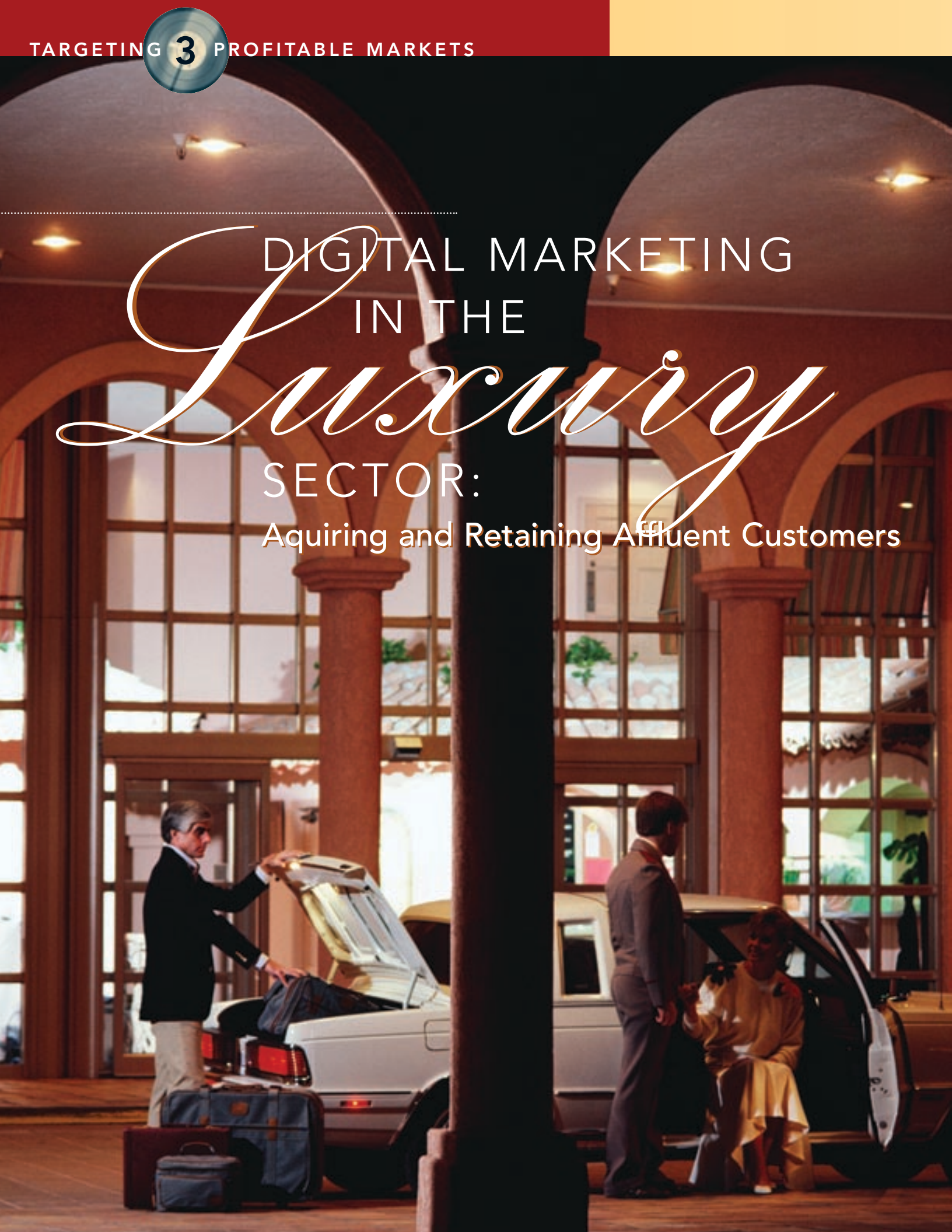


DIGITAL MARKETING
IN THE
Luxury
SECTOR:
Acquiring and Retaining Affluent Customers



If you're a luxury travel marketer, acquisition is about being able to plug potential customers into the heart and soul of your brand quickly and effectively. To retain their business, you must be able to demonstrate that you know your customers and understand their unique and changing needs.

