

RESEARCH

Bespoke experiential marketing still best way to target ultra-wealthy: report

April 18, 2014



Across sectors, ultra-high-net-worth individuals are key to business.

By SARAH JONES

Sixty-eight percent of luxury industry insiders believe digital marketing is not an effective method to reach ultra-high-net-worth individuals, according to a new report by Wealth-X.

[Sign up now](#)

Luxury Daily

While social media accounts and content rich Web sites can bolster brand awareness, they do not lead directly to sales or client acquisition for the wealthiest clients. To reach these important clients, providing unique experiences to the right people is still the best approach.

"Everyone should have a great presence in social media as a brand, and you should have great content, but you're not going to connect with [ultra-high-net-worth individuals] in a way that leads to acquisition of business," said David Friedman, president of wealth intelligence firm Wealth-X, New York.

"Making a purchase of \$100,000 is an emotional decision," he said. "Luxury brands who are seeking that market, they're crafting experiences that can't be bought.

"The pendulum has swung back the other way from social media, digital—or click-and-mortar—back to brick-and-mortar."

For Wealth-X's [Luxury Sentiment Survey Report](#), polls were distributed between March 18-31 to more than 1,000 brands across different sectors, including apparel and accessories, jewelry, art, spirits, hospitality and automotive. The respondents are typically responsible for more than one region to get a global perspective on the industry.

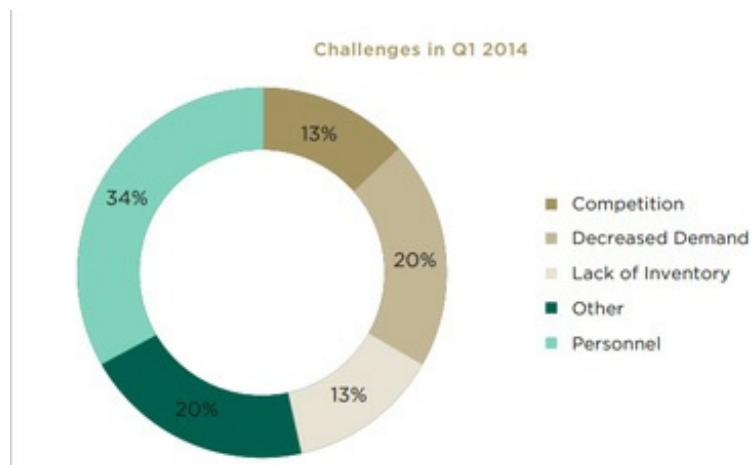
Expansion plan

Luxury industry insiders appear to be less optimistic about the state of their business, with 6 percent of respondents saying they thought their market share was going to drop. In the previous quarter, none surveyed believed the same.

The Luxury Industry Sentiment Index dropped from 100 in the beginning of the first quarter of 2014 to 97.6 at the end of the three-month period. However, even with this lowered confidence, most plan to expand their business through retail or new marketing initiatives, and 75 percent expect their revenue to rise this quarter.

Only 84 percent of respondents feel their market share is going to increase within the second quarter, compared with the 94 percent saying the same in the previous survey.

One of the hurdles identified by those surveyed was personnel issues, which 34 percent selected as the biggest challenge. This was followed by decreased demand and competition.



Wealth-X infographic

Sixty-three percent of those surveyed saw an increase in number of inquiries for their products or services, down from 77 percent in the first quarter of the year.

However, 92 percent of respondents said they plan to expand their current retail footprint, a growth from the 71 percent that said the same in the first quarter. Also, 52 percent plan on increasing their marketing aimed at ultra-high-net-worth individuals.

Core consumers

There is no universal definition for ultra-high-net-worth individuals. Most consider the label applicable to those with a net worth of \$30 million or more, but those marketing big ticket items, such as yachts, consider those with at least \$50 million ultra-high-net-worth.



VistaJets plane

Even though the term may have different meanings, ultra-high-net-worth individuals are important to the luxury sector's business, with 32 percent of respondents saying more than half of their total revenue comes from ultra-high-net-worth consumers.

Within traditional luxury, which includes apparel, leather goods, jewelry and timepieces, more than 70 percent of those surveyed expect to see an increase in the number of ultra-high-net-worth clients, as well as a bump to their share of these consumers. To prompt growth, these brands are looking to digital marketing and new product launches.



Dior ad

Those behind big luxury items, such as yachts, planes and automobiles, are even more positive about their prospects with ultra wealthy individuals, with 90 percent expecting a rise in their ultra-high-net-worth clients. Thirty-three percent of these brands plan to increase their marketing spend on targeting the very affluent, along with plans to expand their digital marketing.

