

LUXURY MEMO

## State of luxury advertising Luxury Memo special report

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*Print today gets the lion's share of ad dollars from luxury, but this is set to change. Image credit: Gucci spring/summer 2017 campaign*

By STAFF REPORTS

Luxury advertisers are adapting to a changing paid media environment that is increasingly fragmented and multichannel.

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From branching out into new publications and environments to reach younger target audiences to experimenting with different forms of promotional creative, luxury is finding ways to get its message across. While some traditional forms of media production and placements still exist, they are increasingly being overtaken by digital channels as advertisers look to meet consumers where they are, and brands and their agencies are being forced to evolve.

"As a word, luxury' feels overused," said Robin Derrick, executive creative director of ad agency **Spring Studios**. "It's almost ubiquitous today. Every brand seems to want to play in and leverage this space. As such, the word is in danger of losing its sense of meaning.

"What luxury means for us as advertisers and brands has certainly changed," he said. "The oft-repeated rise of the experientially motivated millennials, that luxury today is about access and exclusivity.

"This accessibility has changed what luxury means, how we define it socially, collectively and personally and what people look for in and as luxury."

### Spending shifts

The luxury market's contraction in 2016 led to decreased ad expenditures, according to numbers from **Zenith**. Reflecting the state of the overall market, ad spend by luxury brands shrank a slight 0.5 percent.

However, Zenith predicts a rebound in the coming years, with a 2.9 percent growth in 2017 and a greater 3.9 percent bump in 2018.

With 32.6 percent of total spend, print continues to receive the largest share of luxury advertising, especially for categories such as jewelry and fashion. But the print channel is sliding, as digital placements gain business.

Zenith's projections show that digital will eclipse print by 2018. This is especially true for China, where luxury advertisers are expected to allot more than half of their 2018 budgets to digital marketing.

Despite the threat of losing its number one spot, print remains a relevant channel for reaching the affluent.



*Affluents still consume content in print. Image credit: Ralph Lauren*

Ipsos' Affluent Survey found that while print has faced struggles, publishers have retained their affluent readerships, with 84 percent of those polled reading at least six magazines. Within this media diet, 82 percent read titles in print, and ultra-affluents read 17 percent more issues than their mass affluent counterparts ([see story](#)).

"I think print has remained as successful as it is because of anniversary sites," said Jerome O'Reagan, CEO of media planning and buying agency [JK&K](#), London. "If someone has the inside front cover of Vogue, they would be loathe to lose it and therefore it would stay on a plan. This across the market would distort the number of people actually using print for the right reasons potentially.

"Print is important also from an editorial perspective," he said. "Credits are still seen as a benchmark for a successful communications message which comes hand-in-hand with print advertising.

"In short, print is and will remain an important part of the mix but the publishers no longer have the stranglehold they once possessed. It's part of the mix, not the mix."

Print is also highly effective when looking to target boomer millionaires, as this segment of the luxury audience is more apt to remember placements in publications than less affluent or younger demographics, according to findings from the Shullman Research Center.

While millennials are often thought of as digitally native, this audience is also highly engaged with tangible ads in print newspapers, shopping malls and movie theaters.

For example, Japanese automaker Lexus recently leveraged the sound immersion of a movie theater to market its LC 500 car, asking viewers to identify its brand by sound alone ([see story](#)).

*Lexus LC 500 movie theater ad in Dolby Atmos*

The Shullman report also found that all affluents were more likely to remember ads across channels than their the overall population, with Facebook taking the top spot for millionaires ([see story](#)).

Over time, Facebook's algorithms have made it a pay-to-play environment, requiring brands to promote content to achieve reach.

The company's visual-centric platform, Instagram, also recently altered the way in which it feeds content to users, making it harder for brands to reach followers through organic posts alone.

Affluents also tune into current events, presenting an opportunity for marketers.

Ipsos found that the audiences most engaged with happenings such as the Olympics and political movements such as Brexit and the United States presidential election ([see story](#)).

Luxury brands took advantage of this affluent following, with advertisers such as Omega and Ralph Lauren partnering with the Rio Olympic Games last year, while Crystal made its return to television advertising on cable news leading up to the U.S. presidential election ([see story](#)).

