

Q&A

## Technology creating short-term opportunities, but long-term complications

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*mobile shopper*

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By FORREST CARDAMENIS

With time and technology changing the way consumers interact with brands, marketers need to stay on the cutting-edge to maximize reach.

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Forward3D, a search and display company working in apparel, jewelry and travel and whose clients include Saint Laurent, Chanel, Ralph Lauren, Net-A-Porter and Gucci, prides itself on embracing technology and finding the least costly and most efficient way of reaching consumers. As luxury brands try to reach a younger market and stay ahead of behavioral and technological trends, opportunities are arising in places previously unimaginable.

"We eventually opened up in Korea because nobody is doing stuff in Korea," said Martin McNulty, founder and CEO of **Forward3D**. "They have a very different search engine, Naver, which no one bothers to learn, so we learned it and opened up an office there. Seven years ago we were 30 people and now we are 300."

In this Q&A, Mr. McNulty discusses marketing to HENRYs and the way improvements in technology are changing both marketing and consumer behavior.

Here is the dialogue:

Tell me a little bit about what got you to where you are now.

I was lucky in that I worked for really interesting online businesses. I worked for Skype, I worked for Netflix, I worked for eBay. I then went to work for a start-up that no one had heard of and I actually needed to hire an agency.

When I worked at Skype and I worked at Netflix we could just hire the best talent in the world. I discovered that all the big agencies are terrible and I wanted to create a different type of agency that was more technical. I wanted to do something cool, but I had never set up an agency before and didn't know what I was doing.



### *Lexus NX*

After a couple of years I started to find my groove and I came across this style called Agile. It's taken from Toyota, and it's about failing very very quickly. You fail quickly to get to the answer. Digital marketing is the perfect place to fail quickly.

So rather than being like Don Draper where you walk into the room and say, "That's the answer," and everyone says, "Wow," and believes you, CMOs talk to me and say, "What's the answer?" and I say, "I have no idea, but I can build a test in the next 25 minutes that will give you a piece of the puzzle. Then I'll build another and another and another, and you'll risk very little money."

I wanted my business to be like that. I don't have account directors. Everyone is an analyst. We're more analytical and numbers-driven rather than big-ideas driven.

What do you make of data suggesting that millennials are less interested in luxury brands, that they see it as merely "overpriced" and want functional products and positive values?

Well, in a way they still behave like luxury consumers. Regardless of your thoughts on organic food, organic food behaves just like a premium brand.

The United States government will publish paper after paper saying there is no benefit to eating organic food, that there is no evidence that it's better for your kids, yet people will pay a premium for it. So you may act like you're anti-brand, but your consumer behavior also reflects good old-fashioned brand snobbery, just with an ethical dimension.

I think and this is going into politics and philosophy but I think you could argue that because people don't have a lot of faith in governments anymore, they have turned to lifestyle politics. The way you say you care is through products that are ethically sourced, or fair-trade, but I would argue that's just brand behavior.

How do you define the "HENRYs" demographic?

I find the HENRYs very interesting because I find it's something that always exists, it's not a demographic really, it's a life-stage. It's not like millennials, or Generation X, where you are a demographic and you stay that way the rest of your life.

But are there correlative factors or an image the term creates, of say, a college-educated, late 20s to early 40s, person?

There are, and they're all moving up the value chain, but they don't have as much in common from where I stand.

Demographics is what Nielsen and all those old school guys use to help brands buy media, and it's a really clunky approximation of what you're targeting. I don't need to know if you're a millennial because I can see what Web sites you clicked on, what brought you there, what time of day and so on.



*Affluent consumers, image courtesy Michael Kors*

I do more statistical modeling and really care about clusters of customers that behave in a certain way, and there could be 30-year age gaps between them and I wouldn't care. I don't need to buy the inside front cover of W magazine, which is much more locked to the concept of "demographics."

