, natural or exclusive materials) Ordinary brand, luxury features. Special retail.
  - ▲ Luxury brand is the apex of the pyramid, most refined. Brands not about defining luxury, but making purchase decisions.

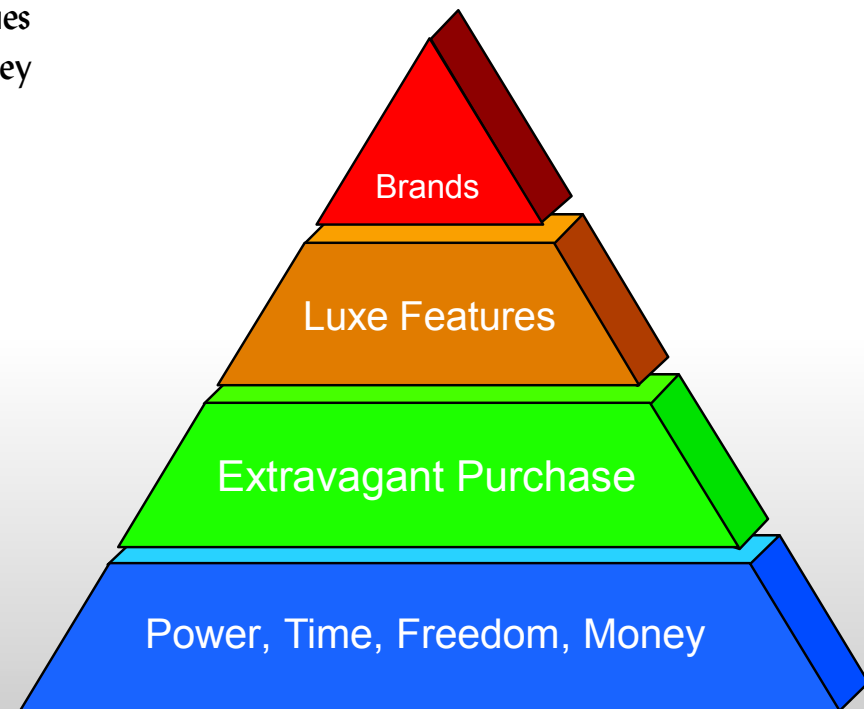
## Dimensions of Luxury



# Luxury Is Power to Pursue Your Passions

- Marketers influence two key dimensions of luxury:
  - ▲ Imparting luxury features into one's products
  - ▲ Building a luxury brand that resonates with the consumers
- Key: Infuse marketing communications with emotional values
  - ▲ Hopes, wishes and dreams of the consumers when they envision a luxury lifestyle.

## Dimensions of Luxury



# Demographic Shifts Will Favor Companies at High-End and Low-End of Market

Marketing planners must overlay traditional age demographics with generational insights

Boomers, ages 38-57, target market for luxury

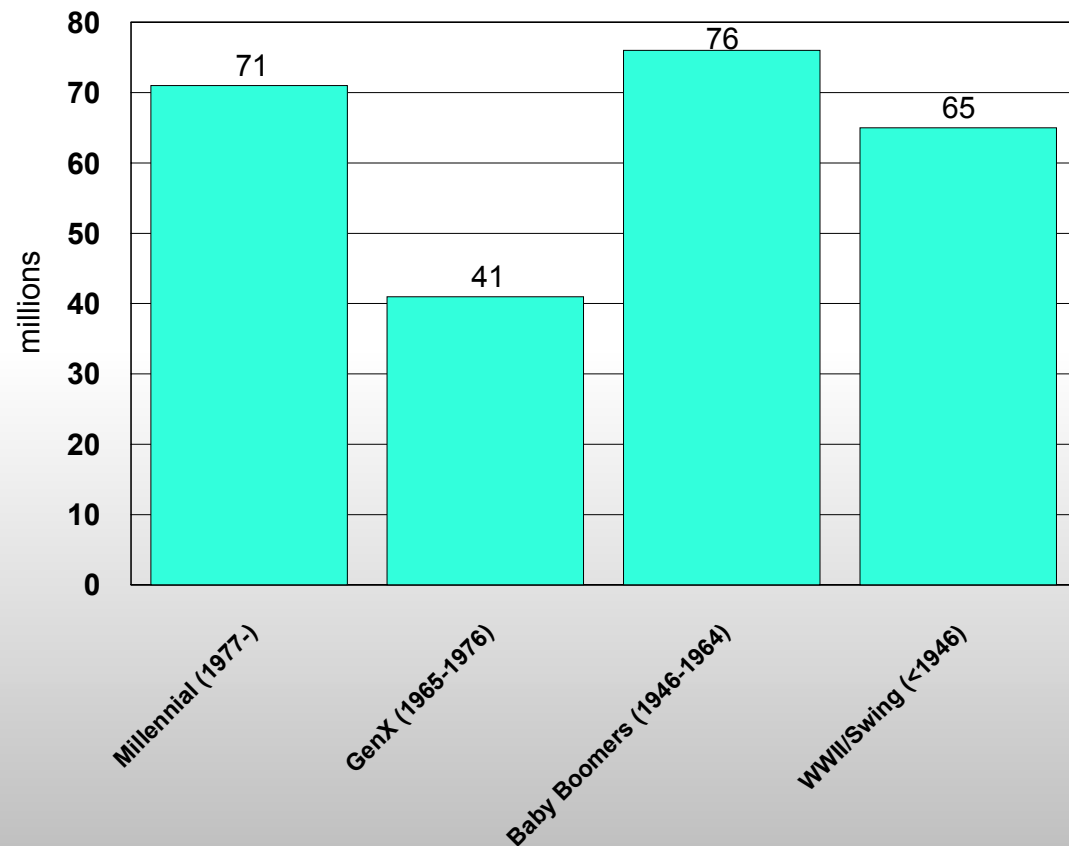
• Empty-nesting life stage

Millennials, leading age is 26, age of first marriage

• Family formation & growth life stage

Next ten years, consumer market will diverge with clustering at high-end and budget-level, without a lot in the middle

