

*"There are people who have money and people who are rich"*

Coco Chanel

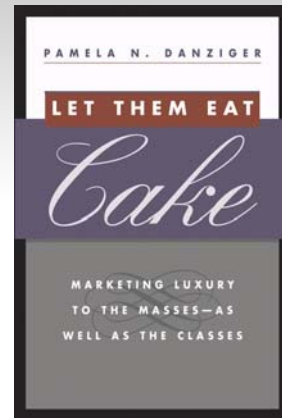
## **Eight Things Every Marketer Needs to Know about the New Luxury Market**

"Old luxury" market is giving way —  
"New luxury" is ascending rapidly

# A Piece of Cake

## Executive Overview

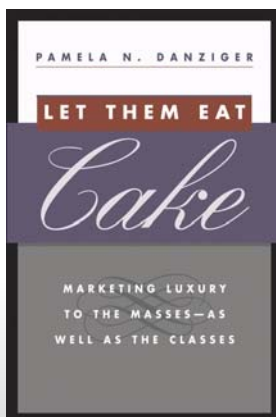
Let Them Eat Cake: Marketing  
Luxury to the Masses — as well  
as the Classes



Presented by Pam Danziger

[www.unitymarketingonline.com](http://www.unitymarketingonline.com)

## What You Will Find in "Cake"



5 P's of Marketing — People, Product, Price,  
Promotion, Placement

Profile 25 trend-setting luxury marketers

8 things every luxury marketer needs to know

Where luxury market has come from and where  
it is going

4 personalities of luxury consumers

Debunk 6 myths of luxury branding

11 lessons for marketing luxury

## #1 Thing Marketers Need to Know — "Old Luxury" Is at End



Defined intrinsically based on attributes, qualities and features of the product 'Best of best'

Old luxury icons: Martha Stewart, Donald Trump



## #1 Thing Marketers Need to Know — 'New Luxury' Is Here!



'New Luxury' is NOT 'Cheap Luxury'

New Luxury is defined from consumer's perspective

How they experience luxury



New luxury icons: Todd Oldham (La-Z-Boy)

Queer Eye's Thom Filicia (Pier 1)

Isaac Mizrahi (Target & Barney's)

## What Is New Luxury? Anything You Want It to Be

*"I love luxury. And luxury lies not in richness and ornateness, but the absence of vulgarity" — Coco Chanel*

Totally subjective

Changes over time, at different life stages

About creature comforts, feelings of comfort and well-being (e.g. experience)

Take consumer-centric approach to designing luxury

## Luxury Is a Verb



Luxury is experienced and felt, not something one has or owns

Imparting that feeling of specialness, privilege and freedom

## New Luxury Paradigm — From Things to Experience



Luxury market is going experiential

American Express study

Psychologist Van Boven & Gilovich research

## Future Vision Secret #1— Why People Buy



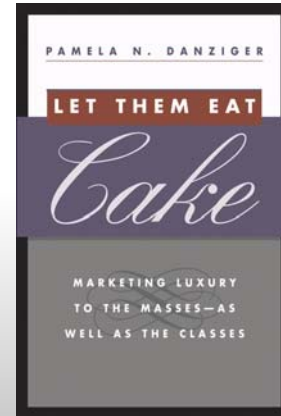
Companies & stores sell things (i.e. noun)

Consumers buy experiences, feelings (i.e. verb)

