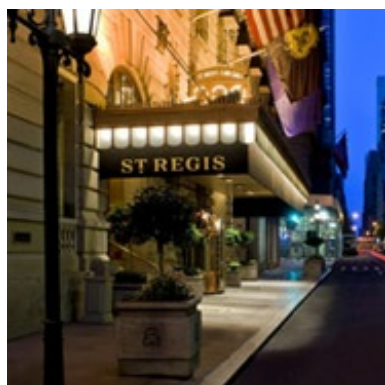


ADVERTISING

Luxury hotels must reposition themselves for Gen Y: panelist

September 29, 2010



By PETER FINOCCHIARO

NEW YORK – Luxury hotels must redefine their core experiences and value propositions to attract the ascendant class of young consumers known as Generation Y, according to a Starwood Hotel and Resorts executive.

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Generation Y is defined as individuals born after 1977. Because of the age group's burgeoning market power – it recently surpassed Baby Boomers in terms of total population – luxury brands need to start figuring out how to appeal to this relatively new and increasingly important segment of consumers.

“September 2008 was the starting point – the handing of the baton over to Generation Y,” said Paul James, global brand leader for St. Regis and the Luxury Collection at Starwood, New York.

“Everything that every hotel company is doing is generated based on the travel and wallets of Baby Boomers and early Gen-X'ers, [but] what's the sustainability of that?” he said.

“Demographics are shifting, and the younger generation is coming into the hotel world and they're looking for different experiential points.

“How do we find relevance internationally and with a younger audience?”



The “Attracting Generation Luxur-Y” event was moderated by Joe Crump, senior vice president of strategy and planning at Razorfish, New York.

The other panelists were Kamel Ouadi, global digital director at Louis Vuitton, Paris; and Scott Galloway, founder of L2 Think Tank, New York.

Luxury is dead?

Mr. James recounted the story of his first day at Starwood in 2008, following the financial collapse.

He remembered that the company’s CEO told him that luxury was dead.

“He was right in the sense that the excesses of luxury – things dressed up as pretend luxury – didn’t feel like an authentic experience anymore,” Mr. James said. “The story values were gone.”

The Starwood executive said that luxury brands looking to maintain their lofty price points needed to justify the high costs by emphasizing their authenticity, history and the range of skills that make them different from other brands downstream.

Luxury hotels are very good at marketing the value of their services to the dominant Baby Boomer and Generation X demographics that currently make up the majority of the hospitality sector’s business.

However, Generation Y’s tastes are different from preceding age groups and upscale brands will need to discover novel approaches to catching the interest of younger consumers.

‘Might be’ consumers

Mr. James said that luxury hotels need to market to two distinct groups of up-and-coming consumers – those who might be affluent some day and those who ought to be affluent now.

Starwood is looking to attract the “might be’s” via its new brand, Aloft.

Aloft is meant to be a mid-level offshoot of the hospitality giant’s luxury brand W Hotels.

“Aloft is a brand which is designed to talk to travelers the first time they travel,” Mr. James said. “It’s an iPod-generation brand.

“[We asked ourselves], ‘How do you activate space and make a destination for secondary

and tertiary markets,” he said. “How do we make that work and create a product that talks to you in lower and mid-market scales.”

The answer is to craft the design of the space based on an understanding of the ways the target audience will behave.

For Generation Y, one example of what that could mean is the ability to bring an iPod down to the bar and act as the DJ for a set amount of time.

Also important is using digital channels to tell stories, and to let the brand evolve along with the people it is targeting.

For example, Starwood has focused much more on green initiatives in Aloft to match the more environmentally-friendly values of younger consumers.

‘Ought to be’ consumers

In order to cater to the “ought to be affluent” Generation Y crowd, Starwood has refined branding for its St. Regis line of hotels.

“With the St. Regis, the audience is younger [than people expect] – consumers in their late-forties leading businesses,” Mr. James said. “They are very busy, but they have young families and they are design-savvy so they bring with them a younger generation.”

Starwood wanted to find an activation to make the St. Regis relevant to this younger generation.

One example of how the company addressed that challenge was a video promotion for the St. Regis International Cup, a polo match held in Britain.

The video showed viewers action shots of the sport and interviews with players explaining the importance of the polo for the camaraderie and sportsmanship it provides.

“The issue here is that there is a fundamental difference when we’re talking about the boomer generation [versus younger consumers]” Mr. James said. “They would go to a polo match, have a drink and leave.

“With our investment in polo now we’re talking to an entirely different audience, which is interested in why, where it comes from, the sportsmanship and companionship,” he said.

Finally, Starwood has attempted to modify the marketing of its Luxury Collection – which typically attracts older consumers looking to travel during their retirement – to Generation Y.

Starwood did not want to alienate the consumers who would be travelling en masse for the next 10 to 15 years, while also making it relevant for different audiences.

One way the company proposed to appeal to both segments was by changing the interface of its online booking sites to create more allure around travel destinations.

Flipping the booking engines to give consumers the destination and a story changes the dynamic from the commoditized emphasis on figuring out where to stay when at a travel

destination to a more interesting one – “where do I go.”

“In thinking about the Generation Y demographic, we are just scratching at edge,” Mr. James said. “[These consumers] are starting to be force to be reckoned with.”

Final Take

Peter Finocchiaro, editorial assistant at Luxury Daily, New York

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