## Consumer Generations



**"In the affluent society no useful distinction can be made between luxuries and necessities."**

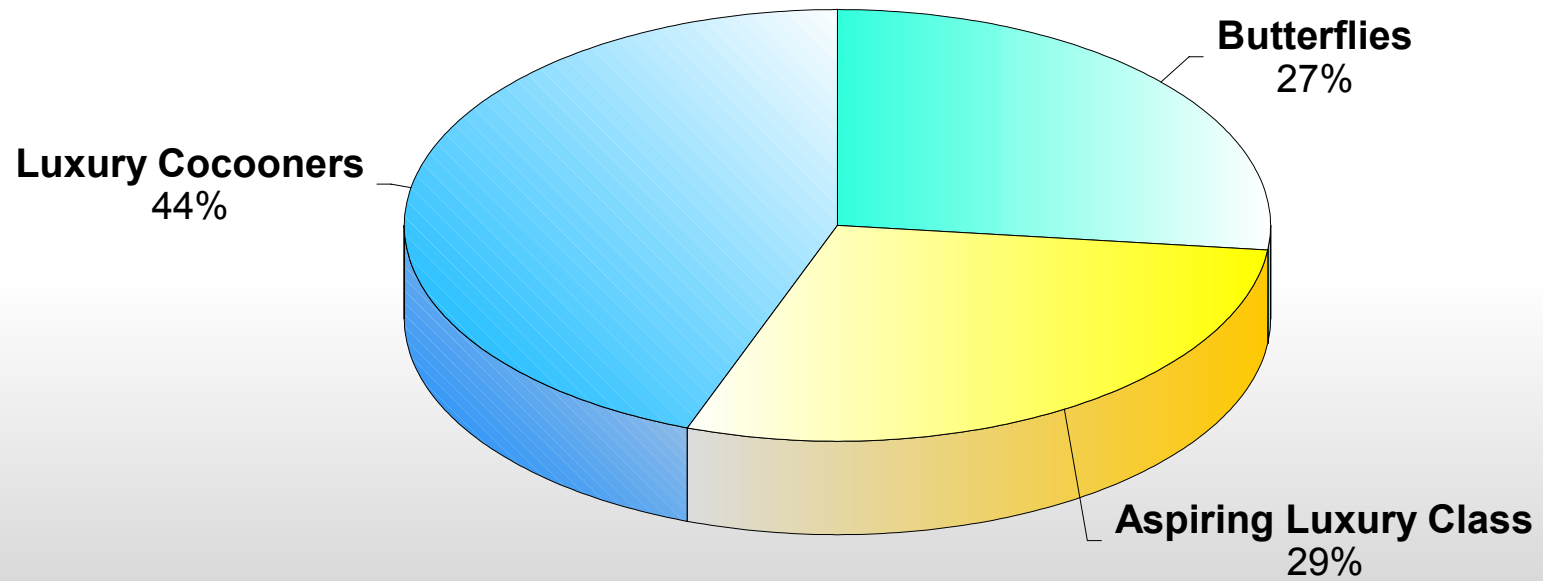
**by John Kenneth Galbraith**

# Introducing the New Luxury Market

Meet the Butterflies



# Luxury Market Segments



# Butterflies Have Emerged from their Luxurious Cocoon

- Most evolved luxury consumer, less self-indulgent, more outwardly focused
- Reconnecting with the external world
  - ▲ Connecting in social, political and cultural landscapes that define identity in outside world
- Looking for new meaning in their lives and new equilibrium between the roles they play in inner and external worlds
- Having wealth carries responsibilities
  - ▲ Examples: Bill Gates, Ted Turner, Meg Whitman (eBay)
- Not motivated by status or exclusivity, but are democratic in their view of luxury
- Use more luxury services to enhance life and save time for more valuable luxury pursuits.

## Butterflies Have Emerged from their Luxurious Cocoon

<b>Market Penetration</b>	27%
<b>Consumer Psychology</b>	Butterflies have emerged from their luxurious cocoons and are reconnecting with outside world. Connecting, rather than cocooning, is primary driver for the butterflies. They are less materialistic than other segments and know things won't buy happiness.
<b>Demographics</b>	<ul style="list-style-type: none"> <li>• Most successful in world's terms</li> <li>• Highest incomes (\$172.4k)</li> <li>• Boomer generation</li> <li>• Highest household value (\$280k)</li> <li>• More likely to be female</li> </ul>
<b>Purchase Incidence</b>	Most active buyers of both luxury products & services (95% products; 68% services)
<b>Luxury Product Spending</b>	Spends the most annually on luxury products (\$14,675), but only 34% of spending is for luxury home (\$5,050), while majority is for personal luxuries
<b>Luxury Services Spending</b>	Spends most on luxury services, \$8,200

