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Welcome to the Premier Issue of this special newsletter, all about advertising, marketing and selling to the emerging mass-affluent and to affluent consumers, whether locally in your own area, nationally or globally. Let me begin with my little lecture on robbing convenience stores or robbing mansions. You risk the same 10 years in the joint either way, but there’s more valuable stuff just lying around in a mansion than all the money in ten convenience store cash registers added together. When you rob the c-store, there’s a clerk there, who might just have a shotgun under the counter and be willing to use it; you can hit the mansion when everybody’s gone. Basically, dumb, poor crooks rob poor people and poor little businesses. Smart crooks rob rich people and burgle mansions. Which are you doing? Joan Rivers advised: it’s just as easy to fall in love with a rich guy. Well, it may not be quite as easy to sell to the rich, but
it is certainly worth the extra effort. Especially given the tidal wave of new, mass affluence. This is a subject of great and increasing interest to me, so I’ve decided to share everything I’m learning, all the research I’m buying, and the experiences I and my clients are having via this special bi-monthly newsletter for as long as the strength of the luxury/premium purchaser market warrants. I view my job as three-fold: one, improving your awareness of the emerging, expanding mass affluent and affluent markets, what they buy, what they spend, the prices of different goods and services; two, helping you better understand the psychology of selling to them; and three, motivating you to adapt your business to attract them. We begin………

From The Editor’s In-Box
• News
• Trends
• Opinion

NEIMAN-MARCUS PURCHASED FOR $5.1-BILLION (!) by two giant private equity firms. Reasons: NM is one of the best luxury retailers in the country, with its stable of stores including Bergdorf-Goodmans as well as its own, a healthy mail-order business, and a promising online catalog reportedly reaching a younger, more mass-affluent audience than the older, affluent customers of the retail locations. One of the lead investors (Warburg Pincus) spokesperson’s described the purchase as a “long-term play on the continued spending in the luxury segment….more a play on ‘luxury’ than just on ‘retail’.” (Source: DM News) MY OBSERVATION: If these very sophisticated, smart and successful investors are eager to make a five billion dollar bet on the affluent consumer and the luxury market, so should you! That may mean developing upgraded/premium versions of the goods and services you presently sell and/or re-packaging everything and targeting more affluent consumers and/or migrating to a new business, or add-on to your business with a separate and distinct identity. (Note the store-in-store idea in next Item.) One way or another though, the mandate is: (learn to) market to the affluent!

BIG MAINSTREAM CO. BUYS A LUXURY BRAND. It’s been one year since Scotts, the company behind brands like Ortho, MiracleGro and Turf Builder bought the upscale outdoor living/gardening/hardware cataloguer and 60-store retailer Smith & Hawken. First expansion move: selling a Smith & Hawken turn-key store-in-a-store quasi-franchise to high-end, independent gardening centers nationwide. Biggest lesson learned, reported by Scotts/Smith & Hawken executives: the luxury/affluent customers want knowledgeable salespeople. Quote: “For example, when they are buying a teak outdoor furniture set, they want to know if the teak is plantation grown. Selling at this level is not going to work without knowledgeable people who can talk about the product.” (Source: Luxury Business) MY OBSERVATION: if you want to sell at premium prices to affluent customers/clients/patients, you have to upgrade the caliber and quality of any and all people who represent you and interact with the customers, from front desk receptionist on up the ladder. And you have to invest more time in training, both on product/service knowledge and general skills. And I do not mean annual or periodic training; I mean weekly and continuous. Every time I have bought a true luxury item - such as a Bernini suit, a piece of artwork, statue or collectable, recently a De Marchi hand carved table ($17,000.00), etc. – the salesperson has been skilled, polished, and very knowledgeable about the product. The times I have gone into a luxury goods environment and not purchased, I’ve encountered unexceptional people.
When they say GRAND Opening, they mean it

Steve Wynn’s new super-casino/hotel, WYNN, opened on schedule, with its Ferrari/Maserati dealership on the ground floor. For first couple weeks, over 1,800 people a day lined up just to see it...21 cars sold in first 2 weeks. Overall, place is Bellagio-like but bigger. Take the curved escalator down to the patio bar with waterfall view, two drinks: $14.50 w/o tip. Golf at Wynn’s new course: 18 holes for $500.00.

