

Trends in ethnic luxury marketing for 2007

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As the fiscal year ends, luxury marketers will inevitably start to ponder new ideas and ways to reach new customers and, given the vast changes in the marketing and media landscape this past year, there is one segment of highly qualified consumers that are easy to reach and relatively untapped, according to Diversity Affluence, which has defined four trends to lead the luxury sector into new pastures for 2007.

According to founder and CEO, Andrea Hoffman, the untapped segment of consumers is not made up of the usual suspects at all, and the first luxury provider to execute a good, non-traditional marketing strategy for them will win their attention. So who are these consumers?

Ethnic luxury trends

The trends and opportunities identified by Diversity Affluence are:

1. Meet the Royaltions

Multicultural and mass marketers generally refer to ethnic consumers as "minorities". But within this large demographic, however, is a growing body of affluent ethnic consumers - and they need to be viewed quite differently. In their 2007 strategic planning sessions, luxury suppliers should devote special emphasis to this group, which spans all ethnicities and has been dubbed "Royaltions" by Diversity Affluence. This under-the-radar yet highly-influential consumer segment offers a wealth of opportunities and increased sales for luxury suppliers. Diversity Affluence estimates that less than 2% of marketing budgets are currently dedicated to engaging this audience because luxury brands tend to be focused on either super-affluent or more obvious affluent consumers.

For example, Hispanics represent the biggest minority in the US, now numbering some 42 million. Of those, 6% earn more than US\$100,000 per year. Merrill Lynch estimates, however, that this relatively small segment (the affluent Hispanics) will spend US\$300 billion in 2007, representing almost two-thirds of all Hispanic buying power. Hispanics make up between 5% and 10% of elite University enrolments, and some 40,000 Hispanics are physicians.

America's single most affluent consumer group, Asian-Americans, now total about 13 million. The number of Asian-American families with an annual income of more than US\$200,000 is approximately equal (at 156,000) to the country's Hispanic and African-American families combined. This group represents between 10% and 25% of elite University enrolments. Within this group, Asian Indians are the fastest-growing and wealthiest ethnic group (and almost 40% of all Indians hold a professional degree).

A less familiar ethnic group, the Russian-Americans, has also surfaced, being approximately 4 million strong. They are twice as likely to have graduated from college as the overall American population, and 50% more likely to report an annual income of US\$75,000 or more, and they consume luxury goods with great enthusiasm.

To help luxury marketers better allocate their dollars in 2007, Diversity Affluence advises them to embrace an aggressively proactive "portfolio" attitude to research, analysis, and strategies. This should include a consumer blueprint, marketing audit, proprietary research, and a strategic plan that uses existing human capital and identifies new sources of business intelligence. According to Hoffman, "We anticipate this as the single biggest effort luxury marketers can tackle in 2007. But it will take hard work, so don't expect overnight miracles."

2. **The new mass marketing**

Mass marketing is out, the company says, and target marketing is in. To take the example of building a new mass marketing programme for that sought-after segment, the Royaltons: "You've determined that you want to target a cluster of Royaltons including African Americans, Asian Americans, Hispanic Americans, and Russian Americans. Each will have its own concentric circle that includes niche and grassroots efforts: sponsorships, influencer programmes, marketing partnerships, online engagements, retail events/promotions, charity support and more. These individual concentric circles will work together to build critical mass that in turn translates into the new mass marketing. And if you were wondering what resonates with this group, in general, try high touch engagements that allow consumers to interact with the brand. Traditional advertising is a waste of your marketing dollars."

Although targeting smaller groups of influencers in a cost effective way may require more time and effort up-front, the pay-off in building a blueprint for the future, making inroads into each community, and developing and meaningful and authentic dialogue will be invaluable in the end.

Hoffman's recommendation is simple: "Don't let a lack of diversity research, or insight, hinder your brand growth. Hire a well-rounded diversity expert to act as your chief integration officer, who can come up with a methodology for your diversity initiative."

