

COLUMNS

## Lessons from Luxury FirstLook: Strategy 2014: Part one

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By **Marie Driscoll**

Having spent a few days doing a deep dive into retail, holiday sales and Big Data's effect on retailers and shoppers at last week's National Retail Federation's 103rd annual convention, Retail's Big Show, a daylong conference on luxury was, well, a luxury.

Hospitality is key

No surprise that the first presentation at Luxury Daily's Luxury FirstLook: Strategy 2014 on Jan. 15 was from the hospitality industry, the fastest-growing sector of luxury.

Robert Cheng, vice president of marketing at Peninsula Hotels, sees his group at the intersection of luxury hospitality, retail and experiences.

As Asia's oldest hotelier, Peninsula Hotels has its hand on the pulse of the wealthy Chinese. Mr. Cheng spoke to changing trends.

"We are seeing the emergence of a high-end Chinese traveler," he said. "They travel more frequently, stay longer and are not part of groups."

These travelers' consideration set includes shopping, culture and cuisine, and while they are buying more abroad more than half of them spend \$5,000 excluding travel, hotel and food and 11 percent spend more than \$10,000 on a trip they are looking for more experiences.

Peninsula is in the business of creating moments to surprise and delight its time-starved and sophisticated guests.

At the very high end, the hotel chain provides front row seats to Fashion Week and access to designers.

From luxury consumption with private shoppers fluent in Chinese to a connoisseurship model for the right wine for Chinese cuisine or vintage auto shows, its glamorous properties and gracious staff create a unique travel experience.

I was surprised to hear that the staff provides insight and assistance with finding the right schools for its foreign guests visiting the United States and that they minimize their advertising and promotional expense by avoiding agencies and models and taking the task in-house.

Wealthy more resourceful and self-reliant in aftermath of 2008 crash

Cara David, senior vice president of corporate marketing and integrated media at American Express Publishing, provided a deep dive into how the wealthy shop.

This was a data-rich presentation of the upper middle class (the 4.9 million households with disposable income of

\$100,000 to \$150,000 after housing), the core affluent (5.4 million households, \$150,000 to \$450,000) and the top one percent (1.2 million households with disposable income in excess of \$450,000).

Ms. David offered perspective spanning 2005 to present, with its profound economic and emotional and spending trends from extravagance (2005-2006) to fear and anxiety (2007-2008) to resourcefulness (2009 to 2013).

With the economic meltdown of 2008, "this group became more resourceful overnight, looking at all spending categories and even the wealthiest increased their savings," Ms. David said.

Among the one percenters, 45 percent have no mortgage and 79 percent have no credit card debt.

Technologically savvy, the wealthy use mobile and smartphones to proactively seek information prior to purchase.

The resourcefulness led to frugality that in turn developed a new sense of invulnerability in tandem with self-reliance and responsibility.

"On the margin, the acquisition of things leaves the wealthy feeling empty," Ms. David stated, adding that the attitude of the wealthy has become one "focused on contentment, fulfillment and happiness within the parameters of their highly managed lives."

Trends that affect retailers include the worth/deal dynamic.

Here American Express Publishing isolated two types: the worth dominant, willing to pay marginal cost for quality, craftsmanship and service and see brands as an integral part of their lifestyle versus the deal dominant, for whom saving money provides a feeling of winning and pride of ownership is in the deal they make, not the brands they possess.

The worth dominant consumer outspends the deal dominant by a magnitude of nine times in handbags, six times in apparel and fashion, five times in footwear, and four times in home furnishings and dcor.

High quality, made of the best materials and craftsmanship as well as superior store service is a requisite for luxury goods for both consumer types.

New luxury mantra: Cash over credit and experiences over possessions

Ms. David summed up her presentation by saying that "true luxury is stress and hassle free, elegance feels good, it's a patting oneself on the back, a reward for hard work."

Today's luxury market is dominated by cash over credit, quality over quantity, experiences over possessions, happiness over power, distinction over popularity, planning over impulse and fun over status.

Luxury brands will profit by "communicating quality, service and craftsmanship, creating authentic relationships, having docents, not salespeople, and with brand messages built on the aficionado's love of details," Ms. David said.

Best-kept secret becomes marketing strategy

At La Prairie, she does not want to be thought of as a customer, she wants intimacy and relationship.

The skincare company is building on its brand heritage that is rooted in science as it provides a "real-life fountain of youth" to its brand advocates. The marketer is re-positioning its focus to the customer and an exclusive "best-kept secret" experience from a product orientation.

Sharon Osen, svp global marketing and brand strategy at La Prairie has "increased direct contact with clients seeking to learn about the things that interest and inspire her and working with her creative team to tell the La Prairie story of science, art and luxury."

All I can say is a very hearty thank you for the Crme Caviar Luxe sample that I found on my seat. I have been using it for less than a week and it is definitely a yes. Really nothing could sell this crme like using it, what a product. That is the story.

Tell me a story

Luxury at Barneys New York is brand-driven storytelling that results in commerce, according to Matthew Woolsey, senior vice president of digital at the department store chain.

As Mr. Woolsey sees it, Barneys shoppers are very active mobile and tablet users and engage with their brands all the time. They have a higher content standard and expect rich online experiences with unique access that is "specific to me."

This luxury shopper makes fewer purchases than mass, with the top 25 percent shopping 10 to 12 times a year, and the rest of the year client interactions "look more like CRM (customer relationship management) than media, engaging in conversation, and delighting in different ways."

Barneys is an iconic New York retailer that brought many designer names to U.S. fashion advocates, including Dries Van Noten in 1986 and, last year, Dries Van Noten's first ecommerce offering.

Mr. Woolsey attempts at non-linear storytelling to support omnichannel productivity included videos of Barneys executives sharing their personalized stories of brands that they love and a window into the minds of its designers.

For Renaud Dutreil, former chairman of LVMH US, luxury is rooted in heritage, innovation and quality. Heritage provides a wealth of storytelling opportunities.

"All luxury brands work as storytelling systems, you have to invent new stories," Mr. Dutreil said. "If you have a century long background, you have a lot of stories."

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