## Luxury Cocooners Still Wrapped in the Cocoon

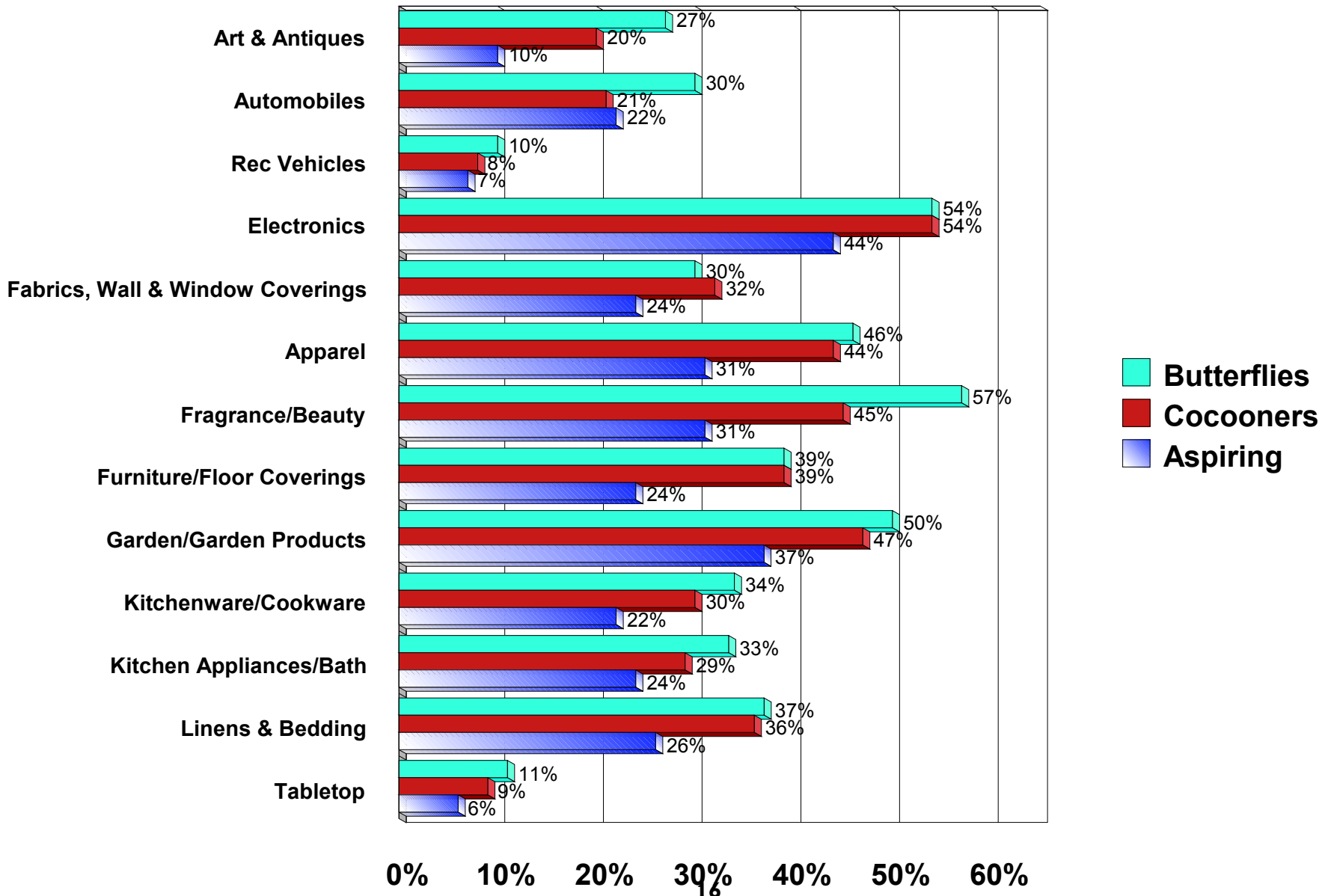
<b>Market Penetration</b>	44%
<b>Consumer Psychology</b>	They are still wrapped up in their luxury cocoons, devoting their time and attention to making their 'nests' more luxurious. They express their identity through luxury purchases and participate fully in their luxury lifestyles.
<b>Demographics</b>	<ul style="list-style-type: none"> <li>• Income below butterflies, above aspiring luxury class (\$151k)</li> <li>• Middle-aged</li> <li>• Household value below butterflies (\$256k)</li> <li>• More likely to be female</li> </ul>
<b>Purchase Incidence</b>	Active buyers of both luxury products & services (93% products; 65% services)
<b>Luxury Product Spending</b>	Total spending only 65% that of butterflies, \$8,900 Majority of luxury spending, 55% or \$4,900, is for home-related luxuries
<b>Luxury Services Spending</b>	Spending on luxury services about 20% less than butterflies, \$7,000 per year

# Luxury Aspirers Still Haven't Reach Their Desired Level of Luxury

<b>Market Penetration</b>	29%
<b>Consumer Psychology</b>	Have not yet achieved the level of luxury to which they aspire. They view luxury as an expression of what they have and what they own. For these consumers, luxury is best expressed in the things they buy and display.
<b>Demographics</b>	<ul style="list-style-type: none"> <li>• Lowest income (\$135k)</li> <li>• Middle-aged or younger</li> <li>• Household value about the same as luxury cocooners (\$250k), meaning less discretionary budgets</li> <li>• Higher representation of men as compared with butterflies or cocooners</li> </ul>
<b>Purchase Incidence</b>	Active buyers of luxury products (94% purchase incidence); significantly lower levels of buying luxury services (51%)
<b>Luxury Product Spending</b>	Lowest spending levels, \$6,500 in total. About 54% of total spending is for home luxuries (\$3,500)
<b>Luxury Services Spending</b>	Lowest levels of spending on services, \$5,200

# Luxury Products Purchased by Luxury Segments

In the past year, did you or someone in household purchase any luxury product?



