

RESEARCH

ROI of events exceeds all other marketing initiatives: report

July 17, 2014



Hublot cocktail party for FIFA World Cup

By SARAH JONES

Eighty-four percent of luxury marketers host events to reach ultra-high-net-worth individuals, according to the latest report from Wealth-X.

[Sign up now](#)

Luxury Daily

For the 62 percent that calculate ROI from their events, the most successful parties were product-centric, either launches, displays or educational. Even though events typically revolve around merchandise, the focus is usually more about making a connection.

"One of the key underlying themes is that everyone recognizes that to tap into the UHNW market, experience is the future," said David Friedman, president of wealth intelligence firm [Wealth-X](#), New York. "What people are struggling with is how to put metrics on the success of events.

"One of the things that we've seen is the use of 'hope' marketing," he said. "Brands will call their Fifth Avenue store and say they want the sales manager to invite the existing top clients and ask them to invite friends. The myth behind this is they hope that their top clients invite their friends that are financially qualified. They hope that those friends actually show up and that when they are around the store, that the friends are real client

prospects.

"What they are doing now is throwing everybody in a room and shaking it up. It's the offline version of today's banner ad.

"What you want to do is be very targeted with who your top clients are bringing to an event. It's being able to identify within that pool who has a certain amount of wealth. It's all about matching up sales people and products with the right people in a very structured way."

For the third edition of the [Luxury Sentiment Survey Report](#), conducted from June 17 to June 30, Wealth-X sent a survey to more than 1,000 brands across luxury sectors, including apparel and shoes, leather goods, watches, jewelry, home furnishings, electronics, travel and hospitality, planes and helicopters, yachts and automotive. The average respondent is responsible for three regions in their position.

Party planning

For those that calculate the financial result of event marketing, 58 percent found a very positive result, seeing an ROI of more than 50 percent. Seventy-two percent of these marketers said the ROI was higher for events than any other marketing initiative.

When those surveyed were asked about the efficacy of their events, product displays were cited as the most beneficial at 29 percent, followed by product launches at 26 percent.

The most popular purpose of events is to expand client bases and reinforce the loyalty of current customers.



Breguet event at the Louvre

Sixty-six percent of respondents host between one and four events annually.

Medium-sized audiences are most common, with 42 percent attracting 10 to 50 attendees. Small events are not usual, with only 7 percent saying they host parties for less than 10 individuals.

Almost half of respondents join up with another party for events.

The guest list is most often derived from current clients and referrals. These individuals

are most likely to be contacted via personalized direct mail, followed by a phone call or personalized email. Generic emails or mailers, social media and in-store messaging were less common methods of invitation.



Email from Charbonnel et Walker

In hospitality and services, the main reasons for holding events are to build loyalty and increase their client base.

For traditional luxury, including leather goods, watches and jewelry, the invitation method differed from the average, with marketers preferring in-person invites, followed by personal email.

Spirits, art and antiques marketers are the most likely to hold events in Europe, with 70 percent of respondents in that sector saying they are planning to host an event there in the coming year.

Declining confidence

Even though digital marketing may not compare to more traditional efforts in terms of ROI, almost half of those surveyed said they will be increasing their digital presence. This was a more common response than retail expansion, which 17 percent of respondents are not planning.

Expansion is one of the areas showing a general decrease in confidence from the previous quarter, when 92 percent said they would be expanding.

Overall, the Luxury Industry Sentiment Index dropped 14 points this quarter to 83.6.

One of the main causes for this fall in optimism is the feeling among more than 20 percent of insiders that the revenue from ultra-high-net-worth individuals would drop or grow slower than other revenue. For 48 percent of those surveyed, ultra-high-net-worth individuals account for 75 to 100 percent of their total revenue.

Sixty-eight percent of luxury industry insiders believe digital marketing is not an effective method to reach ultra-high-net-worth individuals, according to a report by Wealth-X.

While social media accounts and content rich Web sites can bolster brand awareness, they do not lead directly to sales or client acquisition for the wealthiest clients. To reach these important clients, providing unique experiences to the right people is still the best approach ([see story](#)).

Wealth-X has recently debunked rumors about the ultra-wealthy.

Super wealthy consumers are generally boxed by marketers to fit certain personas, often to the detriment of brands, according to a report by Wealth-X.

The ultra-high-net-worth category is an elite collection of individuals that have a net worth of at least \$30 million. These wealthy consumers often bear stereotypes that Wealth-X aims to debunk in its “8 Myths about the Super Rich” report ([see story](#)).

Mr. Friedman thinks luxury's lack of optimism will probably bounce back as the geopolitical climate changes.

"So much of luxury right now is being driven by three different geographic consumers: Russians, Chinese and Latin Americans," Mr. Friedman said. "Some of the biggest growth is being propelled by the emerging markets.

"The Chinese consumer is buying less," he said. "They are taking a lot of their wealth and investing it in real estate.

"On the Russian side, there's always going to be geopolitical currents.

"Even while maybe people are concerned that some of their top clients in places with geopolitical issues are spending less, I think it's just a blip in buying patterns."

Final Take

Sarah Jones, editorial assistant on Luxury Daily, New York

Embedded Video: [//www.youtube.com/embed/rEdog31tv-M](https://www.youtube.com/embed/rEdog31tv-M)

© Napean LLC. All rights reserved.

Luxury Daily is published each business day. Thank you for reading us. Your [feedback](#) is welcome.