#### Product placement

Zenith's figures differentiate between high luxury and broad luxury, with jewelry and fashion falling into the former segment and automotive and beauty brands falling into the latter group.

Broad luxury favors mediums such as television and digital more than high luxury, while high luxury spends almost three-quarters of its budget on print.

There are, however, outliers, with some jewelry and apparel labels turning to television for special events when many consumers will be watching in real-time.

During the 2015 MTV Video Music Awards, Stuart Weitzman made its television debut, while Tiffany turned to the Super Bowl to premiere its advertisement featuring halftime performer Lady Gaga ([see story](#)).

#### *Tiffany & Co. Introducing Lady Gaga for Tiffany HardWear*

Bonhams also took to television, telling the stories of different relics through a campaign that leveraged Sky Adsmart, which offers more targeted media buying for the Sky channels ([see story](#)).

Aside from television, luxury brands often look to out-of-home placements to build awareness. JK&K's Mr. O'Reagan noted that he has seen more brands turn to these large-scale displays to make a bigger statement.

Fendi took over New York's Times Square around the holidays in 2015 to promote its Beats by Dr. Dre headphones ([see story](#)). Also looking to reach travelers, Net-A-Porter wrapped gondola lifts on the slopes at resort Courchevel, targeting affluent skiers on holiday ([see story](#)).

Taking this format outside of the billboard and wraps, luxury labels have thought outside the box.

Lyst disguised a subway ad campaign by modeling ads after service notifications, connecting with consumers over shared commuting frustrations ([see story](#)).



*Lyst's ads mimicked the MTA's service advisories. Image courtesy of Lyst*

Audi, meanwhile, innovated with disappearing billboards for its A7 Sportback h-tron quattro, marketing the vehicle with projections onto water vapor to make a point about the vehicle's clean emissions ([see story](#)).

Even when broadcasting via a traditional medium, brands have leveraged digital tactics to increase engagement with these placements.

Apparel and accessories brand Marc Jacobs held a contest asking consumers to graffiti the wild postings of its spring/summer 2016 campaign, promising tickets to its fashion show in return for the best art ([see story](#)).

"The rise of the millennial means we have to use more platforms that have the ability to tell a story," JK&K's Mr. O'Reagan said.

"This involves true non-cynical partnerships where a media owner can interpret the brands in a way that emotional appeals to their readers and creates an ongoing dialogue," he said.

### Advertising alternatives

As consumers' media diets shift toward digital channels, brands are certainly moving some of their advertising efforts online to reach them.

Digital display ads were an alternative or an additional means to target affluent readers on Web sites.

Over the past few years, however, the efficacy and reach of these online placements has been threatened by ad-blockers.

Statistics released by the [Interactive Advertising Bureau](#) in collaboration with C3Research in 2016 found that 26 percent of U.S. consumers use some kind of ad-blocking technology. The group that most frequently blocks ads on computers and mobile devices is men ages 18-34.

In 2017, startup [PageFair](#) found that ad-blocking usage worldwide is at 11 percent, a rise of 30 percent over the previous year.

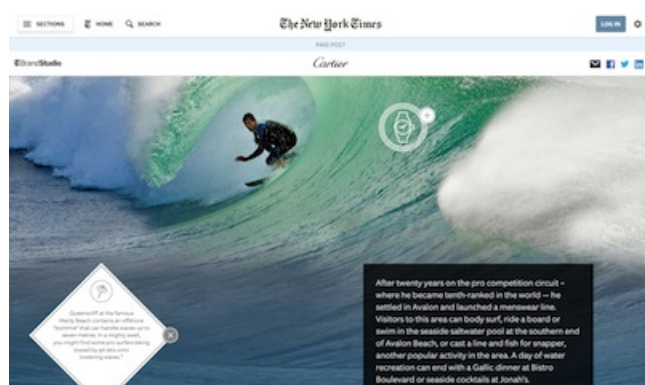
Most users of ad-blocking software installed it to avoid disruptive ad formats and to assuage concerns about unsecure placements, including malware.

Aside from ad-blocking, the banner ad is largely overlooked by consumers as they are browsing, with additional low click-through rates.

