

The State of Luxury Digital Marketing

A 2013 *Luxury Interactive* Report

The goal of the 2013 Luxury Interactive/ShopIgniter report is to establish an industry benchmark for digital marketers at luxury companies.

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About This Report

This year, the research team behind **Worldwide Business Research’s Luxury Interactive** conference, worked with **ShopIgniter**, the company helping many leading brands reach and convert their social and mobile customers, to craft a questionnaire covering topics like **social media spend, product promotion, mobile commerce** and **customer retention**. The survey was distributed before the October, 2012 Luxury Interactive conference and also onsite at the conference in New York City. More than 130 marketing executives from luxury brands completed the survey, which asked questions about what digital areas they were spending on, which aspects of social media were working for them, what their spend plans for 2013 were, and more.

The goal of the survey was to establish an industry benchmark for digital marketers at luxury companies. Results to this study, revealed in this report, determine spending trends and marketing successes, as well as areas in need of further development and investigation in the luxury market.

The roles of those answering the questionnaire ranged from **Chief Marketing Officer** to **President** to **SVP of Direct Marketing, Manager of Social Media Marketing** and **CRM Director**. Respondents represented companies like **Chopard, Louis Vuitton, Barneys New York, Mercedes Benz, Mandarin Oriental Hotels** and more. Executives across verticals shared valuable insight into their digital marketing efforts to create an effective benchmark for the industry.

See how your firm compares to your peers and competitors by viewing the results and analysis throughout this report. Results begin on page six.



The luxury consumer's purchasing habits have been booming, and reservations s/he may have had about buying pricey goods during and post-recession, seem to have faded in the last 12 to 18 months.

The State of Luxury Spending Today

When the prestigious and increasingly-popular luxury brand, **Hermes**, decided to increase price points on its products by nine percent, it was not the luxury consumer who was batting an eye. For this sector, such an increase (which, for example, amounts to an additional \$2,700 on a \$30,000 **Birkin** handbag) proved nominal as Hermes' profits continued to soar. The luxury consumer's purchasing habits have been booming, and reservations s/he may have had about buying pricey goods during and post-recession, seem to have faded in the last 12 to 18 months.

According to research from **The Luxury Institute**, an independent global research and strategy firm that studies behaviors of wealthy consumers and formulates business solutions for luxury brands, wealthy shoppers do not plan to slow their spending. The firm's **2012 State Of The Luxury Industry Global Trends** survey revealed that 43 percent of wealthy Chinese consumers, 10 percent of wealthy Japanese consumers and 9 percent of wealthy American consumers plan to spend more on luxury products in the coming year. Respondents in the survey were among the top 10 percent of earners in the U.S., United Kingdom, France, Germany, Italy, China and Japan, with a minimum income of \$150,000 in the U.S. Compared to last



Quality is still the most important element in a luxury acquisition, followed by price and trailed by brand name.

year, the survey indicates that wealthy Americans plan to increase spending in all surveyed luxury categories such as ready-to-wear (fashion), jewelry, private jet travel and yachting.

Another survey conducted by consulting company, **Accenture**, found that in the next six months from November, 2012, half of American consumers said they'll buy luxury goods. Out of more than 2,000 adult consumers, 53 percent said they will likely pick up specialty food or drinks while 48 percent indicated future splurging on fancy clothing and 48 percent predicted spending on high-end personal care items.

The study points to quality as the most important element in a luxury acquisition, followed by price and trailed by brand name. Accenture's study also says that the upswing in luxury spending is more a Millennial phenomenon than it is a Boomer mentality, with 35 percent of young consumers planning to buy indulgent goods while 46 percent of their older counterparts said they wouldn't.

Another independent research firm that studies the luxury segment, **Unity Marketing**, also released a survey, which reveals that the luxury consumer has felt a strong upturn in positive feelings about financial status and prospects for the future. This led to an increase in shopping regularity, with luxury spending up 26 percent in the third quarter of 2012, said the survey.



As luxury spending steadily increases, so do consumer expectations, which are often shaped by efforts from marketing and customer service teams that sometimes sit under the same corporate umbrella.

Why Consumer Trends are only One Piece of the Luxury Marketing Puzzle

Still, just because several recent surveys point to increased spending in the luxury sector does not mean that luxury brand marketers can rest on their laurels. Quite the opposite.