I could target you because you're a millennial or I can target you because you've been to an auto site five times, and then you went to a SCUBA site, and then you went to this and then that. There are broad cultural trends that are important, but translating that into media buy through demographics is a bit approximate.

How much of that is the exponential progress of technology? Traditionally generations are defined as 25 years, but hasn't rapid progress made it so people born in smaller gaps of time are living further apart than they used to? For example, someone born in 1960 might be closer to someone born in 1978 in habits than someone born in 2000 will be to someone born even in 2010.

But, my theory is, there's also a bigger cultural issue going on, and I'm going to call it the "Holiday Sweater Factor." I don't know if you notice, but the age-range of people wearing holiday sweaters is going up.

I can wear a funny, ironic, reindeer holiday sweater now and people will say, "Hey, it's cool." I don't know about you, but I would exclusively earmark those products as things that kids wear.

So you're right, technology is making slices smaller, but there's also weird compression going on. Forty-five-year olds want to act like 25-year olds; 25-year-olds don't want to act like 45-year-olds. And that's fascinating.

So what does that mean from a marketing perspective?

I think you have this weird amalgam of youth marketing, but I suppose my starting point would be that millennial, Gen Z, Gen X, it all becomes a bit useless because we are all in this "I don't want to grow old" movement.

I think that creates huge problems for brands long-term, and massive opportunities for brands short-term because they can all play the silly irony card, and I think every single brand has. They have the cutesy stupid, "Oh, I'm just kidding" thing, and even luxury brands have done that.



## PRADA CANDY FLORALE

### *Prada Candy Florale comic*

French Connection is the ultimate manifestation of that. You saw 40-year-old guys wearing "FCUK" shirts, and you think, "grow up." You can get away with that and sell short-term, but it doesn't build long-term brand positioning.

Why is it important for brands to market to HENRYs?

Any brand that purports to be luxury needs to think about current and future buyers. Classical luxury marketing theory extols campaigns that ignore product placement (but instead focus purely on image - think Lavazza or Peroni ads) while at the same time designing ranges that allow aspiring consumers to experience the brand at lower price points (think small leather goods, key rings, etc. made by Marc Jacobs, et al).

HENRYs are nothing more than the representation of that aspirant group. They're the driving force behind all luxury marketing.

What are brands doing to connect with HENRYs?

I think range diversification is one area, entry products, but we're also seeing a host of lifestyle brands going after this space. I think most brands get the importance of this demo but range planning is where they coexist. If every product is an entry product then there's nowhere for HENRYs to go and interest will fade.

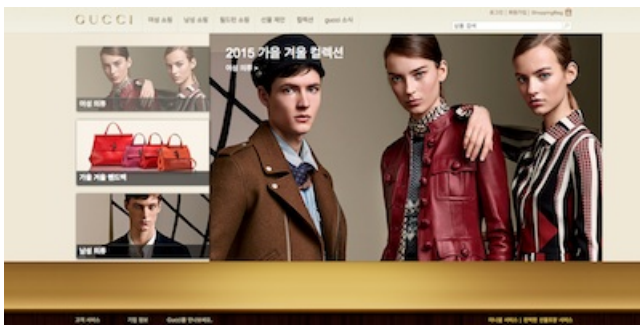
In general, luxury brands aren't localizing Web sites according to payment methods and language needs of different countries. Aren't these all untapped business opportunities?

Yes, but it's tough. It's expensive to localize a site and set up shipping. For us, we figured that if you take search engine data, the number of people that search for your brand is a really good proxy of how much awareness you have in a market. So instead of deciding, "Hey, we're going to go to Cambodia," why not use search engine data to establish how much demand you have?

Then, there's a subset of consumers that will transact in any language; consumers at the top of the chain will always speak a bit of English and some won't mind getting delivery from the U.S.

So why not just launch a really basic version of your site in English language with localized keywords? Then count the number of consumers, using that as a proxy for your investment. So that's what we did. We built an offering that would take products in one country, translate them into keywords in another country, set up a really thin site and scour the market.

