

COLUMNS

Why luxury brands should rely less on aspirational consumers

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Lorre White is founder/president/CEO of White Light Consulting

By **Lorre White**

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Luxury Daily

There are two types of luxury consumers: The aspirational and the ultra-high-net-worth (UHNW, or the already arrived). The aspirational are the middle classes and the lower-upper financial stratus.

The fashion industry, cosmetics, skincare, sporting goods, accessories, food and spirits, and other low price-point luxuries depend on the first category for up to 80 percent of their sales.

The private jet companies have only UHNW customers, so they are not as affected by downturns in the economy.

The middle financial groups can save up and buy a \$3,000 handbag, but will never pack enough brown paper lunches, or skip enough Starbucks runs, to save up \$300 million for a yacht.

Flying high

The truly rich are rich even after losing half their net worth.

If you are worth a billion and lose half of it, you are not skipping any meals. The less a

company must rely on aspirational, the more insulated they are from economic swings.

In the travel world, the top of the pyramid is owning a whole private jet or jets. Next would be fractional ownership – 1/16th is the smallest amount legal by Federal Aviation Authority law.

The entry point for this market starts with smaller planes or jets and smaller fractions for people with a liquid net worth around \$50 million.

The next step down would be the cardholders who buy private time by the hours. This group's entry into this market starts at around \$10 million in liquid assets, not including homes and other non-liquid assets.

Under that there is charter. Next is commercial first/business class and next is coach.

The farther down on that scale you go, the more customers will be affected by the economy as a whole.

The higher up, the more autonomous they are, and even if having lost one-half their net worth, they are still incredibly rich.

The UHNW are also usually more internationally divested and so they take less of a punch. It is a paper loss to them until the economy turns around.

So, when the media states that the luxury market does not feel the swings of the rest of the economy, it depends whether they are luxury brands that rely on aspirational consumers.

Peerless

Most brand and media sources reach aspirational – those who can sample the lifestyle, but not really live it. They can buy a purse or a tie, take a ski trip once a year and sample several of the lower-priced luxuries. They could be members of a local country club, and mom and dad both have a BMW sedan. They can splurge on a \$700 bottle of wine for their anniversary, but not drink one every night.

Fragrances, cosmetics, skincare, fashion, sunglasses, lower-level jewelry, ski coats and boots, surf boards and other sports paraphernalia are perfect examples of lower-priced luxuries. These lower-level luxury sectors are very well covered in the media.

The middle class, upper-middle class and lower-upper financial demographics are the easiest to reach.

The UHNW are the hardest to reach.

The UHNW know that their standards and expectations exceed most. Because of this they are influenced more by peers, or by a trusted influencer in their demographic.

The uber rich have the unique opportunity to experience everything at the best level – not pick and choose what they can afford – and saving time has even a larger economic incentive.

These people are always being solicited and so they often avoid contact with individuals

with whom they already do not already have a relationship, including salespeople.

It takes more than just pretty pictures to reach the wealthiest demographic. It takes bringing them information that is relative to them by someone that they trust.

Words are cheap

The UHNW demographic, just like any other group, has predictable actions and responses. It is just different than that of the mass-market. Tossing the word “luxury” in your verbiage and showing pretty pictures is only going to fool the demographic that you are not seeking.

Luxury marketing is very different from mass marketing, which is taught at 99.9 percent of the universities. Premium brands – sometime referred to as blue chip – are the best of the mass-market products.

It is understandable that mid-market consumers might confuse premium brands as a luxury, but it is inexcusable for a luxury industry professional to not understand the difference.

Mass brands are mass-produced and mass distributed, and the company producing the product is always looking to bring down the price point – price sensitive – to include more consumers.

The number one cause of failure by new brands in the luxury sector is the use of mass-marketing techniques.

Be wary of professionals who claim to be luxury specialists, but then proceed to talk about premium brands.

The higher up on the wealth scale, the more “time” is worth.

For example, if it took a person one hour to clip coupons that saved her \$30 at the store, then that hour was only economically well spent if she makes \$30 or less an hour working.

For a person who makes \$100,000 annually, her hour is worth much less in dollar terms than Warren Buffett or Bill Gates, who make more in an hour than this person makes in a year.

THERE ARE TWO aspects of time: quantity and quality.

To successfully market to the UHNW demographic, one must address time, and not costs.

The reason that most marketers are so ineffective at reaching the UHNW demographic is that they simply cannot pull themselves out of their own middle-class prejudices and limited understanding of how the upper 1 percent lives.

*Lorre White is founder president/CEO of **White Light Consulting**, a Virginia-based luxury marketing consultancy focused on the ultra-high-net-worth market. Reach her at lorre@whitelightconsulting.net.*

3 thoughts on “Why luxury brands should rely less on aspirational consumers”

1. **Christopher Hanlon** says:

March 20, 2015 at 9:01 am

Thank you Lorre White. Very good information and confirmation of some of my retail experience. It's fabulous to hear those words from such an, evidently, expert. They pick and choose and decide between themselves. They decide if you're in or out. Kindest Chris 😊

2. **Robert Johansson** says:

March 22, 2015 at 2:03 pm

In fact both the private jet industry and the yacht industry was hit really hard in and after the financial crises. If this is because the UHNWs felt poor or if they just did not want to be seen spending is uncertain. Most UHNWs have the major part of their wealth tied up in their source of wealth and if that company gets hit by lower demand and has to start cutting costs in order to stay profitable or in some cases even survive then spending on a new aircraft or yacht will in many cases be unattractive.

3. **Joe X. Tran** says:

March 23, 2015 at 7:23 am

Thank you Lorre,

Your insight in the UHNW market are very helpful for individuals that want to get into this market. Do you think that the Chinese UHNW group respond to the Ultra High End market the same way?

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