

RESEARCH

What luxury marketers should expect in 2016

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Image courtesy of Michael Kors

By STAFF REPORTS

Over the course of 2015, the economy showed signs of uncertainty and global happenings affected consumer spending, but researchers agree that 2016 is on pace to maintain and curate a luxury ecosystem.

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Insights gathered by market researchers with a focus on affluence and spending behavior have assisted brands in understanding target demographics, including the elusive millennial. Through this understanding brands have been able to curate communications that speak to the market on a global and localized scale using social media and omnichannel experiences, tactics and trends that are expected to continue into the new year.

Here are the outlook views of some researchers featured in Luxury Daily last year, in alphabetical order.



Image courtesy of Rolls-Royce

American Affluence Research Center

"Since there is no consensus on an objective definition of luxury,' such as specific price points for different categories of products, or the specific level of wealth of the luxury' consumer, the many estimates of the size and composition of the luxury market' are very subjective," said Ron Kurtz, president of the [American Affluence Research Center](#), Atlanta.

"However, most in the industry probably recognize or believe that true luxury' is composed of products or services that are available in limited quantities with limited distribution and priced well beyond the means of all but the wealthiest 1 percent (in terms of both income and net worth) of the world's affluent," he said. "This wealthy group of consumers, most of which have a United States residence, is relatively well insulated from the challenges that lie ahead in 2016, and thus their spending for true luxury' is likely to continue to be relatively strong in 2016.

"Our research over the past 13 years, and the 30 plus years of research by Thomas Stanley, demonstrates that low level millionaires in the U.S. (the wealthiest 90 to 95 percentiles) are not very good prospects for true luxury' products and brands.

"For the top 2 to 5 percent of the world's affluent, the aspirational or marginal luxury' consumers, the challenges in 2016 that may well be a negative influence on their luxury' spending include continued weakness in economic conditions in the BRIC countries, social or cultural' pressure in China, unfavorable currency exchange rates and the uncertainty about the future direction of the U.S. that is a consequence of the presidential election," he said. "Events of terrorism could also be a negative factor if there are any major incidents.

"Given this outlook, marketers of true luxury' products and brands should be focused, even more than usual, on the top 1 percent of the world's affluent population in 2016."



Mandarin Oriental Spa promotional image

Boston Retail Partners

Luxury shoppers have elevated expectations for their shopping experience they expect it to be easy, convenient and most of all, special," said Ken Morris, principal, **Boston Retail Partners**. "To deliver on this promise in 2016, many retailers will focus on digitizing the black book to bring the 'Amazon-like experience' to the store.

"Providing a truly luxury shopping experience requires knowledge of a consumer's wants and needs, which can be aided and supported by technology in real-time," he said. "Real-time retail is the ability for retailers to personalize the shopping experience based on an individual's preferences, purchase history, what's in their closet and their most recent online browsing history all based on real-time information.

"Rather than adding associates, retailers will be adding technology to aid associates in providing customers a personalized, real-time retail experience. According to Boston Retail Partners' 2015 POS Survey, within the next two years many retailers plan to offer personalized suggested selling capabilities based on: the customer's previous purchases (76 percent of retailers); what's in the customer's closet (61 percent of retailers) and the customer's online browsing history (58 percent of retailers).

"The key to personalizing the shopping experience is analyzing all customer data that is collected in real-time to offer meaningful suggestions and offers based on 'customer context' the interrelated factors of customer insights and environmental conditions that make the shopping experience relevant," he said.

"By personalizing the shopping experience with real-time customer context, luxury retailers will create an 'Amazon experience' in the store and give customers the exclusive treatment they expect."



Affluent millennials

Fashionbi

"2015 was an year of a heavy political and economic uproar (China's currency devaluation to Brazil's destabilizing economy, refugee issue to terrorist attacks), all leading to a negative impact on the luxury sector, indirectly," said

Ambika Zutshi, CEO of **Fashionbi**, Milan. "However, this won't shun the marketers from creating advanced strategies. After all, the market is to become even more hyper competitive with a space for only those who are able to keep up.

"At Fashionbi, we analyzed a few trends that are likely to gain pace and how, in the next years," she said. "From omnichannel retailing (combing offline and online to offer a wholesome seamless brand experience) to the rising influencers trend to the buy buttons and shoppable videos offering one-click and buy opportunity to the audience, we analyzed it all and summarized down to a few, as follows:

User-generated content: Instead of pushing their own promotions, more and more marketers will be seen inviting the user-generated content. This will assure both a fresh outlook towards the brand as well as a constant engagement with it. More contests, giveaways, events and 'fans as brand advocates' will be seen emerging in the next years, ultimately increasing for the brands their loyal customers clientele.

