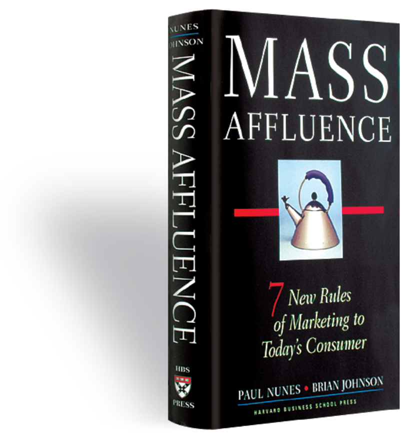
Concentrated Knowledge™ for the Busy Executive • www.summary.com

Vol. 27, No. 2 (2 parts), Part 2, February 2005 • Order # 27-05

Soundview Executive Book Summaries®

FILE: MARKETING



By Paul Nunes and Brian Johnson

Seven New Rules of Marketing to Today's Consumer

MASS AFFLUENCE

CONTENTS

THE SUMMARY IN BRIEF

In Mass Affluence*, customer management and marketing strategy experts Paul Nunes and Brian Johnson explain that we are witnessing a pendulum swing in marketing from "one-to-one" customer strategies back to mass marketing. But this is mass marketing with a twist: The targeted customers are not the middle class of the post-World War II era. They are richer yet more cautious consumers — and they won't respond to the strategies that worked with their middle-class predecessors.*

Based on extensive consumer research and practical application within many industries, Mass Affluence *outlines seven new rules of mass marketing aimed directly at what Nunes and Johnson call the "moneyed masses." Throughout, the authors illustrate how innovative companies are already successfully implementing these strategies — not with traditional "luxury" goods, but with high-end products that fill an often ignored middle ground in ordinary categories from household cleaning to apparel to oral care.*

Exploring the marketing implications of this phenomenon for the first time, the authors reveal how organizations can capture the latent value in a powerful — and largely untapped — market.

What You'll Learn In This Summary

✓ How to seize the unclaimed ground between luxury and mass-market positions.

✓ How to serve millions of diverse customers with the same product.

✓ How to discover must-have products that serve a special purpose.

✓ How to introduce new ownership options that convert the unaffordable into the affordable.

✓ How to offer new products that perform like investment opportunities.

✓ How to change sales locations, formats and the mix of offerings to optimize affluent consumption.

✓ How to devise cost-effective promotions to attract and retain masses of well-heeled customers.

Published by Soundview Executive Book Summaries, P.O. Box 1053, Concordville, Pennsylvania 19331 USA

MASS AFFLUENCE

by Paul Nunes and Brian Johnson

— THE *COMPLETE* SUMMARY

The New Mass Market

While most companies have been busy trying to build one-on-one relationships with their customers, a number of businesses have been making startling amounts of money from offerings that don't "know" their individual buyers very well at all. These products and services are based on the interpretation of widely held needs and are not particularly concerned with their buyers' specific characteristics. In short, they are mass-market offerings.

Procter & Gamble (P&G) has come back strong in the early 2000s from recent problems largely on the strength of a few new products. The company's July 2003 earnings report cited three examples of mass-market innovations instrumental in its return to success:

- **Crest-branded whitening products**, including Whitestrips and NightEffects, which helped grow a $50 million niche business in tooth whitening into a $750 million industry in just two years, with P&G grabbing 60 percent of that market.
- **Swiffer mop**, which pioneered the $900 million global surface-cleaning-system category, a category that virtually didn't exist as recently as 1997, and of which P&G now owns 60 percent.
- **Olay skin care products**, including Regenerist, a product that captured nearly a 10th of the facial moisturizer market in its first three months, and which, combined with Total Effects, gave P&G a 12-share gain in the category in a single year.

New Offerings With Mass Appeal

The phenomenon of producing successful new offerings with mass appeal is not limited to consumer products. Purchase categories from housing (Toll Brothers builders) to restaurants (Panera Bread) to clothing retailers (Talbots) to lifestyle purveyors (Tommy Bahama) have all seen their fortunes grow over the years by serving millions of diverse consumers with essentially the same product. New mass-market categories are emerging as well; they're poised to grow quickly and their range includes everything from car sharing (Zipcar) to shared personal chefs.