As luxury spending steadily increases, so do consumer expectations, which are often shaped by efforts from marketing and customer service teams that sometimes sit under the same corporate umbrella. Luxury brands need to start thinking about how to prepare for the customer of the future – because although it appears spending is on an upward trend, that could quickly turn without proper attention to strategic digital marketing that caters to a new generation of consumers who buy differently.

For every study released about consumers' luxury spending trends, how many studies do we see that show how those luxury brands are reacting to these spending patterns, and how they are working to acquire customers, increase loyalty and gain better market share over these highly-valuable segments? We have seen very few, which is why **Luxury Interactive** and **ShopIgniter** worked together to create an industry benchmark for luxury brand marketers.

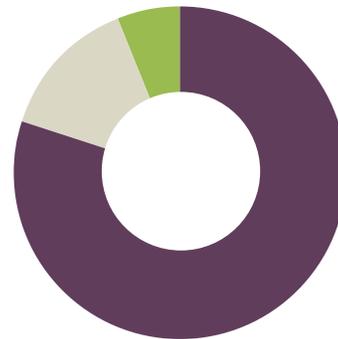


1

Did your digital marketing spend increase or decrease in 2012, from 2011?

An overwhelming majority (80%) of luxury marketers surveyed said their

2012 digital marketing spend was greater in 2012 than it was in 2011.



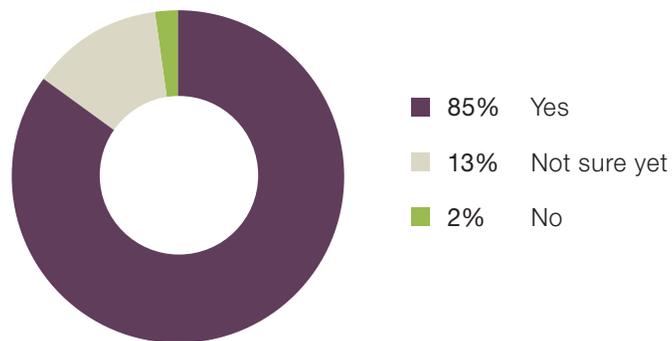
- 80% 2012 spend was higher than 2011
- 14% 2011/2012 spends were comparatively flat
- 6% 2012 spend was lower than 2011



2

Do you plan to increase your digital marketing spend in 2013?

An even larger majority (85%) of respondents said **they plan to increase their digital marketing spend in 2013.**

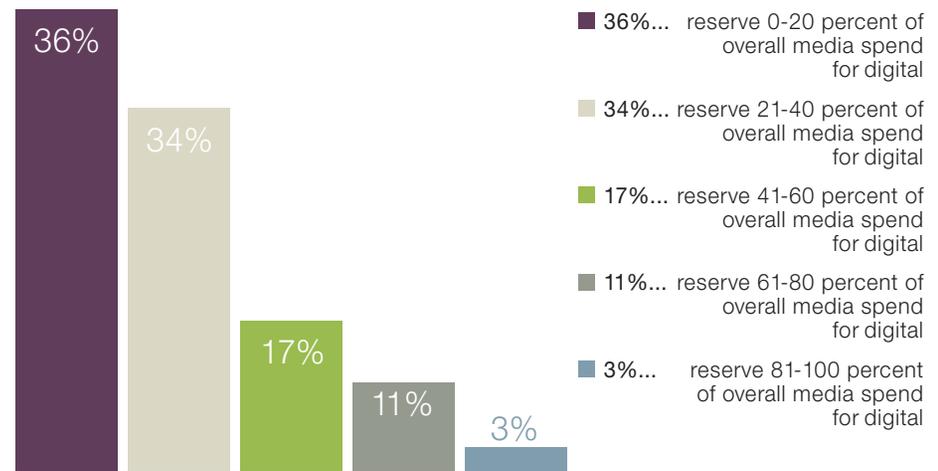


3

What percentage of your overall media spend is reserved for digital?

Digital is a priority for most marketers at luxury brands, but still not the biggest priority. However, this may change gradually as new digital methods prove themselves.

70% of respondents said that between 0 and 40% of their overall media spend is reserved for digital.