Source: Las Vegas Insider.Com  The publisher, Donald Currier is a real insider. I've known him for many years.

HOW I WOULD HAVE HANDLED THE MARTHA STEWART PRODUCTS IF I’D BEEN RUNNING K-MART. You may recall, I said this when they first got together, in an issue of The No B.S. Marketing Letter. I then suggested store-in-store. A separate entrance from the outside as well as a walk through inside, totally different décor, carpet, knowledgeable clerks in different uniforms. This would have addressed the incongruity of the two brands.....invited in customers who might otherwise only enter a K-Mart with a raincoat pulled up over their head....and supported inching up pricing and margins. And I would have had two product lines – regular Martha Stewart, and Martha Stewart Gold. This same idea can be applied to: catalog within a catalog, web site within a web site, seminar within a seminar, bank within a bank, car dealership within a car dealership, etc.

LAS VEGAS’ HOTELS WITHIN HOTELS. Where is the Four Seasons Hotel in Las Vegas? Do you know? It has no marque, no neon sign flashing high above the Strip. You pretty much need to know it is there. And it is, by far, not the only “you need to know it’s there” secret destination of the affluent, in Vegas and elsewhere. The fact that such high-priced hotels exist and prosper tells you something important about what motivates affluent buyers. More discussion, next issue of this Letter.

DELTA’S SECRET FREQUENT-FREQUENT FLYER CLUB YOU CAN’T JOIN. As inside as it gets. Fewer than 200 members worldwide. No application to submit because you can’t apply. It’s never advertised. When a customer hits a certain level of frequency, spending, travel patterns, he receives a letter telling him he’s in, and what to expect. From then on, if his flight arrives late, there’s a Delta staffer waiting for him, to whisk him off to a first class seat on the next available connecting flight, no matter who gets bumped to accommodate him. Etc. And, if his travel activity ceases to qualify him, all of the “white glove attention” just ends without notice.

IMAGINE THIS: SOMETHING THAT HAD ITS PRICE INCREASED THIRTY-SIX TIMES IN A BRIEF PERIOD, with no diminished demand. Details, next Issue.

WHAT ARE THEY BUYING NOW? Patterns of luxury purchasing shifted from ’03 to ’04, from luxuries for the home as #1 to ‘experiential luxuries.’ What the heck is that? – you ask. Answer: things to do, places to go, entertainment, recreation, hobbies and pastimes, destination travel. (Source: Research Alert 5/20) The word ‘experiential’ is important because it links to a lot of buying behavior of the affluent. They spend more, for example, in destination/experiential retail environments, such as The Forum Shops in Vegas or the mega-golf stores with putting greens to try out clubs.

HIGH PRICE, MAINSTREAM ADVERTISING – that’s a sign of just how “mass” that mass affluence is. A price that should register sticker shock, that only a few years ago would only have been mentioned late, or disguised, not boldly stated, and now sounding perfectly reasonable rather than outrageous. Disney’s TV commercials advertising the family vacation that is “only $1,500.00.” Maybe some price you have only dared whisper would sound like a bargain if shouted out loud today.

Big Lesson Of The Month

Yes, this is something of a rhetorical question. Let’s sell to people who have money to spend and who spend it. The tight-fisted need not apply. Some FACTS: The inflation-adjusted hourly wages for the 80% of the U.S. workforce employed in blue collar and non-managerial jobs fell
0.5% in the fiscal year ended March 2005. For 11 straight months, these wages failed to keep up with our very modest inflation. In short, the blue collar and low-totem pole white collar workers’ buying power is stagnant or slipping. In roughly the same time, the top 1/3rd of “the middle class” experienced an about 5%, in net worth of about the salaries and bonuses of the surveyed rose 14.5%, after nearly 22% in two years. Median representative sampling of whopping 40.9% in 04, on top of the top 1/3rd of “the middle class” experienced an increase in its buying power of 7%. In roughly the same time frame CEO’s at 350 major corporations increasing by 7.2% the prior year; total executive compensation in a Fortune 1000 corporations rose a 16.4% in 03. (Sources: Economic Policy Institute; Wall Street Journal; U.S. Economic Index; ‘The Boss’ Pay: WSJ/Mercer Executive Compensation Survey.) While I have no hard data, I would speculate that entrepreneurs have increased their own compensation generously during these years as well. (Certainly the ones I work with have!). Which loops back to my ‘rob mansions vs. convenience stores’ rap, plus a few other thoughts…. Here’s one example of a group I think you ought to sell to now….

