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COMMERCE

Reaching new consumers means revamping marketing strategy

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Image courtesy of Michael Kors

By FORREST CARDAMENIS

NEW YORK Retailers are behind on adapting to 21st century changes to consumer behavior, but current trends offer a clear view of what modifications can be made to succeed, according to The Future Laboratory strategists at the U.S. Retail and Luxury Futures Forum 2015 on Oct. 21.

Everything from accessibility to mobile technology and a wave of emerging markets create opportunities for brands to better reach luxury consumers, but the stigma of "accessibility" and its opposition to "luxury" remains strong, meaning many consumers may turn away from heritage brands as a matter of convenience. In retrospect, the brand strategies that came about in the 1970s and 1980s during a wave of globalization have been successful, with consumers today demanding relationships with brands, but now the brands are the ones trying to catch up with the 21st century consumer.

"The decade is increasingly turbulent," said Chris Sanderson, co-founder of The Future Laboratory. "The turbulence isn't over just because we've made it through the global recession. The question now is, How do we actually learn to cope with change, with turbulence, and with movement?'"

Tomorrow has arrived

Chris Sanderson and The Future Laboratory chief strategy officer Tom Savigar identified a number of keys to the changing market. Almost all are linked at least in part to the incoming millennial market, who now account for 45 percent of luxury consumers.

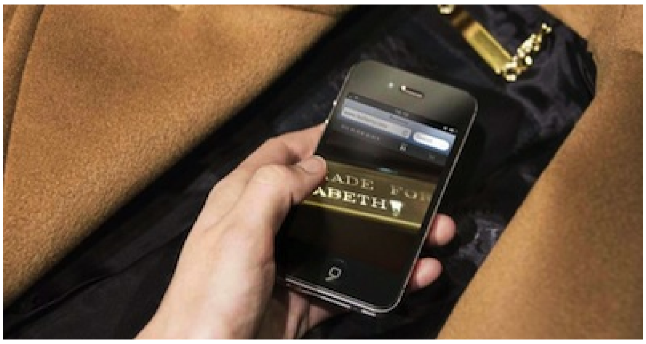


Image courtesy of Burbbery

Young luxury consumers are not necessarily going to gravitate toward the same brands that their parents did, with many, particularly younger Europeans, already looking for niche brands that others do not know about. To work against this trend, brands must revamp their marketing strategies.

For these consumers, accessibility and luxury are not mutually exclusive. Millennials make 30 percent of their luxury purchases in the outlet market.

Similarly, growing markets, particularly MINT nations Mexico, Indonesia, Nigeria and Turkey will be looking to entry-level luxuries in the spirits and beauty market, with Nigeria on pace to become the largest consumer of Champagne per capita in the near future.

Also on the global outlook, the duty-free market is set to increase to $73.6 billion by 2019, up 51 percent from the year-ago. This shift bodes well for alcohol sales, but other sectors must find a way to capitalize on this shift especially visible in the airports in Seoul, South Korea, Singapore and Dubai, United Arab Emirates.