Enhancing quality of life

## Future Vision #2

First the Rich Do It, Then Everybody Else

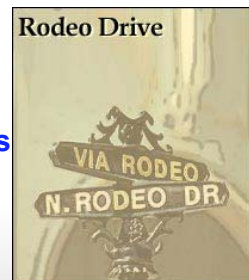


## Today Is Decade of Luxury

### 80's Decade of Mall



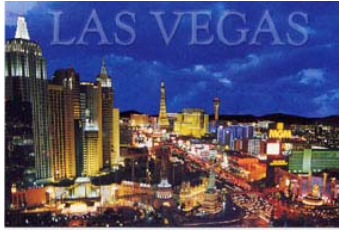
### 2000's Decade of Luxury



### 90's Decade of Discounters

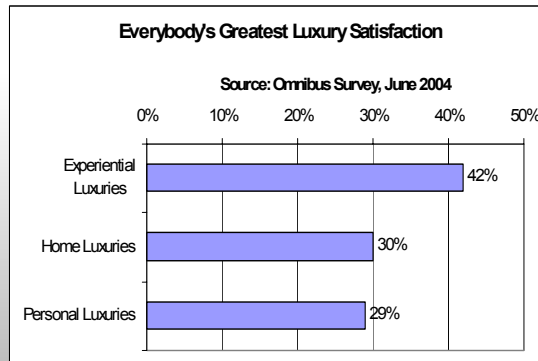


## What's Next? 2010-2020 — Decade of the Experience



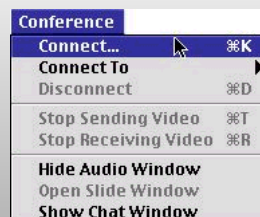
The whole consumer economy  
is going experiential

Not just the affluent, it's  
**EVERYBODY**

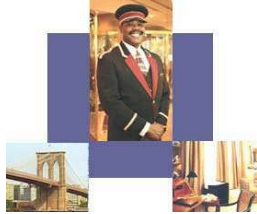


## Cocooning Is Dead; Connecting Is New Trend

Age of cocooning ends as connecting becomes dominant cultural trend



## Next Luxury Boom in Experiences



Not about things, but about experiences

Self-actualization is goal

Personal transformation where the individual is the product



## Define Our Terms

New Luxury — Consumer-centrally defined luxury

Affluent Consumer — Top 25% of US households defined by income, starting \$75,000 and average income \$125,000 (28 million)

Rich Folk — People making a lot more than that; \$250,000 or more (1.5 million)

Luxury Consumer — Person who buys luxury with income in top 25% of U.S. households

## More Americans Are Members "Luxury Class"

Top quintile households, i.e. incomes \$75k and above (near affluents) — about 28 million

About 16 million with \$100k and above — 10.1 million affluents;  
5.6 super-affluents

U.S. Households by Income in thousands	2002	% SOM
\$49,999 or less	63,057	57%
\$50k to \$74,999	20,315	18%
\$75k to \$99,999 (Near-Affluents)	12,230	11%
\$100,000 to \$149,999 (Affluents)	10,073	9%
\$150,000 to \$199,999 (Super-Affluents)	2,977	3%
\$200,000 to \$249,999 (Super-Affluents)	1,154	1%
\$250,000 and above (Super-Affluents)	1,472	1%
Total	111,278	100%
Source: US Census		

## Baby Boomers Reach Empty-Nesting Lifestage

Boomers aged 40 to 58 years

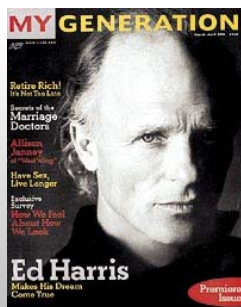
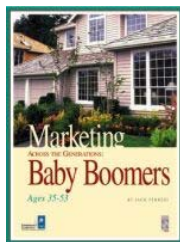
Highest income, more time, fewer family obligations