**HIGH INCOME / HIGH TRANSACTION SALES PROFESSIONALS**

Sales professionals are often terrific customers or clients because they appreciate good marketing and salesmanship. I was magnetic to them when I was speaking on the giant SUCCESS events, and it was common to be told or get a note indicating such a person bought as much due to their appreciation of my pitch as for the merits of the product itself. One of my clients, a top Realtor, has definitely determined his best clients are successful sales professionals in other fields – so he and I are adjusting his lead generation advertising to attract them, his marketing pieces to talk directly to them. (If you are a Look Over My Shoulder subscriber, you just saw one example of this.) WHERE TO FIND THEM: advertise in what they read. Compile leads from their advertising, recognition of them in ads and articles, association directories, and consider lists that can be rented, like Selling Power Magazine subscriber, Nightingale-Conant buyers. Recently, top real estate professionals have been doing exceptionally well. Those in businesses with large transactions get large commissions, so periodically they get a big hunk of money handed to them all at once. Most celebrate by buying themselves something.

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**FIELD TRIP OF THE MONTH**

**MATTERHORN GARDENER’S VILLAGE**

**Business:** Matterhorn Gardeners Village & Nursery  
**Location:** Rockland County, NY  
**Sells:** Plants, tools, equipment + landscape design, installation services
At the 38 acre facility, you’ll find not one big store, but a cluster of 25 separate, different shops, laid out along pathways that take visitors on a walk around ponds, waterfalls and beautiful gardens. You’ll also find ‘Gardens Of Matterhorn’, which requires paid admission to enter, and features designer-name rose gardens, Japanese gardens, and other unique displays and exotic plants. (Yes, people pay to go in and see the artistry they might want to buy!).

This makes me think of ‘The World Showcase’ at Epcot, at DisneyWorld in Orlando. If you haven’t been there, you must go. My description won’t do it justice, but it is, essentially, a walk through different countries, each with an attraction, museum, exhibits, street performers, a restaurant and, most importantly, a little village of shops. Everything is phenomenally authentic. Shop employees come from the actual countries. The entire thing is an attraction. But it is really all about the shops. It’s really a disguised mall. (Why aren’t more businesses this entertaining to buy in/from?)

The owner of Matterhorn, Matt Horn, says that he has figured out the secret to getting people to pay $2.00 for a petunia, when they can get four for half a buck at Wal-Mart: giving the customer an outstanding experience that speaks of quality and exclusivity. Horn says that his customer is definitely the affluent, luxury consumer who is willing to pay more for quality, and is involved in the gardening experience, who is passionate about making something beautiful grow. In my opinion, he has done four very important things:

4 Important Things

1. Identified a particular type of customer, not purely by affluence, not just by demographics but by “psychographics”

2. Invested in creating a destination those particular customers are excited about coming to visit and spending time at, that not only sells goods and services but also expertise

3. Ignored competitive pricing, especially from major retailers, home improvement centers, etc. that “also” sell plants, fertilizer and lawn mowers

4. Guaranteed a high level of word of mouth advertising

MILLIONAIRE RANKS HIT NEW HIGHS

The number of Millionaires in the U.S. hit a record high in 2004, boosted by gains in stocks, real estate, global financial markets, according to two studies reported in the Wall Street Journal (5-25-05). The number of U.S. households worth a million or more rose by 21% in ’04. (This excludes value of primary residences.)

The U.S. continues to lead the world in new millionaire creation. Next closest increase against our 21%: Europe at 4%.

The affluent have recovered from the bear market losses of 2001 and 2002, but, reflecting their doubts about the economy, they hold exceptionally high cash reserves – on average, 9% of assets in cash and cash equivalents.
One method is through direct-mail, and that means very careful, painstaking list selection. Rarely as elementary as simply calling a list broker and getting just one list. However, to look at the simplest of local examples, let’s assume you have zip codes you’ve selected as prime territory for your direct-mail, and within those zip codes you want to select and mail only to the particularly affluent. Information you might use: home value – but even more suggestive, equity in the home. Another tip that has served a number of my clients well: there tend to be more liberals under 40, more conservatives over 40, so subscriber lists of conservative publications can be used as a means of finding affluent individuals. Most marketers, especially local marketers, are lazy and cheap about finding and/or compiling ideal lists.

