New Rules for Marketing
To the Mass Affluent

Income distribution has shifted upward since the 1970s. Today a far greater number of households are earning five- and six-figure incomes. Understanding how to market to these affluent masses offers tremendous profit potential.

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Because that's where the money is. Although bank robber Willie Sutton never actually uttered those words, the pertinent question in today's economy is whether marketers really understand where the money is. In recent years, many companies have abandoned the mass market in favor of one-to-one marketing, attempting to use technology to establish “personal” relationships with all their customers. But the mass market has not evaporated; it has merely changed its shape, and companies that fail to recognize this change risk missing major opportunities to capture their share of growth from the new masses.

Consider how the mass market has shifted in recent decades. In 1970, a large proportion of U.S. households really were in the middle. Incomes tended to cluster thickly at low to middle levels, and there was a steep drop-off to households at the upper-middle level and beyond. Today that cliff no longer exists. In its place is a slope that stretches out gradually from households earning in the high five figures through the mid-six figures and much more.

This ratcheting up of income levels portends a new “mass affluence.” In fact, if John Kenneth Galbraith was right in calling the United States “the affluent society” in 1958, then by now it might be called a post-affluent society. (This phenomenon is developing, albeit more slowly, in Europe and other parts of the developed world.) Whatever the terminology, the U.S. has entered an era marked by a gradual path down the income distribution curve indicates the development of a vast new space for offerings that would not have repaid the investment in the old landscape.

Under the old income distribution, people generally had two choices: they could buy the mainstream offering (toothpaste, for example, that cost $2 to $3 regardless of brand) or they could go to the other extreme and purchase at the high end (professional tooth-whitening treatments at about $500, for instance). The marketplace was seen to be fully served when offerings existed in those two distinct markets: the mainstream and the luxury. Now, however, there are enough people earning at increments between the average and the top incomes that many market positions in between are economically viable. Thus Procter & Gamble can offer an in-home tooth-whitening product, Crest Whitestrips, at roughly $28 to $40. They can also tuck a disposable battery-powered toothbrush, the Crest SpinBrush, at $5 to $8, between the typical $2 or $3 angled bristle brush and the $100 rechargeable spinning brushes that have been around for some time. As these examples reveal, any company that still fails to account for the existence of new market spaces is leaving a lot of money on the table.

How, then, should companies proceed in order to take advantage of such opportunities? For most of them, the best chances for growth lie not in increased microsegmentation, but in an updated form of mass marketing. The traditional rules, however, have changed. Mass marketers today have to rethink the positioning of their offerings (rules 1 and 2 below), the design of their offerings (rules 3, 4 and 5) and the way they reach the new moneyed masses (rules 6 and 7).

Rule 1: Seize the New Middle Ground
In 2002, we learned from a survey of more than 3,500 consumers that people feel they often have to choose between products that do not satisfy their needs and cost less than they are willing to pay and products that are too expensive. They perceived a large gap, in other words, between run-of-the-mill mass-market offerings and high-end luxury offerings. Contrary to the old rule of mass marketing, companies that occupy a positioning between these two extremes can steal a march on competitors that are mired at one of the poles.

Companies as different as “fast casual” food-chain Panera Bread and national homebuilder Toll Brothers have claimed the new middle territory in recent years. Panera’s locations offer bread baked on the premises and sandwiches, soups and salads in the $6 range, which is well above the price of products at the long-established fast-food chains but comparable, in terms of the amount of work time needed to afford a sandwich, to the cost of eating at McDonald’s several decades ago. The fast-casual niche is rapidly gaining in popularity, and by some estimates it will surpass the $50 billion (in revenues) casual-dining sector by 2012.

Toll Brothers is enjoying huge gains in a very different market: housing construction. The company sells its homes for more than $500,000, on average, which is nearly $200,000 more than other national homebuilders charge. The keys to Toll Brothers’ success are two: first, it maintains a laser focus on meeting the needs of newly affluent buyers, offering a range of increasingly popular premium add-ons and upgrades, such as four-car garages and finished basements.


Second, the company makes it easy for buyers who don’t have the time or inclination to manage the process of building a new home themselves. Toll Brothers can accomplish both these tasks by leveraging economies of scale, just as traditional mass marketers do. Since its founding in 1967, the company has built some 39,000 homes in 22 states.

**Rule 2: Treat Some Customers as More Equal Than Others**

In the earlier mass-market era, companies tended to follow the rule of offering identical services to everyone who could afford them. The rule today is to vary the offering according to what people are willing to pay. The result is that average customers, not just the rich, who could always afford extra perks, can be enticed to pay more for a better experience.

