



Ramey

NEW HOUSE RULES FOR MARKETING HIGH-END HOME PRODUCTS

Chris Ray

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CHRIS RAY
CEO, RAMEY

Over the last 30 years, Ray has worked with some of America's most notable high-end home brands – and led them to the ever-evolving affluent consumer.

I TALK TO a lot of marketers of high-end home brands. And all of them – 100% – say that they have never felt as challenged as they do right now to build a strong brand that connects with their affluent prospects and delivers immediate sales.

Why do you suppose that marketers feel that this moment in time is the most challenging? What is it about today that is harder than a year ago or even a decade ago, when premium home brands were struggling through the recession?

Intense Pressure for Immediate Sales

FIRST, THE OWNERSHIP and leadership at your company is applying intense pressure to grow top-line revenue at a greater intensity than in the past. Executives are less interested in building long-term brand equity and more interested in sprints that quickly generate sales. In fact, nearly 70% of CEOs today believe that CMOs should be leading revenue growth. A talented CMO told me that if he were to bring brand-building ideas to the C-Suite, it would be suicidal for his career. Think about that for a moment.

Sure, some of this phenomenon may be attributable to the two- to three-year worldview of private equity, with its pressure to fix and flip a company quickly – or the publicly traded companies that are slaves to quarterly earnings. But I also feel that the marketing world has gravitated down-funnel over the past few years, which is particularly challenging for a high-end, premium brand.



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I Don't Even Know Where to Start



NEXT, YOUR MOST profitable affluent consumer prospect becomes more elusive each day. That is, assuming you even know who she is. I spoke at length to the head of a dynamic brand with a new, game-changing home product. Given that the product was new to the market, he obviously didn't have a customer database. But he also didn't have a clear picture of his best prospect — who she was, where she lived, her income, buying habits, and so on. "I don't even know where to start," he told me. "And I have a big sales target next year." Even those marketers with sophisticated CRM systems are feeling stymied by ad blockers, privacy regulations, and other trends that make their prospects harder to find. But knowing who your best prospect is and how to reach her is a fundamental building block, so you need to get it right.



The Lengthy Path to Purchase

84%

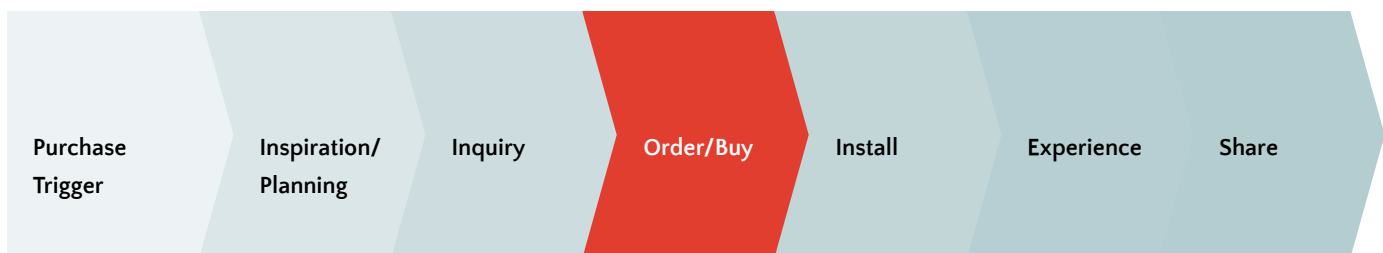
Percentage of CMOs who believe data collection and management is essential.

49%

Percentage of CMOs who think they do it well today.