Case History: Gold-VIP Member and a private client of mine, Dr. Paul Searby. Paul markets a $40,000.00 business opportunity to dentists. In response to my query for information he’d be willing to share with my readers about this, Paul wrote:

"Here are four ways I’ve tried to aim my marketing at the more affluent dentists:

By choosing older dentists* who are more likely to have paid off their offices, sent their kids to college and are (finally) accumulating some wealth. Specifically, I invest more on lead generating to the 40,000 dentists age 45-65, out of a universe of 100,000+. (*Age selects are readily available in most lists.)

Paying slightly more for home addresses when available, and making my biggest mailing investment in the older dentists for whom I have home addresses."
Using mailing lists of dentists who are in high fee niches within dentistry, such as implant or cosmetic dentists vs. general dentists.

Joint ventures with providers of goods, services, coaching, etc. to such high fee niched dentists and/or older dentists. For example, I’ve developed a very good JV relationship with the publisher of the ‘oldest’ newsletter, with an exceptionally loyal following of age 50+ dentists.

By far, THE best list AND one of the best direct-mail strategies takes us back to The Endorsed Mailing Strategy taught in Magnetic Marketing and illustrated in my ‘Al the Plumber’ story. (In my Renegade Millionaire autobiography book.) If you have even one exceptionally affluent client who is your ‘champion’, he has a “private” list of other equally affluent people. A letter from him to those who know him, on his stationery, mailed in his envelope, introducing and recommending you is the way to go – with or followed by invitation for those people to get free information from you. That offer must be right on target and irresistible to the recipients, to get as many as possible to move from his list (which you probably can’t use repeatedly) to giving you permission to communicate directly with them. Marrying this to Paul J. Meyer’s basic training for sales professionals re. “The Endless Chain Of Referrals”.... if, through such a mailing, the one client yields two, who, through the same kind of mailings, each yield two, who each yield two, who each yield two, you have 31 clients. Who each yield two.

Reverse engineering. Hopefully you have at least a few present, thoroughly satisfied clients you consider ideal and who fit the affluent category. Invite them to lunch individually or as a group, to a very nice restaurant, with the straightforward request to “pick their brains” about a few things regarding your business. Then you get to use the truth as a tool (!) and conduct a little “focus group” that, at minimum, should produce very useful information; at best, may lead to some referrals or the opportunity to do the Endorsed Mailings that I just described. (Incidentally, successful people are flattered and pleased when asked for their opinions and advice, and then do not mind also being asked for their help.)

Here are a couple sample scripts:

1. - You are my ideal clients/customers.
2. - If I could have 50 more just like you, I’d be the happiest guy on earth.
3. - So, I want to pick your brains to help me.
4. - I’d like to talk about two things:
5. - What it is about my business that attracted you, keeps you and is most important to you?
6. If you were in my shoes, and wanted to mount a concentrated effort to find and attract more clients like you, how would you go about it?

    **OR:**

1. - You are my ideal clients/customers.
2. - Frankly, you are more affluent, more concerned with quality and service than cheapest price, and more sophisticated than the majority of our customers.
3. - I have decided to make a priority, a project out of shifting the focus of my business to deliberately attract more customers like you, more affluent, more quality oriented customers.
4. - If I could have 50 more just like you, I'd be the happiest guy on earth.
5. - So, I figured, who better to ask for ideas than you! I want to pick your brains for ideas and, of course, I would welcome anything you might do to directly assist me. After all, birds of a feather flock together.
6. I'd like to talk about three things:
7. What is it about my business that attracted you, keeps you and is most important to you?
8. If you were in my shoes, and wanted to mount a concentrated effort to find and attract more clients like you, how would you go about it?
9. What could I do to motivate you to work with me, to endorse me, in reaching out to people in your sphere of influence?

