Meeting the Demands of High Net-Worth Individuals

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Strategies to Win the High Net Worth Market

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Introduction

Despite the extremely small number of consumers, the high net worth market globally is highly profitable for brands and businesses. It is not an easy market to enter with brands trying to win over the very discerning high net worth consumer. This white paper explores effective strategies helping brands and businesses meet the needs of high net worth individuals (HNWIs) and capture the global high net worth market.

This market comprises of adults aged 18+ with net wealth exceeding USD 5.0 million. Those with net wealth exceeding USD 50 million are referred to as ultra-HNWIs. Wealth herein refers to accumulated assets, usually consisting of the value of real estate owned net of anything owed to creditors, savings, investments and other important assets such as automobiles.
The global HNWI population of 4.1 million adults represented only 0.1% of the global adult population but commanded over a fifth (21.3%) of the world’s total wealth in 2017. Back in 2008, at the time of the global financial crisis, the global HNWI population stood at 2.4 million, accounting for an even smaller 0.06% of the global population aged 18+, and possessed 16.9% of global wealth. The wealth gain of the high net worth segment in recent years is partly because the world as a whole has become a wealthier place, but rising inequality in many countries also contributes to boosting wealth accumulation at the top.

The US stands out as the country where high net worth population and wealth concentrate the most. In 2017, it was home to 2.4 million HNWIs representing 57.8% of the global high net worth population, who commanded 55.1% of the segment’s aggregate wealth. In 2022, the country will account for a slightly larger 59.3% of the world’s wealthy population and 56.9% of the segment’s total wealth. This concentration of wealth and wealthy individuals makes the US unquestionably the most significant high net worth market.

Top 10 Countries with the Highest Number of HNWIs: 2017–2022

Source: Euromonitor International’s Income and Wealth Distribution Model
Although developed economies in North America, Western Europe and Asia Pacific, excluding China and India, are home to greater numbers of high net worth consumers, emerging markets boast the highest levels of wealth per HNWI globally. In Russia in 2017, the average wealth was USD 57.2 million per HNWI—the highest level in the world, compared to the global average of USD 13.9 million per HNWI in 2017 and USD 13.3 million per HNWI in the US in the same year. Besides Russia, the other top five countries with the highest wealth per HNWI in 2017 were Ukraine (USD 56.6 million), Turkmenistan (USD 47.2 million), Kazakhstan (USD 31.1 million) and Uzbekistan (USD 30.4 million). Other emerging markets including India, Brazil and Turkey made up the top ten.

The HNWI market, albeit small in numbers, is an important driver of wealth generation and investment trends. It is also a highly profitable consumer segment for brands and businesses.
How to Win Over High Net Worth Consumers

Companies, having identified HNWIS as a target consumer group, struggle to effectively reach the wealthy and ultra-wealthy due to their globetrotting and busy lifestyles. Additionally, the consumer also may not always be the decision maker. HNWIS, and ultra-HNWIS in particular, are difficult to reach, surrounded by their entourage of drivers, helpers and advisors.

Furthermore, gauging what high net worth consumers want and need can be very difficult, as they expect brands to go the extra mile to provide more than luxury goods and services. Effective strategies to win over high net worth consumers takes into account the challenges in reaching HNWIS and puts the needs and desires of these consumers at the centre of the business.

Target the newly wealthy

Between 2018 and 2030, there will be 3.6 million more HNWIS, bringing the global total to more than 8.0 million by 2030. A large share (65%) of this global growth is expected to come from the USA. Although developed countries will have the highest absolute rises in high net worth population in the period through to 2030, this growth will largely come from HNWIS migrating from emerging and developing economies. Typically, these migrating HNWIS are self-made, newly wealthy, and drawn to developed countries by policies designed to attract wealthy immigrants with better healthcare, higher levels of safety and international education opportunities.
Top 10 Countries with the Largest Increases in HNWIs: 2018–2030

Within emerging and developing countries, there will be a total of 658,300 HNWIs by 2030, an increase of 312,300 HNWIs from 2018. Nearly half of this growth will come from China, which is set to continue to boast robust economic growth, strong income gains and a rising number of entrepreneurs. India, Turkey, Mexico, Indonesia and China will be among the top five emerging economies with the biggest absolute rises in HNWIs, while Vietnam is set to generate new millionaires at the fastest pace at 203% between 2018 and 2030 in the world, albeit from a relatively low base.

To the newly wealthy, statements of wealth such as luxury cars, sailing yachts and private jets are important markers of success. Newly wealthy people are typically time poor as they tend to be business leaders as well as risk takers and early adopters. They travel regularly and extensively, and highly value an international education for themselves and their children. These behaviours and characteristics of the newly wealthy means they are generally big spenders, willing to try new products and services and are arguably the most important target market for brands and businesses seeking to win over high net worth consumers and expand.
Case study: Harrods targets the newly wealthy

Harrods is a Qatari-owned London-based luxury department store boasting a “traditional British” image that attracts a great number of international customers.