As some consumers ignore or actively try to avoid traditional display ads, luxury brands are evolving their strategies to reach them in a more relevant, valuable way.

One tactic is native advertising, in which brands work with a publisher to develop branded content that integrates with the personality and voice of the Web site.

For instance, Cartier has worked with style-centric publication Refinery29 to craft stories catered to a female audience ([see story](#)), while turning to The New York Times' T Brand Studios for a paid post focused on adventure for its men's Calibre Diver timepiece ([see story](#)).



*Cartier's branded content with the New York Times targeted adventurers. Image credit: The New York Times*

Other partnerships between editorial teams and brands have included the match of Sotheby's International Realty and Hearst's design titles Elle Dcor, Veuve Clicquot and New York magazine's The Cut and Mercedes-Benz with Women's Wear Daily and Variety.

These partnerships range from text campaigns to sponsored digital video content or virtual reality experiences.

Native advertising adoption grew 28 percent in 2015, with apparel and accessories brands increasing their native campaigns by 82 percent, according to MediaRadar ([see story](#)).

Speaking at Luxury Daily's Luxury FirstLook 2017 conference in New York on Jan. 18, Tracy Doyle, creative director



for fashion and luxury at The New York Times' T Brand Studio, predicted that native content studios would overtake traditional advertising agencies in the future ([see story](#)).

Adding fuel to the native advertising fire, Cond Nast Britain established a new division dedicated to sponsored content, responding to interest from advertising clients of its titles such as Vogue and GQ ([see story](#)).

These efforts appear to be working for marketers, as a report from Nielsen found sponsored content was shown to be more effective at driving brand recall than pre-roll advertising ([see story](#)).

All hope for the display ad is not lost, however.

While the growing use of ad-blockers is a challenge that marketers will have to overcome, IAB's report also found that two-thirds of consumers could be convinced to turn off these features.

One way publishers have sought to fight back against ad-blocking to save their revenue is to prevent visitors from viewing pages until they have turned off the feature on their browser. Employed by titles such as *Forbes* and *Wired*, this is one reason that consumers chose to drop their ad blockers.

Facebook also struck back against ad-blocking technology.

The most recent tactic deployed by the social network disguises ads as organic content, making them virtually undetectable by ad blockers.

Far from deterring the open source ad-blocking community, ad-blockers found a way to strip promotional content, until Facebook changed its code again.

This battle between the social media giant and ad blockers appears poised to continue, as each tries to outsmart the other.



*On desktop, Facebook is working to get ads past blocking technology. Image credit: Facebook*

While sites viewed through browsers are susceptible to ad-blocking, applications have remained largely untouched.

As most users of social media access their accounts on mobile through apps, promoted posts may also remain a way to reach consumers.

Often, these posts are seen as less obtrusive to the user experience, appearing similar to regular content. Social media's built-in targeting abilities may also lead to better results.

For consumers who are open to ads, using data to more closely target consumers is one way to boost efficacy through relevance and relationship building.

A report from the Boston Consulting Group found that personalized advertising will be 80 percent of marketers' digital budgets within three to five years ([see story](#)).

"Digital advertising has a massive global footprint," said Alanna Gombert, general manager of the IAB Tech Lab, New York. "Messaging can be tailored in many different ways based on location, preferences, mood, time of day, et cetera.

"The opportunity to customize your messaging for the most optimal consumer experience is real," she said. "With options also come complications. Technical standards and frameworks are necessary so brands, agencies and publishers can story tell to their audiences in a seamless way and they can measure the effects of such communication on all levels."

## Creative evolution

Brands are facing a pull as they aim to innovate while preserving an image crafted over decades or centuries. This partly stems from wanting to adapt to reach younger clientele without losing their loyal customers in previous generations.

One aspect of luxury advertising that has evolved in recent years is the relationship with celebrity faces. These efforts currently extend beyond the campaign's placement itself, with the top request of brands to the famous involving using the star's social media clout to raise awareness.

According to Celebrity Intelligence, sometimes these contracts include a traditional ad campaign, but other times the arrangements are limited solely to social media ([see story](#)).

Even It girl models are tapped for their social media notoriety, with marketers such as Estée Lauder, Moschino and Tag Heuer banking on the millions of typically younger followers behind Kendall Jenner and Gigi and Bella Hadid.



