



Marketing to the Affluent

by James Ferri, Ferri & Partners



"The rich are different from you and me," F. Scott Fitzgerald is quoted as saying, to which Hemingway famously quipped, "Yes, they have more money." Yes, the rich do have more money and marketers have long realized the great opportunity the affluent market presents. Today it has developed into a strong growth market and is blossoming as never before.

Between 2000 and 2010, according to the 2006 National Travel Monitor published by YPBR/Yankelovich Partners, the number of U.S. households with an income of \$100,000+ (the threshold of demographic affluence) will increase 45%. More important, and of greater interest, is that in the same time period those with incomes \$150,000+ – which now comprises roughly 5% of the U.S. population and is considered by some to be the new threshold of affluence – is projected to increase 145%. While the uber-rich, whose wealth reaches near stratospheric levels, have always been

a lucrative niche market, it is the growing market of more modest affluence that presents real opportunities to the tourism industry.

Fitzgerald was right, but only half right. Yes, the rich are different from you and me, but they also differ from each other. Savvy marketers realize that the key to success in marketing to the affluent is to not only understand how they differ from other travelers, but to also understand and take advantage of how they differ among themselves.

Unlike many other consumers, these affluent travelers define luxury as quality and service, not as a price tag or label. In fact, according to a recent American Express Platinum Survey nearly 80% of luxury consumers surveyed agreed with the statement, "an important part of my enjoyment of a luxury experience is how well the service personnel treat me and the extra service they provide." Providing this luxury experience can have quite an impact on both reputation and revenue. Witness the success of such U.S. retail giants as Nordstrom and Bloomingdales. Affluent shoppers flock to them not because they don't care about price but because the service these stores provide adds value to the shopping experience. American Express found the same to be true among its Platinum cardholders, of which approximately two-thirds said they are willing to pay more for special services when they travel.

The Leading Hotels of the World, a marketing alliance of luxury properties, has successfully capitalized on this knowledge for decades. By being demanding, if not ruthless, in its efforts to meet the expectations of its guests, Leading Hotels has been able to successfully position itself to many affluent travelers' as a guarantee of luxury and exceptional service. In its efforts to avoid any unwelcomed surprises to guests – an exceptionally important consideration when dealing with affluent consumers – LHW members must meet 1,500 criteria for excellence and service (last year only about 7% of hotels that applied for membership were able to meet the criteria). Affluent travelers, both business and leisure, have taken note and readily pay for this assurance.

On the other hand the success of Nordstrom, Bloomingdales and Leading Hotels is not to suggest affluent travelers don't care about price. In fact, just the opposite is true, albeit different from other consumers. As do other travelers, the affluent search for the best price but often place an even greater value on getting the best deal and best value. They can often be passionate in their search for a better deal – a better fare than the couple across the airline aisle, their hotel suite upgraded to an ocean view, their cabin moved to the top deck. In fact, one might surmise that hotel amenities such as spas, now often considered de rigueur for most hotels marketing to affluent clientele, were propelled to popularity as much by a search for value as by a search for pampering.

Affluent travelers value their anonymity and don't flaunt their wealth. They are demanding consumers who prefer to buy brands with a reputation for quality and stick with them once they find the right "fit". Buying for value, not price, they look for experiences that will enrich their lifestyle. They also relish inconspicuous service as well as having their preferences for all sorts of things – including their favorite foods and drinks – remembered by hotel staff. Among their prime irritations (read "you'll never see me again") are hotel staffs unable to respond to their special requests; being disturbed; identified as wealthy by staff; having to wait for anything or being overcharged. As a group they are a jigsaw of demographics. As one might expect, they tend to be older – Americans 50 or older hold 75% of the nation's financial assets and are responsible for 55% of its consumer spending. A prime component of this group are the much ballyhooed U.S. Baby Boomers (those born between 1946 and 1964) who number more than twice the population of Canada.

Boomers demand immediate gratification and want the very best including all creature comforts whether they're in an exotic resort or the wilderness. Natural skeptics, they demand a lot of information before they make buying decisions, a fact hotel marketers should keep in mind. Many have already acquired the major possessions of their lives and are careful as to how they spend their money. Their most interesting characteristic is their refusal to believe they are getting older as they strive to maintain a youthful and active lifestyle. This is a plus for hotels that can deliver the goods and keep them energetically entertained.

Their younger siblings, the Gen-Xers (born between 1965 and 1976) number 49 million and budget their dollars quite differently from the Boomers. They spend more per trip than Boomers, tend to be less brand loyal, are more apt to pay for fancy extras and book more online, oftentimes not very far in advance. The most affluent of the Gen-X group have an average income of \$213,000 and annually spend nearly 20% more than affluent Boomers on luxury goods. This spending pattern is interesting since the income of wealthy Baby Boomers is similar to Gen-Xers - each spends approximately \$17,600 on dining and travel annually.

Families are an important segment of both the Boomer and Gen-X markets. According to American Express, 39% of its Platinum cardholders don't merely "vacation" but claim to have a "passion" for travel, with 92% of them bringing their children along. Interestingly, the children of 68% of these respondents have traveled internationally, often at a much younger age than their parents did in their youth. This group spends significant sums on their children especially in

activities such as international travel, which they perceive as culturally enriching, and on which they spend more than \$13,000 annually. Those with a combined household income above \$600,000 spend more than \$20,000 on travel annually.

Many marketers overlook two other groups that hold a lot of potential - affluent working women, a group increasing in size and economic power (in 2008 58% of U.S. college graduates will be women), and Asian Americans, who have higher-than-average household income and education level than many other Americans. Packaged Facts, a market-research publisher, considers Asian Americans to be the most affluent consumer group in the U.S. since a higher portion of their households earn \$100,000+ compared to non-Hispanic whites.

The common thread among all these groups of affluent travelers is service and value. Affluent travelers will spend a substantial sum on a trip but it must be for a unique experience, the reason for the growing popularity of "experiential vacations" in recent years. These experiential marketers well understand how to "sell the sizzle, not the steak" in their emotive appeals to the affluent. They realize that today's Experiential Traveler doesn't "go to Hawaii on a vacation", he/she goes surfing; they don't "visit Switzerland", they hot-air balloon across the Alps; they don't "go to the Caribbean for a week", they go scuba diving or sailing. Hoteliers should take note and strive to develop an incredible experience, not just a great hotel. Restaurateurs must create a superb level of service, not just superb cuisine. Carving a niche in the memory of every guest is the key to success in marketing to the affluent.

On the other hand, don't be afraid to change with the times since the preferences and habits of affluent travelers are continually changing. Heed the lesson of the Ritz-Carlton which last year dropped its famous iron-clad twenty rules for staff in favor of a dozen new "Service Values," and now prompts employees to think more for themselves, rather than chant corporate service mantras.

The reason – management came to understand that the world of 20th century luxury had evolved into a totally different 21st century hospitality enclave. While the middle-age business executive may have been the company's focus of business in the 1990's, today it may well be that jean- and T-shirt clad guy with the iPod and Blackberry who is not only worth gazillions, but is comfortable carrying his own luggage as well. Remember that times and markets are in continual flux and every year there are more affluent consumers, and they have more choices than ever before – and oftentimes more expectations, as well. To reach them you need to develop a good public relations and publicity program that speaks to these consumers in innovative and often non-traditional ways, communicating how the experience you provide satisfies their emotive needs.

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