BY TIM STOCK AND MARIE LENA TUPOT

Thanks to bargain-hunting travelers and the growing use of the Internet for more than just airplane tickets, the online travel business is strengthening. Better still, the online outlook is brighter than that of the industry as a whole. In fact, Jupiter Media Metrix reports that travel advertising online has returned to 94 percent of its pre-September 11 levels.

A Rose-colored View

That's great news for the majority of hospitality suppliers, but what does the resurgence mean for the luxury travel market? The rosy outlook has come through special deals and bargains for travelers that are creating a serious profit crunch for the luxury niche. In fact, Ernst & Young expects industry profits to tumble 18 percent to \$18.4 billion this year, down from \$22.5 million in 2000.

Yet it's no surprise that price-slashing practices benefiting budget or mid-tier travel may not be appropriate for luxury travel. Marketing discounted rates whether online or offline won't appeal to discerning luxury customers. And, sadly, should another catastrophic event occur, no amount of discount will ever get these customers back.

Still, luxury marketers need to search beyond their short list for new customers. And, without a doubt, digital marketing

is the way to go. Along with getting the word out to new prospects, digital marketing enables luxury marketers to strengthen their identities, too.

Luxury Demands Service

Throughout every point of the sales cycle, today's sophisticated leisure and business travelers seek a combination of service and style that makes them feel pampered. Pampering is the hallmark of luxury providers—a trait that affords world-class reputation and market premiums. From most angles, these providers maintain a lofty status. Despite their reputation for cutting edge person-to-person service, these same providers lag behind the travel industry's more competitive tiers when it comes to using the Internet.

Traditionally, luxury travel providers have viewed computerization as the antithesis of service and style, rendering online media an unacceptable marketing tool. However—with the current climate compounded by increased competition, rising operating costs, shortages in labor and the overall need to do more with less—digital media could not be a more potent tool if used correctly. In the case of luxury travel, technology can be used to strengthen the service encounter by improving delivery, consistency, reliability, accuracy and speed or efficiency. Is efficient and robust communication not a luxury? Marketers can gain rich knowledge by developing a new dialog with customers.

Success is in the Planning

Just like any serious marketing effort, working with digital marketing requires a plan that is in line with the key strategies of a property's business model. Luxury travel marketers first need to take a step back and think about the goals of their traditional media, and apply those goals to their digital campaigns.

A luxury hotel, for instance, would not be advised to embark on a sweeping email blast or promote deep discounts through Internet advertising. Neither tactic would efficiently bring loyal customers, although a few stragglers may come calling once or twice.

The typical goal of a traditional luxury marketing campaign is to reinforce branding, to overwhelm potential customers with the "wow" factor. Nevertheless, the savviest luxury providers know that they must offer substance along with brand-enhancing messages. One Chicago hotel provides customers who have arranged in advance for limousine transportation from the airport with a "limousine menu." Their order is delivered to their room upon check-in. These amenities can easily and effectively be brought into online marketing for a more robust digital experience. A convenience, such as a "limousine menu," could be made available to customers through email or even on the property's Web site.

Meanwhile, a Las Vegas resort chose to make the online booking experience

easier for travelers who prefer human interaction, by adding voice call capability to their email communications and Web site.

Fortunately, marketers don't need to realign the stars just because technology exists. Some of the most powerful upgrades include simply revamping online content to better outline valuable services provided or regrouping online content to reflect the convenience of an "online concierge."

Know the Customer

Whether embarking on an email, online, GDS, PDA or wireless campaign, luxury providers first need to know whom they want to market to—no matter how finite the profile of choice. To begin the dialog necessary to acquire customers, it's better to have a small universe of 100 highly-likely-to-book potentials than 20,000 broad possibilities.

This enables that flexible service for the same type of transaction can be provided while still maintaining customer satisfaction. These potential customers can then be segmented into like groups based on the types and levels of service they desire and require. Once these scenarios have been broken down, marketers can zero in on the important elements of the campaign: the quality of the list or the media buy, the offer and the creative exe-

cution. Personalized, tightly woven campaigns will be the antidote to spam and will be key to building lifetime value.