## Key Luxury Market Trends

- Trend #1: Luxury consumers are emerging from their cocoons and reconnecting with the outside world
- Trend #2: Luxury brands' role in getting people to buy will increase
- Trend #3: Luxury must continually evolve and reinvent itself
- Trend #4: Luxury consumers are savvy shoppers that expect greater and greater value
- Trend #5: Luxury must extend throughout the entire buying cycle
- Trend #6: Next luxury boom will be in luxury services

# Trend #1: Luxury Consumers Are Emerging from Their Cocoon and Reconnecting with the World Outside

- Cocooning trend is over
  - ▲ Butterfly segment reflects new orientation toward both interior and external worlds
  - ▲ Consumer spending on home furnishings has declined since 1998
- What does the end of the cocooning trend mean for manufacturers and marketers of home goods, both luxury and mass? What it doesn't mean is the end of consumer spending on home.
- As the luxury consumers emerge from their cocoons, they will look for new products and new experiences on which they can spend their money.
  - ▲ More spending on business dress, fashion and accessories, beauty and fragrance, jewelry and watches.
  - ▲ As they turn their attention to the external environment, spending on the exterior of their home, especially the garden, patio and pool will increase.
- With a new attention to the social milieu, a return to status as social marker takes hold.
  - ▲ Automobiles will continue to be one of the luxury consumers' favorite status symbols.

**Consumers' Spending on Home  
Total Housing Expenditures & Total Household Furnishings  
Average for Typical US Household**

	<u>Total Spend</u>	<u>Total Housing</u>	<u>% Housing</u>	<u>Tot Home Furnishings</u>	<u>% Home Spend</u>
1985	\$23,490	\$7,087	30.2%	\$936	13.2%
1990	\$28,381	\$8,703	30.7%	\$1,125	12.9%
1995	\$32,264	\$10,458	32.4%	\$1,401	13.4%
1996	\$33,797	\$10,747	31.8%	\$1,350	12.6%
1997	\$34,819	\$11,272	32.4%	\$1,512	13.4%
1998	\$35,535	\$11,713	33.0%	\$1,601	13.7%
1999	\$36,995	\$12,057	32.6%	\$1,499	12.4%
2000	\$38,045	\$12,319	32.4%	\$1,549	12.6%
2001	\$39,518	\$13,011	32.9%	\$1,458	11.2%

Source: BLS, Consumer Expenditure Survey

# Implications: From Cocooning to Connecting

## ■ From cocooning to connecting:

- ▲ Sam Hill in his new book *60 Trends in 60 Minutes* (Hoboken, NJ: John Wiley & Sons, 2002) forecasts that the dominant cultural trend for the immediate future is "Interconnectedness."
- ▲ Interconnectedness is the way the world and everyone in it is becoming interconnected through travel, media, electronic networks, etc., as opposed to disconnectedness which is the result of not being tied into networks that communicate, transport people or distribute goods and services.
- ▲ Cocooners are disconnected, butterflies are connected.

## ■ World gets smaller

- ▲ Globalization will take on new meaning
- ▲ More movement of luxury goods, services and luxury ideas between international markets, not just inbound from Europe but going the other way as well
- ▲ Multinational luxury conglomerates will expand
- ▲ States-bound luxury marketers will take a new look at small bastions of affluent, luxury consumers hidden in out of the way places, within second world, even third world economies

## ■ Speed of business change will increase

- ▲ Ideas, as well as people, products and services, move faster and faster. Therefore luxury marketers must develop corporate cultures that are predisposed for action.
- ▲ They must be able to instantly spot shifts, turns and leaps within the luxury markets they serve. They must respond with lightening speed and accurate targeting.
- ▲ Two-year product development life cycles can not be supported in the new global lightening-fast pace of luxury marketing in the future.

# Luxury Marketers Must Connect with Consumers

- Luxury marketers must truly connect with their consumers
  - ▲ We must develop ongoing, meaningful, two-way dialogues with our customers, our potential customers, our future customers.
  - ▲ We are used to one-way communication, but with the advent of the Internet, the company website can become the central hub for two-way communication with the customer.
  - ▲ Every point of contact between the luxury brand and the consumer must be reconfigured for two-way interconnectedness. That means new methods of communications must be established between and among the luxury brand's customers, retailers, distribution partners and the company.
  - ▲ Connecting why the consumer buys with how to reach them and where to reach them takes new meaning
- More spending on luxury travel and entertainment is also in the forecast.
  - ▲ The demand for adventure travel will grow as consumers seek to create experiences as they venture into new regions of the world.
- Growing demand for personal services to free the luxury consumers so they have more time to spend in society.
  - ▲ Service providers will enhance the quality of the luxury consumers life by giving them more time to devote to their passions.
- Just because consumers are emerging from their cocoon, it doesn't mean that the home is no longer a focus for spending.
  - ▲ Expanding competitive landscape for home marketers as consumers' attention is diverted to non-home-based pursuits.
  - ▲ Home furnishings retail market is ready for a major overhaul.
    - Trendsetters such as Ethan Allen and ABC Carpet provide models of the home furnishings stores in the future. These new stores will offer not just goods, but services to decorate the home.

## Trend #2 — Luxury Brands Role In Getting People to Buy Will Increase

### Brands don't define luxury, but they drive sales:

- ▲ Only 10% of our luxury consumers surveyed agreed with the statement, "Luxury is defined by the brand of the product, so if it isn't a luxury brand it isn't a luxury."