For example, skiers at Copper Mountain can take part in the Colorado resort’s Beeline Advantage program. For $124, roughly twice the normal price of a lift ticket for the day, they get to enjoy two advantages: They get the first runs of the morning on fresh powder (because the mountain is open 15 minutes early for them), and they spend less time in lift lines (thanks to specially designated Beeline queues). This kind of repositioning makes sense to companies that have sunk large costs into their existing assets and lack the flexibility to come up with fundamentally new products. But this idea can be applied to any group of customers that is, in effect, tired of waiting. Dell Computer, for example, has been testing a program that allows customers to pay $89 for the privilege of having their technical-support calls moved to the front of the line for a three-year period.

Selling access in these ways is not without risks. Our research confirmed the earlier work of marketing academics showing that most consumers are somewhat uncomfortable with companies creating differentiated offerings in most categories. But the growth of a company called MDVIP, which offers its members faster access and more time with physicians, shows that people may be willing to accept different levels of service even in healthcare.

**Rule 3: Find an Occasional Use**

In the past, one marketing goal was to make a version of a special product that could be used by the masses every day. Thus the Sears, Roebuck catalog of 1897 offered a replica of Victorian luxury, a 100-piece dinner service for $11.50. But the new rule stands the old one on its head, as companies should now consider making “everyday” versions of products that are designed for special occasions.

Wineglass maker Riedel, which has been in business for nearly 300 years, has mastered this approach. In 1973, Claus Riedel introduced a series of 10 glasses, each painstakingly designed to enhance the flavor and bouquet of a different type of wine. The idea was that wine connoisseurs should use different glasses according to the vintage they were sampling on any given occasion. Today Riedel offers more than 80 different glasses, ranging in price from $8 to $85 each, and sells more than 5 million of them annually.

Such an approach makes eminent sense as people become more devoted to their (sometimes pricey) hobbies. Woodworkers, cooks, gardeners and golfers all covet the appropriate tool for a particular challenge, whether that’s a risotto pot for a dinner with the in-laws or a lob wedge for that delicate shot from just off the green. The key is to understand that mass affluence significantly raises the opportunities to serve such desires. Not only do people have the wherewithal to buy specially designed tools, they also find themselves in a broader range of contexts in which such tailored products make sense.

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**Rule 4: Introduce a New Math of Ownership**

Formerly, companies seeking to sell luxury to the middle classes primarily pursued one simple mathematical function: they subtracted (features, materials or workmanship) and produced less-expensive versions of real high-end products. Today businesses can pursue profits with a new math of ownership that allows those of more modest means to enjoy using the very same products owned outright by the truly wealthy. This new math also takes into account the costs associated with storing, maintaining and disposing of possessions, problems really rich households are able to delegate to a staff of paid help.

The burden of ownership is not a new problem. “Things are in the saddle and ride mankind,” was how Ralph Waldo Emerson famously put it in the 19th century. In modern parlance, there is a “claustrophobia of abundance,” in the words of Yankelovich Partners, caused by the fact that “people just feel overwhelmed by [their] stuff.” While the rich have long been acquainted with this problem, it now afflicts people in almost all strata of income in the United States. The moneyed masses in particular often possess second homes, third cars, entertainment systems, snow blowers and on and on, all of which make demands on their owners.

Some marketers are becoming adept at giving the mass affluent a share in real luxury while at the same time reducing the burdens of ownership. At the high end of the automobile market, a Chicago-based company called Exotic Car Share has applied the fractional ownership model already common for jets and vacation properties to luxury cars. Its customers purchase a one-fifth share in, say, a Ferrari, Lamborghini or Bentley. At the opposite end of the spectrum, inhabitants of Boston, New York and Washington, D.C., who don’t want the hassles associated with owning a car in the city but have occasional needs for one can rent a Zipcar by the hour, a service not unlike owning a fleet of conveniently
located cars. For drivers who are willing to pay more to tool around town in style, the company recently added BMWs to its lineup.

Another tactic is to make ownership less onerous by selling products that aren't meant to be heirlooms. Furniture retailer IKEA sells products that are functional and attractive but can be disposed of without the usual agonizing that people feel when updating their furniture. Swatch sells watches that people buy serially as fashions change. And single-use cameras have reinvented the way many consumers take pictures. This approach can also be applied to expensive items. For example, people often hesitate before buying a piece of art not only because of the cost but also because of the prospect of having to live with one's choice for a very long time. A market is slowly forming to allow consumers to lease original artworks, however, illustrating the new math of ownership as applied to a very old category of product.

