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MARKETING

Brands need to look beyond income to identify the true luxury buyer

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Luxury online consumers tend to be younger. Image credit: Radial

By SARAH JONES

While luxury consumers tend to have higher incomes, aspects such as where an individual lives and their occupation can give a clearer picture at their likely purchase interest.

According to a report from MiQ, U.S. buyers who are interested in luxury are more apt to be within the Gen X or millennial age groups and live in coastal areas. By tapping into different channels and media platforms, brands can approach the varied personas of luxury buyers, from the more frequent spenders to the bargain-seeking occasional impulse buyer.

"[When brands are looking to identify luxury consumers] a big thing is looking at shoppers' habits online," said Robert Jones, vice president of research and insights at MiQ. "What other brands do they engage with, what devices they own and use and how do they engage with news and in what format? How do they shop for goods both on- and offline?

"Income is like the lowest possible threshold and even then it's not available for every luxury consumer," he said. "The key here is not identifying who someone is, but what they're likely to do, and the behavioral factors that mark them as luxury shoppers who return for regular purchases."

MiQ's report looks at online fashion purchasing behavior in the United States.

Purchaser profile

Most luxury purchases are made by consumers with incomes between $100,000 and $150,000, pointing to the importance of the HENRYs. MiQ also found that luxury buyers are 1.8 times more likely to not be parents.

Breaking it down by gender, women tend to research purchases more, spending about 15 to 30 minutes more than men over multiple sessions. However, men have a greater tendency to follow through on a purchase and convert.

Thirty-seven percent of online luxury buyers work in hospitality or finance. Meanwhile, tech workers have the income to support a luxury fashion habit, but they show a lower interest in the category.

Luxury buyers tend to skew younger than non-luxury buyers.

Comparing shopping habits, four in 10 luxury customers buy more than one item at once, leading three-quarters of them to spend more than $300 in a single order. While only 19 percent of non-luxury consumers add multiple items to their carts, they show more likelihood of returning to a retailer to make another purchase within a month.

Only 3 percent of luxury consumers make more than one purchase from a high-end retailer per month. Additionally, four in five luxury shoppers do not return to make another purchase from a retailer within a six-month window.

More online shoppers are turning to smartphones than desktops or tablets. Image credit: Bloomingdale's

Compared to other shoppers, luxury buyers are less apt to abandon their carts. However, 37 percent do tend to leave items behind.

When it comes to advertising to the luxury buyer, some of the best venues to engage this audience are travel and business news sites. Luxury shoppers overindex on this type of content, and they are more apt to convert when served ads on these platforms.

The most valuable luxury consumers, however, are more tuned into arts and lifestyle and news content. While only 7 percent of all luxury shoppers, this population accounts for about one-fifth of revenues as they return to make multiple purchases in a year.

Four in 10 of these high value customers are between the ages of 25 and 34, leading to a dominance of mobile as a channel for research. They also tend to work in finance or marketing.

Half of luxury revenues are attributed to occasional shoppers, who are 39 percent of the total population of high-end buyers. Within the next six to eight months, these individuals might make between three and five purchases, primarily around promotional events and seasonal times such as the holidays.

Consumers who are less frequent buyers tend to gravitate towards promotional offers. Image credit: Nordstrom

These sometimes luxury shoppers are more likely to be between the ages of 18 and 24 than in other generations, and

they skew female.

A third group is even more promotionally driven, and might make one-off purchases. These bargain hunters are largely male, with popular media outlets including sports channels and lifestyle content.

Since luxury consumers often do not make purchases on a frequent basis, companies can tailor their marketing based on the individual consumer to avoid overwhelming clients.

"Again it comes back to habits understanding how often [consumers are] making purchases, what they're looking for and what they've just purchased," Mr. Jones said. "Using dynamic creative messaging to make sure that the luxury products and services are what they want and not something they just bought. That's an easy one that we see missed all the time brands in the luxury space advertising to people who've already purchased something, because they fall into the retargeting pool.

"One of the easiest ways to avoid over-targeting them is to have a plan for removing them from that pool," he said. "But over-targeting itself isn't so much an issue. People don't mind being served ads if the products and services are compelling, and so understanding the person and their interests and personalizing the products and messaging to them is the key."

Up-and-coming consumer

Not only are affluent American women some of the biggest spenders, they are also some of the most informed, posing a unique challenge to luxury marketers.

Although high earners not rich yet, or HENRYs, only account for a quarter of the U.S. population, they present brands with a major opportunity as they account for 40 percent of consumer spending. Speaking at Women in Luxury 2019 on May 9, the president of Unity Marketing explained that luxury brands need to evolve to continue attracting affluent women (see story).

One of the key elements of the current luxury landscape is that often, the people purchasing luxury goods are not what Boston Consulting Group calls "true luxury" customers.

A true luxury customer is someone who on average spends around $60,000 per year on luxury goods. But many luxury consumers, 40 percent by BCG's estimate, fall well below that line, yet still regularly purchase luxury goods.

What BCG found was that the concept of trading up and trading down was very popular among millennials as a means of purchasing products outside their normal range (see story).

"Gen X may have more buying power, but focusing too much on older consumers can lead to inadvertently creating/fostering an image of the brand as old," Mr. Jones said. "Then five to 10 years down the line you're struggling to figure out how to bring in Gen Z buyers because your marketing messaging has been targeted to Gen Xers and they're the people representing your brand externally.

"A lot of luxury brands already struggle with the challenge of staying young, at least from a perception standpoint, and I wouldn't want to join their ranks," he said.