

Reaching the Business Elite

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BE:GLOBAL 
The Media Survey of the Global Business Elite



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Executive Summary

The Business Elite are not just affluent. They are influential out of all proportion to their size. In some product and service categories, this group of people are small in numbers, yet by far the greatest contributors to revenue.

So when the Business Elite sneezes – as they have done over the past year or two – many industries end up catching severe colds. Airlines, luxury hotels, premium car marques and corporate spending are good examples of these.

Much of the airline industry, for example, makes the bulk of its profit from a small group of people travelling at the front of the plane, effectively subsidising the large numbers of travellers sitting in the back.

Premium cars are far more profitable than mass market vehicles.

The Business Elite are disproportionately heavy consumers of these products and services. And when it comes to corporate spending on items like IT and office equipment, evidence suggests that the recession has pushed much of the purchasing decision up the food chain to the most senior executives.

So they are clearly an important group of people. Yet they are very difficult to identify or to reach using conventional market research techniques. Many of them live in security-protected buildings and are often away from home, making it hard for an interviewer to find them there.

At work they are protected by secretaries and assistants and at home by answering machines, making it equally difficult to reach them by cold calling them.

They are unlikely to respond to unsolicited letters or e-mails, given the huge volume of correspondence they deal with every day.

In response to these barriers, the Ipsos Business Elite surveys, which began in Europe back in 1973, have adopted a multi-stage approach for identifying and then surveying the most senior business executives – who rarely respond to random approaches.

The result is a continuous global study of this influential and important group of people.

Random surveys are likely to under-represent this particular segment of the affluent population for reasons noted above. When, for example, a minimum income is set as the main qualification for inclusion within a survey, most people are likely to fall close to this minimum – it is far harder to reach the most affluent or senior respondents in this way.

In the Business Elite surveys, income is an outcome of the research, not a qualification. People are selected because they occupy senior positions in certain kinds of establishment.

With evidence of an economic recovery in the air, industries reliant on this select group of consumers need to reach out to them with their marketing messages in order to pull themselves out of the economic malaise they have found themselves in.

Only the Business Elite study can help them to target this group effectively.

Important media aimed at the business elite are poorly covered by broader surveys, due to their smaller, niche audiences.

The Business Elite Survey

The series of surveys now called the Business Elite first appeared in 1973 as the European Businessmen Readership Survey (EBRS). Fieldwork has been conducted and data released every 2-3 years since then, the eighteenth wave being released in 2009.

The Asia study was launched in 1985, followed by surveys in Japan (1998), Central Europe (2000), Australia (2005) and the United States (2006). Similar studies are run in Latin America and the Middle East.

It is now being carried out continuously with annual releases in Asia and Europe. In 2009, the European survey represented a universe of around 456,000 individuals, with a further 239,000 covered in Asia.

Business Elite: Top line Summary

	Universe (‘000s)	Ave. Age	Avg. Gross Income
Europe	456	46	\$234,000*
Asia	239	46	\$127,390

*€161,019

Source: BE: Europe 2009; BE: Asia 2009

The objectives of the survey remain the same as they were in 1973:

1. To estimate the size and scope of the business elite audience;
2. To measure their media consumption and business decision-making influence;
3. To support campaign planning targeted at the most senior business executives.

To achieve the first objective, fieldwork starts by identifying all the establishments where the kinds of people required for the survey are likely to be found.

Criteria include a minimum size of establishment, the turnover of the company and the type of industry it is in.

Business directories and other sources are used to create the initial listing in each country.

Next, this information is verified and updated by contacting a large selection of the companies on the list. During the call, the names of senior executives and the existence of certain senior functions are established – all of which is used to help estimate the universe of such decision-makers accurately. No other source is available for making these estimates.

Finally, executives are contacted by name and title and invited to take part in a short survey of their media consumption habits and other behaviours – either by mail or on-line.

Questions are asked about media consumption, business decision-making, travel and other consumption and behaviour.

This report provides an overview of the Business Elite Surveys, how they differ from other studies of the broader, better off parts of the population and why marketers of high-end luxury and business-targeted goods and services need to use the surveys to effectively reach their core customers and prospects.

