From MBA student, to luxury consumer

By Rebecca Knight

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On a chilly winter weekend earlier this year, 22 students from leading MBA programmes in the US – including Columbia, Harvard, Stern, and Kellogg – gathered at Mercedes-Benz US headquarters in Montvale, New Jersey for the company’s first business school case competition.

For two days the students worked tirelessly to solve some of the global automotive brand’s most pressing business challenges: how should the company engage, market to and create aspiration among Generation Y to persuade them to own one of its premier vehicles?

Such questions are particularly relevant to today’s MBA students, many of whom belong to Gen Y, a 75m-strong cohort of individuals born in the 1980s and 1990s.

“Co-opting Gen Y will help us understand them,” says Stephen Cannon, vice-president of marketing at Mercedes-Benz USA. “They are the group we need to embrace and learn more about. We took elite students from elite institutions and immersed them in our business issues. Give us your impression of the Mercedes-Benz brand. How is our brand resonating with your group? What do we need to do with the brand?”

Companies, of course, have long sought advice from MBA students, hiring them to work on internal projects, partnering with them on research, or sponsoring case competitions. But in recent years, a new model has emerged: companies are increasingly tapping MBAs to gain direct insight into Gen Y as the consumers of the future.
For luxury brands in particular, MBAs are the perfect focus group: worldly, status-conscious and presumably soon to have high disposable income. Even if a luxury car is currently out of reach for a business student, it may be attainable should they get their big break.

“Marketing [to Gen Y] needs to be an organic proposition,” says Mr Cannon, reflecting on the Mercedes-Benz learning from the weekend. “They don’t suffer fools. We know that if we’re going to relate to this group, we have to reach out with face-to-face experiences and leverage social networks to help spread the word.”

Gen Y, the children of the baby boomers, are already defying standard marketing tactics. They are the first generation to grow up online and are the most ethnically diverse generation. As consumers, they are less impressed by a brand’s clever ads, and instead care more about a company’s stance on environmental and social issues, according to research.

They also have a keen sense of the luxury market, according to Erin Armendinger, who manages the Wharton school’s Baker Retail Initiative, a research centre at the school. “They grew up in a time of great wealth in this country, when accessible luxury was bubbling over,” she says.

“This specific population [MBAs] – many of them have already had high-paying careers before they even got here – they have great taste and maybe even a sense of entitlement.”

The students, divided into five inter-school teams, came from different cultural and socioeconomic backgrounds; some were car fanatics, others were automotive agnostics. The teams had access to the company’s top sales and marketing executives to teach them about the Mercedes culture and its approach to problem solving.

“It was a very Gen Y approach to engaging my demographic,” says participant Justin Kenlon, a second-year student at NYU Stern School of Business. “Instead of walking away with one or two contacts, I got a chance to form working relationships with people from other deep networks.”

In addition to specialised consulting activities, luxury companies are also putting a greater emphasis on MBA recruitment. According to officials at Insead, L’Oréal, the cosmetics and beauty group, has doubled its recruiting efforts on campus.

LVMH, the world’s largest luxury goods conglomerate, last year piloted several MBA recruiting events that also aimed to build brand awareness. LVMH Rendezvous events were held at Harvard, IMD and London Business School. Aurélie Dhomps HR sourcing manager for the LVMH Group in Paris, says the aim is “to communicate the profile we are looking for and convey the right messages about our values”.

Last week, a group of MIT Sloan MBAs were in Europe to visit some of the top luxury brand companies.

While the company visits were ostensibly for the students to explore career opportunities, Renée Richardson Gosline, assistant professor of marketing at Sloan, says companies aim to get student feedback as well.

“It’s a ripe time for these students to be plucked in the ways in which consumers think.

“They are at a point in their lives where they are highly aspirational,” she says.

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