The companies that are meeting with success have altered their strategies to serve *today's* mass market — a market very different from the one that inspired the first mass-marketing movement. These companies understand that the principles of mass marketing as they knew them no longer apply. They know this because they recognize three major changes that dramatically affect the way in which today's customer must be courted.

Three Major Changes in Spending

First, today's consumers, en masse, are far more affluent in terms of wealth and income than their predecessors. This is particularly true for a certain segment of upper-income, but not extravagantly rich, households. Not only are averages up, but income is more widely dispersed than before.

Second, consumer spending patterns have changed, despite the increase in affluence. One change is a drastic reduction in per-dollar-of-income spending in the households that have the most. This pullback represents a tremendous challenge for marketers, but also an unprecedented opportunity for those with the right offerings.

Finally, consumers now want more options for spending their growing affluence, beyond traditional luxury offerings. In many cases, offerings perceived as lavish or luxury goods are being rejected outright. Affluent spending is no longer synonymous with luxury spending, and while some companies may achieve a measure of immediate success by shifting to a luxury-goods mentality, that success is unlikely to be broad based or long-lived.

The mass market has changed and continues to change; the rules of marketing must also change if they are to successfully capture today's mass market. ■

For additional information on the cycle of marketing approaches, go to: http://my.summary.com

The authors: Paul Nunes is an executive research fellow at Accenture's Institute for High Performance Business in Wellesley, Mass. Brian Johnson is a senior research analyst at Sanford C. Bernstein & Co., an investment research and management firm in New York City.

For additional information on the authors, go to: http://my.summary.com

Published by Soundview Executive Book Summaries (ISSN 0747-2196), P.O. Box 1053, Concordville, PA 19331 USA, a division of Concentrated Knowledge Corporation. Published monthly. Subscriptions: $195 per year in the United States, Canada and Mexico, and $275 to all other countries. Periodicals postage paid at Concordville, PA and additional offices.

Postmaster: Send address changes to Soundview, P.O. Box 1053, Concordville, PA 19331. Copyright © 2005 by Soundview Executive Book Summaries.

Available formats: Summaries are available in print, audio and electronic formats. To subscribe, call us at 1-800-521-1227 (1-610-558-9495 outside the United States and Canada), or order on the Internet at www.summary.com. Multiple-subscription discounts and Corporate Site Licenses are also available.

THE SEVEN NEW RULES OF MARKETING

Seize the New Middle Ground

The old rule said, *"Avoid middle-market positions between low-cost and premium."*

The new rule says, *"Seize the new-middle-ground position, above the best of the conventional offerings and below ultrapremium solutions."*

Back in the early-1800s, a single golf ball cost the equivalent of $150 to $400, making the sport prohibitively expensive. Nowadays, one can pay as little as a dollar for a new, name-brand golf ball at Wal-Mart or even less for an "experienced" one at a pro shop.

Interestingly, though, this 150-year downward trend is reversing — at least for some brands of golf balls. Certain brands in the golf ball industry have convinced consumers to multiply their spending for golf balls. Shrewd manufacturers created new premium offerings that fulfilled the unmet needs of golfers, while moving the selling price not by just a few cents, but to nearly double the previous high-end selling price. In other words, these manufacturers staked out a lucrative product position between ultimate luxury, in this case, handmade balls, and the recent high end of mass-market outlays. We call this opening in offering possibilities the *new middle ground*.

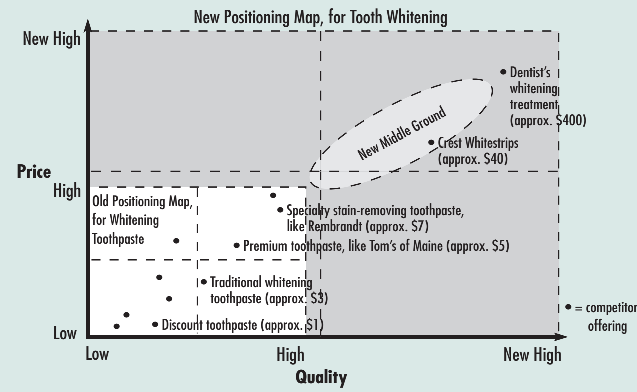
Staking Out the New Middle Ground

A select group of golf ball manufacturers successfully penetrated and exploited a new middle ground of market positioning. The success these manufacturers have enjoyed can be duplicated in many other sectors. Consumer research illustrates strong pent-up demand among consumers of all income levels for better-quality offerings sold at a premium but not pure-luxury price. The authors' findings include these two observations:

- **Neither existing luxury nor mass-market offerings alone satisfy both the needs and the budget of the moneyed masses.** A full 44 percent of households with over $100,000 in income agree that they often must choose between buying a product that meets their needs but is too expensive, and one that costs less than they would be willing to pay but is not really what they are looking for. This dilemma of unsatisfying choices is especially common for product categories like automobiles, housing, and personal care, and services categories like investing and entertainment. The gap between desirable and affordable offerings, experienced by all consumers, should serve as a marker of significant opportunity and a clarion call to action for marketers and executives in every industry.