Mobile and personalization: Mobile first. Mobile-synced Web sites will be seen entirely replaced by their corresponding apps - more interactive and accessible. With that will come a highly personalized approach toward the user of the app - from suggesting him/her the outfits according to the information he fed (size, styles, color preference etc.) to location-based marketing if he/she chose to accept notifications and such.

Sustainable fashion: Green aspect more than being in a brand's DNA would be seen promoted in its storytelling. 'Green is the new Black' concept will only grow with time and with young consumers becoming more and more environmentally conscious would demand such transparency from the brands throughout their official communications, as well. In our recent research on the eco fashion subject, we already saw that the brands who refrained from doing so, received a backlash from the public, questioning their claims versus actual brand initiatives. This can only dent a brand's reputation in the long run.

Wearables and IoT: The trend of smart fashion is going to see a user adoption rate of 28 percent by 2016. The customer base will be much more expanded with the consumers ready to spend big bucks to get the first hands on the products. This means more and more fashion brand collaborations with tech companies will be seen happening next year. In addition, will be seen the trend of virtual reality devices and apps being offered by the brands to further the 'wow' experience for the consumers. Be it in form of gaming apps or setting up virtual pop up stores at centralized location, and combine that with the option of social shout-outs, it will both be challenging and ROI optimizing at the same time. Lastly, smart innovations in the retail sector, like location-based apps increasing foot traffic in store or smart shelves, detecting users interests and accordingly guiding him through or simply, payment without queuing, it will all add up in favor of the brand.

Real-time social sharing: The rising popularity of Snapchat already shows how important is the real-time experience for the consumers. Short and to-the-point content is what the fast moving world of today would need more and more of and platform such as Snapchat could well deliver the same in the most unique way possible. Facebook is already testing its own shot at a real-time video sharing feature in the US currently. Perhaps 2016 will see emergence of more such technologies with even faster and more personalized approach."



Shoppers by Don Oehl

Luxury Institute

"2015 proved to be a challenging year for many luxury brands that experienced low foot traffic and struggled to differentiate themselves from competitors," said Milton Pedraza, CEO of **Luxury Institute**, New York.

"However, online sales and presence have steadily increased and will continue to do so," he said. "2016 will be about creating an omnichannel presence that engages and captures customers across multiple platforms.

"Technology will have a role to play in the omnichannel development, but personal touches and creating strong customer relationships that drive data collection, conversion and retention across all channels will be king.

"Brand focus should be on optimizing omnichannel strategies and creating a well-functioning network of associates, rather than departments operating in silos," he said. "Brands should aim to right-size their organizations and invest in the education and training their associates deserve in order to increase efficiency and reduce cost in both the supply chain and human capital."



Image courtesy of Peninsula Hotels

RSR Research

"I see another tough year ahead," said Paula Rosenblum, managing partner at [RSR Research](#), Miami.

"Millennials are a tough sell for luxury products and I see them more likely to go to the aspirational' brands such as Nordstrom Rack and Saks Off 5th," she said. "That means existing customers, who are older and whose discretionary spending is winding down, will make up the bulk of their main store customer bases.

"I think it's going to be hard to increase comparable sales in that environment. I also am starting to think that luxury is getting a bit over-stored. I'm still scratching my head over the new Design District' in Miami, and it has yet to fully open. but it's pretty redundant to Bal Harbour.

"Overseas, continued terror threats are bound to wear down the market," she said. "And I cannot help but wonder about the impact of continued low oil prices on that market as well.

"Wearables may make a bigger splash, but to some extent, they still seem like solutions looking for problems. I think the early adopters bought, and the majority of new buyers are going for lower priced Fitbits, than high priced Apple watches."



Land Rover and Barbour collection

Shullman Research Center

"A year ago, we were quite positive that 2015 would be better than 2014, especially for the luxury marketplace in the U.S. Based on what we have seen, it definitely has been quite positive," said Bob Shullman, CEO of [Shullman Research Center](#). "Now, as 2015 comes to a close and we look forward towards what will occur during 2016 in the world of luxury in America, our current point of view is that luxury here will most likely do better again next year with the few caveats that follow.

"Why? 2015 was positive as more mass-market and mass-affluent adults came back into the marketplace and bought one or more luxuries in 2015 as we forecasted would happen. Notably, there are a number of storm clouds in the sky as we see 2016 evolving," he said. "As a result, we currently see almost as much downside potential in the luxury marketplace for 2016 compared to upside potential.

"At far as upside for 2016 goes, there is the potential that the many improvements to the American economic environment that occurred in 2015 will continue in 2016 (e.g., the declining unemployment rate, the continuing decline in oil and gasoline prices, the relatively high level of consumer confidence, etc.), all of which contributed to our economy's and luxury's continued growth during 2015.

