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Q&A

Aspirational luxury buyer all but gone, claims industry expert

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The aspirational/symbolic buyers that most luxury marketers are chasing have all but disappeared in this economy, according to one of the leading luminaries in the luxury marketing world.

While the upper-echelons of the wealthy have not drastically pulled back their spending amid the Euro crisis and weak U.S. market, those earning between $150,000 and $400,000 per year largely disappeared as luxury consumers, claims Greg Furman, founder and chairman of The Luxury Marketing Council, New York.

“Many contend the middle class is rapidly disappearing, sadly so,” Mr. Furman said.

In this wide-ranging interview, Mr. Furman discusses the state of luxury marketing, how brands are adopting consumer packaged goods companies’ techniques, trends, campaigns, a new honor from New York’s Mercy College and how the luxury shopper’s expectations are evolving. Please read on.

As chairman of The Luxury Marketing Council, you have a unique perspective on the state of the industry. Is it healthy?
I like to think so. A thousand luxury brands, some 5,000 CEOs and CMOs in 39 cities

worldwide give us a diverse and broad overview available to few other than top consultants and market research companies.

Will Europe's turmoil affect luxury spending in the second-half, or are luxury consumers above this all?
None are exempt from these global fluctuations.

No indications yet of any major drop in earnings or best-customer spending here in the U.S. But most, those paid to know, are quite conservative in their predictions for all but the very richest consumer who will continue to buy.

What the media dubbed "the aspirational/symbolic buyers" – folks with household incomes of $150,000 to- $400,000 – have all disappeared and there's no sign of their return. Many contend the middle class is rapidly disappearing, sadly so.

What's the biggest trend you're seeing in luxury marketing in the United States?
Luxury brands are finally adopting classic packaged-goods marketing techniques, becoming much more strategic in integrating and using every facet of the marketing mix and much, much more creatively targeting the best customer – folks with assets under management of $1million and way more – to win greater share of their spend and more referral from them of customers like them.

What about overseas – is luxury marketing taking a divergent path?
China is it. By 2015 it will account for some 25 percent of the purchase of all luxury products and services worldwide and some 50 percent by 2025. And, importantly, becoming sophisticated about their purchasing at an unprecedented pace.

Which was the last luxury campaign that you recall which made you go, "Wow"?
Cartier's three-minute L'Odysee de Cartier is an astonishingly, elegantly beautifully told and breathtaking visual story about the brand. Can't remember as daring and successful a story – commercial doesn't do it as a descriptor – in a long, long time.

With the rise of the Internet, mobile and social media, have stores become less relevant to the luxury-shopping process?

The Internet, mobile and social media are new channels that will continue to afford buyers new ways of buying.

In fact, in a way, they make the store experience more relevant and highlight the importance of high-touch that these media cannot provide and the sensually orchestrated – by the best brands – experience of place.

There's so much conflicting data on luxury spending – some saying consumers are pulling back and other researchers say that well-off will spend regardless. Who to believe?
My best sources are Ipsos/Mendelsohn, Boston Consulting Group, The Cap Gemini/Merrill Lynch report on global spending, Bain's work and, last, but certainly not least, the work that McKinsey does.

The conflict stems from the difficulty in sizing markets/spending when many luxury brands are not publicly traded and for the many other smaller luxury brands sector by sector who are new entrants but cumulatively accounting for what can only be estimated.

Are consumer expectations of the luxury experience changing?
Dramatically. The resonance that venerable brands have established for themselves is no longer enough – rather it just opens the door.

If the minute the best customers walk in the door and experience an off-note or lack of intelligent service, the brand won't hold or keep them.

Only brands that deliver beyond impeccable service at every touch point, in every interchange, and through every medium will remain credible.

In the old days, the investment in the brand and brand awareness was enough to guarantee a loyal base of customers. That is no longer the case.

You recently were honored by Mercy College in New York for your contribution to the industry. How do you feel, looking back at your accomplishments?
In awe of Mercy College's contributions. Humbled and grateful to be honored. Like I have so much to learn. Like, after 18 years, I've just begun, and, importantly, more committed to mentoring, education and raising the bar in helping luxury brands better surprise and delight their customers and their employee/partners facing their best customers.

What's your next act?
The Young Luxury Marketers' Council expansion and aggressive global growth for The Luxury Marketing Council: 50 cities, 2,000 luxury brands, 10,000 CEOs and CMOs within the next five years.