

RESEARCH

75pc of affluent consumers would buy luxury brand's mainstream extension: Luxury Institute

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By TRICIA CARR

Most affluent consumers will continue to purchase from a luxury brand that offers a mainstream line, according to a new report from the Luxury Institute.

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The quarterly Wealth Report polled wealthy consumers on their perception of luxury and mainstream brands and 24 percent of respondents said that damage to a luxury brand's image or reputation is a risk when entering the mass market. The report also uncovered shopping habits of wealthy consumers such as the likelihood of making a purchase in-store and online is about equal among respondents.

"One thing for sure is that consumers, regardless of what price point they're paying, expect great quality from luxury brands," said Milton Pedraza, CEO of the Luxury Institute, New York.

"Millennials expect great quality and boomers expect great quality, regardless if they are buying a luxury brand or mainstream brand," he said.

[Luxury Institute](#) surveyed wealthy consumers with annual household income of at least \$150,000 for the Quarter 2 Wealth Report.

Going mainstream

The Wealth Report found that wealthy consumers are open to mainstream brand extensions from luxury marketers.

Eighty percent of respondents said they would buy goods or services from a mainstream offshoot of a luxury brand and 75 percent said they would buy a luxury brand's mainstream line.

Eighty-four percent of women and 78 percent of men would continue to purchase from a luxury brand that has a mainstream extension.

Meanwhile, 88 percent of female respondents and 79 percent of male respondents would continue to buy from a mainstream brand that offered an up-market line.

If a luxury brand were to launch a mainstream line, 28 percent of respondents reported being skeptical about consumer acceptance.

Also, 24 percent of respondents believe that damage to the luxury brand's image or reputation is a risk and 20 percent said quality concerns.

Mainstream lines are doable for luxury marketers because consumers will accept them, but the level of quality and brand DNA should still be in the products.

"You do need to differentiate your brand offerings with quality, with design, with craftsmanship and with pricing," Mr. Pedraza said.

When asked what differentiates luxury from mainstream, 60 percent of respondents said quality. Among this portion are many respondents on the higher end of wealth and income.

Fifty-five percent said that price is a differentiator between luxury and mainstream. Many who chose price earn less than \$200,000 per year and have a net worth less than \$1 million.

Additionally, 48 percent said craftsmanship is a differentiator between luxury and mainstream, 47 percent said prestige and 38 percent said design.

Craftsmanship was chosen more often by older respondents.

"The standards have gotten so high," Mr. Pedraza said. "They expect quality in both, but the quality of a luxury brand has to be dramatically higher than mainstream."

Shop till they drop

The Wealth Report also found that new technologies drive store traffic instead of keeping consumers away from bricks-and-mortar.

Seventy-eight percent of respondents said that they made a purchase in-store in the past year and 77 percent made a purchase online.

Fifty-seven percent of respondents made purchase decisions based on information they

gathered while shopping, but 58 percent gathered their information online via desktop.

But ultimately digital could be considered the most effective channel to trigger purchases since 69 percent of respondents made a purchase on the Web based on information they found online.

Luckily, far less respondents, or 25 percent, participate in showrooming - buying online after gathering information in-store.

"As a retailer, it should be about a seamless relationship with your customer," Mr. Pedraza said. "Stop looking at it as channels, but relationship-building between the channels that you use and they use."

"Consumers will become seamless in how they engage brands across channels and the word 'channel' will become a useless term," he said.

Final Take

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