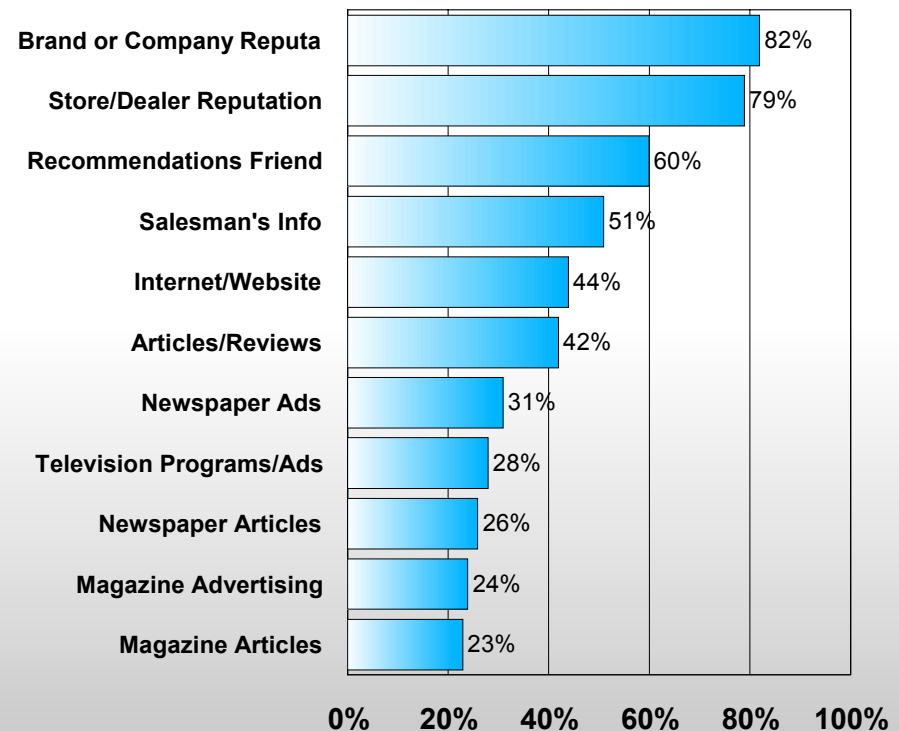
### Branding, that is building a brand, communicating its values and using the brand as a conduit to link up and connect with the customers, will continue to grow as the pivotal axis on which all marketing is based.

### What is a brand? Not just marketing concept or financial concept:

- ▲ The brand is the contract between the company and the consumer with the terms of that contract written in emotions. It's on an emotional level that consumers relate to brands. Their passion, loyalty, dreams and desires are all involved with the brand.

## Influencers on Last Luxury Purchase Very Important/Somewhat Important

Thinking about your most recent purchase, how important were each of these influences?



Base: Households over \$50k

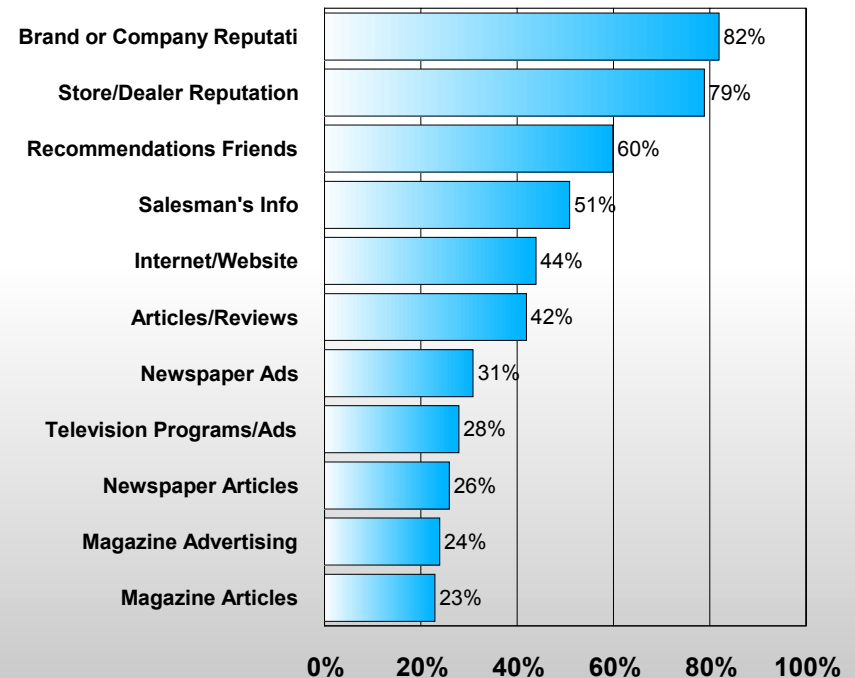
## Trend #2 — Luxury Brands Role In Getting People to Buy Will Increase

■ The essential role of brands and branding in the luxury market is to influence the consumer in their purchase decision. Product brand and brand of store interact and reinforce luxury messages.

- ▲ Half of the luxury consumers surveyed say that the brand or company reputation is very important when they made their last luxury purchase decision.
- ▲ The brand of the store is second only to brand of product in influencing purchase decisions. Some 45% of the luxury consumers rated the store or dealer reputation, i.e. brand, as very important in their last purchase decision.
- ▲ Got to pick the right distribution partners...why more and more luxury goods producers are embracing captive retail as the best way to distribute their products to the customer.

### Influencers on Last Luxury Purchase Very Important/Somewhat Important

Thinking about your most recent purchase, how important were each of these influences?



Base: Households over \$50k

# Branding Luxury Differs from Mass Branding

## ■ Luxury branding is different

- ▲ For the luxury brand, where the brand is sold, the company it keeps on the pages of magazines and advertising vehicles, and who sees it is far more important than sheer numbers of advertising impressions.
- ▲ For luxury brands public relations, often supported by corporate promotional spending at the retail level, is critical to communicating the brand values and making the connection with the customer.
- ▲ The magazines selected for advertising are chosen for the quality of the readership, not the sheer numbers. The company must exert as much creativity in its brand development programs as it does in its product development activities.

## ■ The best way to cut through the advertising pollution is by communicating emotionally with the consumers

- ▲ Use their terms and their imagery so that the advertising resonates instantly with the consumers.

## ■ In communicating their brand to the consumer the advertiser must not talk to the consumer, rather they need to create a dialogue with the consumer.