“Over time, as digital, especially mobile, proves itself, more brands will allocate their budgets to what works. Each brand has to use all the tools at its disposal objectively and eliminate the hobbies. Just measure what works and test and learn your way through the correct mix of media allocation.”

Milton Pedraza, CEO, The Luxury Institute

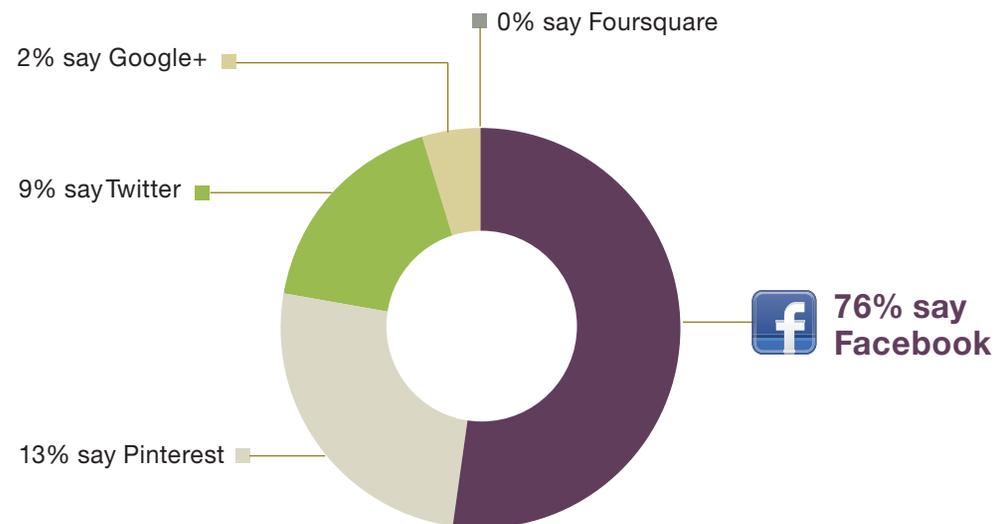
4

If your business could manage only one social media account, on which platform would it be?

*Social media is also becoming more and more prevalent within luxury brand marketing. Virtually **no** marketers surveyed said they are **not** involved in social media.*

Facebook is still the biggest force for social media marketing with

76% saying that if they could only manage one social media account, they would choose Facebook.



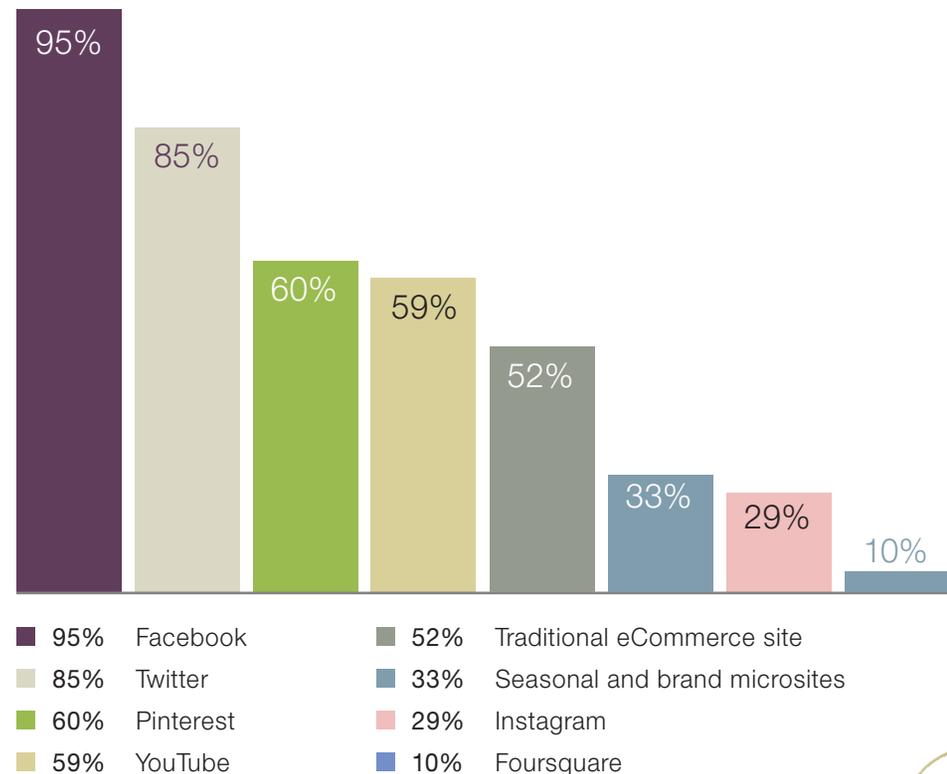
5

On which of the following platforms are you actively engaging your customers?