"To the extent these improvements remain throughout 2016, we should see consumers continue spending on their

families and themselves assuming, of course, that no more truly negative and distracting events occur (e.g., another and more devastating terrorist attack in the U.S., a major country defaulting on its debts, a major financial institution's failing, etc.).

"Where do we envision the upside potential for the American providers of luxury products and services during 2016 will happen? Based on our recent survey and our ongoing discussions with consumers, it's among the mass-market adults (about 140 million out of 242 million total adults in the country) with household incomes of less than \$75,000 a year who, in most respects, started re-entering the luxury and premium markets that they left after the 2007/2008 economic downturn, as well as the 90 million consumers in the \$75,000 up to \$250,000 household income segment who also stepped up their luxury purchases," he said.

"Big picture: those in the very high income and very wealthy households (and there really aren't that many of them) will continue to buy the luxuries they want whenever they want them.

"Last but not least, 2016 is a presidential election year. Based on what we have seen and heard to date, we really have no idea how what the candidates say during the next 10 months will impact consumers' spending plans. Big picture, we live in very interesting times."



Unity Marketing

Unity Marketing

"In Unity Marketing's fourth quarter measure of affluent consumer confidence, there was a significant uptick in affluents' feeling of future financial expectations, with affluents defined as those at the top 20 percent of U.S. incomes (\$100k+)," said Pam Danziger, president of [Unity Marketing](#), Lancaster, PA. "But while affluent consumer confidence improved, their actual spending on luxury and high-end goods and experiences didn't match their renewed feeling of confidence.

"That means only one thing: affluents are banking their income gains and saving for a rainy day, rather than spending it on frivolities and extras," she said. "For 2016, with affluents facing so much uncertainty terrorism threats, the American election cycle, instability in global markets and international affairs in turmoil they simply don't think the time is right to indulge extravagantly.

"Responsible consumerism reigns and austerity is the order of the day. Of course, that doesn't mean the affluents will stop spending entirely, but they will be restrained, so marketers will be challenged to find growth in the coming year.

"There will be some bright spots in the luxury market, however, and where and why is telling. In 2016 affluents will spend more on their homes as they focus on getting the greatest return on their investment. For example, buying a new handbag or outfit gives a momentary thrill, but once the newness wears off, it is just another thing in the closet," she said. "But investing in home improvements, like redesigning the closet or new kitchen appliances, is something that greatly improves the quality of the consumers' everyday life. So we will see affluents picking up the pace in spending on home improvements, as well as goods to furnish them.

"In the personal luxury space, affluents will invest in jewelry and watches, both of which have inherent value, while spending on more disposable luxuries, like clothing, fashion accessories and beauty will limp along. Also increasingly popular in the personal luxury space will be wine and spirits, a highly collectible category, and personal electronics, which deliver enhance people's quality of life now that affluents are tethered to their internet connections 24/7.

"Luxury is a state of mind, not a brand or a price point. With improved confidence in their financial status in 2016, affluents will hold tight to their plentiful cash and only choose to spend where they get the greatest return on their investment as measured by improvements in their quality of life or that promise to hold their value," she said.

"Brands need to position their product offerings around meaningful and measurable improvements they deliver to affluent's luxury lifestyle. They have to deliver meaning to the customer, which today is measured by the quality of the lifestyle experiences they offer."



Image courtesy of Ferragamo

Wealth-X

"2016 will offer many of the world's top global luxury brands the chance to de-democratize and shift away from broad and shallow to being deep and narrow," said David Friedman, president of **Wealth-X**, New York. "2016 will further mark the year that the global luxury brands saw the light and migrated away from myopic focus on their brand DNA' to acknowledging and starting to truly implement strategies around sales, marketing and advertising that reflect a focus on customer DNA.'

"The brands that are successful will build a strategy that fuses the unique elements to their brand narrative with the self image and lifestyle of their clients in a way that is not forced or contrived but is characterized by authenticity," he said. "They will also come to grips with the reality that as much as they think they know their VIP, VVIP or higher level of key clients, today, they are at a loss to do any significant analytics around that segment's percentage of wallet share within luxury overall and within their specific luxury segment.

"They further will come to grips with the fact that their entire marketing and sales strategies hinge upon the outdated paradigm of segmentation based on spending vestiges of anachronistic strategies powered by limiting categories such as average annual household income' versus understanding the true category of wealth' which can unleash sales and marketing strategies driven by 'capacity' to spend," he said. "This category of wealth' further when positioned for this top key segment further starts to expand to economies the anatomy of an UHNW person beyond their financial capital' to include their human capital,' social capital,' philanthropic capital' and intellectual capital.'

"To successfully engage this audience, the winning brands will need to address all facets of this segment through developing truly bespoke' content that taps into the primordial urges and desires to create community which translates into commerce."