- ▲ They need to understand "why people buy" the specific brand...what qualities, attributes, values the consumer associates with the brand...what imagery the brand evokes...what fantasies, what feeling, what experiences that it fulfills for the consumer. Then these concepts need to be translated into advertising that will connect with the consumer.

## ■ At the retail level, the standard of customer service is critical to the proper presentation of luxury goods.

- ▲ The sales person plays a critical role in transmitting the brand values and the brand identities, e.g. in telling the customer convincingly why this item is worth three-to-five times more than a comparable item at Sears or J.C. Penney.

## ■ An opportunity for building one's luxury brand is to select only those retailers that are committed to the brand.

## ■ The investment in flagship stores pays off in augmenting the brand's prestige, providing a venue to showcase the entire product line, and presenting the brand as a lifestyle.

# Branding Luxury Differs from Mass Branding

- In conclusion the key opportunities for luxury brand owners to overcome information pollution is the following:
  - ▲ Communicate brands in a way that facilitates consumers ability to reconcile the "tension" between desire for luxury and need for new meaning in life;
  - ▲ Identify market niches that brands can fill such as life stage change, lifestyle changes that trigger consumer purchasing, and communicate to those constituencies through target marketing, promotions, programs and point of sale efforts.
  - ▲ Actively communicate luxury brands both rationally and emotionally in order to truly achieve consumer luxury brand recognition.

## Trend #3: Luxury Must Continually Evolve & Reinvent Itself

- Luxury is ultimately about the unattainable.
  - ▲ Today's luxuries become tomorrow's necessities.
  - ▲ Affluent are the early-adopters or the bellwether that predicts where the rest of society will be in the near future.
  - ▲ Unity's guiding principle in trend forecasting: First the rich do it, then everybody else.
- The luxury consumer is in a state of perpetual motion, always moving away from the ordinary toward the extraordinary.
- Once a consumer has experienced luxury, they are heavily invested in not going back to the ordinary. Luxury represents the divide that says to the consumer, "I have made it."
- Because luxury is tied up with creature comforts and feelings of comfort, consumers who achieve a luxury lifestyle are not likely to make do with less or give up continued luxury.

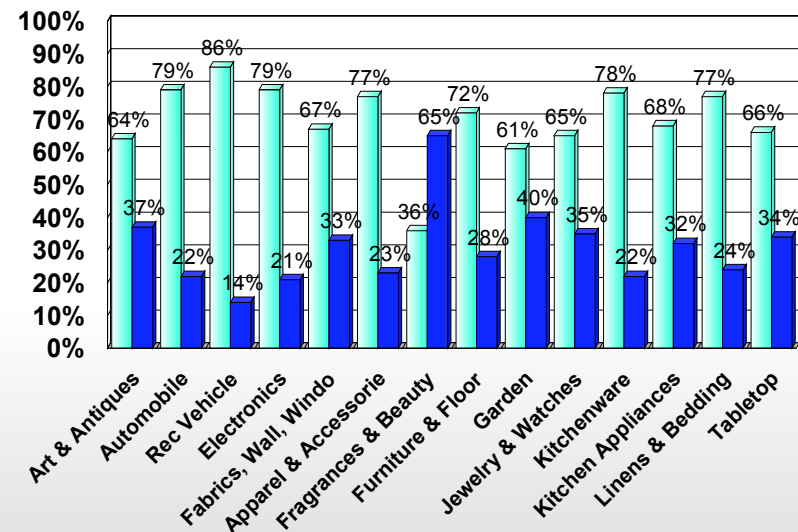
# Luxury Marketers Must Continually Adapt & Change

- Luxury marketers need adaptability hardwired into the structural "DNA" of the luxury company
  - ▲ Because so much of luxury is about fashion, luxury marketers must keep out in front of their markets, anticipating their needs, and designing new products so that the products are ready and waiting when the consumer goes shopping to find them.
  - ▲ Seth Godin's new book, *Purple Cow: Transform Your Business by Being Remarkable*, addresses how marketers can keep reinventing the next remarkable "purple cow."
- Technology offers ability to reinvent:
  - ▲ Electronics, this year's #1 most purchased luxury product, owes its leadership position to technology developments.
- Luxury marketers will be rewarded as they anticipate and plan for the next luxury innovation, the next new desire that will sweep through the luxury market.
- And, of course, after it transforms the luxury market, that next big thing will expand to the mass market.

# Trend #4: Luxury Consumers Are Savvy Shoppers That Expect Greater & Greater Value

- Luxury shoppers go for bargains
  - ▲ In every single category but one, beauty and fragrance products, the majority bought on sale or at a discount off the list price.
- Time for us all to rethink our pricing strategies and the basic suppositions on which those pricing strategies are based.
- The luxury shoppers are ready, eager and always willing to search out the best price. They are savvy shoppers and know how to find a bargain and get a good price.
- The Internet is a favorite way for the more affluent, savvy luxury shoppers to comparison shop.
- Saving money/getting a bargain is scorecard on which consumer measures her "winnings" in the consumer game.

**Luxury Purchase Behavior**  
Buy on Sale or Discounted off Regular Price vs. Pay Full List Price



About your last luxury purchase, did you....