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**COPYWRITING**

**Copy That Sells**

**To The**

**Affluent**

Most readers are familiar with the copywriting in the famous J. Peterman catalogs. While not all his goods are exceptionally high-priced, many are, and his most loyal catalog customers tend to be very affluent. So his is a good source, to study. I am a huge fan of the unique storytelling style of this copy, its tongue-in-cheek sophistication. It’s worth noting that it makes buying from Peterman catalogs an interesting and entertaining experience, and the Experience is
increasingly important. For me, the experience of going through the Peterman catalog vs. ordinary clothing catalogs is comparable to watching a TV show with intelligence and wit, such as the ‘Columbo’ series vs. a very ordinary crime drama.

My favorite lines here….

> It goes as far as is needed, without causing the drummer to break into a “bada-bing, bada-boom.”

An image to haunt young naval lieutenants.

PS: If you are somehow unfamiliar with Peterman, it is well worth reading his book, ‘Peterman Rides Again’ by John Peterman, published by Prentice-Hall Press.

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**You Are What You Own**

The inner motivation that leads us to buy Kate Spade bags, supersize our televisions, line up at Starbucks for $5.00 lattes, take care to bear the right logo on our derrieres began so long ago it might be genetic. In his book ‘Theory Of The Leisure Class’ published in 1899, social critic Thorstein Veblen noted with disapproval that the idea "you are what you own" that spread through 15th century Europe and through Britain had also reached across the ocean to the Colonies. Even the “middling people”, he wrote, had to own a silver spoon.
PRIORITIES!

In the fall of 1783, having vanquished the British, George Washington’s thoughts turned to his Mount Vernon home – and his need for a new coffee and tea set! Washington made a point of wearing an American-made suit to his Presidential swearing in ceremony, but his preference for his private possessions was for the best possible quality, and he felt American silversmiths lacked the refinement of the Brits. So, just weeks after the U.S. and British inked the treaty, Washington sent to England his order for “one large beaded, plated gallon tea urn” and other silver pieces. He was the father of our country, but he was also an affluent consumer willing to go any distance and pay any price for the best.

*Source: ‘The Refinement Of America’ by Richard Bushman; U.S. News & World Report 6/28/04*

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THE HUNT

A PEEK AT MASS-AFFLUENT & AFFLUENT LISTS

Just how many people are there in these herds?....

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(Source: Millard Group.com, list brokers.)

As you can see, I’ve coded the lists, broadbrush, A for Affluent, MA for Mass Affluent. But remember, all lists have selects, such as geography, gender, age, household income, and others. QUICK LIST LESSON FOR LOCAL MARKETERS: let’s say you own a high end, gourmet catering business, boutique grocery, wine store or some such thing, in a mid-sized city. You have to rent 5,000 names per list, and let’s say they cost $100.00 per 1,000; so to pull
from Bon Appetit, Gourmet and Food & Wine, you spend $1,500.00. Obviously, there’s a ton of waste because you won’t have 5,000 in your area. Further, if you use only those who are on 2 or 3 of the 3 lists, the useable number will shrink further. Maybe you’ll have only 30 “golden” prospects – that equals $50.00 per lead. The question is: how else will you find the 30 people in your area passionately interested, immersed in fancy food? – and at what cost?

QUICK LESSON FOR NATIONAL MARKETERS: one way to cut up a large list is by applying geographic biases from your existing customer lists.

That puts a wrapper on the first issue of this Letter. There are three big, basic steps to moving from any point ‘x’ forward in a particular direction: (1): AWARENESS, (2): DECISION, (3): ACTION. I’ve seen, in many of my coaching members and clients, a gradual awakening about how much money is flowing, about the emergence of the mass affluent, about the opportunities for them. It takes talking about it a lot to create enough Awareness to produce Decisions. Now I’ll be nagging YOU! Continually adding to your Awareness of affluent markets, so that you, too, will be pushed to new Decisions, to capitalizing on new and different opportunities. Don’t be left out - subscribe today.

RESOURCES, OPPORTUNITIES & RECOMMENDED READING

Read: ‘Living It Up: America’s Love Affair With Luxury’ by James Twitchell

If you’re in someone’s office and see an unusual collectible, like a first edition comic book, autographed memorabilia, etc., it may be from one of the hot online auction houses. Check out mastronet.com. Sports, Americana and celebrity auctions every other month.

I’ll Pay You $250.00: Send me a full, complete Case History, preferably with an Example(s) / illustrations of YOUR very successful targeting of/product-service for affluent or mass-affluent clientele. If it’s so interesting and instructive I use it in this Letter, you get $250.00.