- **Consumers would spend more to have their needs better fulfilled.** Even in difficult economic times, more than three-quarters of households with incomes over $150,000, and roughly 70 percent of all consumers, say they would spend more on their purchases if they could find better products and services that still fit their budget.

The New Middle Ground of Positioning



Expanded positioning map for tooth whitening from whitening toothpaste.

Rise of the Moneyed Masses

The rise of the moneyed masses, with the accompanying broad increases in income across top-earning households, obliges corporate executives to widen their product positioning maps. For example, if we consider not just the product called toothpaste but the goal of teeth whitening, we now see professional dental whitening treatments anchoring the upper end of ultrapremium offerings at the top of the map's spectrum. (See chart above.) This widening of the product positioning map creates a newly visible gap — the new middle ground — between the superpremium offerings and the old set of offerings. The widening creates a new awareness of what consumers are really willing to spend in the market. In this case, it highlighted the opportunity for P&G to enter the market with a $40 home whitening product called Crest Whitestrips.

The goal is not just to create a cheaper version of the premium offerings at hand. The goal is to find a slot for offerings in the gap between today's real luxury offerings and the best of existing offerings in yesterday's product positioning map.

It is important to consider and expand product positioning maps frequently — at least every few years — because too often, marketers neglect to consider that yesterday's luxury has become today's necessity.

There are three generalized strategies for conquering the middle ground:

1. Dominate the new middle. Make the new-middle-ground position the company's core and only focus.

2. Elevate mass-market goods for affluent appeal. Companies can implement this strategy by launching distinctive, higher-quality versions of current offerings.

3. Open the door to luxury. Carefully introduce more affordable versions of an existing luxury good or brand. ■

Treat Some Customers More Equal Than Others

The old rule said, *"Offer identical things, at a price affordable to all."*

The new rule says, *"Offer nearly identical things to all, at the price they can afford."*

Taking a new middle position between the luxury and mass markets is not always easy, or even possible, for many companies that are already deeply committed to serving mass-market needs with mass-produced, one-size-fits-all offerings. For these companies, doing so would require an impossible scaling back of existing infrastructure commitments.

To see significant gains in profitability, these companies must find ways to either raise the profitability of all customers a little or achieve significant profit improvement from some of their customers. With one-fifth of all households now holding nearly three-fifths of all income, it behooves marketers at these companies to attempt the latter and to find ways to provide a differentiated version of their core offerings to those who can and will pay a premium.

Compelling Benefits

Fortunately, there is ample evidence that differentiated offerings can ultimately result in legitimate, compelling benefits *across* the customer spectrum. For example, the higher prices charged to certain buyers have a dramatic impact on the bottom line of many firms. Whether they know it or not, most customers regularly enjoy the benefit of having their affordable purchases and retail experiences subsidized by bigger-spending customers, in everything from high-end department stores to opera performances.

And these innovations rarely remain exclusive for long, tending to trickle down to mass-market offerings, as companies strive to increase their competitiveness. In the summer of 2000, American Airlines introduced expanded legroom for *all* its coach-class customers, not just its frequent flyers, as was the case on a major competitor. In September 2003, Dunkin' Donuts began competing more directly with Starbucks by offering a more affordable latte, advertising it as, "Latte for Every Tom, Dick and Lucciano."

A River of Tiers

Any creative or aggressive pricing strategy carries risk. Companies must recognize important legal limits that guarantee the rights of all to fair — if not always equal — price treatment, even if consumer protection in this area is foggy, especially in the area of online price discrimination. They should not only stick to the letter of the law when determining what constitutes fairness, but also incorporate the consumers' perspective as well.

A guiding principle, one that will help executives achieve this end, is to keep offerings reasonably available to all consumers.