We start by examining a number of industries where the Business Elite represent a key customer target.

Key audiences 1: air travellers

Economy class travellers represent more than 90% of airline passengers but only around 70% of revenues. Premium class travellers represent less than 10% of travellers but around 30% of total revenues¹. In some cases, it can be a far higher proportion.

As a result, it is the passengers travelling at the front of the plane who represent the key to profitability for most major carriers.

To put it another way, the gross floor space allocated to an average premium class passenger is around three times more than those travelling in economy – yet the fares charged can be 5-6 times higher.

Premium revenues and passenger numbers worldwide have been declining year-on-year every month since September 2008. Economy class travel has fallen back too, but at around a third the rate of decline seen in premium travel.

Estimated premium revenues, as a result, dropped by some 33% in Q1 and 41% in Q2 of 2009. The declines are now less steep than they were, as pricing has recovered.

This has had a drastic impact on airline profitability. In September, IATA predicted that the industry's losses could total \$11 billion in 2009, following a \$16.8 billion loss in 2008.

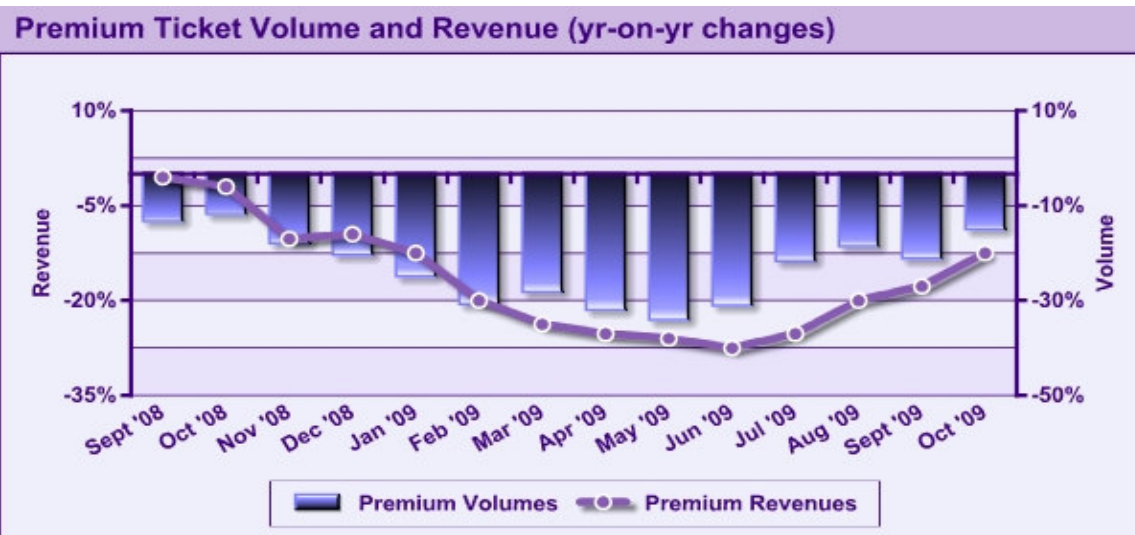
Key factors driving the loss in 2009 include a 4% decline expected in total passenger numbers, a 20% fall in premium travel, a 14% cut in cargo traffic and rising fuel costs.

IATA expects this loss to moderate in 2010 to around \$3.8 billion.

Projected Airline Losses by Region (2009)

North America	\$2.6 billion
Europe	\$3.8 billion
Asia Pacific	\$3.6 billion
Latin America	Break even
Middle East	\$0.5 billion
Africa	\$0.5 billion

Source: IATA, September 2009



Source: IATA Premium Traffic Monitors

¹ IATA Premium Traffic Monitor, August 2009.
www.IATA.org

It is clearly vital for the airlines to attract their best customers back to flying – preferably in the front of the plane. Many of their best customers are members of the global business elite. It is important that airlines can reach them effectively with their advertising.

According to the latest findings from the Business Elite Surveys, 85% of European respondents had flown for business or personal reasons in the previous year, making an average of just under 15 round trips; 80% of the Asian Elite made an average of 10 round trips by air.

