

COLUMNS

Acting differently to serve customers of ultra-luxury brands

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Matteo Atti

By **Matteo Atti**

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When people think of luxury, most tend to visualize fashion, jewelry or fragrance brands that are attainable and aspirational for many.

The luxury world is dominated by mega brands and luxury groups such as LVMH, Chanel or high-end car marques who have the marketing might and mass-market appeal to launch multiple products across many price points to the widest audience.

But there is a whole universe of brands that only service a handful of customers.

Smaller companies that fill all the moments of the day of an ultra-high net worth individual (UHNWI), from waking up to sleeping and all the time in between. Think of antique furniture, fine art, fine dining at home, private travel, housing, social entertainment and all sorts of collectibles and personal passions, from golf to racing horses.

A recent report, *The Art Market 2022*, reveals strong recovery of the market with return to live sales and events, while online sales continued to grow. Collectors purchased more art and antiques in 2021 than they did in 2019 and 2020, more than doubling in 2021 to \$274,000, on average.

It is not just art. In its luxury 2022 Spring Update "Rerouting the Future", Bain & Company estimates market growth to reach 360-380 billion by 2025.

Meanwhile, U.S. real estate brokerage Redfin saw sales of luxury homes in the United States rise 41.6 percent year over year in the first quarter of 2021, far outpacing sales growth in every other segment of the housing market.

By comparison, sales of affordable homes increased only 7 percent and sales of mid-priced homes climbed a mere 5.9 percent.

Although UHNWI, each with private wealth in excess of \$30 million, represent only 1.2 percent of the world's HNWI population (which includes all people with wealth of more than \$1 million), their combined net worth of \$35.5 trillion accounts for a substantial 34 percent share, underlining the huge stock of global wealth held by this select

group of around 300,000 individuals, according to the Wealth X World Ultra Wealth 2021 report.

While the demand trends are showing clear opportunities for growth at the higher end of the luxury market, gone are the days where reputation and know-how were the leading criteria to succeed in high luxury.

Successful niche luxury brands are required to be unique, innovative, insightful and hyper-segmented.

Uber luxury is priceless but comes at a price.

Think of bespoke hypercars, personalized wellness creams and treatments, flats on yachts circling the world, one-off creations to celebrate milestones and bespoke Champagne made to your taste.

UHNWI are seeking experiences, unique moments to remember or investing in bespoke couture, artwork, motors, jewelry and private jets products and services that bring joy or save time.

How to address and engage this very special audience?

The growing space in uber luxury and how niche brands can take advantage

Starting a new high luxury brand, or growing an existing one, is not easy. Reasons include high price points, scarcity of clients and low purchase frequency, where even the fans would not convert often.

Add to that the limitations of the distribution channels, considering that the traditional retail model would not work as it generates high daily recurring costs versus occasional purchases.

In a world where mega-luxury conglomerates can dominate in terms of share of voice, media budgets and recognition, niche brands will struggle to stand out if they were to battle in the same media environments.

A company such as Chanel can spend upwards of 13 percent of its gross revenues on marketing. In financials for 2020 it reported revenues of \$10.1 billion (down 18 percent on the previous year), with \$1.36 billion spent on brand support activities.^[7] A niche player will spend as little or less than 1 percent, with most of its investment going back to product and service optimization.

At the same time, niche brands hold a powerful advantage if they get their offerings right, and marketers for those brands must adapt their ways of communicating.

Instead of aspiring to build massive brand awareness, niche brands can leverage their strength in unique products, particularly when playing in the very small, private worlds of UHNW individuals. They can move from *aspirational to inspirational*, communicating only at times and in ways for meaningful marketing.

Where and how should niche brands look to invest?

1. Carefully vet the context. You do not want your brand to seem out of place or be associated with the wrong environment or news cycle event. Better not to speak than to speak out of place.
2. Every impression counts. Prepare to spend a long time on creating the perfect message, testing and reassessing it against every age, culture and life path in the world.
3. Engage with just the right people. Put even more attention on targeting your message correctly, since your highly targeted message would fall on deaf ears in any other case.
4. Be respectful. Even in a digitally dominated channel mix, one-to-one marketing to UHNWI requires building a tangible perception of respect for the reader. How can you show them that you care?
5. 5. Paint your picture with multiple strokes. While your audience should receive multiple impressions of your message across different intersecting channels, no message should be repeated in the same way. You would not even do that to a person you meet on your way to work every day, right?
6. No message can be the wrong message. You only have one chance before a UHNWI decides to move on and discard your brand as irrelevant.
7. Make a difference. No message can be perceived as a waste of their time, or there might not be another chance to be considered again.