Serving Customers With Distinction

Here are three strategies traditional mass marketers can employ to better capture the spending of the moneyed masses without sacrificing the former core mass market:

1. Give customers the chance to spend more. Offer new premium versions, adding on product upgrades and differentiated service levels to existing offerings.

2. Honor customers with the recognition they desire. Create status levels that richly reward willing-to-spend customers in all of the ways they wish to be recognized.

3. Offer the right price to each customer. Use effective pricing tactics to achieve differential margins based on qualities that aren't intrinsic to the offering.

Peace in Our Time

No matter the industry, effectively managing the social politics that often surround introducing differentiated offerings (differentiated offerings can be viewed as preferential treatment of richer customers) is critical to any entrant's success.

Here are three effective tactics used by successful companies for managing consumer backlash:

- **Discriminate on value proposition and behaviors, but not people.** While the wealthy may be more inclined to be the typical consumer, the offering should in no way discourage any buyer who finds the value-for-money proposition worthwhile.
- **Communicate messages of business rationale clearly.** Marketers must clearly articulate their rationale of how the tiers and offerings are targeted fairly and must convey this message regularly, particularly to those inclined to be highly concerned about the issue.
- **Be discreet, be discreet, and be discreet.** Being right is not enough when appearances imply wrongdoing. This is also true of the best differentiated offerings. The wealthy of every generation and society have always come to understand that bold displays of differential consumption are not only distasteful, but they can be bad for future consumption. Ask Marie Antoinette.

Despite high levels of consumer sensitivity to differentiated offerings, financial service companies, for example, report few public relations snags relating to differentiated offerings. Alexander Labak, the chief marketing officer of Deutsche Bank, which launched new services in an effort to differentiate offerings, says, "It has not been hard for people to accept that customers with more money probably have more complicated needs related to managing their finances. Discretion in marketing the program means avoiding any elitist note and instead promoting the wisdom of 'different strokes for different folks.'" ■

Find an Occasional Use

The old rule said, *"Make the 'special' in a version suitable for everyday use by the masses."*

The new rule says, *"Make versions of the 'everyday' that are suitable only for special-use occasions."*

One area in which the affluent are driving tremendous market growth through specialized product usage is cookware. Hugh J. Rushing, the executive vice president of the Cookware Manufacturer Association, told the *New York Times*, "Growing male interest in cooking is one of the bright spots in the kitchen retail market. ... Men tend to have no problem buying a special pan for paella, if the recipe calls for it, whereas women will make do with a regular skillet or pan." He also noted that specialty cookware sales are up 17 percent since 2000.

Right Tool for the Right Task

The affluent are not the only ones to take advantage of specialization in offerings. Everyone enjoys using the right tool for the right task. But the moneyed masses do enjoy these specialized gadgets more often, and with less concern about paying a premium for the privilege. Data supports the logical belief that high-income earners own more of everything — and more nearly identical versions of things — across a large number of categories, from shoes to cars. This distinction is important in understanding that product innovation through specialization, while likely to be attractive to a broad range of consumers, will have its largest impact first on those who consume the most, and at the highest prices.

Research shows the moneyed masses are especially likely to purchase goods for occasional use, because they don't necessarily fall into one specific social class. As a result, their needs can range from a bowling shirt to a tuxedo. And owing to their purchasing power, they are quite likely to have both in their closets. In our predominantly anonymous society, consumers use possessions to communicate information about themselves and to achieve a sense of belonging in any given locale. We dress to fit in; different products or product types fit our different roles.

And the number of scenarios one can choose to be a part of proliferates. So the need for ever more *information-bearing goods* (goods that communicate outwardly the owner's appropriate knowledge about the occasion) also increases. Today, ever increasing populations and broad physical and social mobility have made "fitting in" in many venues a large and acceptable part of everyday life.

Rising to the Occasion

Companies can infiltrate and conquer the occasional-use market by concentrating on these two distinct strategies:

Improving the Fit for Skateboarders

Making a product suitable to a particular use occasion requires that it be made distinctly different in ways linked to specific customer needs.

Whether or not every buyer values or uses the unique features of skateboarding shoes, there can be no denying that they are not simply a tennis shoe made up to look good for skaters. For example, the unique needs of skateboarders, particularly for wear resistance to combat the constant friction of the board, and padding in unusual places like the tongue to soften board flips, have kept designers scrambling to use the latest materials in their construction.