76 million strong — largest generation

Boomers totally unlike any generation before

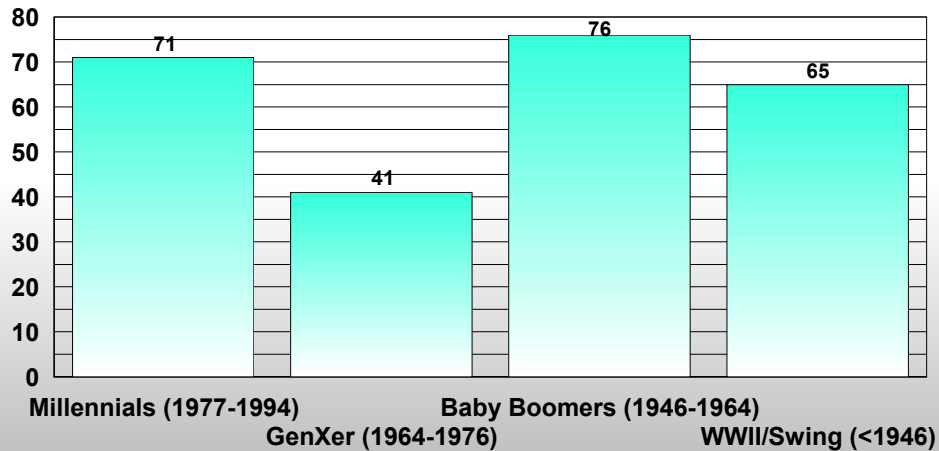
"50 is the new 30"

"60 is the new 40"



## Baby Boomers Are 'New Luxury' Generation

### Consumer Generations



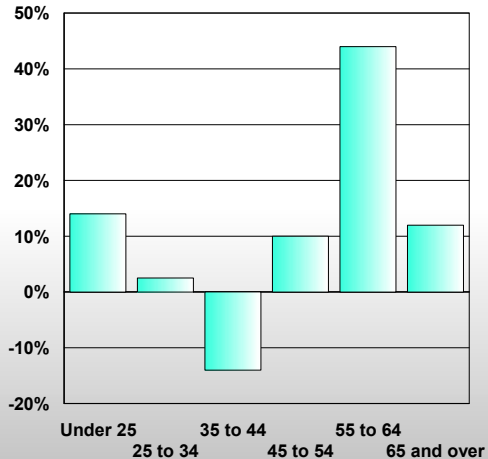
## Affluent Growth Trends Positive through 2010

"The growing number of affluent, graying of the population and the increase in empty-nesting households combine to produce a favorable outlook for the luxury, travel, entertainment, household furnishings and housing industries."

Conference Board, 2003

## Get It While It's Hot!

Household Growth  
2002-2010



Source: Census Bureau and The Conference Board

GenXers will never fill marketplace gap left by aging baby boomers

Conference Board predicts by the end of the decade (2010) Generation X "will have declined in relative importance and account for less than a quarter of the affluent."

## Seven Other Things That Every Luxury Marketer Needs to Know about 'New Luxury' Market

Important!



## #2 — Luxury Consumer Is Driven Experientially; It's Not About the Money



More mature luxury consumers place higher priority in making memories and experiences

Not interested in buying more things just to have more things

"Luxury doesn't have to be the most expensive thing or the most exclusive brand" — 90% agree

Greatest Personal Satisfaction by generation	Total	Millennials (24-26)	GenXer (27-37)	Boomer (38-57)	Swing/WWII (58+)
Experiential Luxuries	41%	24%	35%	45%	45%
Home Luxuries	31%	19%	35%	30%	35%
Personal Luxuries	28%	57%	30%	25%	20%

## Luxury marketers need to add a new "P" — Performance — to gauge success

Performance is key word for today's experiential market

Performance Values	
Product	Add value to make more special, unique; enhance luxury value
Pricing	Price high enough to communicate specialness
Promotion	Tell stories to involve consumers
Placement	Use brand stories to enhance retail experience

Product performance

Pricing performance

Promotion Performance

Placement performance

Luxury Is really a Verb; It Performs for Consumers

## Performance Turns Luxury Product Experiential



Luxury products must deliver luxury performance

Performance bridges gap between the thing and experience

Measures how well it fulfills or delivers luxury feeling and experience



## Shopping Is an Experience

*"Whoever said money can't buy happiness simply didn't know where to go shopping" — Bo Derek*

Everything about shopping has changed

Luxury shoppers shop up market and down market

They don't want to feel like they are 'slumming' when they are shopping at discount

