

The Wealth Report

Leading Edge Insights into the World of the Wealthy

Vol. 106, No. 3

NEW YORK – March 15, 2010

Table of Contents:

Retail Sales Round-Up: Splurging Shoppers Boost Luxury Sales.....	1
WealthSurvey: In-Store Customer Experiences: Mystery Shopping	1
White Paper: Building Luxury Brands Using Customer Data & Analysis	3
NEW: Luxury Customer Relationship Marketing Association (LCRMA)	6

Splurging Shoppers Bring Early Spring To Luxury Retail

Whether they are consumers on a debt binge or investors cashing in stock market winnings, luxury retailers are bringing shoppers back into their stores.

Retail chains post a 3.7% increase in February comps, with luxury outperforming the overall group. The monthly growth in same-store sales is as fast as it has been since November 2007, just before the onset of the recession and the worst of the financial crisis unfolded. Now, unemployment seems to have crested at 10% and GDP is growing at a 5.9% annualized rate. Consumers are again indulging in luxury purchases. In February, Nordstrom extended a recovery that got underway last fall with a 10.3% same-store sales increase. Neiman Marcus put together its third straight month of positive comps with a 6.2% jump, while Saks cooled a bit from feverish December and January gains, posting 2% growth in comparable sales. As an investment, however, Saks leads the luxury group with a 325% one-year gain. Buying Nordstrom or Coach didn't turn out badly either, both luxury outfits are up 225%. Tiffany shares are up 180%.

In stocks, wealth destruction has yielded at least temporarily to wealth creation as the bull market turns one-year old. The S&P 500 stock index has rallied 70% from its low on March 9, 2009, repairing much of the damage sustained by high-net worth individuals in their stock ownership component of total household wealth. Another important one, real estate, is showing signs of stabilization and recovery, indicating that home values, if not a positive factor, will at least cease to be a formidable headwind. This suggests that luxury brands face benevolent conditions in which they can produce continued gains if they maintain a sharp customer focus that they hopefully honed during the recession. Customer relationship management skills can make or break a brand.

Luxury Institute WealthSurvey

In-Store Customer Experiences

College students mystery shop Manhattan, rate luxury brands on key components of customer experience; Burberry and Louis Vuitton stand out. Seventy-eight students in Professor Veronica Manlow's Fashion Marketing and Research Methods class at Brooklyn College paid 240 visits to luxury store locations throughout Manhattan in recent months, providing empirical data for the Luxury Institute's "In-Store Customer Experiences" WealthSurvey. Students rated retailers on the sentient aspects of visits that "regular" shoppers notice: quality of merchandise, helpfulness of store personnel

and general ambiance of the store. The survey provides luxury executives with a way to find out what's really happening inside of their retail locations, as well as insights into the degree to which various factors can positively or negatively influence the overall experience.

Two exemplary brands across several criteria are British fashion house Burberry and French luxury house Louis Vuitton. Three-fourths (77%) of shoppers say that they would recommend Burberry to family and close friends based on their visit to the Burberry store; 74% say the same of Louis Vuitton.

Polite, informed, articulate and appropriately dressed personnel lead to better experiences, so does the ability to put customers at ease while browsing the store. Mystery shoppers report that Burberry employees made them feel comfortable on 94% of visits, and Vuitton did the same on 76% of visits. Appropriately, shoppers were greeted 73% of the time by a smile and a warm welcome and 69% of the time they felt comfortable walking about the store. Sales staff came across as courteous, articulate and educated on 78% of visits—and appropriately dressed 90% of the time. In five out of six visits to luxury retailers in Manhattan, sales staff spoke in a pleasant tone of voice.

Staff friendliness is crucial; 62% of the time rude customer service is the fatal flaw that causes a shopper not to recommend a brand to family and close friends. Surprisingly in the luxury space, rude customer service is not uncommon, reported in 36% of all store visits. In addition, only 38% of shoppers said they were made to feel special, and just 40% were welcomed to come back again as they left the store; 57% received a warm “thank you.” In total, 51% of store visits were characterized as overall positive experiences, while the mystery shoppers considered 21% of visits to be negative. Two-thirds (68%) of shoppers report they would return to the store to shop. As for a cultivated atmosphere of stuffiness, forget it. “It was almost as if I were in a museum where you weren’t supposed to buy anything,” says one mystery shopper of one uncomfortable shopping experience.

Making customers feel special can have a direct impact on the top line. “My salesperson made me feel important to the point that I ended up purchasing a pocket book,” says one Louis Vuitton mystery shopper who felt special on her store visit. Burberry and Vuitton top the rankings for making customers feel special, doing it on 52% and 42% of visits, respectively. Merchandise is very rarely a turn-off for shoppers in Manhattan’s luxury boutiques: 87% reported liking the stores’ wares, 81% liked the overall aesthetics of the experience, and 71% say that these brands are worthy of a significant price premium.