Almost all luxury marketers are engaging customers on social media, but there are obvious preferences in platforms.

Only 10% of respondents are actively engaging their customers on Foursquare, 29% on Instagram, 60% on Pinterest, 59% on YouTube, 85% on Twitter, and a whopping

95% on facebook





Among luxury marketers surveyed, Pinterest has beaten out Twitter for engagement, which is indicative of the platform's inherent relationship to luxury's core products which so often are visual.

However, the typically younger demographic of Pinterest users calls to question whether the platform is suited to encourage sales or simply drive interest from those who aspire to be customers.

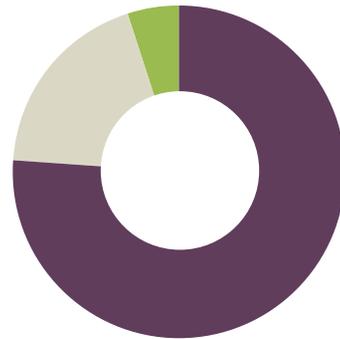
Will those younger, aspirational followers eventually become customers? Time will tell.



6

Did your social media marketing spend increase or decrease in 2012 from 2011?

77% spent more on social media marketing in 2012 than in 2011.



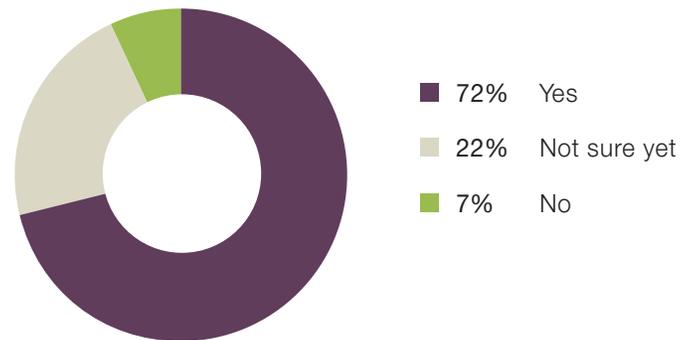
- 77% 2012 social media spend was higher than 2011
- 19% 2011/2012 social media spends were comparatively flat
- 4.6% 2012 social media spend was lower than 2011



7

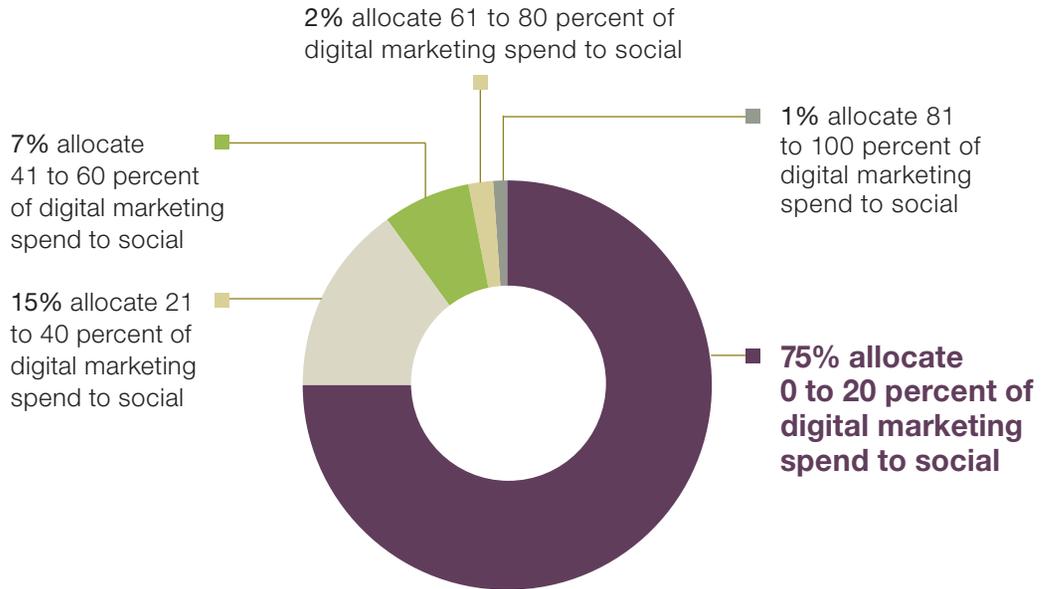
Do you plan to increase your social media marketing spend in 2013?

