

ADVERTISING

Luxury brands must allocate more budget to online advertising: panelist

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By PETER FINOCCHIARO

NEW YORK – Luxury brands must invest much more heavily in online advertising or find themselves out of touch with the young consumers who might be their biggest clients in the coming decades, according to an industry expert at Advertising Week.

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Prestige brands spend just 4 percent of their ad dollars in online channels – a figure twice as high as last year, but still low considering that 38 percent of media consumption takes place on the Internet. As Generation Y inches closer to becoming the primary luxury demographic, high-end product and service providers must learn how best to reach the age group.

“There are more Generation Y [consumers] than Baby Boomers as of last year,” said Scott Galloway, founder of [L2 Think Tank](#), New York. “By 2017, they will do more spending.

“2008 came and now luxury brands are waking up to the fact that doing what they have done won’t necessarily get them where they want,” he said.

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

Tomorrow’s big spenders

The United States labor force is entering a transitional period, as Baby Boomers – individuals born between 1946 and 1964 – begin to reach retirement age in 2011.



At the same time, Generation Y, comprised of consumers born after 1977, is gaining momentum and will make up half of the working population by 2018.

Internationally, the imperative for reaching young consumers is even more clear.

While 18-44 year-olds make up only 30 percent of consumers in the U.S., that same age group accounts for 80 percent of the Chinese market.

Conclusion: Mediocre performance elsewhere might not matter much if a luxury brand can hit it big among China's 1.3 billion citizens.

Still, reaching young consumers means understanding where to reach them.

Of the 72 million Americans ages 18-34 today, 89 percent are regular Internet users, 83 percent use social networks, 76 percent watch online video, 65 percent access the Internet on their mobile phones, 63 percent play games online, 45 percent write blogs and 18 percent access Facebook before they get out of bed.

Yet luxury brands' ad spend has not kept pace with the media consumption of young people.

In addition to the huge discrepancy between online media consumption and online ad spend, brands have also been allocating a disproportionate amount of money to the print space.

Only 8 percent of media consumption occurs in newspapers, yet 20 percent of dollars spent on advertising are directed there.

Upscale brands will need to learn how to reach young consumers in new media environments, or risk losing relevance with tomorrow's millionaires, according to Mr. Galloway.

What is luxur-Y?

Mr. Galloway also examined the perceptions of Generation Y about luxury brands.



Eighty-two percent of Generation Y consumers feel that quality is the most important feature offered by a prestige brand.

Authenticity (46 percent), image (44 percent), creativity (41 percent) and exclusivity (37 percent) also received high marks for importance.

The most popular luxury brands among young female consumers across 45 countries worldwide was Chanel, followed by Ritz-Carlton, Four Seasons, Marc Jacobs and Cartier.

The top five brands among males in the same age group were BMW, Ferrari, Porsche, Lamborghini and Audi.

Eight of the top 10 most favored brands among young men were automotive brands, while females preferred a more eclectic range of upscale products and services.

Mr. Galloway also said that certain brands were setting themselves up for long-term failure because the sizes of their businesses were far larger than the scope of their popularity among Generation Y consumers.

Those companies, which the L2 founder called “glass house” brands, were Fairmont, Shiseido, Audemars Piguet, Infiniti, Bally, Clarins, Louis Vuitton and Cadillac.

On the other hand, a handful of high-end brands enjoyed exceptionally high levels of respect among young consumers compared to their size.

The brands identified as “punching above weight class” were Marc Jacobs, Kiehls, YSL, Lamborghini, Cartier, Van Cleef & Arpels, Michael Kors and L’Occitane.

One sector that faces specific troubles is watch and jewelry makers, as young consumers, by and large, lack familiarity with those brands.

Reaching out

Finally, Mr. Galloway outlined the ways Generation Y consumers get information on prestige brands.

The No. 1 source was word of mouth information, as 81 percent of young consumers say it is one of their top three sources.

Print (76 percent), brand Web sites (47 percent) and celebrities (35 percent) also dispense a sizeable amount of the information that reaches young consumers about high-end brands.

Mr. Galloway said the way brands market to young consumers must therefore evolve, and pointed to a new grassroots-based model for spokespersons, where brand ambassadors arise organically from the masses of regular, every day consumers.

“The learning here is that brands have spokespeople – they just haven’t met them yet,” Mr. Galloway said. “It’s going to be customers, organically communicating.”

Final Take

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