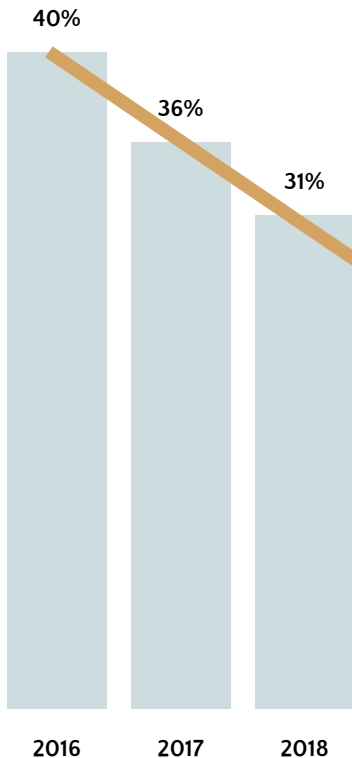
THIS CHALLENGE IS a big one: For a highly considered, expensive purchase, there's more often a lengthy path to purchase that can be cumbersome and difficult to navigate. Marketers must figure out a way to generate immediate sales. In some cases, two-step distribution gets in the way, and by the time a prospect reaches a dealer, the manufacturer or brand has lost all control of the relationship with the buyer. In other cases, it may be a much longer consideration phase

where the prospect is actually researching (and considering) more brands, rather than narrowing down her options. Regardless, consumers are demonstrating that they will take the time to carefully vet big-ticket purchases before buying — and marketers must better use data to target the right customer with the right message. Unfortunately, 84% of CMOs believe data collection and management will be needed to drive customer insight, but only 49% think they deliver well on that today.



Affluent Budget, Middle-Class Values

Affluents reporting they're likely to increase luxury spending.



ONE THING IS for certain: The affluent consumers whom you are targeting don't behave like they used to. Marketers are sometimes surprised to learn that Affluents spend as thoughtfully as their non-affluent friends and neighbors. Of course, it's probable that their thoughtfulness may be directly related to the fact that they spend twice as much as average households on the items they buy, but I also believe that their buying

habits were shaped by their middle-class values. We've seen declining spending in luxury products over the past few years. In fact, affluent consumers who expect "to spend more on luxury this year, compared to last year," have decreased from 40% to 36% to 31% over the past three years. That's a nine-point drop in 36 months.

9 pt
decrease

“Astute marketers – those who ultimately win – will guard against cheapening their brands...”

THE BIGGEST CHALLENGES
FACING MARKETERS

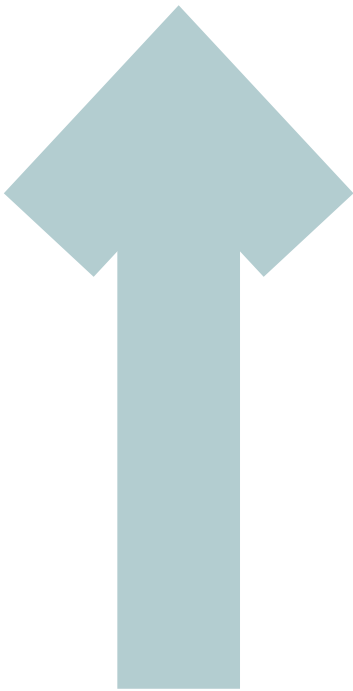
Discounting to Death

NEXT, YOUR COMPETITORS are actively discounting, but you can't really afford to eat into your margins by doing the same. Astute marketers – those who ultimately win – will guard against cheapening their brands while they also protect margins – even if long-term brand-building might be a concept currently out of favor in certain boardrooms. In a recent Black Friday weekend, high-end goods

saw the steepest volume of discounting compared to other categories. We're seeing this trend with one of our own clients, who is watching in slow motion the long demise of a once-powerful competitor as it has discounted its way from a storied high-end retailer to the sale aisles of big-box retailers. They are discounting themselves to death, literally.



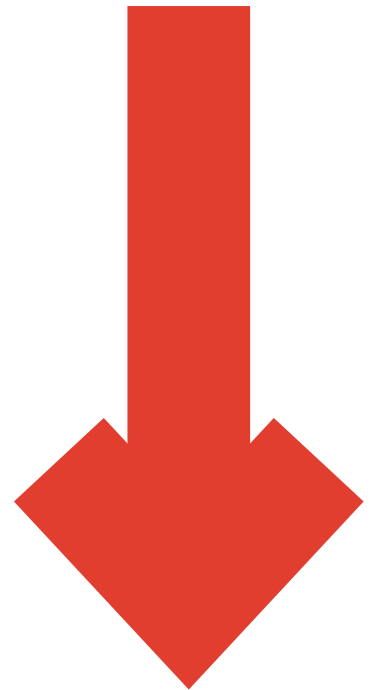
Waiting For the Downturn Shoe to Drop



64% of companies report revenue growth between 2018 and 2019.