**Rule 5: Grow the ‘Return on Consumption’**
The mass affluent public increasingly wants to spend its money on products or experiences that in some way or another pay off over time. To put it another way, they want goods and services that perform like investment opportunities. Again, the rich have always purchased goods that really would appreciate in value over time, from real estate to rare wines to luxury watches. But more and more people are able to engage in buying things that will increase in value as they get older. Perhaps more interesting is the way people invest in nonmaterial goods like health and education as they become wealthier.

People at all income levels are spending more on secondary education than they did before the era of mass affluence. But the moneyed masses are especially interested in developing skills that make them better at a favorite hobby. For example, the Skip Barber Racing School, in partnership with Dodge, offers a variety of courses (lasting from one to three days at prices starting at $595) in which students learn such techniques as heel-and-toe downshifting and threshold braking while at the wheel of a powerful Formula Dodge race car. Short visits to elite cooking schools are also becoming increasingly popular, as the number of “cooking vacations” listed in an annual guide jumped from 271 in 1992 to 632 in 2002. While investments in auto racing and cooking – and laser eye surgery and personal training sessions, to name two prominent examples of investments in physical improvement – won't return any actual monetary gains, they often do satisfy the emotional, intellectual and physical needs of people looking for more than just more “things” out of life.

**Rule 6: Think Globally, Retail Locally**
For several decades, the focus in retailing has been on increasing size – from bigger malls to big-box stores. The idea was that consumers wanted the biggest selection at the lowest prices, even if they had to drive a ways to obtain that mix. But the moneyed masses are less interested in shopping as a leisure activity that may or may not result in purchases; instead, they seek the convenience that comes from being able to pop in to smaller neighborhood stores, even as they crave a more upscale product assortment than many retailers and malls have typically offered.

Real estate developers Poag & McEwen have been tapping into these changing desires by building “lifestyle centers” – complexes that feature open-air shopping, high-end stores and parking lot access to every shop. The strategy is to serve the masses locally in a Main Street-like setting. And it works: Lifestyle-center customers average five visits per month as compared with three for the mall, and they spend 50 percent more per visit. The centers earn an average of $397 per square foot (with some earning up to $500) while regional malls earn less than $300.

The big-box retailers have not been oblivious to this trend. BestBuy, for example, recently opened concept stores in the Chicago area called Studio D and Escape. In its design, Studio D resembles a women’s boutique, while Escape has a hip, urban look meant to attract high-tech mavens. Each store is less than one-tenth the size of a typical BestBuy location, and they seek to draw customers who might spend hours learning how to make a digital scrapbook, print large-format photos or learn about the very latest cell phones with their burgeoning functionality. The Escape location even doubles as an entertainment spot for the mass affluent. People can get a membership for a small fee that will allow them, for example, to rent a partitioned area that can hold up to 10 people who can then enjoy watching a large-screen plasma television on comfortable furniture while eating catered food.

**Rule 7: Become Apropos of Everyone**
An old rule of marketing held that companies could spend on promotion until the masses became convinced that they wanted the promoted offering. The new rule is that companies need to make their offerings highly relevant, so that customers will consider themselves wise in selecting them. In other words, the whole concept of promotion must be rethought.

Product placement in movies and TV shows has become a popular way of making offerings more relevant, although there is a danger in being too brash and transparent about it, as the parodies of this technique in the Austin Powers movies (themselves parodies of James Bond flicks) make clear. Another approach involves turning consumers into connoisseurs. Johnnie Walker, for example, helped make Johnnie Walker Black Label the top-selling blended Scotch in the world partly by hosting events known collectively as “the Journey of Taste.” These events educated a carefully targeted group of consumers about the distinctive flavors of blended Scotch, an important function in a time of single-malt mania (yet another manifestation of mass affluence). These events differed from old-style event marketing in that the goal was not to drive immediate sales or close a deal but rather to seed the beliefs and experiences necessary for future sales.

It is always difficult to predict the future with any degree of confidence. That said, all available evidence points to the continuation of the current trend in income distribution. Barring unforeseen catastrophes, mass affluence is here to stay and is, in fact, likely to grow. This is true not only in the United States but in all free-market economies. For companies that sell goods and services to consumers, the phenomenon of the moneyed masses is a tremendous opportunity to innovate profitably. These seven rules and the examples that support them can help marketers and executives in general start to think through strategies that will lead to superior profit margins in an era of increasing mass affluence.