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Luxury marketers should focus beyond the affluent: Shullman

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[1]

Image courtesy of Neiman Marcus

In a surprise twist for high-end marketers, it turns out that the majority of sales for luxury products come from Americans whose household incomes are less than $100,000 a year, according to Shullman research.

Many luxury brands think of themselves as catering to the affluent consumer with yearly salaries over $100,000, but research is showing that average Americans make up the majority of customers. While those with higher incomes spend larger amounts and buy more frequently, the average customer still makes a big impact for these brands, as they outnumber the affluent.

“The majority of the 67 millions adults who buy luxuries are mainstream Americans with household incomes of less than

$100,000 while many luxury brands discuss their ‘sweet spots’ for luxury buying as starting at or being greater than $100,000,” said Bob Shullman, founder/CEO of The Shullman Research Center. “These mainstream Americans with more moderate incomes tend to buy luxuries less frequently and spend less on them than their affluent counterparts with higher incomes, but these mainstream luxury buyers are a very important part of the luxury business model for many luxury brands.

“Also among these mainstream consumers who buy luxuries, millennials were the most active buyers and their getting into buying luxuries is a wonderful opportunity for luxury marketers and their agencies to convert these younger customers into more regular customers as their financial profiles improve,” he said.

Affluent vs average

The Shullman Research Center showed that during 2016, major luxury retailers’ sales dropped. Nordstrom, Neiman Marcus and Saks were among numerous retailers that revealed lower revenues.


[2]

Shoppers

However, if these retailers start to look at the middle class as a major revenue driver, they can see serious potential. More than 67 million consumers from the United States bought items from a luxury retailer or brand, but 37 million of them make less than $100,000 a year.

 [3]

Millennial shopper

Millennials seem to be the driving factor behind this change by being the most active group in the luxury market. However, the biggest spenders within the higher income bracket, specifically those who make more than $250,000, are made up of Gen-Xers and Baby Boomers.

Generational gap

Another report from Shullman Research Center showed that millionaires from the X generation hold onto traditional luxury events while millionaire millennials are straying away from happenings such as fashion shows and auto races.

While there are vast differences in culture, behavior and values between lower income consumers versus millionaires, this also holds true for differing generations. For instance, family is the top priority in millionaire Gen-Xers' lives with 89 percent believing so, but only 67 percent of millionaire millennials say the same (see more [4]).

Also, while 2015 boded well for the diamond industry, 2016 was not so favorable, as a 2 percent decline fell upon the industry's global revenue, according to Bain & Company.

The firm's report showed that in 2015 diamond revenue grew 3 percent, whereas 2016 saw a 2 percent reduction in the United States as well as on a global level. Rough diamond sales fell almost 24 percent due to the decrease in cutting and polishing purchasing volumes (see more [5]).

"Luxury brands really need to understand how the U.S. is structured by potential buying power (by household income) simultaneously by the four generations (millennials through seniors)," Mr. Shullman said. "This brief provides these critical insights by 24 discrete and useful market segments and then follows up the marketplace structure by indicating how many consumers in each of the 24 multi-dimensional segments actually buy luxuries."

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