AND TO TOP it all off, I hear that marketers feel all of these challenges in an economy that represents the longest expansion in American history. There is a sense of anxiety about the potential for another downturn right around the corner. With political turmoil, trade wars, and inverted yield curves, some fear that we are in a frothy time at the moment that can't last. "Waiting for the downturn shoe to drop only adds to the pressure I feel," said a marketer friend recently. A recent report showed that despite 64% of companies reporting revenue growth between 2018 and 2019, roughly 4 in 10 CMOs surveyed said that their budgets will either flatten or decrease over the next year.

Yet, 4 in 10 CMOs project flat or decreased budgets in 2020.



A Glass Half Full

I don't mean to paint such a dire picture of the marketing landscape because, fundamentally, I'm a glass-half-full optimist. I'm certainly pragmatic enough to understand these challenges, as well as the anxiety that they may be causing among marketers. But I also believe that technology, creativity, thoughtfulness, and big ideas are still some of the best legal means to gain an unfair advantage on your competition.

To be a successful marketer in these challenging times, you must know how to find, reach, and motivate affluent consumers to buy high-end home brands and products. Thankfully, there are a few best practices that we see across our client base and the category, where brands are doing well — and equally important, are poised to thrive in an uncertain economy. Here are a few of them:



Rule 1: Leverage a Proprietary Database

FOR STARTERS, leverage a proprietary database of affluent consumers to find your prospect with pinpoint precision. If you have a good database already, how might you augment your existing data with new primary or secondary data? If you don't have a database, find a marketing partner to help you. We've worked alongside clients in both of these instances.

For a client with a solid CRM system, we helped develop look-alike modeling of their best customers in order to build a more robust prospect list. For a client with absolutely no data, we've worked with our data partners to build a proprietary list of affluent consumers based on everything that we've learned (and written about) during the past several years. We then launched a beta campaign to quickly amass consumer data from those who responded to our campaign – which can then be used to target the right prospect going forward.

That's what I mean when I say that you must find your prospect with pinpoint precision. With finite budgets, the better you know your prospect, the further your marketing dollars will work for you.



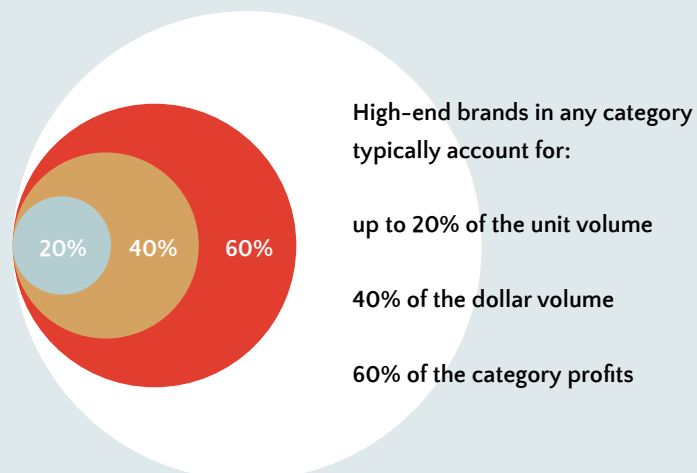
Bring your prospects into pinpoint focus.

Rule 2: Ensure Your Brand Commands a Premium Price

Avoid reframing the conversation with your executive team as building long-term brand equity. Instead, demonstrate that a well-positioned strong brand performs at a different order of magnitude in the short and long terms compared to brands with weak positioning, differentiation, and specialness. The strong brand isn't the end game but, rather, the means to an end — a proven method of protecting margins and justifying price.

ANOTHER BEST PRACTICE is to ensure that your brand position commands a premium price in your category. That may sound obvious in the high-end home space, and/or it may sound ridiculous if your executive leadership is more focused on short-term sales than long-term brand equity. But your financial success requires you to position your brand at the premium end of the category.