By far the most popular suggestions for improving the customer experience concern store personnel. Better attitudes among sales people top the shoppers’ wish lists, followed by a desire for more attentive salespeople. Luxury firms must understand how hiring and training decisions are helping or hurting their valuable brand names.



Members of LuxuryBoard.com have free access to [WealthSurveys](http://WealthSurveys.com) via the Resource Center. To join or learn more about membership benefits, visit www.LuxuryBoard.com.

White Paper: Building Luxury Brands Using Customer Data & Analysis

The best programs for maintaining and expanding relationships with luxury consumers integrate closely with all phases of the business.

The onslaught of economic recession and the inevitable changes in customer values and behaviors during 2008 and 2009 caused luxury brands to embrace the concept of customer-centric, data-driven marketing. In 2010, marketing and communication budget dollars are being reallocated to more measurable and highly profitable customer-centric initiatives to deliver short and long-term brand growth and profitability. Gone are the days of the 10-page insert in *Vogue*, the \$25 direct mail piece, and the broadcast email campaign with flashy photography and no explicit call to action. Gone too are efforts driven by black-book data and targeted only at a sales associate's top 20 clients. Luxury brands are now looking to understand their customers and adapt their marketing strategies to best serve their interests. CEOs now demand impact on the bottom line.

This all means that luxury brands are looking to gain a complete understanding of their customers across all sales channels. This includes key insights on customer profiles and purchase behaviors by channel, value and loyalty, seasonality, gender, product affinities, and cross-sell/up-sell links. With customer data in hand, they are able to implement differentiated communication treatments to identified customer segments, personalize the customer experience and increase revenue.

Here are the steps for brands to create effective customer-centric marketing:

1. Objectively Assess Customer Data & Luxury CRM Programs

Data collection and analysis are not sexy and certainly not areas where luxury brands have focused diligently in the past. Without clean data, however, marketing initiatives cannot be effectively executed, regardless of how grand the strategy. Begin by conducting an accurate and objective assessment of all available customer data, current customer-centric marketing initiatives, online and retail programs and operational CRM elements. This provides a 360-degree view of the current state of CRM in your company and context for future analytics efforts and will allow you to draw accurate conclusions and recommendations to build your CRM platform.

When you review customer data, make sure you focus on the information-gathering process and key touch points. What are the obstacles that your sales associates are faced with everyday related to data capture? Where are your point-of-sale terminals located? Who enters transactional information? Is it the sales associate or someone else? What fields are captured in your primary customer data capture form? Are these fields available and required at POS? The answers to these questions will allow you to better understand the data collection process and the quality of your data.

Consider conducting key executive interviews to better understand your true needs and how they match up with current practices for both the traditional retail and online sales channels. Review and measure all current customer programs at the corporate and store level as well as any data available from prior CRM campaigns.

2. Analyze Customer Data To Identify Areas Of Opportunity

Once you have assessed the state of your customer data, you are ready to kick-off a customer analytics project. The objective of this work is to provide in-depth analysis and insights on the profile and behaviors of your customers. This includes overall customer profiling and demographics, analysis of customer behavior by channel, season, gender, purchase velocity, product affinities, cross-sell and up-sell links, and more. Using these insights, you will be able to identify primary customer growth segments and major profit opportunities in customer acquisition, retention and reactivation and across all sales channels. The customer analytics project can be as small or large as your budget and needs dictate, but should address the pillars that will ground your future CRM efforts.

To begin, you will need to conduct a sales data capture and data hygiene analysis by channel. In this analytical study, you will review all customer data by channel, by store, and by sales associate for accuracy. What percentage of customer data are your sales associates capturing? Are there differences in seasonality (does data capture fluctuate during high-traffic times of the year? Are there major data differences by store and by region based on cultural implications, tourist markets or other issues? When you stumble across customer information populated by dummy data, you may want to reconsider your training and customer-centric employee compensation strategies. Optimization of data quantity and quality is the first step in stimulating campaign conversion rates.

Now the goldmines. The customer profile is your holy grail of the “who, what, when, where and how” of your clientele. A good customer profile contains invaluable data and key insights on customer behavior by channel, season, value, and gender. It will also show product affinities, cross-sell and up-sell links and much more. With this data, you can parse out customers into look-alikes based on behaviors that will fuel your CRM initiatives in a more targeted manner.

Then it is on to geography. How well do you understand the geography of your customers in general, by channel, and by segment? What about your brand’s market penetration and trade areas with the highest and lowest opportunity? Do you use this data for retail site selection? Trade area data are integral to all of your CRM efforts: emails with dynamic content by location, event invitations, market specific product launches and much more.