We all recognize that travel has been hit hard by recent events, but there are luxury travel customers out there ready to accept marketing messages. Even in light of circumstances, Forrester reports that 48 percent of Web buyers are unconcerned about the economy. They are not concerned that the economic instability will affect them and are responsible for 52 percent of total online spending. These consumers are relatively affluent compared with their offline counterparts and therefore are more attractive customers for luxury marketing.

According to Jupiter, four online travel agencies and three airlines are among the top ten online travel advertisers, accounting for 70 percent of the market. As the market continues to rebound, these travel advertisers are gaining fertile ground—and the data they need—for explosive growth. The question is: Will you be among them?

What's the Point?

That said, what can luxury marketers expect to garner from an effective digital campaign? Definitely, brand recognition and information that allows marketers to confidently follow up with interested customers. Ideally, a depth of relationship

that provides for a more targeted segmentation.

Certainly, a better click-through rate and higher customer satisfaction.

Marketers should be setting metrics that work toward establishing a foundation for future, more highly targeted, campaigns. A small group of luxury hotel properties, for instance, may want to track how they can migrate

customers from one property to the next. Another luxury provider may consider how to turn business travelers into leisure travelers—or vice versa. Keep in mind, no matter how you slice it, acquiring customers is expensive.

Whether sending traditional direct mail, using banner ads or renting lists of email addresses, media cost and response rates drive customer acquisition costs anywhere from \$70 to \$250 according to Forrester Research. The premium benefit of using online media is that it can be applied incrementally from one niche to the next, allowing marketers to monitor real-time effectiveness at each step. As they gauge results, marketers can make quick decisions about whether to invest more in certain niches or not—an attribute that's especially important with today's restrictive budgets.

Debunk the Myths

1. Digital marketing is not a quick and dirty substitute for direct mail.
2. Digital marketing is not always the least costly solution, but acquisition rates for digital marketing reach 2.5 percent versus 1 percent for direct mail.
3. Digital marketing does not alienate consumers from the personal touch. In fact, it can help define the value-added service that differentiates a luxury brand.
4. Digital marketing does not necessarily require a vast pool of consumers. Highly targeting niche segments proves to be the most effective technique.
5. Digital marketing is not an all-or-nothing proposition. Digital services can and should be scaled and tailored to customer needs and preferences.

Retention

We've discussed the advantages of employing digital marketing to attract discerning luxury customers – even in these economically trying times. In this segment, we'll help you hold on to them.

Studies indicate that luxury marketers are far outpaced by their lower-end counterparts when it comes to digitizing their messages. Yet, digital marketing could play a key role in retaining luxury clients already won over. Loyalty is a major issue today, especially since

Comparison of Acquisition Vehicles

Vehicle	Email	Direct Mail	Sponsorships	Banner
Click-through	7%	N/A	1.5%	.5%
Conversion	2.5%	1%	2.5%	2.5%
Response	48 hours	3 weeks	48 hours	48 hours

Source: Jupiter Communications, 4/00

Comparison of email vs. direct mail as retention vehicles

Today's marketers primarily use targeted email promotions to grow consumer loyalty.

Vehicle	Email	Direct Mail
Click-through	10%	N/A
Conversion	5%	3%
Response	48 hours	3 weeks

Source: Jupiter Communications, 4/00

there are no extra dollars to acquire new users. With loyalty programs a determining factor in choice 75 percent of the time, according to InsideFlyer magazine, now's the time for luxury travel marketers to assert their advantage over mass marketers. After all, luxury marketers are in a good position to exploit the lack of creativity found in the big brands' reward programs. They can easily use digital marketing as a tool to elicit loyal consumer behavior and attitude. And they are well equipped to execute the rewards that reach the core of their guests. It's imperative that luxury companies consider taking risks to stand out in these tough times. They must go beyond the typical promotions of their middle market competitors. With a more finite niche market, luxury providers have more to lose. Each customer is worth significantly more money over time. And ultimately, there's no question that loyal customers cost less to keep.