1. Create new usage segments. Successful companies excel in uncovering new uses within established, traditional usage behavior segments and categories, such as the introduction of shampoo in 1930 by John H. Breck Sr. as an unexpected departure from the then-current practice of using on one's hair the same bar soap that one used on one's body.

An important strategy for defining and capturing new occasions is to split an existing category of use by some aspect of its use — or some attribute of its users. At each step, much like how a Russian nesting doll is taken apart, a deeper level of unmet need is revealed and then a product developed to satisfy it.

2. Improve the fit. Companies can concentrate on honing their offerings to better fit a specific occasion. This creates additional distinction for their brand and offerings, based on their ability to overcome specific challenges of use. For example, Sur La Table, a store for professional chefs and other cooks, has dozens of items specifically designed for use with fish, including bone tweezers and bone pliers.

Understanding Occasions

Companies can gain the insights they need to improve the fit of their existing offerings to specific occasions and create new offerings for new occasions by better understanding customers, their occasions, and the unmet needs inherent in those occasions. Leading companies have better knowledge and deeper understanding of occasions and use environments than their competitors.

A number of techniques have proven to be useful to these companies, including:

- **Immersing themselves in the actual use of products** — including intense observational research; and
- **Hiring "heavy user" employees** — people who are enthusiastic users of all products in the category being marketed to, and who bring deep insight and knowledge into the core of the organization. ■

Introduce a New Math of Ownership

The old rule said, *"Produce less-expensive versions of luxuries to sell to the masses."*

The new rule says, *"Introduce new models of ownership that make a wealthy lifestyle, and even real luxuries, affordable to the masses."*

Research conducted by Yankelovich Partners confirms a growing "claustrophobia of abundance" caused by the fact that "people just feel overwhelmed by [their] stuff." The growing burden of ownership on the affluent, left unchecked, *will hinder their future spending*. The moneyed masses may elect *not* to purchase certain goods, recognizing they may make the purchase, but quickly become dissatisfied with the product, the brand, and the company because they are unable to properly manage ownership, an equally unappealing alternative.

Unless marketers find a way to lessen the burden.

The Burdens of Ownership

The challenges facing people who own a great deal of "stuff" include storage, management, maintenance and repairs. Savvy marketers will find opportunities for new revenue streams in all these problems. To help marketers assess these new opportunities, some researchers are taking a more comprehensive view of household management. Most notable among them are Thomas Boyd and Diane McConocha at Miami University's Richard T. Farmer School of Business. Boyd and McConocha believe consumer marketing should take a page from industrial marketing, viewing *the household* as the buyer, just as organizations — and not just their individual members — are considered buyers. The researchers have created an ownership model they call the Inventory Ownership Cycle, which compares household operations to materials management.

All marketers are familiar with the first three of the model's seven steps — preacquisition (i.e., evaluation), acquisition, and use — but the subsequent four are seldom examined in sufficient detail: storage, maintenance, restoration (taking an item out of storage, preparing it for use, readying it for storage, and then returning it to its place), and disposition (disposal).

Although these four steps are often invisible to consumer marketers, they are important to consumers and particularly critical to the time-starved moneyed masses. Each of these ownership components can require the investment of considerable time and effort, thereby determining whether an item is considered easy or burdensome to own. These, then, are important areas of differentiation that companies can focus on to better serve the ownership needs of today's consumers.

Reinventing Ownership

Changing the product itself is just one way to seize the opportunity to provide more customer value throughout the ownership cycle. A second way is by enhancing ease of use. Many marketers do this by altering the packaging as well as the product — creating no-drip pouring spouts, for example. A third way is by improving post-sale support.

A fourth option builds on improving the ownership experience, but is much more radical. It entails challenging the preconceived notions about what truly constitutes ownership, and asking what the value proposition of owning something should be. This fourth option could be called "reinventing ownership."

Observing leading companies reveals these three strategies, based on the fundamental aspects of ownership, to combat the customer's perceived downside of ownership:

1. Distribute the rights (and responsibilities) of ownership among several customers. Fractional ownership now succeeds in making expensive, maintenance-intensive purchases more affordable and manageable for myriad products, such as luxury boats and exotic automobiles, by enlisting fewer, more affluent owners, distributing larger shares, and enhancing more flexibility of ownership than traditional time share models.