72% plan to increase social media spend for 2013.



8

What percentage of your digital marketing budget is dedicated to social?



9

On which of the following are you spending the most of your social media budget in 2012?

Luxury marketers were asked to rank from 1 to 5; 1 being the majority of spend, 5 being where the least is allocated.

50% of people ranked People and/or Agencies

as the number one area in which they are spending their social media budget in 2012. After people and agencies, marketers rated advertising as priority number two.



10

What are the goals of your social media efforts?

Marketers ranked in priority from 1 to 5; 1 being the highest priority, 5 being the lowest priority.

48% respondents ranked “Driving Brand Engagement/Loyalty” as their first goal of social media efforts.

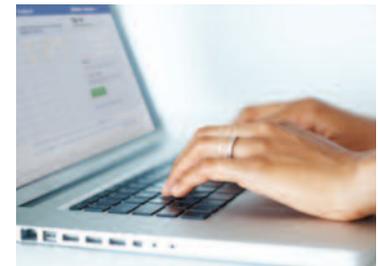
30% of respondents ranked “Acquiring new customers” as their first goal of social media efforts.





The findings from question 10 indicate that luxury brands are indeed looking to social to acquire new customers, which makes sense as they look to build affinity with younger audiences early.

However, given the results from question 9, we must pose the question: are luxury brands actively trying to convert social fans to customers?