■ Buy on Sale    ■ Pay List Price

Base: Luxury Product Purchasers

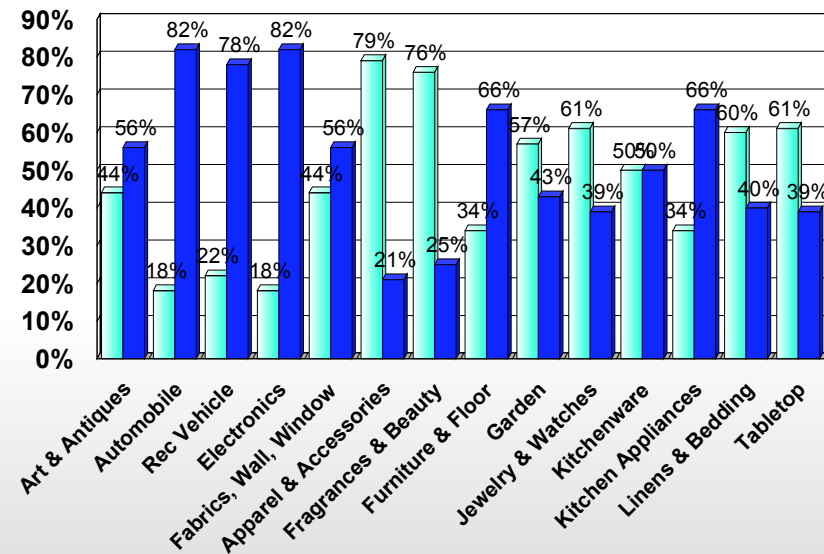
# Consumers Are "Trained" to Respond to Sales

- Sales are Pandora's box of marketing: If sales are the only way to drive customers in to the store, or to get people to buy your brand, then something is fundamentally wrong with the way you're doing business.
  - ▲ Department stores' favorite trick, but it becomes less and less effective in driving traffic.
  - ▲ Marketers are giving away their profit in sales
- Pricing is a trust issue: Consumers don't trust the price
  - ▲ The October 16, 2002 issue of the NYT reported in "The Latest in Luxury: Haggling," that many buyers and sellers are haggling, not just in small private boutiques, but in SoHo furniture stores, chain electronics stores, even department stores like Bloomingdale's.
  - ▲ This is clearly a trend among consumers..they believe the price isn't REALLY the price, so the consumer is reduced to haggling to find out what the price really is.
- Unity's solution: Get creative in new techniques and new strategies to boost sales and capture greater market share.
  - ▲ Consumer promotions as a substitute for sales or giving the consumer more for their money, rather than cutting the price, may be one alternative, e.g. gift-with-purchase (Estee Lauder) or buy one-get-one-free.
  - ▲ Why not change the way consumers keep score by giving them more, something extra, rather than simply saving them money.
  - ▲ In the luxury market, marketers and retailers have a wonderful opportunity to change the game so that consumers can feel like winners without costing the company or store their profits.
- New emphasis on loyalty programs
  - ▲ Too many companies and retailers think that customer loyalty is something the customer does for you — that is totally backwards.
  - ▲ Customer loyalty is something the company/brand does for the customer. Customer loyalty is being loyal to the drives, dreams, needs of the customer...Placing them first.

# Trend #5: Luxury Must Extend Throughout the Entire Buying Cycle

- Consumers want luxury throughout the entire buying cycle.
- Pleasure is derived in the anticipation and buildup of excitement surrounding the purchase.
- Even more important is the role of in-store customer service. Luxury consumers expect greater levels of attention and service, paradoxically even when they also expect to get a bargain.

**Luxury Purchase Behavior**  
Did Not Do Any Research vs. Carefully Research the Purchase



About your last luxury purchase, did you do...

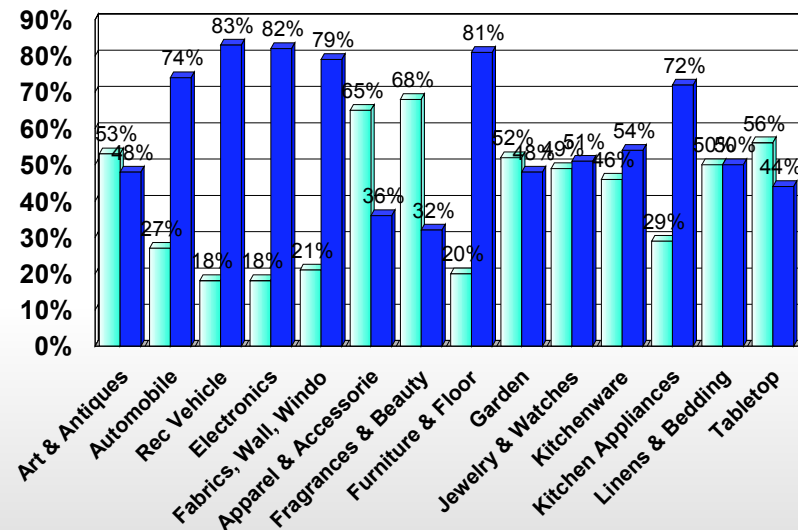
■ No Research ■ Careful Research

Base: Luxury Product Purchasers

# Trend #5: Luxury Must Extend Throughout the Entire Buying Cycle (continued)

- At the end of the anticipation and waiting period, consumers are emboldened with a strong feeling that they deserve a reward for their wait.
- They want a reward, i.e. they want to feel like a winner, and the retailing environment can do much in satisfying the consumers' desire to be rewarded.
- Buying luxury is rarely a do-it-yourself process.
  - ▲ One of the defining characteristics of luxury retailing is that luxuries need to be "sold" and "presented" by a competent and knowledgeable sales professional.
  - ▲ The sales professional teaches the consumer to distinguish the superior features of a particular luxury brand.
  - ▲ Through the sales process, the consumer becomes initiated into a select group of the special, privileged. This is critical to the success of luxury selling, luxury brand building and luxury consuming.

**Luxury Purchase Behavior**  
Buy on Impulse vs. Waited a Long Time



About your last luxury purchase, did you....

