

ADVERTISING

How luxury brands can grow domestic demand

July 16, 2012



By TRICIA CARR

As tourism rates decline, luxury brands that have relied heavily on global sales from tourism should try efforts that encourage domestic loyalty to tap the consumers at their doorsteps.

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Luxury marketers that devote efforts to gain back consumers that they may have lost in their home countries will create brand loyalty in the closest market. In fact, one of the best ways to appeal to domestic consumers is not to concentrate on country-specific campaigns, but sharpen the focus of a global campaign that highlights brand heritage, experts say.

“Every brand, including a luxury brand, needs to stand for something,” said Al Ries, chairman of **Ries & Ries**, Atlanta, GA. “The Ralph Lauren brand, for example, plays up its United States heritage with particular emphasis on Western styles.

“The first step in building a long-term position for a brand is to ask, ‘What do we stand for?’” he said. “Then stop producing items that do not fit that position.

“If you want to build a global brand, you have to start by being strong in your home market and that can serve as the stepping stone for expansion into other markets.”

Domestic doubts

There are different challenges in each market for a luxury brand looking to create demand among local consumers, per Milton Pedraza, CEO of the [Luxury Institute](#), New York.

Consumers in France and Italy have reported that they prefer their own brands, whereas United States-based consumers prefer French and Italian brands.

Also, Chinese consumers seem to favor U.S. brands and do not favor local brands.

There are not as many luxury brands in the U.S. and China as there are in Europe, so that hints at the reasoning behind the global popularity of European brands.

“French, Italian and Swiss brands have a depth of history, breadth of experience and expertise in the luxury market, so it is much easier for them to get attention from domestic consumers,” Mr. Pedraza said.

“With the slowing down of all of the BRIC markets and the slowdown in tourism, there is less money to go around from affluent people and the aspirational drop out of the market all together,” he said. “Overall, the markets do not travel and buy as much, so brands absolutely need to appeal to the local market.”

Affluent consumers are beginning to feel more pressure from the economy while tourism is decreasing, so localized purchases are more important than ever for luxury brands.

“There appears to be a growing sense that the high-end consumer is starting to feel economic pain again, so if domestic luxury consumers are going to be more selective, it is important to gain their loyalty now,” said Paula Rosenblum, managing partner at [RSR](#), Miami. “It is always crucial to gain brand loyalty in one’s home country.”

Establishment and strength in a domestic market is crucial for long-term brand success, per Mr. Ries.

“Being a leading brand in your home country gives you the credentials to expand into other markets and credentials are the most important aspect of a brand, especially a luxury brand,” Mr. Ries said.

Furthermore, the global audience is becoming similar to the domestic audience.

In the past, a brand would need to tailor marketing and advertising to each market, but that is needed less today. Instead, a brand should focus on a singular message, per Mr. Ries.

Interestingly, Italian label Gucci reached out to Chinese consumers with a tailored campaign. It likely did so due to the luxury boom in the country ([see story](#)).



Gucci Chinese ad with actress Li Bing Bing

More appropriately, Burberry often uses its hometown of London as the muse for its campaigns ([see story](#)).

These images may show comradery between the brand and its local consumers in the current season, but the way these campaigns are spread should be sharpened to reach domestic consumers.



Burberry autumn/winter 2012

Product ranges should also not veer too far from the original brand principals, even if it seems that the domestic audience will favor new items.

“Keep a narrow focus,” Mr. Ries said. “The problem with most marketing plans today is that they call for expanding the brand into new products and segments.

“Nothing works better in the long term than a narrow focus and a constant repetition of the core idea of the brand,” he said.

Domestic dos and do nots

Domestic-oriented campaigns should focus on a timeless message, per RSR’s Ms. Rosenblum.

“I think there has to be a timeless type of message that is not just about fashion, but timeless elegance,” Ms. Rosenblum said. “That implies investment protection which will resonate with those that want not just a purchase for today, but a purchase for tomorrow, too.”

Another way to encourage domestic transactions is to partner with a brand with the same roots.

For instance, the new partnership between upscale retail chain Neiman Marcus and mainstream retailer Target is taking two traditionally United States-based brands and cross-promoting their values of design.

Since this partnership focuses on the unique traits of high-fashion designers and includes the Council of Fashion Designers of America, it will not dilute the Neiman Marcus brand ([see story](#)).

“This would be a really good time to focus on timeless elegance, but it would not be a bad idea to have some lower price indulgences as well,” Ms. Rosenblum said.

Also, a domestic audience will get more enthusiastic about local designers, so events and local advertising campaigns are important parts of a domestic marketing plan.

Domestic marketing can be more guerrilla-like than international marketing to draw consumers into stores.

“The object is to engage the customer and shoot for a higher share of a smaller wallet,” Ms. Rosenblum said.

The youth segment of a domestic market is imperative for the future success of a brand.

No matter the market, a brand must relate to various consumer segments, per Mr. Ries.

“The biggest danger for a luxury brand is to be perceived as yesterday’s brand, and that is why it is important to keep younger customers loyal to a brand,” Mr. Ries said.

“Do not let the brand be something that only older people buy,” he said. “Older people die off and will take a brand down with them.”

To aim at the domestic market, brands should use what they have in their hands in terms of consumer information, per Luxury Institute's Mr. Pedraza.

Marketers that have gathered contact information from the people who have purchased in the past should make their No. 1 priority to recover those consumers and form a relationship.

Next, a brand should devote efforts to referrals.

The last step is to go out and get new consumers via local advertising.

"The first question asked should be, 'How do we take the people who bought last to come in and buy again?'" Mr. Pedraza said. "Target the people who have purchased in the last two years and recover them."

Furthermore, there are a few untapped channels that luxury brands should consider when reaching out to the domestic market.

Cable television commercials are a way to gain brand awareness among a targeted local market, but brands should be selective in this channel to maintain their reputations.

Print magazine and newspaper advertising remains to be a strong way to reach affluent consumers as the channel is not as intrusive as digital advertising.

If brands use digital marketing, banner ads will likely be effective. However, marketers should try different digital placements depending on the market and the target demographic.

Consumers can immerse themselves further into a print ad since it acts as a page in the publication while a digital ad can be a distraction, per Mr. Pedraza.

"I think that these days, domestic consumers come when a brand goes through local advertising vehicles, has stores in the best locations so that they get traffic and works its existing customer base first and foremost," Mr. Pedraza said.

"If tourists are there, a brand should never discount them," he said. "A brand should pursue the relationship to the country of origin by selling online and equipping sales professionals with digital technology to ship products."

"No matter what, there is no excuse for not getting customer data and there is no excuse for not trying to pursue a long-term relationship."

Final Take

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