The Business Elite vs. the Affluent Flyer

The larger general affluent population (as measured by EMS in Europe and PAX in Asia) accounts for a greater number of flights than the relatively small Business Elite.

But each individual Business Elite respondent flies more often than the average affluent person – and is far more likely to travel at the front of the plane.

Business Elite flyers are **the key audience airlines need to reach and convince** in order for the industry to return to profitability.



Incidence of any air travel (P12 months)

	Europe	Asia
Any air travel	85%	80%
3+ trips	75%	66%
6+ trips	58%	47%
Mean # of trips	14.5	9.8

Source: Business Elite surveys, 2009

When travelling, 37% of European respondents travelled on business or first class; 41% of the Asian elite did so.

We estimate that, combined, the BE populations of Europe and Asia take more than 7.7 million flights in a year, making them a key target for the airlines in 2010.

Average Number of Flights Taken (Past 12 months)

	Business Elite	EMS/PAX
Europe	15	10
Asia	10	3

Incidence of 1st/business class air travel (Most Often Used)

	Business Elite	EMS/PAX
Europe	37%	15%
Asia	41%	4%

Source: BE Surveys (2009); EMS, Summer 2009; PAX, Q2 2009 (BE markets)

Key audiences 2: luxury hotels

The global hospitality industry has, like the airline business, suffered in the current economic recession. Also like airlines, their product is essentially perishable – if a room is not occupied every night, the revenue is lost.

According to data from *Hotels Magazine*, average room occupancy in the year to November 2009 was down in all but one (London) of fifteen major cities measured in Europe and Asia compared to 2008. It was lower in the US, Latin America and the Middle East as well.

The average daily rate paid declined in all markets except Tokyo. Room revenues in individual cities fell by anything from 12% to 30% in Europe and, while only a modest fall was seen in Tokyo, other Asian cities declined by between 20% and 40% year-on-year.

One forecast² for the US hotel industry predicted 2009 would be the worst year ever, with occupancy down 11%, rates down 16% and revenue per room down a massive 27%.

A global survey carried out by Leading Hotels of the World in April 2009 found that 30% of leisure travellers planned to cut back on travel plans due to the recession (then seven months old).

44% of business travellers said that they planned to travel less and would be attending fewer meetings and conferences outside their home countries.

Almost all of the Business Elite, 96% in Europe and 79% in Asia – stayed in hotels for business or personal reasons during the previous year, on average for 28 and 18 nights each respectively.

This equates to more than 17 million hotel nights – likely to be a significant proportion of the nights sold by 4- and 5-star hotels.

Hotel stays: Proportion of BE Population Staying in Hotels in Past Year

	Europe	Asia
30+ nights	20%	20%
Any nights	96%	79%
Mean no. of nights	28	18

Source: *Business Elite surveys, 2009*

Business Elite vs. Affluent Hotel Guests

Of course it is not only business people who stay in hotels. The broader affluent segment of the population also stay with greater frequency than the population as a whole and are important customers for many hotels.

But senior business executives are likely to spend far more nights away from home than most other people – whether affluent or not – as business travel is likely to be an integral part of their working lives.

Average Number of Nights Spent in Hotels (Past 12 months)