■ Buy on Impulse ■ Wait Long Time

Base: Luxury Product Purchasers

# Luxury Marketers Must Infuse Luxury in All Points of Contact

- Control every point of customer contact throughout that cycle and make sure to flavor all contact with luxurious messages.
  - ▲ Advertising sets the stage for luxury indulgence.
  - ▲ It must be presented in the right stores where the sales staff is trained to present the luxury product in the right light.
  - ▲ Product must deliver luxury.
- Alternatives to store retailing?
  - ▲ Direct selling, party-plans, e.g. Longaberger, PartyLite
  - ▲ Television retailing, e.g. QVC and long-form infomercial

## Trend #6: Next Luxury Boom Will be in Luxury Services

Next boom in luxury will come in luxury services.

▲ Luxury product sales boomed in the 90's with luxury goods companies growing as much as 10-20% annually throughout the decade. Goods will settle to modest 3-5% growth.

Now so with services. Consumers will clamor for new luxury experiences that service providers are positioned to supply.

### Luxury Brands Sales Year Growth 2000-2001 (sales in millions)

	'00	% chg '00-'99	'01	% Chg '01-'00
Pinault-Printemps-Re	\$23,308.0	22.4%	\$24,623.9	5.6%
Christian Dior	\$11,174.0	26.7%	\$11,131.8	-0.4%
LVMH	\$10,909.0	27.0%	\$10,900.0	-0.1%
Richemont**	\$2,792.3		\$3,237.5	15.9%
Swatch	\$2,563.3	12.5%	\$2,419.5	-5.6%
Luxottica Group	\$2,268.9	20.2%	\$2,731.8	20.4%
Gucci*	\$2,258.5	82.7%	\$2,285.0	1.2%
Polo Ralph Lauren*	\$1,982.4	1.7%	\$2,363.7	19.2%
Tommy Hilfiger*	\$1,880.9	4.9%	\$1,876.7	-0.2%
Tiffany & Co*	\$1,668.1	14.1%	\$1,606.5	-3.7%
Prada/I Pellettieri d'Ita			\$1,553.6	1.4%
Hermes	\$1,090.9	16.8%	\$1,086.8	-0.4%
Waterford Wedgwood	\$1,021.3	15.1%	\$902.0	-11.7%
Armani	\$973.6	11.6%	\$1,126.7	15.7%
Donna Karan**	\$662.7	0.1%		
Bulgari	\$636.6	17.9%	\$678.6	6.6%
Coach	\$548.9	8.1%	\$616.1	12.2%
IT Holdings/Ittierre	\$432.9	12.9%	\$466.5	7.8%
Versace	\$425.5	1.5%	\$450.0	5.8%
Movado*	\$320.8	8.7%	\$299.7	-6.6%
Avg	\$3,522.0	16.9%	\$3,703.0	4.4%

\* Fiscal year ends early in 2002, sales reported for '01

\*\* Some previous year data not available.

Note: Corresponds to sales year, not fiscal year

# Next Luxury Boom Will be in Luxury Services

- Luxury goods marketers must discover ways to link their luxury products to luxury services.
  - ▲ For example, more luxury marketers are participating in luxury retailing (e.g. a service) which gives marketers two profit-making opportunities, first in producing the goods and second selling them directly to the luxury customer.
  - ▲ For companies that are marketing luxury products, they need to continue to evaluate if there are ways to catch the luxury services wave. Can they sell services? Can they turn their product into a service?
- Product marketers need to assume a new approach to product development and marketing: "Experiential Marketing."
  - ▲ Consumers don't buy products, they really buy feelings or experiences
- Futurist Rolf Jensen in his book, *Dream Society: How the Coming Shift from Information to Imagination Will Transform Your Business*, says "We are in the twilight of a society based on data. As information and intelligence become the domain of computers, society will place more value on the one human ability that cannot be automated: emotion. Imagination, myth, ritual — the language of emotion — will affect everything from our purchasing decisions to how we work with others. Companies will thrive on the basis of their stories and myths. Companies will need to understand their products are less important than their stories."
- The luxury product, therefore, becomes a means to an end, not the end in itself.
  - ▲ Sticking point: companies too often view the product as the end.
  - ▲ To maximize the sales potential of the product, they need to view the product from the consumer's point-of-view, which is a feeling that arises from the purchase of the product.

# Luxury Product Marketers Must Learn from Service Marketers

- Experience marketing is infusing all product development, marketing and sales efforts with the feeling that the product promises to the customer.
  - ▲ Rather than stressing product features in advertising, such as the exquisite craftsmanship and finest quality materials, advertising must communicate the feeling that the product will inspire in the consumers.
  - ▲ To this end luxury goods marketers should copy lessons from the service-provider's marketing handbook. Luxury goods need to be sold, advertised and promoted like luxury services.
    - If your store were a "hotel," would anyone come back and stay with you?
    - Retail service professional opens up the wonders contained in the store and aids consumers to fully experience the store.

# Your Business: Inventing Your Future

## Future Vision Alternatives:

### ▲ Little Vision offers incremental improvement

- Product focused — Great product is taken for granted; got to be more
- Narrow niche markets — Tabletop industry focuses on bridal market which is stable at 2-to-2.5 million brides per year since 1970.
- Narrow distribution — Selling where you want to sell, not where the customer thinks you should be

### ▲ Big Vision offers exponential opportunities

- Consumer market focused — Why People Buy
  - The "Why" is stable over time, but behavior changes (e.g. what, where, how much, etc.) with life stage and circumstances
- Maximized distribution — What is wrong with being where consumers think of your product?
- Consumer focused merchandising — Sell what consumers want, not what you want to sell
- Define YOUR business — eBay created a new business model by not being trapped by industry or existing business paradigms

**"Marketing is the whole business seen from the point of view of its final result, that is, from the customer's point of view."**

**by Peter F. Drucker**