

RECESSION-PROOFING THE AFFLUENT MARKET

August 2008

In tough economic times, it's tempting to discount your product to increase business.

But take a cue from how Ritz-Carlton Hotels rode out the economic slump of the early '90s and stayed firmly atop the luxury category. "When times are tough," former Ritz-Carlton executive Joseph Freni Jr. once said, "raise your rates."

Tongue-in-cheek, perhaps, yet the message was clear: It can take a long time to re-earn prestige once your product is compromised or degraded by discounting. Cutting rates damages the product in a reputational sense by diluting the "air of exclusivity" and alienates the core customer.

Savings and value adds, not discounts

Today, luxury travel marketers are working in one of the most competitive environments ever, and facing the challenge of staying atop the pyramid. While their affluent customers consider travel an essential part of their lifestyles and are reluctant to forgo vacation spending, they have very high expectations, recession or not.

We encourage our clients to enhance their offerings, which are perceived as added value, while highlighting ways to save by traveling smart (off season and midweek for resorts, weekends and U.S. holidays for urban hotels, etc.) in lieu of slashing prices. A recent survey of more than 3,700 millionaires by Russ Prince and Lewis Schiff, authors of the book "Middle Class Millionaire," revealed that close to 90% of U.S. millionaires, with household incomes of \$1 million to \$10 million, say they would increase their spending if offered a special value add.

UPPING THE SERVICE QUOTIENT

To stay in the luxury game, it's just as important to astound guests with a platinum standard of amenities and services, to elicit the "wow factor" among experienced consumers, and to create expectations before they realize they have them. Think of services that are unique, extraordinary and authentic.

Tall order, this one. In Accenture's "Customer Satisfaction in the Multi-Polar World" survey, more than half of consumers reported their expectations for better service increased over the past five years. One-third said they were higher than a year ago.

Affluent customers are seasoned world travelers with sophisticated, discerning tastes. Think well beyond the general manager's welcome letter or a complimentary bottle of wine or fruit – they're trite and formulaic.

"I don't believe in the logic that a hotel is a home away from home. A hotel should be infinitely more than your home," Ali Kasikci, former managing director of the Peninsula Beverly Hills, told *Town & Country Travel* in a piece entitled "The Perfectionist." Guests today require their every desire, expressed or unspoken, to be met. "Look at a person's lifestyle and connect the dots," Kasikci advises. His staff constantly gathered information about guests' likes and dislikes to add to the hotel's bulging databases. The gum chewer received packets of gum. The thirsty television producer was delighted with extra mineral water. An expectant mother and loyal guest even received a crib from Neiman Marcus as a gift.

The possibilities for innovative hotel services are endless by forming alliances between like-minded companies. *Vogue.co.uk* recently reported that Net-A-Porter.com now offers an "emergency wardrobe service" for guests at select Soho House members' clubs/hotels. Forgot a pair of shoes or suffering from embarrassing stain? Guests can enjoy same-day delivery of items from Net-A-Porter's exclusive online collection of designer clothes, shoes, handbags and accessories.

At the same time, fine service is a fine line. Overly attentive service can become obtrusive or overbearing - a big "no-no" with Gen X'ers, in particular, who prefer an atmosphere of informal luxury. Inherently understanding customers' needs and expectations is key, as high-end consumers won't tolerate service providers who don't deliver.

Your VIP hotline has an annoying voicemail menu? Your maitre d' asks valued customers for their phone number each time they make a reservation? The concierge isn't on your "A" team? You've lost them.

SURFING FOR SERVICE

Today's internet-savvy customers surf the Web for all their needs. Online retail business is expected to increase from \$175 billion in 2007 to \$335 billion by 2012, according to the National Retail Foundation as reported by *Luxury Briefing*.

Think in terms of www.gucci.com, www.louisvuitton.com and the much-anticipated bridal portal from www.verawangweddings.com, which are thriving in this highly competitive marketplace. These über-stylized online stores have learned to drive more internet-savvy customers to their Websites by bolstering their brand message online – communicating a lifestyle vision that represents both the brand and the customers who shop there.

This firmly entrenched consumer habit creates opportunities for travel products to extend their brand's presence online by providing more content-rich information to attract guests before they even arrive. They need to become a coveted online resource about their destination, connecting guests to their location. Among luxury hotels and cruise lines, consider providing insider tips for visitors, such as bespoke guides or an insider's city walk. Perhaps recommend the hottest power tables in town/port or the best consignment shop for vintage fashions. Or adding an RSS subscription or posting Trip Advisor reviews about your hotel to your Website.

This strategy saves visitors the trouble of visiting yet another Webpage while building relationships and brand loyalty.

SHOPPING AS A SERVICE

What do people do on vacation? Shop, of course. Providing unique mementoes of a vacation are a welcomed part of the service package. This creates another means to extend your luxury branding while boosting your bottom line.

The roots of this trend go back to New York's The Benjamin Hotel, which introduced the first sleep concierge (a KWE group brainchild in the late '90's) with a pillow menu, offering everything from body pillows to an assortment of fillings and shapes. The campaign took off, the publicity was tremendous, and the hotel launched a new revenue stream selling its signature pillows. Westin followed soon after with its "Heavenly Bed" and linens, becoming a huge success in publicity and revenue.

New Luxury mementoes: Cashmere, Silk and Slippers

Now, haute hotels are transforming souvenir shopping by partnering with top designers to create limited edition goods. These are not sold elsewhere, thereby making the products even *more* exclusive. Christian Louboutin is leading the way at One & Only resorts by creating a limited-edition collection of espadrilles, only available at the resorts and in a limited number of Louboutin boutiques. Guests of Mandarin Oriental hotels in London and New York receive cashmere eye masks designed by Donna Karan, plus a gift certificate redeemable for matching slippers at the local Karan boutiques.

In due time, expect to see designer/resort apparel and keepsakes of the chicest nature going home in travelers' Louis Vuitton trunks. If the "Birkin" bag is any measure, why not design a Hermès beach tote only available at a resort in the Maldives?