How the modern UHNW marketer should look and behave

Never forget that luxury marketing is designed for the customer. So, here are a few tips on how to live and act by it:

1. Start your day by remembering that you are not the target market.

2. Never try to impress those whose lifestyles exceed your own.
3. Never see your product or brand in a subservient status its desirability comes from your projected confidence in its superior quality.

Once the brand accepts its audience's and its own position in the marketing conversation, it can move from exclusive (leaving people out, protecting its world) to inclusive marketing (welcoming people in, sharing its world).

Conscious consumption: Purpose in practice

A whole new set of topics are shifting expectations and requirements, particularly among millennials and Gen Z, and in the past five years two emerged with prominence: sustainability and conscious consumption.

"Where once it was all about status, logos and exclusivity, luxury brands are now actors in social conversations, driven by a renewed sense of purpose and responsibility," said Claudia D'Arpizio, partner at Bain & Company.

In the United Kingdom alone, some 3 trillion will change hands to the next generations in 2023. And what is critical for them are environmental, social and governance (ESG) actions.

Responding to their new priorities, VistaJet, a leading on-demand business aviation provider in the world, recently committed to becoming carbon neutral by 2025, leading in a sector often not seen as engaged in environmental responsibility. Not only does it see it as the right thing to do it is also what customers are increasingly demanding.

Transformative initiatives, such as investment in sustainable aviation fuel and emission reduction through development of routing AI, are critical components of its investment in the future, while communications to customers make the brand and its clients proceed hand in hand to change the way the product is used and its impact on the larger global community is reduced.

ESG is not only about carbon footprint, though.

Brands that respond to social responsibility calls are becoming more relevant in a highly attentive customer world.

During the COVID-19 pandemic, with commercial aviation at a standstill, VistaJet offered complimentary empty-leg flights for government repatriations and medical materials transportation to help ensure that those with critical travel requirements were able to keep moving.

This is seen across all sectors.

A study highlighted by Accenture suggests that the newer generations of consumers hold stronger ethical buying values.

More than 60 percent of the new generation of consumers are attracted to brands based on the company's ethical values and purpose.

The consultancy also believes that consumer demand for purpose-driven brands means that companies who amplify their positive social and environmental impacts will also maximize their revenues.

By 2030, it predicts, millennials will hold five times as much wealth as they have today and are expected to inherit more than \$68 trillion from their predecessors in the Great Transfer of Wealth.

"The bottom line is that having a purpose is good business," said Brian Wipple, CEO of Accenture Interactive. "It is the business of the future."

Brands looking to prove their sustainable and community credentials must walk the talk and be transparent about ambitions and outcomes.

Making business marketing personal

I highlighted the need to stop thinking in terms of business-to-business or business-to-consumer, instead highlighting human-to-human interactions and communications that span the entire sales and marketing cycle. At the end of the day, as business leaders or decision makers, we are all people.

As critical as reaching UHNWI in their personal environments, emotional rationality is another tool to be carefully considered.

Stakeholders and shareholders want results for the short-, medium- and long-term and will demand transparency and value for money. But are they really evaluating messages with only a look at the bottom line? How are the leaders of the largest companies in the world really influenced?

Three key points make all the difference in today's transactional world, be they personal or organizational:

- We make decisions faster
- We want to listen less
- We look for few, strong facts to guide us

But here is what is unique about niche marketing to corporations. Business purchase decisions are typically higher-value and higher stakes than consumer purchases. They involve more influencers and stakeholders, greater complexity, and more distinct stages.

Listen, observe, adapt and engage

Whether debating services for personal or corporate use, luxury high-end brands cater to highly educated, knowledgeable customers who are working hard to identify with which brands to associate themselves.

As their decisions can influence very large revenues, establishing a trustful relationship in the most carefully vetted channels and with the right tools will have to start way before the purchase decision is activated.

Though the approaches to reaching the right individuals differ subtly between business and personal contexts, there are important considerations to keep in mind across the two.

Here are some key learnings:

- Collecting data is critical. Privacy-compliant, first-party data is vital, particularly that which taps into the behavioral.
- Be primed to constantly adapt as new preferences and groups come to the horizon. Select the key cores of your strategy to deliver to your chosen audience.
- Listening is key. This is a two-way conversation, so without listening how can you hope to understand those who you hope to connect and build a relationship with?
- Human to human is the solution, aided by powerful technology. That tech increasingly allows marketers to fine-tune audiences and deliver messages and services effectively and purposefully.
- Finally, stay true to your promise. Trust is the glue that binds a long-term and meaningful relationship between vendor and customer.

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*Matteo Atti is chief marketing officer of **Vista Global**, London. Reach him at matteo.atti@vistaglobal.com.*