



Luxury: Catering to the Super-Wealthy

The rich “are different from you and me,” wrote F. Scott Fitzgerald. Yes, but just how different? And what do they want to buy? Meet the new Ultra High Net Worth Individual

Luxury companies have been devoting much of their marketing budgets to stoking aspiration in middle-class consumers. But with the recent economic upheavals, the picture has changed: middle class aspirations have tumbled from Hermes to H&M, while a whole new set of consumers – notably from commodity-rich emerging markets – are armed with cash and a desire for all the status money can buy. The luxury sector’s greatest growth opportunity may reside at the very top of the economic pyramid, where pent-up demand and purchasing power are bursting at the seams.

To be classified as an UHNWI, you must have a net worth of at least 30 million U.S. dollars excluding your primary residence, according to research firm Wealth-X’s definition. There are about 200,000 such individuals in the world, the firm reports. Taken together, their net worth has been valued at as much as 40 trillion U.S. dollars. They spend an estimated 300 billion U.S. dollars on luxury goods each year, and Wealth-X estimates as many as 95,000 UHNWIs will be created worldwide in the next ten years.

Experts say companies are losing out by not targeting them more effectively. But they’re hard to find and hard to reach once you do.

Companies often struggle to reach the super-wealthy, due to their globetrotting lifestyle and ever-

present entourages. Luxury goods holding company Richemont calls UHNWIs “homeless with 20 homes.”

How, then, to hook the consumer who can afford virtually anything? For answers, industry representatives gathered in London on May 15 for The Luxury Society Keynote Conference titled “Understanding the UHNW Consumer.”

Tapping Into the Chinese “Spend-cation”

Manelik Sfez, VP Partner & Corporate Marketing for shopping tourism company Global Blue, led a workshop called “How to Unlock the Potential of the UHNW Globe Shoppers.” “Globe shoppers,” Sfez explained, “are international travellers who make shopping an essential part of their trip.”

The “globe shopper” category encompasses many non-UHNWIs, but it’s been noted that UHNWIs tend to splash out when travelling.

Fifty to 60 percent of worldwide luxury goods are sold to travellers, according to LVMH and Richemont. And not in airport duty-free.

Sfez said China leads the world in “globe shopping”, coming in first in total amount of money spent abroad and average per-shopper spend. More than 80 percent of Chinese travellers surveyed

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by Global Blue said shopping was a vital part of their trip, Sfez said.

Sfez quoted Harrods boss Michael Ward as saying that in the last four years, the Chinese market has gone from one-third the size of the store's American business to four times its American business. Over the next three years, the Chinese "globe shoppers" segment is expected to expand by ten to 14 percent per year.

Not surprisingly, most Chinese "globe shoppers" said they enjoyed shopping abroad because of lower prices. Forty-nine percent cited "better style & design", and 37 percent cited "product quality", as enjoyable aspects of shopping abroad.

In addition to discounts, consumers from China are looking for full brand experiences, Sfez said. "Brand" edged out "price" as the main purchase motivator among Chinese "globe shoppers", 60 percent to 40 percent.

And downtown brand stores were the most popular places to make purchases, beating out duty-free shops at airports, shopping malls, and department stores. Brand stores at airports were the least popular locales, with just three percent of purchases made in those stores.

Global Blue's research shows Chinese travellers tend to prefer leading labels such as Louis Vuitton, Chanel, and Gucci. But Sfez said shifting tastes may make room for other brands in the future.

Brands should try to target "globe shoppers" while they plan their trip from their home country, Sfez claimed. "The later the stage is, the harder it is to influence customers," he said. "Once they reach their destination, it's all about shopping management."

How to Care for a UHNWI

During the afternoon's panel discussions, luxury executives shared tips on catering to the super-wealthy.

Katharina Flohr, managing and creative director of Fabergé, said for her brand "nothing is impossible" when it comes to serving UHNWIs. Fabergé strives to meet the needs of today's UHNWIs while looking ahead to the next generation, which may be dramatically different, she said.

Flohr noted her clients increasingly hail from emerging markets such as Indonesia, remote parts of China, and Kazakhstan. "Today, wealth has so many different nationalities and faces and it is always getting younger," she said.

Jamie Edmiston, CEO of bespoke furniture company Linley, said it can be easier to win high-net-worth clients' business than their loyalty. Brands need to keep prize customers engaged by "surprising them on a day-to-day basis."

When dealing with entourages (drivers, assistants, pilots, bodyguards, etc.), companies should ensure they're in contact with members who can influence the client's buying decisions, Edmiston said.

Marc Cohen of Ledbury Research agrees that in many cases [UHNW] individuals have advisors and people who influence them... "and in our experience influencing the influencer is often as important for luxury brands as getting to the UHNWI him or herself."

Several panelists stressed the importance of personalisation during the sales process. "Sales staff should be chameleons. Depending on who your customer is, you really have to adjust your personality, your mindset, and everything to that person," said Steve Varsano, founder of The Jet Business, which sells jets out of a showroom decorated as a lush Boeing interior in Hyde Park Corner, London.

Brand Purity and Innovation

When the topic shifted to brand innovation, panelists sent a different message: Stick to your creative guns; don't let sales figures set your company's direction.

Maximillian Büsser, founder of watchmaker MB&F, declared: "Creativity is not a democratic process... innovative items are internally driven, and externally aware. Which means, if you are proud of what you do, you should not accept what anybody wants."

Varsano echoed Büsser's intransigent note. "People think that they are all different, but genuinely people are the same. Therefore, innovators should tell them what they might possibly want," he said.

Augustin Depardon, marketing director of exclusive French cognac Louis XIII, explained that high-net-worth customers buy his brand so they can participate in its "culture, history, and legend" – a legacy of refinements immune to the passage of time and trends.

"In many luxury brands, you not only sell the product but also sell the *story*," Depardon said. "If we were to change the recipe, we will lose our soul," he says of his cognac, some of which was bottled on the eve of WW1.

Following the Luxury Society's successful debut conference in London in May, the second edition

of Luxury Society Keynote, "Understanding the UHNW Consumer," will be held on Tuesday October 15th 2013 at The Bloomberg Tower in New York City. The event will focus on the UHNW consumer of luxury, with a distinct focus on the North American market and the city of New York.

Click [here](#) for more information

Registration for this conference is limited and restricted to luxurybrand executives. To request tickets, please email keynote@luxurysociety.com and include the number of attendees you would like to register.

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