According to Michael Silverstein, author of *Trading Up*, the high-end brands in any category typically account for up to 20% of the unit volume, 40% of the dollar volume, and a remarkable 60% of the category profits. Michael's team noticed this pattern across every business category that they studied — home goods, clothing, food, sporting goods, you name it. Moreover, the 20/40/60 Rule remained valid in both good and bad economies.



Rule 3: Build Content that Drives Engagement and Sales



SPEAKING OF SPECIALNESS, a timeless best practice remains to build content that decisively generates engagement and sales among your most profitable prospects. Why is this a critical mandate? As brands have migrated to more down-funnel tactics, many have mistakenly focused so much time and effort on these tactics that they often lose focus on the quality of their content – and it requires a “both/and” focus to be successful.

I’ll give you an example. A marketer friend was telling me about using low-cost data, such as Google search queries, to help determine the timing of his search and retargeting efforts – a great idea. But he couldn’t quite understand why

he wasn’t getting the kind of traction that he thought he should. I asked if his content was still as good today as it had once been when he’d launched the brand a few years earlier. After thinking about it, he acknowledged that he had been paying less and less attention to the content than the tactic – and that the content had most likely gotten stale.

Ramey has certainly been impacted by the content wars – and so we have changed our approach to building sales for our clients. We now rely on in-house photographers who can generate dynamic content in near real time. We launch multi-location “Insta-ready” events. We are thoughtfully producing still and motion content that fits not only the client’s brand but also the unique features of each channel. All of this work is designed to set apart our clients from others in their category with creative that deeply connects with our prospects.

Rule 4: Deliver Your Campaign to the Exact Right Prospect

FINALLY, YOU MUST deliver your campaign flawlessly to the exact right prospect. We live in a remarkable time when this is possible, thanks to constantly evolving technology and a team of brilliant strategists, content delivery experts, and analysts, who ensure that the content you worked so hard to develop gets to the right person. It's really about both creating better content, as well as delivering that content better than anyone else.

At this moment in time, you should be employing a cross-channel and cross-device media strategy that allows for in-the-moment delivery using tactics such as online display,

social media, paid search, email, connected TV, streaming audio, and geotargeting. This allows you to tell a progressive story through creative content and then optimize results in real time — reaching your exact right prospect with the right message at critical moments during their path to purchase.

If you aren't using some or all of these delivery strategies and tactics, then find a marketing partner who can help you deliver your content to the exact right prospect.



Apart From the Pack

YES, WE ALL face marketing challenges at this point in time. We have impatient executives, elusive consumers, too-lengthy sales cycles, discount-driven competitors, and a ticking clock before the next downturn. That said, we also have more tools than ever before to set ourselves apart from the pack with thoughtful, idea-driven work, flawlessly delivered.

I maintain that today, it is completely possible to find, reach, and motivate affluent consumers to buy high-end home brands.

There will be a relatively small group of marketers who can and will figure out a way to do it.

What a great time to be a marketer...

The New House Rules

1. LEVERAGE a proprietary database of affluent consumers to find your prospect with pinpoint precision

2. ENSURE your brand position commands a premium price in your category

3. BUILD content that decisively generates engagement and sales among your most profitable prospects

4. DELIVER your campaign flawlessly to the exact right prospects



For more information or to discuss ideas for your brand, contact Chris at cray@ramey.com.

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About Ramey

Ramey is a marketing and advertising firm that has been built to grow leader brands.

For 35 years, Ramey has helped our clients find, reach and motivate affluent consumers to buy high-end home products.

Learn more at ramey.com

CURRENT AND RECENT CLIENTS INCLUDE:

The world's leading cookware company

The world's largest window coverings company

The world's largest geothermal manufacturer

The world's leading manufacturer of smart energy storage systems

The world's leading 3D software manufacturer

The world's first edge computing platform designed for the Internet of Things

The world's number-one resort for service (via *Travel+Leisure*)

The world's leading automotive manufacturer

America's largest privately held wireless carrier

America's top-performing community bank (via *American Banker*)

America's premier culinary college

America's fastest-growing utility company

One of America's largest privately held investment banks

The Ramey logo is displayed in a red rectangular box. The word "Ramey" is written in a red, serif font.