*Estée Lauder tapped Kendall Jenner as an ambassador in 2014; Image courtesy of WSJ. Magazine*

The definition of celebrity has also expanded, as influencers such as Olivia Palermo and Alexa Chung pose for Piaget and Longchamp, respectively.

Some marketers, including Nicholas Kirkwood, Holt Renfrew and Marc Jacobs, have cast real consumers as the models in their efforts, spotlighting their fans.

Responding to the need to feed the social media beast, a number of brands have changed their strategies surrounding their ad campaigns.

Agencies are also finding that they have to do more for less, as more variety is needed for the same effort.

For instance, Prada's 365 concept, which debuted for the spring/summer 2017 season, opts for a story that develops over a year rather than the short-lived ad campaign release.

Instead of a single narrative, Prada captured five diverse lifestyles and identities, looking to connect with a wider variety of consumers.

These stories are featured on the label's digital channels, rolling out over time to extend the life of the effort ([see story](#)).



*Prada spring/summer 2017 campaign debuted the 365 concept. Image credit: Prada*

Similarly, Gucci furthers the impact of its ad campaigns past their initial release, sharing additional photography captured on-set throughout the season.

Along with the two-way conversation campaigns gain through social media, some marketers have launched efforts that blend traditional placements with interactive elements.

For instance, for the 2015 holiday season, Burberry marketed its scarves through a digital billboard in London's Piccadilly Circus. By using their phones, consumers could personalize a scarf seen on screen, adding their touch to the out of home placement ([see story](#)).

BMW also took television advertising interactive with a campaign running on the Roku streaming device. During the ad, viewers were able to use their remote to get a better view of the X1, changing the colors and angle of the vehicle ([see story](#)).

Given the demands of advertising today, one industry veteran calls for the death and evolution of the current creative agency model.

"In the not too distant past, the role of the marquis model and photographer and the agency relationship with these talented professionals were tantamount to success, not only to create page-stopping imagery, but to gain positive placement in the major fashion books and much needed press coverage," said Sara Rotman, strategist and chief creative officer at [NewCo Branding](#), New York. "And with that power came staggering fees and healthy markups.

"But as we all know, the landscape is forever changed," she said. "The importance of these book even their digital versions has waned, and right or wrong, the reverence with which we view those marquis names has diminished.

"While the work of such talented professionals is still admirable, their names carry less weight with the current consumer, and by extension with the brands themselves.

"Even more importantly, with today's voluminous content needs, the notion of procuring 10 images to last upwards of six months is now quaint, even laughable, and no brands are spending the hundreds of thousands, even millions of dollars per shoot that used to be de rigueur.

"The industry is forever changed, the client's needs are forever changed, so the agency model has to change with it or quite literally die, and many have."

#### *Best-practice tips for luxury advertising*

- Alanna Gombert, IAB Tech Lab:
  - "The luxury market is an important one and sets the tone for branding throughout the advertising ecosystem. Focus on your strengths and pick technical partners that know how to effectively communicate your story in a standards-compliant way. We need to keep the consumer first. That means watching data usage, annoying ad usage, and deceptive call to action messaging."
- Jerome O'Reagan, JK&K:
  - "Focus less on the obsession of luxury.' The term is becoming outmoded, luxury is now a chocolate bar or affordable. Concentrate on the brand values and story. Look to millennials as the future. Be prepared to communicate in innovative and exciting ways that will get this group into your brand early. Non-cynical, exciting, story-based communications is key."
- Sara Rotman, NewCo Branding:
  - "Always understand the goal and value of any channel you enter to ensure there's a reason to be there. With all the clutter and noise and capacity to communicate to our consumers, we have to be circumspect about each effort we put out there and ensure that it has intrinsic value to the brand. Sometimes there's value that comes from direct sales, sometimes the value is in brand awareness or customer adoption. Sometimes there's a little bit of both. But all too often I get requests from brands to create tactical work to support a channel they feel they must be in with no clear understanding of why they should be there or what they can expect from the effort."
- Robin Derrick, Spring Studios:
  - "Invest in young voices with new ideas, allow your brand to be a platform for their expression and then invite your consumers into that same relationship."

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