Another analytical study worth conducting is a purchase cycle analysis. This allows you to understand better each customer’s lifecycle and to show key defection patterns by customer segment. You will always have numerous opportunities to touch your customers with the right value proposition, in the right channel. Communication at the right time is highly limited. Historically, luxury brands have communicated to the beat of their own drum with poor results. Try communicating to the beat of your customers.

Finally, let’s take a look at your customer’s basket. Association rules determine which products tend to be sold together, either at one time, or over time, for the same customer. These rules can be powerful, not only for understanding products, but also for understanding preferred product attributes, like color, material, special features. When you walk into an Apple store to buy an iPod, you most likely will purchase additional iPod accessories. Perhaps you will also buy an iTunes gift card or an extra Shuffle for a

friend. Those patterns are powerful when spread over hundreds of thousands of customers. More relevant and personalized communication with the customer equals a better customer experience and increased sales.

3. Develop Targeted Luxury CRM Launch Campaigns

With tremendously rich data and insights into your customer base, you are ready to begin your customer-facing CRM efforts. Using this data, why not develop three kick-off campaigns that address a trio of opportunities: retention, recovery and acquisition. Complete campaign management includes a simple but complete cycle: data, design, develop, test, execute, measure and repeat. After the campaign is completed, you will conduct a complete back-end analysis on the results as well as recommendations for future improvements to strengthen the bottom line.

Retention. Probably the easiest nut to crack, a campaign targeted at increasing retention rates and enhancing customer loyalty among your VIP and core clients can transform a buyer in a single channel into a loyal repeat purchaser. Whether it's a holiday gift program, enhanced customer service benefits or a targeted product launch promotion, this buyer already knows about your brand and simply needs to feel personally valued and privileged in order to repurchase.

Recovery. A campaign targeted at reactivating customers that have lapsed and not made a purchase within a specified period of time. Review any relevant luxury industry data and the results of your purchase cycle analysis. You now know the right time to reach out to your customers before they defect from your brand. Depending on your customers' lifecycle, this could be six months, nine months or one year. The cadence truly depends on your specific product offering and customers purchase patterns. Develop a targeted campaign to reactivate these at risk customers.

Acquisition. The age-old question in luxury is, "How do I find qualified affluent new customers?" Whilst the smallest initial amount of revenue will come from this segment, new customers are the building blocks of brand awareness and achieving long-term financial success. The days of basic list rental are dead; they never really worked in this industry. Transactional cooperative customer databases are not currently available due to privacy policies and unwillingness to share brand data. Consider high-touch hospitality partnerships and strong co-branded marketing efforts. Ultimately, you will have the best return with extremely personalized but highly scalable customer acquisition initiatives. Keep a close eye on the "measurement" step of the campaign development process. Whether it's measurement at the retail POS system, online analytics tracking, control cells, or one of many other measurement loops, measurement is essential to the testing and learning process.

4. Create A Long-Term CRM Roadmap

You cannot lose sight of the bigger picture: the customer journey. Develop a three-year plan that includes short and long-term goals for your CRM brand platform. These opportunities and mini-projects have the ultimate objective of building short and long-term customer loyalty to drive revenue for your brand. All elements should be accompanied by consistent measurement throughout. For example, your luxury brand's goal is to increase customer retention by 10% in year one. This goal could be

accomplished by launching a soft rewards loyalty program. Your loyalty program must be comprehensive of a multi-channel strategy, initiatives, and targets by customer segment. Each initiative will have a detailed project plan by element. Consider as part of your CRM roadmap data capture, customer segmentation, multi-channel integration and new business development. Your roadmap should also include critical customer feedback loops and utilize primary research to measure the customer experience index across channels.

5. Test and Learn

Every process and campaign you launch must include a testing element. It could be a split subject line email test, creative testing, direct mail segmentation testing or multiple sales scripts. All of these tests will bring you one step closer to improving the customer experience and ultimately growing your top and bottom lines.

Generally speaking, the luxury industry may still be far behind, but the majority of brands have recognized the value of building a customer-centric business model. They are now taking necessary steps to deliver consistently extraordinary customer experiences. When you look back on your CRM efforts, you will smile and reflect on moments of joy, disaster, opportunity and, at times, sheer chaos. As Goethe said, "Mountains cannot be surmounted except by winding paths." Remember how rewarding it can be to take each and every customer on a unique and delightful journey through your brand.

Felicity Lewis is Senior Global Manager, Interactive and Direct Marketing at Jurlique. At Jurlique, Felicity is responsible for all facets of the online business and direct to consumer marketing initiatives worldwide. Prior to joining Jurlique, Felicity worked at David Yurman to develop global multi-channel marketing strategies and manage customer experience across the Retail, Wholesale, and Online sales channels. Felicity began her career at Cartier North America, specializing in Advertising and Communications.

