

*“Summing up 2005 and first thoughts on the year ahead in 2006. Projections; Marketing and Management Initiatives in a Challenging and Changing Market”.*

Presented by: Kelly Brooks, Director of Sales & Marketing, Hotel Commonwealth  
John Green, President, Lux, Bond & Green  
Kathy Kearney, President Katlin Travel  
Tim Merry, President/Chief Creative Director, MDG  
Kristen Motta, Director, CM Access  
Susan Ogrodnik Smith, Vice President, Hub International  
Jonathan Radford, Vice President, Coldwell Banker

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The panel represented a wide spread of local businesses, this was intended to provide a broad perspective of developments in the New England luxury market in 2005 and insight into prospects for 2006.

**Kelly Brooks:**

- The challenge for Hotel Commonwealth remains the need to draw clientele to what was a downbeat part of town which has now been thoroughly renovated.
- 2005 was a banner year for the hotel, food and beverage results were excellent, occupancy rates improved, but there is still a struggle to attract local overnight stays.
- Rev/Par, the calculation of Occupancy versus Average Rate achieved, exceeded the Boston average, as a result of a policy of holding the line on pricing.
- The mix of restaurants and the in-house shopping arcade has pulled good foot traffic.
- Viral marketing is a major key to penetrating the local market.
- Specific opportunities were leveraged. During May’s interminable rainstorms they staged a version of Singing in the Rain with dancers outside the hotel, this gained strong TV coverage.
- Their current traveler mix is focussed on the medical, corporate and university visitors. To leverage these strengths they featured Medical Night, Corporate Night and University Night promotions.
- Their aim in 2006 is to create more of these experiential evenings with other segments of their clientele.
- They plan to focus on Fashionistas by exploiting their unique shopping arcade; these events will focus on Champagne and art.
- Their focus is on intuition and creativity..... “doing what’s right for the brand”.

**John Green:**

- For LBG 2005 was a very strong year. A year where traffic was somewhat slower than previously but sales were stronger.
- The concentration throughout the year was upon enhancing the customer’s experience, with instore wine tastings and other attractions, today it is essential to be ahead of the customer and the competition.

- The world is getting smaller with much more high quality jewelry product being sourced in the low cost countries of the Far East, even some "Italian" brands are using this sourcing route.
- Jewelry is becoming ever more fashionable and therefore inventory ages much more quickly, presenting challenges of how to clear out aged fashion stock without damaging the brand or cannibalizing regular priced sales.
- The big drive for LBG since their opening in Boston in 1999 has been to develop a loyal following of regular customers.
- Innovation is a key to attracting customers, simply repeating what you did last year is insufficient to drive sales in the current environment. The mix is probably eighty percent regular products, Rolex, Yurman etc, with a constantly changing flash of twenty percent to attract and motivate more repeat purchasers.

#### Kathy Kearney:

- Kathy stated that the travel industry is in an interesting time of great change.
- The Internet has helped her to concentrate on developing her full price big-ticket business. The customer who wants a cheap airfare or hotel is well cared for on the net.
- With thirty years in the industry Kathy has seen a strong development of experiential travel. The customers want an experience which can trump the conversation of their friends at their next cocktail party. She cited the lady who wanted to go to Greenland, only because none of her friends had ever been there.
- Another trend that has emerged is the fast pace at which everyone moves today, everyone wants quick answers.
- She cited the example where even the smartest travel agent is helpless. She planned to send a party of tourists to Libya after the borders were reopened. Khadaffi promptly closed all the beaches.
- A trend causing concern was the lack of good young staff joining the industry. A sizeable body of knowledge will retire in the next ten years leaving a yawning knowledge gap. Companies need the foresight to recruit youngsters and educate and develop them in order to create a new cadre of knowledge, (this is not just a travel industry issue).

#### Tim Merry:

- Global challenges are impacting our world and changing our value systems.
- This has driven a move to develop luxury as an experience.
- New channels are taking over from TV and Print Media in reaching out to consumers. Cell phones, the Internet and Music are all targeting the customer actively where they are.
- Fourth grade girls now have cell phones and carry Coach bags, driven by the influence of shows like OC which specifically target them.
- Wall Street bonuses are back again; over 500 individuals received bonuses ranging from \$1M to \$30M.
- Sports stars like Alan Iverson own two Bentleys.
- The market is continuously shifting, changing and evolving driven by continuous creativity.
- The Japanese are experiencing a small resurgence overall but their luxury segment is explosive, witness the Louis Vuitton private members club on Omotensando Avenue in the Ropponghi Hills area of Tokyo. This was cited as the lexicon of luxe, a luxury experience of the future.
- Also Tim commented on the rising wave of shopping tourists setting out from China, who will be the next surge of luxury shoppers. Estimates talk of two hundred million Chinese tourists visiting the world centers of luxury.
- In the light of all of this, service is becoming more and more important.
- Changes and challenges are happening faster and faster, we have to be very adaptable and be careful to avoid the pitfalls which such change can present.

