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MARKETING

Geography is much better indicator of customer behavior than age

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Most of luxury's growth has been driven by geographic expansion. Image credit: Ermenegildo Zegna

By DANNY PARISI

LISBON, Portugal – For many luxury brands, focusing too heavily on arbitrary customer demographics such as age is far less effective than focusing on their geographic location.

At the Condé Nast International Luxury Conference on April 19, a member of Ermenegildo Zegna's board of directors spoke about the importance of feeling out a new market and understanding a customer's background. According to the executive, age is not the most valuable indicator of a customer's intentions.

"I think it is better to feel than it is to calculate numbers," said Michele Norsa, member of the board of directors of Ermenegildo Zegna and vice president of the Biagiotti Group. "Most projections are inaccurate, in politics or economics.

"So I've always believed, the most important thing in my life is to feel."

Geographic expansion

In the digital era, it is tempting to look at the wealth of data that can be collected on customers and view every single piece as a relevant and important piece of information.

But doing so can often lead brands down the wrong path. Just because a certain association appears to exist between various data points does not guarantee that those associations will always be true.

Mr. Norsa draws specific attention to the treatment of millennials in discussions of luxury marketing. For Mr. Norsa, young people may share some habits around the world, but millennials are a vastly diverse grouping and pinning one particular trait or habit to the entire group is effectively useless.

Zegna has worked with a diverse number of ambassadors and influencers. Image credit: Ermenegildo Zegna

"A millennial in China has nothing to do with a millennial in the United States," Mr. Norsa said. "Except for that millennials are big spenders.

"Millennials have a very good knowledge of luxury, they know where to buy things and what they want."

Mr. Norsa also spoke about the current state of the luxury market, particularly how and why it is growing.

There are two primary areas where luxury has grown over the last few years.

Brands have increasingly diversified their product offerings, with a number of brands expanding into eyewear, shoes and other categories.

The other reason is geographic expansion, something that Mr. Norsa stresses is the key to success.

True luxury

In his talk, Mr. Norsa also spoke about the differences between true luxury and the brands that fall under a broader definition of the term.

For example, Mr. Norsa pointed to a prediction that said 25 percent of luxury commerce will be online by 2025. But that statement is only true if you count brands such as Tommy Hilfiger or Hugo Boss, which some might consider luxury but would not quite fit under a stricter definition the way brands such as Zegna or Chanel might.

Nevertheless, ecommerce will still play a huge role for luxury in the future, especially in China. Chinese ecommerce giant Alibaba's Luxury Pavilion is helping brands deliver experiences and services to top customers through the launch of a loyalty program.

Alibaba's Luxury Pavilion has added a loyalty program. Image credit: Alibaba

Launched last year, Luxury Pavilion today sells merchandise from almost 50 luxury brands, including Burberry and Maserati. Through the newly created Luxury Pavilion Club loyalty program, shoppers will gain access to perks such as exclusive offers, celebrity events and door-to-door returns (see story).

But brands must be careful about opening new bricks-and-mortar stores to avoid misjudging their investments.

"Most of the mistakes being made are misjudging the size of the store or its location," Mr. Norsa said. "You must be present in order to feel these things out."