NEW - Luxury Customer Relationship Marketing Association (LCRMA)

Global Luxury CRM Practitioners Network to Share Best Practices

The Luxury Institute has launched the Luxury Customer Relationship Marketing Association (LCRMA), a network of Luxury CRM practitioners dedicated to building Customer-Centric Luxury Enterprises. "We were approached by CRM executives at Ritz-Carlton with the request to create an independent and objective body, a safe haven, where Luxury CRM executives could network and share best practices," says Milton Pedraza, CEO of the Luxury Institute. The association is designed to enhance the global education of the luxury industry on Luxury CRM benchmarks and best practices through primary research, educational events, networking and conferences.

[Contact the Luxury Institute](#) for membership details.

Current Luxury Institute LBSI and WealthSurvey Inventory All Available for Purchase

2010 LBSI (Luxury Brand Status Index) Categories*

Handbags Europe	Men's Fashion Europe	Women's Fashion Europe
Handbags US	Men's Fashion US	Women's Fashion US
Home Appliances	Men's Shoes Europe	Women's Shoes Europe
Hotels Europe	Men's Shoes US	Women's Shoes US
Make-Up	Skin Care	

2009 LBSI (Luxury Brand Status Index) Categories*

Automobiles	Gin	Rum
Automobiles Europe	Handbags Japan	Scotch
Automobiles Japan	Home Appliances	Table Wines
Bath Fixtures	Hotels	Ultra Luxury Autos
Business Publications	Jewelry	Vodka
Business Websites	Liqueur	Wealth Management Firms
Champagne & Sparkling	Men's Fashion	Whiskey
Wines	Men's Fashion Japan	Women's Fashion
Cognac	Men's Shoes	Women's Fashion Japan
Consumer Publications	Men's Shoes Japan	Women's Shoes
Consumer Websites	Retailers	Women's Shoes Japan

[View details about the LBSI](#)

Recently Published WealthSurveys*

- Food and Dining Habits of Wealthy US Consumers
- In-Store Customer Experiences **NEW**
- Luxury Marketing & Sales Practices - Luxury Vacation Real Estate
- Luxury Marketing & Sales Practices - Financial Services/Wealth Management Services
- Personal and Business Values of the Wealthy
- Rules of Customer Engagement - Parts 1 & 2
- Search Engine Usage and Shopping Habits of the Wealthy **NEW**
- Social Networking Habits and Practices of the Wealthy
- Sponsored and Paid Search Habits of the Wealthy **NEW**
- The Luxury Shopping Center Experience
- The State of the Economy and Luxury Trends-2009
- The Wealthy and Web 2.0
- The Wealthy and Mobile Devices - Evolving Uses
- The Wealthy and Mobile Devices - Ownership and Attitudes

WealthSurveys are one of the benefits of membership to LuxuryBoard.com. To join or learn more visit www.LuxuryBoard.com.

*All research is conducted with U.S. consumers, unless otherwise indicated

Your use of a Luxury Institute or Luxury Board document constitutes your agreement to (i) use the content under a limited license only for your own internal purposes, and (ii) not disclose, publish or otherwise make public or provide the content, in whole or in part, to any third person or entity without the prior written consent of The Luxury Institute, LLC. The content is and remains at all times the exclusive intellectual property of The Luxury Institute, LLC.

About The Luxury Institute

The [Luxury Institute](#) is the uniquely independent and impartial ratings, research, and Luxury CRM consulting institution that is the trusted and respected voice of the high net-worth consumer. The Institute provides a portfolio of proprietary publications and research and consulting that guides and educates high net-worth individuals and the companies that cater to them on leading edge trends, high net-worth consumer rankings and ratings of luxury brands, and best practices. The Luxury Institute also operates [LuxuryBoard.com](#), the world's first global, membership-based professional online community for luxury goods and services executives, professionals and entrepreneurs. [Contact the Luxury Institute](#).

Limit of Liability/Disclaimer of Warranty-The Luxury Institute, its staff and professional contractors have used their best efforts in preparing this document. They make no representations or warranties with respect to the accuracy or completeness of the contents in this document and specifically disclaim any implied warranties of merchantability or fitness for a particular purpose. The information contained in this document may not be suitable for your particular situation. The Luxury Institute, its staff, and professional contractors, are not liable for any loss of profit or any other commercial damages, including but not limited to special, incidental, consequential, or other damages resulting from the use, or misuse, of the information contained in this document.



Your use of a Luxury Institute or Luxury Board document constitutes your agreement to (i) use the content under a limited license only for your own internal purposes, and (ii) not disclose, publish or otherwise make public or provide the content, in whole or in part, to any third person or entity without the prior written consent of The Luxury Institute, LLC. The content is and remains at all times the exclusive intellectual property of The Luxury Institute, LLC.