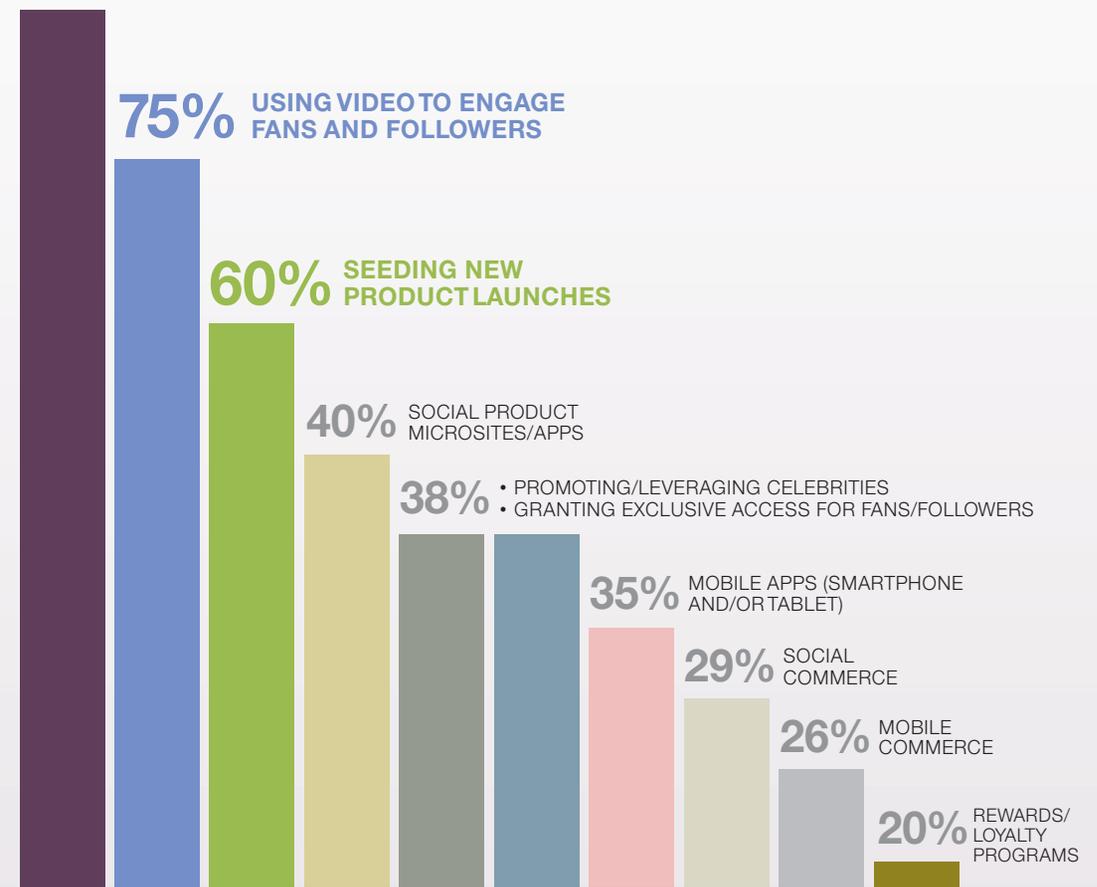


11

What types of product promotion, content and conversation tactics are you trying?

In a list of 10 types of product promotion, content and conversation tactics, the top three utilized were Posting Product Imagery (81%), Using Video to Engage Fans and Followers (75%), and Seeding New Product Launches (60%). The least tried tactic in the list was mobile commerce, with 26% of respondents trying it; still a reputable number, though not as frequently tried as other marketing tactics.

81% ARE POSTING PRODUCT IMAGERY



12

Generally, how do you feel your social efforts are performing?

63% are still fairly satisfied with their social results but are still working to improve them.

21% feel confident with their social efforts' results so far.
Only 8% say they are unhappy.



- 63% We're fairly satisfied with our results but are working to improve
- 21% We're happy with our results so far
- 9% We're not tracking the performance of our social efforts yet
- 8% We're unhappy with our results so far



13

How does your company pay for ongoing mobile development and optimization (websites, apps, etc.)?

While seemingly every year since 2010 has been deemed, "The Year of Mobile," actions suggest that for marketers, it's still early for mobile.

Only 7% of respondents have a dedicated mobile marketing budget, while **35% pull from an e-commerce budget for mobile efforts.** **31% pull from an overall marketing budget.**



- 35% Pull from e-commerce budget
- 31% Pull from marketing budget
- 16% Combine various source budgets because there's no dedicated mobile budget
- 10% Other
- 7% Pull from a dedicated mobile budget



14

Did your mobile marketing spend increase or decrease in 2012 from 2011?

When asked whether mobile marketing budgets increased from 2011 to 2012, the answer was nearly split down the middle, with **48% reporting that 2012 mobile spend was higher, and 49% reporting that 2011/2012 mobile spending was relatively flat.**



- 49% 2011/2012 mobile marketing spends were comparatively flat
- 48% 2012 mobile marketing spend was higher than 2011
- 4% 2012 mobile marketing spend was lower than 2011



15

On which of the following are you spending the most of your mobile budget in 2012?

Luxury marketers ranked from 1 to 5; 1 being where the majority of spend is allocated, 5 being where the least is allocated.

When asked to prioritize which category marketers spent mobile budget on, "Mobile Commerce" came in last among the five options, which also included People and/or Agencies, App Development, Mobile web development, Mobile Advertising and/or search.

The majority of respondents ranked People and/or Agencies as the top area they spent mobile budget on in 2012.



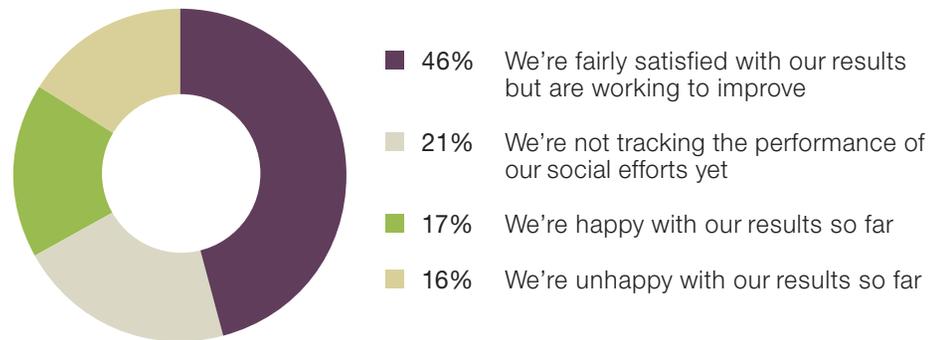
16

Generally, how do you feel your mobile efforts are performing?