3. **Get hip with AARP**

In response to a constantly shifting mature population, AARP continues to prove that it understands the wants and needs of its member base. In November 2006, the association announced an exclusive sponsorship of the Tony Bennett's "The Best is Yet to Come Tour". The collaboration is part of a broader effort by AARP to use the power of music to forge an emotional connection with its members. The association is developing a musical signature for its brand, as well as additional concert sponsorships. In fact, Elton John performed at AARP's Life@50plus member event in October 2006, and 2007's event in Boston is even expected to feature performances by Rod Stewart and Earth, Wind & Fire.

To reach the Baby Boomers (who collectively have some US\$2 trillion in annual spending power, combined with plenty of disposable time), marketers should look closely at AARP to expand their brand via marketing partnerships that add value to the Boomer's life. Consider these recent statistics:

- Boomers have more than 50% of discretionary spending power (2.5 times the average per capita);
- Boomers have 80% of their personal wealth in financial institutions;
- Boomers own more than 70% of the financial assets in America;
- Boomers control nearly US\$9 trillion in net worth (70% of the total for US households);
- Boomers own almost 50% of the credit cards in the US (representing 40 million credit card users).

And all marketers need to understand, Hoffman suggests, is a very central concept in reaching this financially powerful group: the idea that image is critical to Boomers. They don't consider themselves "old" and they don't want anyone - especially advertisers - to view them as old either. When you talk to most of them, they'll say they feel like they're 40 years old. To them, "old" is someone in their late 70s or 80s. Gone are the days of adverts where 60 year-olds are identified by grey-haired people walking slowly. And despite recent research showing that Boomers are not set their ways when it comes to product choices, many marketers still seem to be set in their ways, still focusing on younger consumers. But some studies have shown that Boomers can be more receptive to advertising than their Generation X and Y counterparts, who tend to reject marketers' claims far more readily.

Hoffman's recommendation is to get AARP member focus groups rolling, and to set up a test programme aimed at a niche group of members (such as the Royaltons) - and then watch their satisfied wants and needs translating into increasing sales. Test programmes are also easier to sell to upper management.

4. **Women and wine**

With all the talk over the past few years about marketing to the largest group of consumers and purchase influencers - that is, women - Diversity Affluence predicts that wine marketers will finally put more effort into engaging affluent female consumers. According to a survey by Gallup in 2006, women make 55% of US wine purchases, and another survey found that nearly one-quarter of women's wine purchases are worth more than US\$100. That's a market worth chasing.

Wine marketers are starting to recognise this trend, with wine clubs, wine web sites, and even ladies' nights at bars, all designed to appeal to the female wine enthusiast. But, according to Hoffman, wine marketers still need to understand the more contemporary, affluent, and accomplished woman: "They are not looking for upscale wine coolers. Unless you are marketing a wine that benefits the Susan G. Komen Foundation, it's not advisable to use pink or anything that 'speaks to the child' in a woman."

Indeed, aggressive marketers will customise programmes that also target Royaltons via member-based organisations and associations. This is a good niche that is not currently being filled by wine marketers. According to Hoffman, "Affluent ethnic women feel more pressure than their white counterparts to be respected, feel a sense of accomplishment, and therefore they work harder to achieve this. If you want to reach this time-strapped consumer, deliver programmes that merge her desire for a work/life balance and the respect she's most likely earned."

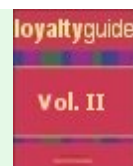
In other words, marketers simply need to create wine-related experiences that maximise a woman's social life, enhance her business, and perhaps even help boost her career. Hoffman predicts more emphasis being placed on differentiating products at the retail level in 2007, with the aim of making both the shopping experience and the purchase decision easier. This can be accomplished through on-premises and off-premises events such as weekend in-store tastings, sponsored invitation-only wine dinners at upscale restaurants, and high-profile sponsorship of women's social events and professional organisations.

Diversity Affluence creates marketing strategies, forecasts trends, and advocates marketing to affluent ethnic consumers.

More Info: <http://www.diversityaffluence.com>

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