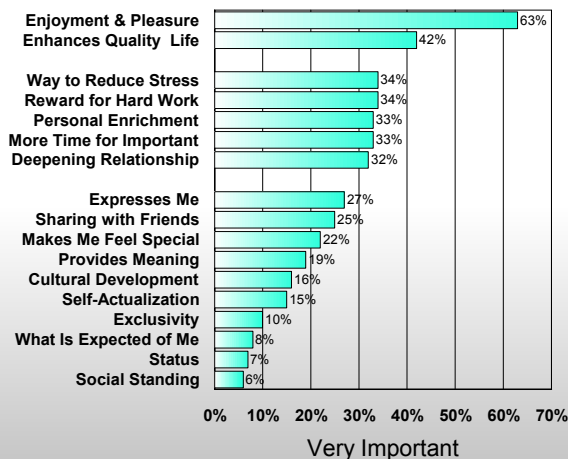
Want to get the best treatment when shopping uptown

"In the factory we make cosmetics, but in my stores we sell hope."

Charles Revson, founder of Revlon

### #3 — Consumers Are Democratic in Approach to Luxury

Motivators to Purchase Luxury



American's value individuality over exclusivity

"Luxury is for everyone and different for everyone" — 77% agree

Exclusivity has European roots in aristocracy — Americans reject class distinctions

Democratically-attuned Americans want more specialness, not greater exclusivity

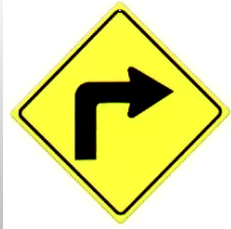
## Dont' Think Exclusivity; Think More Special



Exclusivity has little value to democratically-minded luxury consumer

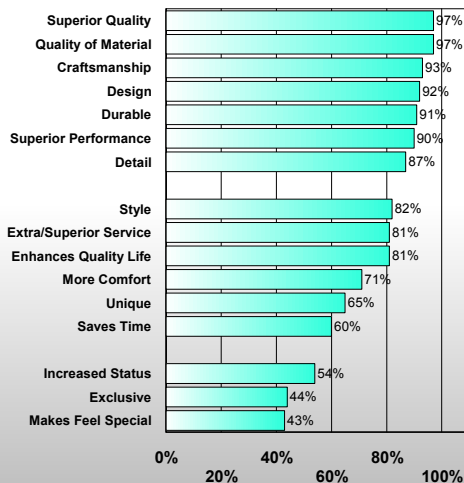
Individuality and uniqueness are luxurious;

Difference between "Do not Enter" (negative) vs. "Turn Here for something WONDERFUL"



## #4 — Luxury Goods Are Better; Quality Counts

Luxury Products Features in Last Purchase  
Very/Somewhat Important



"When you buy a luxury item, you expect it to be a cut above the average" — 90% agree

Luxury consumers have expectation of superior quality that justifies them spending more

Increasingly savvy about discerning quality

Consumer's define quality, so it may not necessarily be your definition

## No matter where you are on mass-to-class track, you can always add value



Find out what makes your product, your service, your brand special and keep adding to it

Luxury marketers can never rest

Bling-bling factor that takes the ordinary and makes it extraordinary



Validate your luxury value against consumers' expectations

Example: What makes dining out 'special' is service; good food is taken for granted

## Luxflation counteracts downward gravitational pull from classes to masses



Natural evolution of all luxury is from classes to masses

What was extraordinary becomes ordinary



Luxflation keeps upping the luxury ante

Luxury marketers must continually deliver greater luxury value for new luxury fulfillment

## #5 — Luxury Consumer Are Bargain Shoppers Always Looking for a Good Deal

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In every product category but one (cosmetics) majority bought last luxury on sale

Experiential luxuries are full-priced, except travel

Willing and able to spend, but new awareness of value

## Price communicates value; understand experiential dimensions of pricing

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Price is a range, not a number

Luxury consumer very value sensitive

They know what they should pay



## Pricing Is Not About the Money, but the Meaning



Twist on "I don't want to belong to any club that would have me as a member."

If the price is TOO cheap, nobody wants to buy it.