Eighty-nine percent of those in the hospitality sector saw an increase in inquiries about their goods and services.



Towers of Waldorf Astoria New York

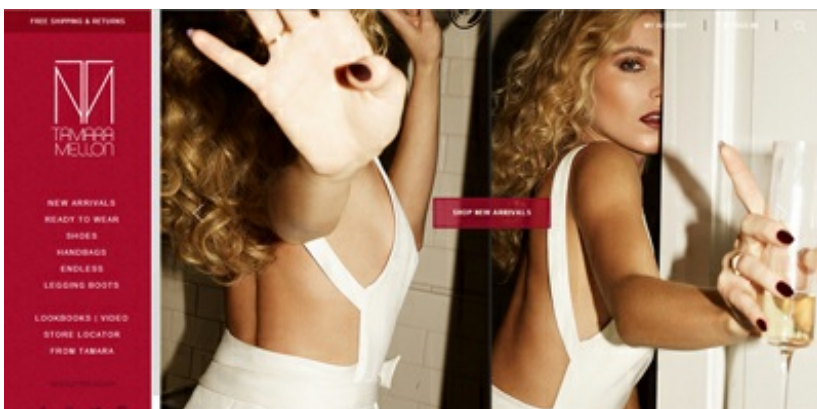
All of the respondents within the alternative luxury sector, which includes spirits and art, said they will increase their digital marketing, mostly to build awareness.

Traditional approach

Marketing to target ultra-high-net-worth consumers takes up more than half of the marketing budget for 64 percent of respondents. Fifty-two percent of those surveyed plan to increase their marketing initiatives that target ultra-high-net-worth individuals, and most have plans to expand their digital marketing efforts.

However, 68 percent of respondents believe that ultra-high-net-worth individuals do not respond to digital marketing. Many feel that digital does not fit with luxury, while others feel it is ineffective since these consumers typically buy luxury products in-person.

As a result, only 32 percent of respondents sell products or services through their Web sites. Social media is also rare, with 53 percent avoiding marketing on those digital platforms.



Tamara Mellon ecommerce site

Instead, they choose to use more traditional approaches to reach these important consumers, such as events, referrals and partnerships.

Digital marketing is used not to build sales, but instead to increase awareness of the brand.

While online marketing may not lead to direct sales, it is still an important part of the consumer purchase path.

When booking a hotel, almost three-quarters of travelers look to a hotel's Web site and mobile application to make a decision, according to a recent report from Magnani Caruso Dutton.

The "Seeing Returns: Building Loyalty at Hotels through Digital Customer Experience" report surveyed 1,000 travelers across the United States to learn what digital and mobile experiences they are looking for in a hotel stay. The report also looks at differences between hotel stays for business, for leisure and with family ([see story](#)).

Also, mobile can amplify the consumer experience within the traditional store environment.

In response to how smartphones have altered the way consumers shop, a new report by Forrester Research indicates that 66 percent of luxury consumers are more willing to interact with a sales associate equipped with a mobile device.

The "A New Generation of Clienteling" report discovered that some consumers do not feel that sales associates are the best source of product information. With the role of sales associates changing, bringing mobile technology into stores may help re-establish trust while creating an enhanced experience for consumers ([see story](#)).

As brands hope to cultivate these bespoke experiences for consumers, customer relationship management will play a key part. Ninety percent of those surveyed agree CRM is essential, but many are still working out the kinks to be able to target the specific, right consumers.

Mr. Friedman gave the example of brands that host dinners at their Fifth Avenue boutiques, for which they invite their top clients and asks these consumers to bring their friends, hoping the friends can also turn into clients. Instead of this "hope marketing," brands should make sure they are using data to find the best possible prospects and get them in the door.

"I don't think we've seen a lot of brands take the bull by the horns, and run into this issue and really tackle it," Mr. Friedman said.

"Our survey showed that everybody is aware of [CRM] but they haven't made it a core part of their advertising, sales and marketing strategy," he said. "Most of the brands are asking the right questions, but it's not part of the DNA yet.

"While CRM is great, if it doesn't have actionable insights in their clients, it doesn't matter how great the technology is, it's not going to be useful."

Final Take

Sarah Jones, editorial assistant on Luxury Daily, New York

© Napean LLC. All rights reserved.

Luxury Daily is published each business day. Thank you for reading us. Your **feedback** is welcome.