2. Offer innovative payment options. The moneyed masses are often asset rich but liquid-cash poor, eager not to tie up large amounts of cash for a purchase, and preferring to enjoy the benefits of a product without ever actually paying in full for ownership. As a result, marketers should look to introduce new payment options that increase flexibility in the timing of payments, such as leasing, pay-as-you-go, and all-inclusive flat fees, into their repertoire.

3. Dramatically shorten the duration of ownership. Many consumers insist on keeping possessions long beyond the time the items are most useful, though the owners can easily afford replacements. Effective marketers in the furniture, consumer electronics, and apparel industries are driving out this commercial inefficiency by constructing incentives for consumers to replace goods much sooner. Marketers can teach consumers to demand continued value from their purchases, speed the pace of innovation in a category, offer versions tailored to less frequent use, shorten time-to-market of offerings and inventory, and facilitate and accelerate product disposal.

Keep Unmet Needs in Mind

Each strategy must be assessed with the unmet needs of the moneyed masses in mind. The goal is to solve the problem of expanding the customer's ability to consume, while also allowing the customer to retain the valued sense of ownership so coveted to begin with (and avoiding any negative associations the moneyed masses may have with arrangements like rental centers). ■

Grow the Return on Consumption

The old rule said, *"Offer the masses new consumables and new investment opportunities."*

The new rule says, *"Offer new consumables that perform like investment opportunities."*

Today's increasingly affluent consumers are looking to purchase goods and services that can act as investments capable of enhancing wealth over time.

Profitable Consumption

The broad-based desire to make consuming more like investing exhorts marketers to demonstrate the enduring value of their offerings. They must articulate an offering's return on consumption — the benefits that extend beyond its predictable use. Research reveals three specific strategies, based on the innate properties that characterize investments, that leading companies are using to profit from this growing consumer preference:

1. Pay dividends to your customers. Promise, for years into the future, dividend payments to those who buy and continue to own your offerings. These dividends can take the form of periodic cash payments, but are also known to include promises of recurring, and at times seemingly random, dispersals of free valuable goods and services.

2. Improve your customers' productivity. Every businessperson understands the benefits of making a capital investment in tools and machines, the idea being to increase productivity of other inputs such as labor. Now is the time to include capital-investment-like offerings in your product and service lines — offerings that promise to improve the earnings potential and overall productivity of affluent consumers and their children.

3. Create value by extending a product's real and perceived useful life. This approach is particularly relevant for categories of goods where fashion and innovation are not easily accelerated, limiting the opportunity to shorten the duration of ownership. In such cases, companies can lengthen the delivery of value by endowing goods with an heirloom quality, making them collectibles that span generations or increase in resale value. Another way is by launching warranty and refurbishment programs that ensure long-term, undiminished delivery of the value promise embedded in the original purchase.

The Bottom Line

Through tangible assets such as real estate, securities, and modern art, and intangible assets such as knowledge, good health, and family, the moneyed masses are increasingly experiencing and enjoying the benefits of greater wealth accumulation. Goods and services that grow consumers' wealth will be particularly welcome in these households; offerings that do not will begin to face greater skepticism as their short-lived returns become more apparent.

To gain a return on consumption, many durable goods will need a step function improvement in their overall quality, with a concentration on innovations that increase the intrinsic value and longevity of ownership.

At the same time, services and nondurable goods will need to provide greater evidence of their future returns to attract the moneyed masses. Marketers must become more than investors and promoters; they must become their customers' investment managers as well. ■

Create Heirlooms

Perhaps no marketer has leveraged the heirloom principle as successfully as watchmaker Patek-Philippe, whose watches have sold for as much as $1.6 million. The company actively markets its timepieces as items to be passed on, as manifest in its tag line: "You never own a Patek-Philippe. You take care of it for the next generation." Companies that want to emulate this positioning must support their claim, as Patek-Philippe has done, by having in their portfolio some products of exceptional and lasting value. Patek-Philippe produces certain scarce, and many times unusual, highly specialized products. For example, in 1989 it created its Caliber 89 to celebrate the company's 150th anniversary and labeled the watch the world's most complicated portable timepiece. The watch offers 33 separate functions and has 1,728 distinct parts.

Think Global, Retail Local

The old rule said, *"Make retail stores a destination for the masses, by having the biggest variety, assortment and discount."*

The new rule says, *"Serve the masses locally in their usual destinations, with the convenience, layout and assortment you know they want and the prices you know they will pay."*

Now, more than ever, consumers can see, want and even afford most of the goods in mass-market stores. Yet, this latest degree of accessibility has come with important business trade-offs. Profitably sustaining low price points requires massive economies of scale and the sale of high volumes of extremely standardized goods. As a result, many retailers are serving up relatively undifferentiated offerings to all their customers, regardless of who they are, what they need, or what they might be willing to pay.