Luxury pricing is about tripling the value, but only doubling the price

More value, less, but not too little, money

## #6 — Luxury Consumer Are Highly Invested in Lifestyle; They Risk Little

### Words that Describe Luxury

Comfort  
Pampering  
Not Practical  
Extravagant  
Unique  
Not Ordinary  
Craftsmanship  
Allure  
Special  
Made Well  
Quality  
Design  
Nonessential  
What I Want  
Pleasant  
Beyond the Basics  
Softness of Life  
More Convenient  
Looks Beautiful  
Makes Life Easier  
The BEST  
Sensual  
Privileged  
Indulgence  
Hard to Find

Luxury is tied to 'creature comforts' —  
Luxury lifestyle is experiential

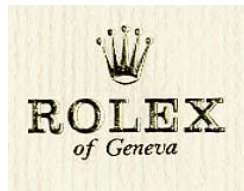
Once you reach luxury lifestyle, you never want to go back again

90% of luxury consumers arose from 'middle-class' origins

Luxury consumer is cautious, risk adverse, protective, not spendthrift

Buy luxury because they appreciate enhanced experience, not about status or social advancement

## #7 — Luxury Consumers Don't Buy BECAUSE of the Brand; Brand Justifies the Purchase



Brand plays a supporting, not deciding, role in why people buy

Brand confers "Good Housekeeping Seal of Approval" for consumers

Justifier that encourages shopper to pay more

## Luxury branding's triple play generates sales

Three influencers on luxury consumers purchases

Synergy between:

Product brand

Retailer Brand

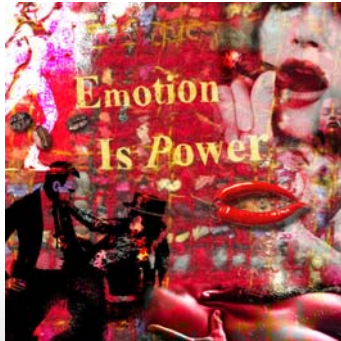
Price/Value

### Influencers Index

	Home	Personal	Experiential
Price/Value	131	127	118
Brand/Company	121	133	122
Store/Dealer Brand	121	124	126
Word Mouth	88	86	106
Articles	90	82	98
Internet/Website	92	82	80
Salesperson	86	90	73
Advertising	71	76	78

## Brands connect corporate strategy with consumer psychology

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Companies create brands

Consumers buy experiences

Luxury brand becomes the medium and the message

Develop a strategy where 'best-of-best' thing delivers on emotional, experiential dimension

## New Luxury Branding Paradigm

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Luxury brand must be expansive

Luxury brand must tell a story

Luxury brand must be relevant to people's needs

Luxury brand must align with consumers' values

Luxury brand must perform for the customer

## #8 — Luxury Consumers Exhibit Differences of Degree, not of Kind

Affluents Are a lot Alike



Larger households (3.2 members), married couples

More workers (2.1)

Nearly all own homes and they own more cars (2.9)

Mostly white

High education levels (some or more college)

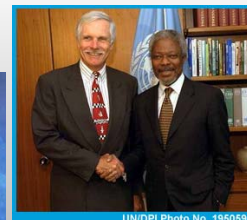
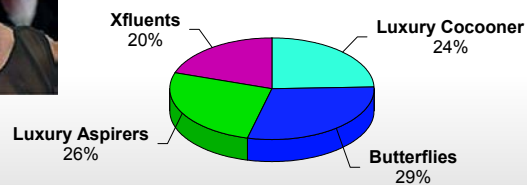


Middle aged (boomer generation)

## 4 Different Luxury Personalities



Luxury Segments



UNI/DPI Photo No. 198059C  
by Milton Grant

## Meet the Butterflies



Butterflies have emerged from their cocoons

Reconnecting with the outside world

Spend less on home, more on personal and experiential luxuries

Less materialistically oriented, yet spend highly — more evolved

Butterflies most strongly agree "At my stage of life, I am less interested in buying more luxury things and more interested in spending my money on special experiences that I will remember the rest of my life."

## Luxury is all about the fantasy



Luxury is all smoke and mirrors

Luxury transcends material world to live in fantasy realm

Experience will always trump things; they live in memory