The Desired Creature Comforts

The question is "What defines luxury now?" A survey commissioned by Advertising Age and conducted by Ziccardi Partners Frierson Mee, New York, found that high-income consumers purchase luxury goods in a quest for well-being rather than a quest for status. That puts quality and value at the forefront for consumers. Brand name alone isn't nearly as influential today. And according to industry executives who participated in a recent Wall Street Journal article, customers in the new anti-terrorism era place comfort and service above boutique avant-garde. Of course, digital marketing offers one of the fastest, most cost-efficient ways to remind your luxury clients that you're there to serve them. Whether it's an SMS to remind Mr. Johnson to avoid delays by checking in for his flight early or an email suggesting a little R&R and offering complimentary spa treatment, digital media enables you to tailor your message to a particular client. And, with each "personalized" interaction, your property can strength its own identity as a luxury service provider.

Plan your retention strategy

In addition to emphasizing this new "well-being" definition of luxury across the board, luxury marketers should capture transactions based on their business model and long-term marketing goals. As with acquisition, your plan should fit into the key strategies of your property's business model. Following the paradigms below will set you on your way to digital marketing success.

Be complementary. Your digital efforts should enhance, but not duplicate, your traditional media outreach. Consider campaigns that could be pulled from your more anonymous, mass media outreaches. Would the campaign be more cost-effective from a digital platform? Or should you synergize those broader traditional campaigns with personalized digital messages that "speak" to your returning customer as if you really know – and care – about him or her? Conversely, digital methods should be used in tandem with traditional media. For instance, ads and postcards could be used to drive customers to promotions available on your site.

Tailor your campaigns. Luxury marketing is all about caring and personalizing each point of contact with a client. Think about the information you've captured on each particular client. Airlines are already working to capture the food and drink orders of top-notch customers so their First Class stewards can simply ask if Ms. Bentley prefers the cabernet sauvignon she ordered last flight. Even if Ms. Bentley is in the mood for a Chardonnay, she'll certainly appreciate the effort taken to serve her unique preferences. Does Mr. Chadha always check in on Thursday night and order mango curry as soon as he reaches his room? Proper info-crunching could result in a digital prompt before he arrives – and a steaming meal waiting in his suite. Go beyond demographics.

Recognize the behavioral patterns and design offers around affinity groups, such as those who appreciate cultural amenities or those who appreciate comfort amenities. New York's Carlyle Hotel recently announced its "Art of Discovery" package via email to the hotel's guest-

book subscribers. The package offers elegant residential accommodations at The Carlyle Hotel on Madison Avenue and 76th Street and a very personal experience at The Metropolitan Museum of Art.

Make it worthwhile. What's the point of transacting online if it isn't going to be faster and easier? Everyone has less time to spare these days. Give your loyalty members functionality they can appreciate. Some of the most important factors in a loyalty program, according to a study of 7,500 frequent travelers funded by Six Continents Hotels, are instant online redemption, easy point transfers and point purchase, extended check-out and personal shoppers. Use the Internet to "listen" to your loyal consumers.

Capitalize on the fact that everyone loves to give advice and solicit consumer input. Last year, at the suggestion of a Preferred Guest, Starwood introduced a member referral reward program. Starwood received the feedback during a focus group session. However, such information can be easily culled via online surveys. According to a Forrester Research survey, marketers rate online surveys as very effective in creating loyalty.

Choose partners in line with your brand's identity. Make sure whomever you choose is on par with the caliber of your brand. For example, Hilton Hhonor recently added luxury online retailer Ashford.com to the program's family of merchandise partners. Members can redeem points for Ashford.com gift certificates in denominations of \$100, \$250, \$500 and \$1,000.

Be prepared to embrace change. Keep your radar on for market shifts in these fast-changing times. Don't sit back and wait for the market to come around again. Be proactive and meet the market head on. Seeing a strategic shift in consumer interest from flying to driving, Coyle Hospitality Group launched the Frequent Driver Miles loyalty program in which small and independently owned hotels offer travelers reimbursement for driving to their hotel.