	BE	EMS/PAX
Europe	28	17
Asia	18	13

Source: *BE Surveys (2009); EMS, Summer 2009; PAX, Q2 2009 (BE markets)*

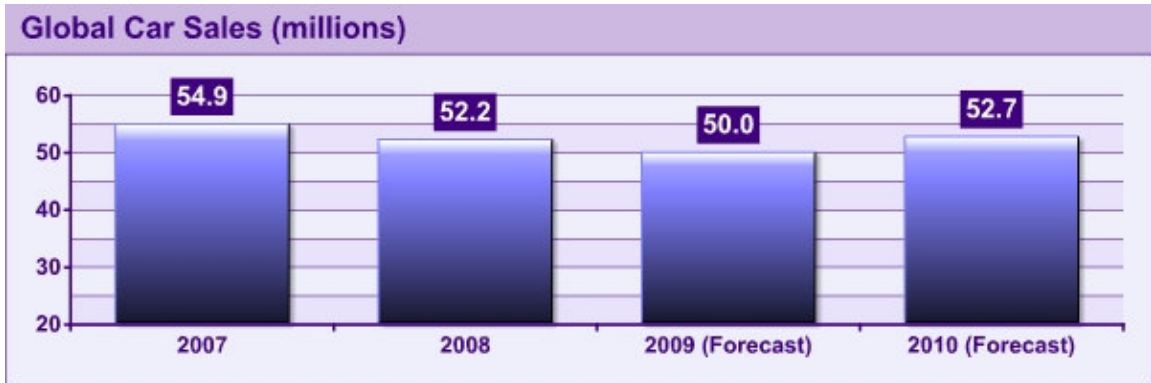
Once again, the Business Elite are a **disproportionately important group of customers** for 4- and 5-star hotels. Hotel marketers need to target the business elite as a key part of their recovery strategies.

² PKF Travel Research. Smith Travel Research

Key audiences 3: premium cars

Many car manufacturers rely on the large profit margins earned on selling premium brands to help them stay afloat when sales in mass-market cars decline and margins on those sink.

Premium car sales declined in 2009, although the corner was turned by several of the premium car manufacturers late in the year.



Source: Scotiabank Group, December 2009

Global car sales dropped by 5% in 2008 and are likely to decline by a further 4% in 2009, exacerbated by sharp falls in the United States but steadied by continuing demand in China.

Profits on the sale of luxury or premium cars tend to be higher than those of standard vehicles. As described to the Economist by Max Warburton of Bernstein Research in 2009:

"...compare the cost of producing a small car such as the popular Fiat 500 with that of making a hulking sport-utility vehicle such as the Audi Q7. ...the fixed costs are nearly identical, whereas the variable costs of making the Q7 (labour, raw materials and so on) are only about €10,000 (\$14,700) higher for the Audi. Yet the Fiat sells for as little as €10,000, compared with a sticker price of at least €40,000 for the Audi".

YoY Change in Global Premium Car Sales

	2009 (Jan-Nov)	2008
Mercedes	-12%	-5.4%
BMW*	-12%	-4.3%
Audi	-5%	+4.1%
Jaguar	n.a.	+8%

* Includes Rolls Royce and Mini

Source: Manufacturers



The table below confirms Max Warburton's point: profits earned per car sold for premium marques are higher than for standard models.

Global Carmakers Performance: 2008

	Sales (millions)	Net Profit/Loss (\$bn)
Toyota	8.97	-4.4*
GM	8.35	-30.9
VW(exc. Audi)	5.3	4.5
Ford	5.5	-14.7
BMW	1.4	0.5
Mercedes	1.3	3.1
Audi	1.0	4.7

* Year to March 2009

Business Elite vs. Affluent Car Buyers

People with money tend to buy more expensive cars; the most affluent consumers therefore represent the key target market for luxury cars.

However it is clear once again that premium car ownership is even more pronounced within the Business Elite group.

% Owning a Premium Car

	BE	EMS/PAX
Europe	43%*	29%
Asia	22%	13%

*Based on owning a car worth €40,000+

Source: BE Surveys (2009); EMS, Summer 2009; PAX, Q2 2009 (BE markets)

Profitable growth for the car business therefore depends on persuading people to start buying cars – particularly their premium marques – as the world and the car industry emerge from recession.

The Business Elite should be top of the list of marketing prospects for these manufacturers.



Business purchase influence

As already noted, the business elite are disproportionately influential in many sectors of the global economy.

Nowhere is this more true than when it comes to making or influencing large corporate purchasing decisions.

Almost half of European executives polled in the 2009 BE survey, for example, said they had been involved in business purchase decisions valued at more than US\$1 million in the previous 12 months.

It is clear from looking back at previous surveys that the most senior executives are taking an increasing role in the most important corporate spending decisions – which is exactly as would be expected in times of tightening corporate belts.