These results show an obvious opportunity for mobile developers to capitalize on unmet needs of luxury brand marketers, particularly given the influence tablets can have on mobile success when tablets are included in mobile analytics.

46% are fairly satisfied with their mobile results, but are working to improve them.

Only 17% feel confident with their mobile effort results so far, showing a great opportunity for mobile companies to out-perform their competitors.

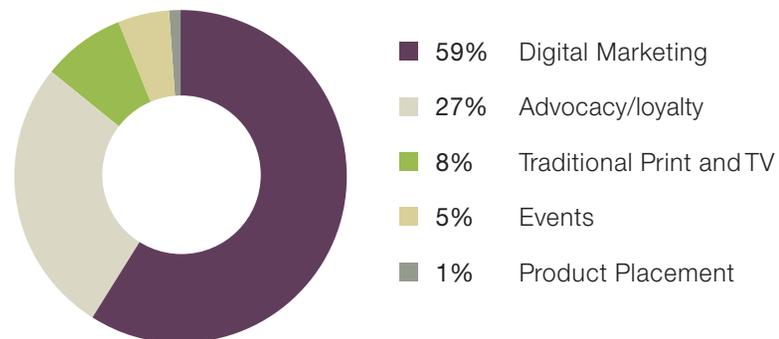


17

Which form of marketing do you think will be the most important to your luxury brand in 2015?

63% of respondents predict that in 2015, digital marketing will be the most important form of marketing for their brands,

coming in above Advocacy/Loyalty (28%), Events (9%), Traditional Print and TV (9%) and product placement (3%).

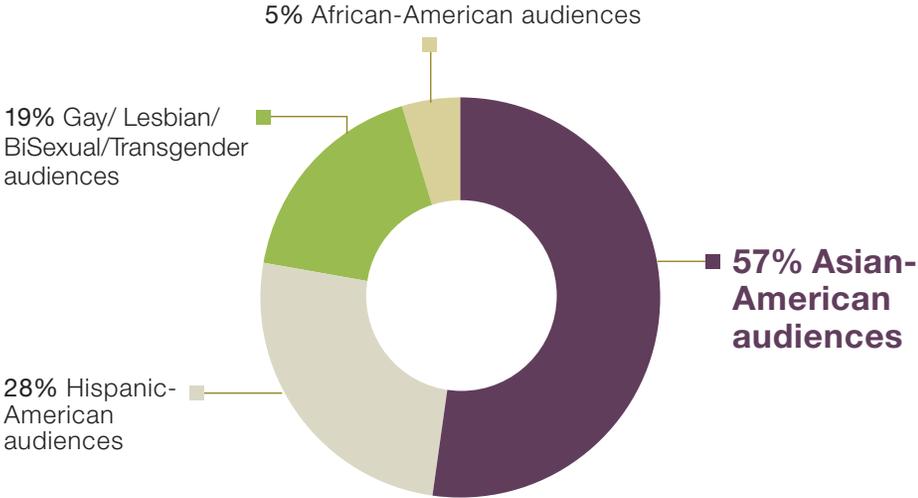


18

What do you foresee as the greatest diversity market opportunity for luxury marketers in the next 5 years?

Is it a mistake to focus on any one demographic within the luxury space? Some might say yes.

57% foresee Asian-American audiences as being the greatest diversity marketing opportunity for luxury marketers in the next five years.

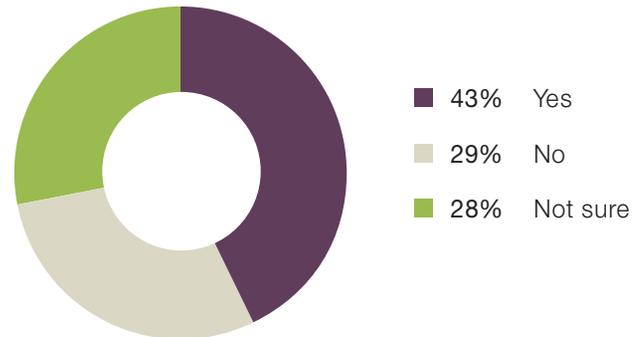


19

Can you measure your customer retention rate by customer segment?