- Tim talked of two areas which are highly important, the growth of masstige and its steady transition up into luxury, e.g. Coach; and secondly the need to find ways to massage and pamper the ultra-wealthy.

#### Kristen Motta:

- In 2005 CM Access experienced growth of 56% as both contract and fulltime employment placements in the middle range of the media market grew dramatically.
- At the executive level employment grew at a more modest 10%.
- The trend of temp to hire, where companies test drive their prospective new employees, is a very strong new trend.
- These temps are being taken on a 40+ hour's per week basis, equivalent to full time employment.
- In the low to middle end of the market candidates are experiencing multiple offers of employment, much like the heady days of 2000 and there is a dearth of good talent.
- However in New England there is still the spirit of the thrifty Yankee at work and pay, averaging \$40K, is low compared to the rest of the country.
- There is a growing trend to extensively test candidates before offering employment; both skills and personality are rigorously measured.
- The interview panel has surfaced again and it is common to ask candidates to be interviewed multiple times, with each interviewer giving their view in a feedback session before any jobs are offered.
- Also employers are holding resumes on candidates whom they don't interview and adding them to their databases for future use without involving agencies.
- Executive job search is very a different picture with job searches taking from 9 months to 2 years.
- A crunch time is coming up when the baby boomers who make up 40% of the workforce will retire. This loss of knowledge and skills will inevitably tighten the available labor pool.
- There is however a trend to recruit baby boomers on a part time or project basis, e.g. H&R Block for tax season. Specific IT recruitment platforms are being developed to attract and recruit baby boomers.
- Finally Kristen urged all who employ the Internet sites for recruitment or hiring to reconsider. Much of the data is duplicated, information is not updated and as a result this area has fallen into some disrepute.

#### Susan Ogradnik Smith:

- In 2005 there was one defining moment for the insurance industry, Elliot Spitzer's successful prosecutions of leading figures in the industry.
- This forced those companies which were untainted to consider how they could absolutely differentiate their brands from others in the pack.
- Of almost equal impact was the 2005 hurricane season, assessors are still calculating the costs but they are already in excess of \$40bn.
- Insurers are re-evaluating their risks and many now refuse to write insurance for coastal properties. Owners of such properties in Massachusetts must now fall back on the state assigned risk pool.
- Another impact of the hurricanes has been more subtle but is having a dramatic impact on levels of risk and therefore premium levels. Construction costs are being driven up as vast amount of raw materials are being consumed in the rebuilding in the South, leaving shortages in key material such as lumber.
- An ongoing challenge in the insurance business is how to make insurance look sexy. A key tool in this area is experiential events where groups of clients take part in wine tastings or educational events around antiques etc.

## Jonathan Radford:

- Customers in Real Estate are only interested in three things:
  - How much will it sell for?
  - How much will you charge me?
  - How long will it take?
- In 2005 Real Estate sales increased in the segment above \$1m by 13.8% in units and 14.4% in dollar value.
- The market is currently broadly stable, governed by where is the property located and how much is the asking price.
- One of the biggest barriers to success in realty is overblown customer expectations.
- Unrealistic pricing is the single greatest barrier to successful sales.
- Similarly if a property is overpriced it will take much longer to sell, even when the price is lowered.
- A major concern in the current market is price appreciation. This is making it harder and harder for non-owners to get onto the property ladder. Without homebuyers starting to move up the ladder there will eventually be a shortage of buyers trading up to buy the \$1M homes in future.
- A side effect of this issue is the migration of younger workers out of Massachusetts to states with more affordable housing.
- This is generating an imbalance of movers in versus movers out which is lengthening leadtimes in the sales process.
- Coldwell Banker operates a significant relocation market. Coldwell Banker has significant technical resources specifically aligned to match buyers to sellers in this field.
- Jonathan demonstrated statistically that the higher the price of a property the longer it takes to sell.
- In this market fees are the key driver of customers decisions when selecting a realtor, service comes a distant second.
- Jonathan demonstrated the way in which he does extensive research into the market on a regular basis. This gives him a key edge over his competition and enables him to deliver a tailored service offer to his clients.

## Summary:

- Throughout the discussion panelists and indeed the audience stressed the need to offer experiences to their high end customers, delivering a superior service to that of their competitors.
- The second key theme was the need to secure the knowledge of the baby boomer generation and pass it on to our current staff.
- In the wrap up John Green stressed the importance of his staff as researchers to find out what customers actually want and also to spot trends and competitor actions.
- Catherine Riedel stressed that in the auction world the market is driven by her consumers. The cognoscenti are fully conversant with value in the art and antique world and whatever Skinner offers must command value commensurate with its reserve price.
- Jonathan left us with one great thought at the end of the discussion - "customers are getting smarter". That is a universal trend not something limited to realty. Our job as marketers is to stay one step ahead of our clients and to give them the best experience of superior products and service.

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