But, key words behave differently in different search engines and in different markets. You don't care about the perfect translation; you care about the one that gets the click. You care about the click-through rate, the conversion rate and the marketability of a way of saying something rather than the perfect translation.



*Gucci South Korea Web site*

That's how we went to South Korea. The ad space is really uncompetitive because nobody wants to go there. They have a really developed ecommerce market and as much disposable income as Japan, but it's way less competitive. In Japan it's Yahoo, very competitive; in South Korea it's Naver one country. It's like no one was buying billboards and we bought all the cheap billboards.

It's a cool way of selling brands on a market though, showing them that you don't have to do everything perfectly to score a market, and then you have an investment hypothesis. You can even look at Borderfree so you don't even have to set-up a warehouse. Down the line it's a really good idea to set up a warehouse, but short-term you don't need that. And brands wanted to do everything perfectly. But they're getting better.

If luxury brands didn't do something perfectly, would that hurt the brand's image?

So I don't think so; here's why: A business like PC Richard in the United Kingdom sells appliances online.

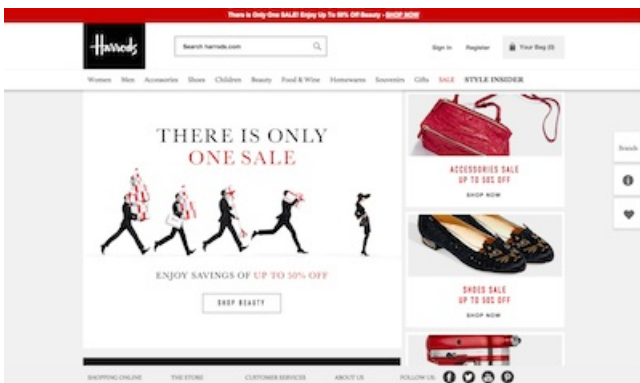
So people order washing machines and dryers and things like that, and when you do you get an email and a text message. You get a text message 48 hours before delivery and you get a text message the day of saying that it's going to be delivered and giving your delivery slot. But they discovered something really interesting, which is that people still ring up and say "when am I going to get my delivery?"

At first [the company] said, "God this is really annoying. I'm trying to be an online business, but I have to set up a call center now. Wait maybe we can use technology here." So they get your phone number when you order, and then they use recognition technology when you call to recognize you. So they look up your order, they have GPS in all their trucks so they know which truck it is in and they calculate what your delivery time.

They use big-data to predict why people are calling. It turns out if you call on the day of delivery there's an overwhelming chance you're calling to say, "Where's my delivery?" Pretty obvious. But they pick up and say, "Hello Martin, your delivery will arrive at," and tell you your delivery time. Amazing, right?

Why am I telling you this story? It's an amazing service innovation. Gucci and Prada, who are their competitors? It's not Saint Laurent, it's this washing machine delivery guy in London who has figured out he can do all of this seamlessly and take a moment of anxiety and turn it into a moment of joy.

The boundaries of who defines "good service" are completely changed. The ease of getting in and out of an Uber, we're starting to feel that in all other areas.



*Harrods ecommerce site*

Luxury used to be amazing at creating this experience. You go into Prada and they say, "would you like a San Pellegrino?" and create these moments completely owned by luxury. That's what they are hankering after still, which is why everything has to be perfect and the carpet needs to be just right.

The problem is that service and delighting customers, because of technology, has moved way beyond that. There is no perfect, there is no "this is how you do it." There's really smart innovation.

You have to surprise customers. And I think data is the driver of surprises, or at least I would be staggered if it isn't a major component of it. When Kate Spade did the Saturday stores with the screens outside and you could order, everyone was like, "Wow! This is so cool!"

Nobody said, "This is how you do luxury" in the beginning. They were innovating. So I think the days of doing it perfectly are over. We want excitement. That's my theory anyway.

Final Take

*Forrest Cardamenis, editorial assistant on Luxury Daily, New York*

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