Regularly revisit existing efforts. Hyatt Hotels Corp. renovated Hyatt.com and 100 Web sites worldwide in order to integrate Gold Passport online and attract



Ten questions luxury marketers should ask themselves

Often times the most elementary marketing principles are overlooked when it comes to embracing digital solutions. Here is a simple checklist to follow:

1. Is your online information current?
2. Is relevant information reaching loyalty members?
3. Are you anticipating the needs of loyalty members?
4. Are you focusing on those who rate their stays as outstanding, as well those who rate their stays unacceptable?
5. Do you know what other point programs your loyalty members are involved in?
6. What differentiates your loyalty efforts from the competition?
7. Are your initiatives saving loyalty members time and effort?
8. Are you maximizing the relationship with loyalty partners?
9. Do you have a mutually beneficial relationship with your loyalty members? Both offline and online?
10. Are you surprising your loyalty members with things they did not know about your brand?

frequent business and leisure travelers to book accommodations over the Web. Frequently, sites don't need major overhauling just well thought out tweaks and tightening. That's good news for your budget. Use the element of surprise.

Think ahead of your loyalty members and surprise them with things they didn't know about your brand. With the proliferation of loyalty programs, it's important to emphasize a property's uniqueness. For example, did you know that Loews Hotels has a "Loews Loves Pets" program replete with canine amenities? Certainly, dog-owning loyalty members might like to know.

Identify valuable prospects. Use data from more loyal customers to determine prospects. Look for indicators of loyalty and market accordingly. For example, if your more loyal customers are business travelers who request the concierge floor, round up the customers who follow this pattern but are not yet loyalty members. Remember, loyalty develops through a process. Why not begin here?

Identify drops in loyalty early on. Tracking customer behaviors and attitudes will alert you to customer satisfaction lev-

els. According to Forrester Research, satisfaction monitor Satmetrix has helped clients retain up to 95 percent of potential defectors who triggered an alert. In response, marketers can create more effective win-back campaigns based on what worked on other customers with similarly declining loyalty indicators.

Reaping the Benefits

As with digital acquisition marketing, digital retention marketing efforts can be tailored to niche clusters, monitored in real time, and adjusted quickly based on client response. Because you're speaking to the desires of a niche you know – and because you can alter your offer after a test-send – your ROI should rival, if not surpass, more traditional marketing methods. Just by making simple alterations where need be, the most perceptive marketers can reap ample rewards from their digital quest.

Know your customers' scenarioDNA

Grouping customers according to scenarios creates more effective targeting than segmenting customers by profiling alone. The combination of profile and scenario

allows marketers to reach customers at the point of greatest relevance. A point that is all important when dealing with the luxury market. Why? Luxury guests want tangible evidence that the brands they favor know they are important. And if you don't have an established loyalty program, act like you do by selectively reaching out to those customers on your frequent consumer short list. Following the traditional travel cycle, a few basic scenarios for luxury customers could include:

Pre-trip Planning. A loyalty member wants to view exclusive programs, promotions and packages.

Digital Enhancement: Make certain that loyalty members can access their account online. Many sites only allow new customers to register for their loyalty program online. Make sure your online program is compatible with all accounts. Existing members should be able to log in and enjoy the benefits of membership.

En Route. A loyalty member wants to redeem points for last minute upgrades.

Digital Enhancement: Allow loyalty members to exercise all their membership privileges online. It will save members time and money, as well as save you from costly customer service expenses. All loyalty program features should be fully functional online. A push-to-talk component could be incorporated for more intensive transactions.

Destination. A loyalty member wants to apply points to destination amenities.

Digital Enhancement: Why not allow loyalty members to apply points once they are at their destination? Enable them to input their registration and apply points for tee-time, spa services, cabanas, etc. These types of services could be made downloadable for PDA access or wireless enabled.

Post-trip. A loyalty member wants to give feedback on their stay.

Digital Enhancement: Don't miss the opportunity to interact with your customers. Provide them with online forms that make it easy for them to pat you on the back or complain. Don't confuse them with a long list of email addresses. Feedback forms should be straightforward and customers should receive instant acknowledgement of receipt. ■