“While 43% is a strong number, luxury brands should be able to measure customer retention at 100% with no excuses,” said Milton Pedraza. “The technology exists; what is missing is the customer culture that focuses on not just product and channel metrics, but also on customer conversion, data collection, retention, recovery, referral and other elegant measurements of customer relationship building.”

43% said yes, they can measure customer retention rate by customer segment.

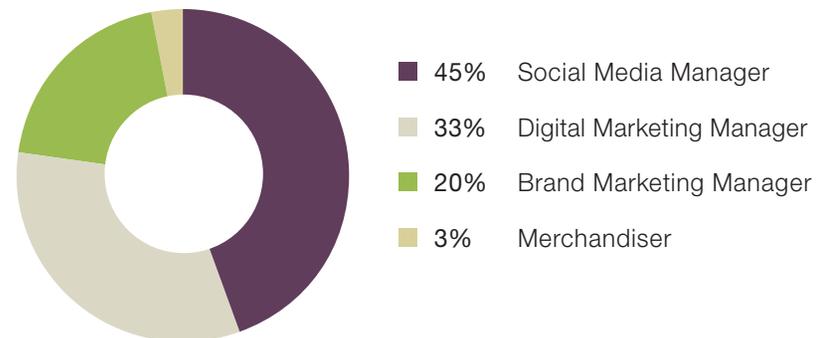


20

What is the closest title of the person in your organization responsible for promoting products in social?

The majority of companies surveyed said the title that best represents the person handling social promotion in their companies is,

“Social Media Manager.” The title, **“Digital Marketing Manager,”** came in as a close second.



“The vendors that are here... I’ve had several ‘a-ha’ moments with them. Literally. One in particular, I just about jumped out of the chair and tackled the guy. It took me a beat...but then all of a sudden, it was like a light bulb went off and I said, ‘That. Will. Change. Our. Business.’ It was incredible.”

— Carol Mills, Owner, Malia Mills

About Luxury Interactive



Luxury Interactive brings together luxury brand marketing and ecommerce executives, innovators and thought leaders, who offer insights and solutions for the most pressing issues facing the industry. The conference provides unparalleled opportunities to network with peers in luxury brand marketing. Attendees walk away from the conference having identified strategies to successfully drive and achieve brand objectives.

About ShopIgniter



ShopIgniter enables digital marketing leaders to reach and convert their social + mobile customers. Innovative brands and retailers use ShopIgniter’s platform to create, manage, and measure highly effective rich media posts and experiences that drive product discovery, exploration, amplification and conversion across Facebook, Twitter and Pinterest and mobile devices. Founded in 2009, ShopIgniter is proud to be headquartered in Portland, OR.

www.shopigniter.com
facebook.com/shopigniter
[@shopigniter](https://twitter.com/shopigniter)



“You did a great job attracting top quality attendees. It was a terrific turnout and an excellent cross-section of the luxury and interactive communities.”

— Wendee Lunt, Vice President, Global Marketing and Business Development, Tumi

About Worldwide Business Research



WBR is the world's biggest large-scale conference company and part of the PLS group, one of the world's leading providers of strategic business intelligence with 16 offices worldwide. Our conference divisions consistently out-perform their industry sector competitors on the quality of the events we produce and the relationships we nurture with both delegates and sponsors.

Every year over 10,000 senior executives from Fortune 1000 companies attend over 100 annual conferences – a true "Who's Who" of today's corporate world. From Automotive events in Bucharest to Logistics conferences in Arizona to Luxury conferences in New York and Finance summits in Hong Kong, WBR is dedicated to exceeding the needs of its customers around the world.

In addition to our industry leading conferences, our professional services marketing division, WBR Digital, connects solution providers to their target audiences with year-round online branding and engagement lead generation campaigns.

“As a first time attendee to Luxury Interactive the conference should be voted as the best digital interactive/mobile/social media/omni-channel event the year. The venue, agenda, meals, intimate business lounges, partners and attendees were top notch. The speaker roster (from Tory Burch and Tourneau, Gucci, Louis Vuitton, Brooks Brothers, Saks, to Donna Karan and Tumi), were all the attendees' peers, and they illustrated, without hesitancy or secrecy, the risks they took with their brand, the risks they are continuing to test, and that the results they are achieving are paying off. Excellence all around.”

— Maggie Athoe, VP, Catalog Spree