The charts below illustrate this for spending decisions in excess of €15 million (Europe) and \$1.5 million (Asia)

This trend demonstrates the growing importance of targeting the most senior decision-makers in an organisation, especially when times are hard and every major purchase needs to be examined with extra care.



Source: BE: Europe, 2008 and 2009



Source: BE: Asia, 2008 and 2009

Business Elite vs. Affluent Influencers

As might be expected, the fact that the Business Elite – by definition – are business decision-makers means they take a far more active role in influencing and making corporate purchase decisions than other segments of the population.

As the table demonstrates, they are disproportionately influential in such decisions; we compare them here with business decision-making influence exercised by the broader,

wealthier parts of the population represented by income-based surveys.

% of BE Universe Influencing

	BE	EMS/PAX
Europe	86%	46%
Asia	66%	46%

Source: BE Surveys (2009); EMS, Summer 2009; PAX, Q2 2009 (BE markets)



Researching the Business Elite

It is difficult to recruit better off respondents for surveys. They are often busier than the population as a whole, less easy to track down at home and less likely to respond to e-mail exhortations.

Greater barriers tend to be put up against unwanted visitors entering their home environments. Many live in security-protected residences and most screen any telephone calls received there.

The more upscale and busy a respondent is, the more these factors apply – hence the approach taken in the BE surveys of contacting them via their companies rather than at home.

Using minimum income

The Business Elite surveys do not use income as a way of defining eligible respondents. Income is an outcome of its study of the senior corporate elite.

On the other hand the incomes earned by senior business executives tend to be amongst the highest of any group.

The average gross annual salary of BE: Europe respondents in 2009, for example, was €161,000.

The average EMS respondent, recruited mainly on the basis that he or she is amongst the top 13% of the European population measured by income, earned just €53,500 (even the 'Select Top' 3% of EMS respondents earn just €93,800).

In Asia, the annual income of senior business executives covered by the Business Elite survey averaged \$127,400.

Respondents to the PAX survey are eligible for inclusion only when they meet certain minimum income criteria. However – at just \$35,700 across the same countries covered by BE: Asia – the average income they earn is far below what is earned by BE: Asia respondents.

Income amongst the Top Management group within the PAX universe (distinguished by certain other qualifications, such as holding a senior position in companies above a minimum size) was just \$53,100.

Conclusion

The Business Elite are a difficult group of people to recruit for market research. The approach taken by the BE survey – targeting them through their companies rather than at home and validating their professional details carefully - is the only way to effectively connect with this elusive group.

What we find when we compare the Business Elite group to the broader affluent population is that, while the latter group is clearly an important audience for a wide range of products and services, the Business Elite is of pivotal importance to certain industries – including airlines, hotels, luxury cars, premium banking services and corporate purchasing.

It is therefore vital for marketers and media planners to understand how the Business Elite can be effectively reached. The BE surveys exist to help them do that.

Ipsos MediaCT

Ipsos MediaCT offers a number of proprietary tools and approaches which help address some of the issues raised in this report, as well as a full range of research services across more than sixty countries worldwide. For example:

Audience measurement

We measure media audiences in more than sixty countries. These include quantifying and profiling audiences to television, radio, internet, print and out-of-home media. Ipsos is also pioneering the MediaCell, a passive audience measurement device carried on mobile phones.

Consumer research

We carry out research to help media, content and technology companies acquire and retain customers. Specialist approaches include market landscaping, consumer segmentation and Usage & Attitude studies.

Brand equity measurement

We have developed a proprietary approach to measuring the strength of media and content brands on different dimensions and across different platforms. Results from our analyses help brands to set strategic priorities for growth.






Custom panels & communities

Ipsos builds and manages custom panels and communities for media, content and technology companies, enabling them to stay in regular touch with changing consumer attitudes and opinions.

Innovation

Ipsos helps companies minimise the risks involved in developing and launching new products and services through tried and tested techniques and a substantial body of norms and benchmarks.

For further information on any of these products or to discuss this report further, please go to our website at <http://www.ipsos.com/mediact>, where you can find contact details for an Ipsos MediaCT representative in your region, or contact one of the following:

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