Dom Perignon bottle; duty-free sales will approach $75 billion in 2019

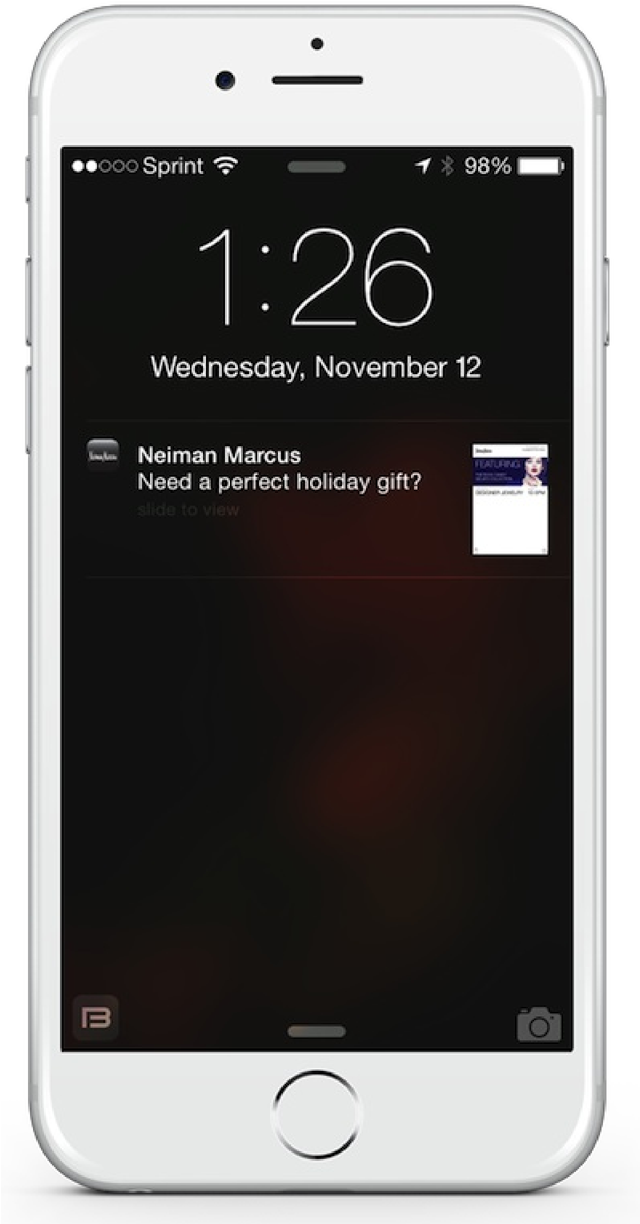
Despite these increases, luxury consumers are often times less interested in owning a particular product than sharing it. This is most visible in the boom of music- and video-streaming services, but it applies equally to automobiles, yachting and even watches.

"That ownership is on decline is the biggest challenge that many traditional retailers face, but it also represents a massive opportunity," Mr. Anderson said.

German automaker BMW is one luxury brand to take advantage of the opportunity, launching the DriveNow car-share scheme that offers the latest BMW and Mini models and repositions BMW as a mobility brand rather than just a car seller, a move that makes them visible to younger consumers less likely to own a car.

Also a factor of convenience, mobile commerce is expected to exceed $3.2 trillion by 2 billion users by 2017, with ecommerce also growing rapidly. Nonetheless, the standard dichotomy of "accessible" and "luxury" has left many brands unwilling to fully adapt.

Beacon technology, which many brands use merely to offer discounts based on a consumer's location, is one modern method to bring brands into the present day. Beacons provide a way for a retailer to be able to identify and interact with each consumer on an individual level in short, to take part in the relationship that they have been encouraging and working to form for decades.



Neiman Marcus beacon message

Lastly, sustainability and positive social impacts are trends that are here to stay, which 55 percent of consumers are willing to pay more if a purchase has a positive social or environmental impact.

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Many of the keys identified are similar to those determined by Pam Danziger at the Luxury Retail Summit: Holiday Focus 2015 on Sept. 16.

With retail sales flatlining, brands must appeal to a new demographic to sustain growth and forge relationships with the next generation of ultra-affluent customers, according to a senior executive from Unity Marketing.

Specifically, high-earners not rich yet (HENRYs), especially HENRYs aged 44 and younger may save luxury from its current drought. Appealing to HENRYs and aspirational millennials, however, means brands will have to retell the story of luxury and market in new ways (see story).

These changing behaviors will also necessitate a shift in advertising methods.

Luxury buyers, brands and retailers are not always meeting each other on common ground, according to executives from Shullman Research Center and Kantar Media who spoke during a Luxury Daily webinar on holiday shopping for the 2015 season.

Held Oct. 8, the "What are shoppers planning to buy this holiday season?" webinar looked at survey and research data to determine not just what items holiday shoppers were planning to purchase but where they plan to buy from and what advertisements they recalled, as well as the advertising budget of a number of luxury brands and retailers.

The findings show that the channels in which advertisers spend are not always where consumers recall seeing advertisements (see story).

"Old success strategies of the last 15, 20, 30 years no longer work," Mr. Sanderson said. "An ability to play with paradox and deploy disruption will be key for ambitious brands looking to 2020 and beyond. Those who get their transformative strategy right will win in an expanding market."

Final Take
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