New mass-market consumers would spend more — and more frequently — if retailers presented them with higher-quality offerings that better fit their needs. A full 70 percent of all consumers assert this, with the numbers inching

(continued on page 8)

Think Global, Retail Local

(continued from page 7)

higher for those with higher incomes. Nearly a quarter of those earning more than $100,000 wish that there were more expensive (and better) products in the stores they frequent, and almost no consumers at any income level have any interest in the addition of lower-quality, less expensive offerings to their preferred retailers' assortments.

Preserve Successful Advantages

Retailers must preserve the advantages that brought them mass-market success — customer-facing features like accessibility, selection and service, and operational features like supply-chain efficiency — while serving a far more diverse and upscale set of needs. That means making a direct appeal to more affluent customers, with steps ranging from determining and delivering better in-store assortments, to the creation of more highly tailored retail outlets within their local environments. Here are some specific suggestions:

1. Embrace new store locations and formats. Today, retailers and real estate developers are together pioneering innovative mall concepts and store formats designed with the everyday needs of the moneyed masses in mind. Using three lines of attack, their strategies are to: locate in "lifestyle centers"; exploit small-box formats; and launch separately branded, more upscale store chains.

2. Upgrade product assortment to increase transaction size. Discount merchants need to offer high-income consumers a greater variety of better-quality, value-priced products across all of their departments, from apparel to toys to consumer electronics.

3. Retail better through technology. Leading retailers embrace and employ technologies deeper in their businesses. Doing so has helped them to make important, fact-based decisions about product selection, placement, and stocking levels at the individual store level.

4. Sell mass retailing to the moneyed masses. Retailers must deploy merchandising strategies, product assortments, and retail formats that award different customers highly targeted offerings that appeal to their specific preferences, lifestyle needs, and buying behaviors. ■

Become Apropos of Everyone

The old rule said, *"Keep spending on promotion until the masses are convinced they want your offering."*

The new rule says, *"Limit the need for spending on promotion by becoming highly relevant to the masses, revealing to them the wisdom in choosing your offerings."*

There are many new developments that have allowed even the most traditional forms of mass-marketing promotion, advertising, and public relations to evolve into forms that compete effectively for the "mindshare" of today's moneyed masses. They are designed to influence large numbers of anonymous potential customers. These methods succeed because they are highly relevant to many customers or are made so by the companies using them. This heightened relevance is the key to obtaining new low- and even no-cost mass promotion, which spares companies the expense of individually identifying and targeting customers.

There are three ways in which effective marketers have modified their approaches to traditional methods to get the job done:

1. Advertise in the bottlenecks. Even the busiest of affluent consumers are sometimes more reachable — at the times and places where life itself slows them down. These include time spent commuting to and from the desk or shop floor and the time spent enjoying upscale entertainment, social or other leisure activities. Step into recurrent moments of underutilized time, generating passive as well as active uptake of information.

2. Entice them with incentives other than money. Successful marketers are improving their promotions by exploiting affluent consumers' interest in knowledge and education, helping them to become connoisseurs of their product category — teaching them not just to be a Kendall-Jackson drinker, for example, but how to be an armchair sommelier.

3. Shift public relations focus from the "wow" factor to here-and-now benefits. The limited attention and increased skepticism of those with greater affluence drive savvy marketers to focus public relations efforts on communicating immediately appreciable benefits. One way to do this is by publicizing the specific areas of innovation that address long-held consumer desires, as JetBlue Airways did in promoting its on-board satellite TV. ■

Tomorrow's Mass Market

With expectations of real economic growth, companies can expect the moneyed masses to be the vanguard of new earning and spending both in the United States and abroad.

Executives should find their newfound awareness of the moneyed masses exhilarating — so large a segment with so much money to spend represents tremendous opportunity. Affluent consumers are dedicating a growing percentage of their income to savings — proof that no competitor, or set of competitors, has completely won the battle for share of income. These untapped funds offer opportunity for marketers everywhere to profitably innovate. The goal is to find superior margins in offerings expensive enough to have superior margins, and to sell those offerings to those who can justly afford them. ■