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RESEARCH

Consumers are fiercely loyal to two brands per category: MasterCard exec

May 15, 2014

Affluent consumers know what they want

By SARAH JONES

MEXICO CITY, Mexico – Consumers only shop with one or two favorite brands per category, turning to them for familiarity and ease, said an executive from MasterCard Advisors May 13 at the FT Business of Luxury Summit.

Knowing how this loyal audience is spending, including understanding who else they are shopping with, can help brands understand and better market to these consumers. However, even with the importance of data and customer relationship management, a lot of brands have a CRM system that is lacking.

“Most people’s CRM databases are not very good," said Sarah Quinlan, senior vice president and group head for market insights at MasterCard Advisors. "Even if you ask me at the counter to give you my email address, I’m not doing it. You have to develop a relationship.

“You’re a luxury brand," she said. "I’m in there taking my time looking at the uniqueness of your goods. So you need to really figure out how to get my details out of me.”

Spending trends

Consumers are shopping more on ecommerce sites, with 25.3 percent of sales coming from online. Brands are therefore missing out by not offering an ecommerce platform.

Tamara Mellon recently launched an ecommerce platform

Women account for 70 percent of shopping and they are looking for ease, since they are typically working, rather than ladies who lunch. Ecommerce allows them to make purchases around 10 p.m., after the day's obligations have been completed.

Ms. Quinlan said that it would be worth it for brands to further ease the shopping experience, giving the example of a brand putting a dress in a window and then featuring the dress as the first thing the consumer sees upon loading the Web site. Then if she has seen it in person when she did not have time to shop, the consumer can easily make the purchase.

Online channels also give brands better control of their pricing than bricks-and-mortar stores, which often have to discount to compete with neighbors. The online shopper is more interested in convenience and will purchase full price, compared to the in-store consumer, who considers shopping social.

Brands do not have to discount, and should not.

“I think what’s important ... is not price-sensitive,” Ms. Quinlan said.

Post-recession, U.S. consumers are shopping less in multi-brand retailer stores, picking instead to shop with the brand directly. This trend is not seen in other countries, where people still frequent department stores.

Multi-brand retailers in other countries, such as Harrods, still draw in consumers

Consumers are also investing more in jewelry and less in fashion, wanting to have something to pass on to future generations. Seventeen percent of high jewelry sales come through online channels.

Overall, consumers are choosing to spend more on experiences than on material objects, favoring travel especially. Airline tickets were the number one spending category this past December.

Trump Hotel Panama

Millennials are particularly interested in experiences.

Ms. Quinlan suggests partnering with restaurants, charities or clubs to reach this audience, selling goods in conjunction.

Waves of spending

Fiscal policy plays a key role in consumer spending, as do other factors including weather and people's finances. The slowdown during the winter impacted only climates that were experiencing bad weather, leaving the Pacific and Texas at normal figures.

Other unpredictable factors routinely disrupt shopping.

For instance, just as retailers began to push their holiday marketing into full gear, the government shutdown forced marketers to switch up their plans with efforts more tailored towards bargain shoppers who were likely to research prices via their mobile device.

The United States' partial government shutdown Sept. 30 night as a result of Congress' disagreement on how to fund federal government groups left thousands of consumers unemployed during one of the biggest consumer spend times in the holidays. Marketers expected consumer spending to drop during the holidays and bet on consumers showrooming more in-store (see story).

Factors in the global economy can also affect countries on the other side of the world. The slowing of Chinese consumption is affecting the majority of global markets.

"I think it's absolutely devastating," Ms. Quinlan said. "It is slowing the entire world economy with the exception of the U.S.

"They have obviously changed through their policies how they want consumers to spend."

Final Take
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