In February 2011, Harrods installed 75 China UnionPay terminals to allow Chinese customers to make payments directly from their domestic bank accounts. In the same year, it hired 75 Mandarin-speaking sales staff—a number that has since increased to over 200. In November 2017, it announced a £200-million renovation plan, the largest ever, after Chinese customers complained it was hard to find their way around the store.

The newly wealthy are the frontier market for the luxury industry and a key driver of luxury growth. With this vision, Harrods has made targeting wealthy Asians, particularly wealthy Chinese, a key strategic focus of its business.

Create seamless omnichannel ease

Although luxury brands and retailers of luxury goods have been slow at introducing e-commerce due to the belief that customers would not buy expensive items online, internet retailing has been the fastest growing channel within luxury goods. In 2017, online sales of personal luxury goods accounted for 8% of all personal luxury sales. This share was up three-fold from 2007 and is set to more than triple in the next five years.

Furthermore, there is a real demand among high net worth consumers for seamless omnichannel experiences. Consumers want to purchase a dress in Chicago and exchange it in New York, buy jewelry online and return it to a store or browse and select shoes on their mobile device, then go to a store to try them on and take them home. Brands need to adopt an omnichannel approach to create a better and more convenient shopping experience for high net worth consumers.
Case study: LVMH offers a seamless, integrated brand experience

Based in Paris, LVMH Moët Hennessy Louis Vuitton is the world’s leading luxury goods player, and operates a wide-ranging portfolio of luxury goods across several categories. In June 2017, LVMH launched its first internet store—24sevres.com—named after the address of its department store Le Bon Marché at 24 rue de Sèvres. Customers can expect a special experience that includes the feel of a bricks-and-mortar store, personal shopper service via video chat and Facebook messenger, express delivery and free returns.

Bringing the same high-end experience to the digital space is key in a truly omnichannel approach. It helps the brand create an easier shopping experience for its high net worth customers—one that is seamless and at the same time exclusive and does not compromise brand identity and integrity.

Embrace the healthy living trend

More than any other consumer groups, high net worth consumers adopt a more holistic view and approach to health and wellness beyond just physical health to include their mental and spiritual well-being. They also opt for more conscious nutritional alternatives and are willing to adopt and pay for high-quality products that support those wellbeing initiatives.

Technology is a driver of this rising trend, with devices, digital platforms, applications and science allowing, enabling and encouraging consumers to self-monitor and self-manage their health and wellbeing anytime, anywhere.

Brands and businesses, regardless of which categories they are in, can increase their appeal and attract HNWIs by offering opportunities for consumers to indulge in experiences boosting their health and well-being. Brands can tap into the healthy living trend by, for example, promoting sports, healthy diets, detoxing and having a positive perspective.
Case study: Dream Cruises in pursuit of health and wellness

Dream Cruises, owned by Genting Hong Kong, is the first-ever Asia-based premium cruise line brand, debuting in November 2016 with the Genting Dream liner.

The company offers a wide range of fitness classes and spa treatments aboard its liners to attract Chinese HNWIs. According to Hurun Report, publisher of the China Rich List, the country’s high net worth consumers spend on average a quarter of their budget on health management, including healthcare products, exercise and regular medical check-ups abroad. The Genting Dream boasts a 4,000m² spa, an expansive gym and a fitness studio where guests can take yoga and Pilates classes.

Personalise your products and services

Personalisation is an essential strategy increasingly deployed by many brands and businesses seeking to stay competitive in an era in which consumers and high net worth consumers in particular are hard to reach, difficult to please and nearly impossible to engender loyalty.

Behavioural targeting, one-to-one marketing, real-time communication, bespoke products, tailor-made services and personal consulting are all aspects of personalised solutions.

Personalisation is also an effective strategy to create exclusivity, which has always been a challenge for many luxury brands. HNWIs expect the privilege and exclusivity to go beyond just the goods or service. They want a relationship that will continue to give them value, perks and rewards in the long run, such as a private member club or VIP status.

Personalisation as a Strategy to Achieve Customer Satisfaction and Loyalty

Recommendation based on individual consumer profiles

Personalised solutions

Exclusivity

Consumer satisfaction and loyalty

Source: Euromonitor International
Case study: Miu Miu made for you

Miu Miu was established in Milan in 1993 by Miuccia Prada (the great-granddaughter of Prada) and is part of Prada S.p.A.

In 2017, Miu Miu launched a new customisation service, available exclusively at its Sloane Street store in London. The service gives customers the chance to build unique pairs of shoes from an infinite number of colour, jewel and material combinations. Orders take six weeks to deliver and cost from £990 a pair, with more exotic materials such as ostrich and python costing around £2,600.

Miu Miu’s personalisation service adds even more exclusivity to luxury. It appeals especially to younger HNWIs by allowing them to explore and experiment with their fashion choices and have an exquisite product crafted solely for them.

