

COLUMNS

Targeting the affluent as UK economy sees fall in living standards

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Unless you have been living under a rock, you will be aware that economic forecasts for this year **are not looking great**.

The Office for Budget Responsibility (OBR) suggests that the United Kingdom is poised to see the worst fall in living standards since records began in 1948.

Given its purview, the OBR is not prone to hyperbole.

Squeezed middle

The received wisdom is that brands that serve the squeezed middle suffer worst in a recession and we are already seeing this in the collapse of brands such as Joules and Made.com.

While it is true that many consumers will face financial hardship this year, this is not necessarily true for everyone.

As such, luxury brands serving ultra-high-net-worth individuals (UHNWIs) should be better placed to weather the storm.

Do not just take my word for it.

When it comes to the scale of the growth opportunity, **a recent study revealed** the luxury market generated positive growth for 95 percent of brands with the personal luxury goods market in 2022.

Moreover, those businesses are expected to see accelerated growth of 22 percent to \$375 billion this year.

The next few years will be crucial for premium brands. Those that lean into digital stand to gain market share, but this is not without risk: conspicuous consumption plays badly when many are struggling financially, and a worst-case scenario is a very public backlash across online channels.

So, how can luxury brands use digital marketing to reach affluent consumers while minimizing associated risk?

Targeting the right consumers

Get your targeting right may seem a statement of the glaringly obvious, but it is easier said than done.

For instance, GDPR prohibits targeting European Union residents on digital channels based on household income signals, so how is it possible to use digital marketing without falling foul of privacy regulations?

In short, brands have to think outside of the box.

In the absence of household income signals, you can still target UHNWIs based on a variety of other publicly available digital signals such as job roles (CEOs and entrepreneurs), behavior (frequent and international travelers) and hobbies (art collectors).

Once the right audience has been identified, the next step is to think holistically about their behavior and specific needs. This pool of prospective customers will be relatively limited so it is important to build a deep understanding of them pertaining to their lifestyle, habits and values.

You only have one chance to make the right first impression so it is worth taking the time to understand all the data available to optimize and personalize communications in ways that are relevant and authentic.

Networking and brand protection

Networks are all-important to UHNWIs and socials offer the best conduit for brands to replicate this online.

How you do so is key. A traditional display ad is generally wasted effort. What is more significant is to demonstrate how your product or service can add value to the prospect.

As the 'why' is more important than the 'what,' social media campaigns are a good way to help the user understand the key benefits of what you offer and to explain what makes it the preferred choice for their peers.

This approach should offer a coherent story that leaves the prospect wanting to learn more, to convert awareness into intent and, ideally, demonstrate the advantages of longer-term brand loyalty.

Despite great targeting options within social media platforms, there will always be a certain degree of risk that your ad will reach an unintended audience. This opens you to the potential for negative or sarcastic comments that could be damaging to your brand's reputation.

We know things can escalate quickly on digital channels and no-one wants to become a viral sensation for the wrong reasons.

Disabling comments on social media ads is a quick and simple way to mitigate this risk. But in the current climate it is worth also making sure the content and creative itself demonstrates not only the practical use, but also the quality and value of your product to underline why it commands a high price point.

Simply put, content that is not unnecessarily ostentatious or vulgar is less likely to annoy those who cannot afford to buy-in to your brand.

How to measure success

UHNWIs are very unlikely to buy big-ticket items directly through digital channels. So, to track conversions, marketers must work harder to identify the correlations between a sale and digital activity.

While it is practically impossible to gain a full view of marketing attribution for a major offline purchase like a car, we do know there are direct links between upper funnel activity including social and brand recall, awareness and consideration.

To demonstrate the relationship between on and offline channels, it is vital you have the correct reporting dashboards in place that underline how econometric and predictive modeling will drive sales.

In simple terms, what can you expect if you increase X channel by Y percent and does the theory marry up to the reality?

Broadly speaking, the primary goal will be to encourage target audiences to visit your website to engage with the content and learn more about what you have to offer.

In a perfect world they will opt-in to receive further communication or register an interest for instance, booking a test drive of a car.

Consequently, the KPIs to track through social media activity should focus on driving visits and increasing the clickthrough rate to the website to build awareness.

The next step would be to connect this data to those test-driving appointments that were fulfilled: data that signals whether we are reaching the right audience, and whether this lead progressed to a sale.

Achieving the desired results is contingent on testing and learning, and repeating until you get the best outcomes.

It is all-important to experiment not only with the content of the ads, but also the formats. Users tend to engage best with short videos, but it is important to use the right option to best communicate the message in any given context.

For example, if you are trying to communicate multiple messages, then a post containing one or more photos or videos, also known as a carousel format, might be best.

EVEN DURING THE COVID-19 pandemic, the world gained **5.2 million millionaires**. Crisis breeds opportunity and the coming recession will not be any different.

Even luxury brands cannot afford to sit on their hands because other audiences are struggling. So, now is not the time to forgo marketing and done correctly digital advertising can be highly discreet.

In purely pragmatic terms, those brands that cut back on customer outreach will find themselves left in the dust of competitors who are less risk-averse.

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