Be authentic

Authenticity is a broad value that matters to consumers and high net worth consumers in particular as they typically hold brands to a higher standard.

To high net worth consumers, the most authentic brands may not be the biggest or most well-known, but those that are distinctive and special through the authentic way they deliver true luxury. For example, with the touch of the master craftsman or by using the finest materials to create a product that reflects its origin and provenance.

To generate and deliver authenticity, a brand needs to know what it stands for and stay true to its identity and values. It always needs to act with integrity, making sure that its stories, messages, values and actions all align at every level and across every platform.

Key Traits of an Authentic Brand

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<th>Transparency</th>
<th>Quality / Craftsmanship</th>
<th>Integrity</th>
<th>Consistency</th>
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<td>Reliability</td>
<td>Uniqueness / Rarity</td>
<td>Social Responsibility</td>
<td>Passion</td>
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Case study: Shang Xia captures the authenticity of Chinese art and culture

Founded in 2008, Shang Xia is the Hermès-owned Chinese luxury lifestyle brand dubbed the first super-brand from the East.

Shang Xia integrates traditional Chinese culture and craftsmanship such as bamboo weaving in the making of contemporary fashion and lifestyle products. The brand also develops unique products and collections that are not for sale, but auctioned only through Christies.

A key strategy of Shang Xia and its parent Hermès is to stay true to the values of tradition, craftsmanship, skill, integrity, patience, passion and precision, all of which embody authenticity that is ever more celebrated and sought after in a fast-paced, automated world.

Offer “money can’t buy” service and experience

Euromonitor International has identified Experience More as one of the megatrends that define and shape consumer markets over the long term. With Experience More, consumers generally prioritise the activity versus accumulating more possessions. High net worth consumers also want to experience more, but with a luxurious twist.

In fact, many purchases made by HNWIs are based on the experience and personal enjoyment that ownership brings, from art and racehorses to sports cars, sailing yachts and private jets.

Even when a business does not sell an actual experience such as holidays, spas and boot camps, it can still boost sales and margins by thinking beyond the product and establishing a marketing message focused on the personal enjoyment and exclusive experience the product can bring as well as making the stages of the customer journey enjoyable and experiential.
Case study: McLaren indulges customers in experiences money can’t buy

McLaren Automotive Ltd is a British manufacturer of luxury, high-performance sports cars. The 540C entry-level model has a starting price of £128,055 while the McLaren F1 is highly sought after by collectors prepared to pay over £10 million.

As well as holding track days on some of the world’s leading Formula 1 circuits, McLaren also offers their customers experiences in more remote or extreme locations such as the Epic Drive event in New Zealand and the ice-driving experience in Finland.

By indulging their customers in fantastic experiences that bring McLaren car owners together and by delivering a sense of an exclusive club, McLaren fosters a special bond with customers by making them feel welcome and part of the brand.
Conclusion

By 2030, the top ten countries with the largest HNWI population will continue to be dominated by developed economies, with the US retaining its lead in the global ranking of HNWI populations. The country’s strengthened economic and business conditions—with fiscal stimulus, deregulation and lower tax rates—will help raise financial asset prices, with positive knock-on impact on the HNWI population and wealth.

Meanwhile, China will be the only emerging market in the top ten countries with the largest HNWI population, as it is expected to rank fifth in the HNWI population ranking in 2030, a jump from the seventh position it held in 2017. What is more remarkable is that China is set to rise from the current fourth place to the second place in the global ranking of HNWI total wealth in 2022—a position it is expected to retain through to 2030. China’s emergence as a global economic powerhouse has made it a significant engine of HNWI growth and wealth creation. Targeting the newly wealthy such as those in China is, therefore, an effective strategy to help businesses targeting HNWIs achieve growth.

By 2030, the global HNWI population is set to reach 8.0 million adults, a rise of 93.3% over 2017. As well as targeting the newly wealthy, other strategies to successfully capture the profitable high net worth market include providing seamless omnichannel ease, personalised solutions, authenticity, exclusive experiences that money can’t buy and promoting health and wellness.
An Hodgson oversees Euromonitor International’s strategy research and insight analysis into income distribution, consumer spending patterns and demographic trends for 210 countries. An regularly writes and speaks about key trends that shape global, regional and country-specific markets. Currently she leads the Middle Class Retreat megatrend analysis project, which helps businesses across industries make sense of fundamental shifts in consumer spending habits and behaviour. This, ultimately, helps businesses create a framework for innovating, from redefining a company’s long-term vision and developing new business models to better meet the demands of tomorrow’s consumers.

How Can Euromonitor International Help?

Euromonitor International is a global market research company providing strategic intelligence on industries, companies, economies and consumers around the world. Comprehensive international coverage and insights across consumer goods, business-to-business and service industries make our research an essential resource for businesses of all sizes.