

The changing face of the wealthy

OPINION

AMY DU PON, GLOBAL STRATEGY LEAD, MEDIACOM FOR RICHEMONT 19 DEC 2018

Inter-generational wealth transfer and accelerated wealth creation are transforming what the wealthy look like and how they behave, says Amy du Pon, Global Strategy Lead at MediaCom for Richemont.

Today's inheritors and new creators of wealth are reshaping the roles and management of wealth and in turn changing the ways in which luxury brands can build lasting relationships.

The next 30-40 years will see the greatest transfer of wealth in history, from baby boomers to generation X and millennials. Accenture estimates that \$30 trillion will be inherited or gifted in the US alone. [The report](#) also predicts that, at its peak, between 2031 and 2045, 10% of total wealth in the United States will change hands every five years. In China too, the first major handover of wealth is underway.

Wealth creation is also taking on new heights, particularly in Asia and emerging markets, where entrepreneurialism is accelerating and changing the image of business. For instance, the number of self-made women on the 2018 [Forbes World's Billionaires](#) rankings grew by 29% year-on-year. And, for context, 64% of wealthiest women in the world are from China ([Hurun Report 2018](#)).

Behavioural shifts

In some ways, this new wealthy generation is not that different from baby boomers; both want to live meaningful, fulfilled lives. The desire to find purpose and feel valued is not new, it is simply part of the human condition. We will always be motivated by social recognition and pride.

Importantly though, the possibilities of how meaningful and fulfilled lives can be, and are being lived, is changing. Today, luxury customers have an abundance of choice in all areas of their lives. This choice has opened up as globalisation and technology provide greater access to product and service offerings than ever before and with increasing speed and agility.

Luxury customers now have greater choice in where, what and how they can spend their time and income. Digital retail platforms, for example, are providing increasingly diverse and personalised offerings and convenience as well as setting new user-experience expectations.

Customers also have greater access through shared models of ownership. This is driven in part by growth in the Circular economy (and more durable business models championed by the [Ellen MacArthur Foundation](#) among others), which encourage customers to think beyond single use. The arrival of refreshed rental services across industries, from mobility, to haute-couture, such as [Rent the Runway](#) – an online service providing seasonal designer apparel and accessories to rent – bring more choice to customers.

Greater choice also includes experiences that fulfil leisure and entertainment needs and

whims. According to research by BCG, by 2022, the experiential segment is forecast to account for [nearly two-thirds](#) of the total luxury market. Consider the explosion of the travel sector alone and the growth of uniquely designed accommodation, like [Blink](#) – a service that gives customers the chance to co-design their own temporary accommodation and experience in locations no one has stayed in before.

Legacy creation for today and tomorrow

As the possibilities of fulfilment expand, as does the role of wealth, how it is earned and how luxury customers expect to enjoy experiences today and invest for the long-term.

We are starting to see these behaviours in people's career choices, where, for example, ambitions, values and societal contributions are expected to be shared. People are less prepared to remain in unfulfilled roles at purposeless companies. Today, according to Pew research, [one in three Americans](#) are finding meaning in their jobs and careers.

This short-term long-term balance is also evident in the growth of investment options that invite personal values and preferences to be considered through ESG (Economic Social Governance) and Impact Assets with comparable returns. As opposed to the prior emphasis for the wealthy on philanthropic investments more towards end of life.

Such attitudes have in part driven the re-appraisal of hard luxury (e.g. jewellery or watches) that matches with individual beliefs and retains value over time. Also, in the luxury category, beauty represents 18%, versus 11% hard luxury ([Bain & Co 2017](#)), which is anticipated to continue at a 4-5% growth rate per Bain & Co, as customers invest in wellness and long-term health gains.

The importance of coherent and consistent experiences

As expectations and roles shift, luxury brands need to continue reshaping their behaviours, offerings, and experiences across all communication touchpoints to engage customers.

It goes without saying that a brand's actions need to be authentic and genuine, in a way that

is true and coherent to its brand DNA. Contemporary culture now gives brands the opportunity to reaffirm their beliefs and roles, and by demonstrating true beliefs, they can better relate with individuals and society. For example, brands might show their belief in diversity through their diverse company board, through how they treat employees and partners, and through their communication and advertising talent choices.

Customers today expect consistent quality engagements across all touchpoints – from site to social, events, boutique, call-centres and more – and they expect interactions with a brand to be seamlessly linked, in a compelling ecosystem, with fluid navigation.

To respond to these needs, brands should embrace new technology (matching the trail-blazing use of today's wealthy entrepreneurs) enhancing the quality, depth and personalisation of their communications through AI, VR and blockchain. This might include, for example, interacting via blockchain's digital thumbprints to showcase how raw materials are being used responsibly, from sourcing to packaging and delivery methods.

Celebrating points of difference

In the customer quest for more memory-making experiences, brands need to think creatively to refine their point of difference in a world of abundance of choice. Celebrating how they are shaping future trends across products, services, and partner collaborations is key.

Services and experiences such as immersive entertainment, limited editions and exclusive access, can provide clear added value and help keep the brand fresh. And as collectors of experiences, brands should invite customers to feel and be part of the brand, in turn creating new memories that are more likely to last in the minds of customers.

Today's wealth inheritors and creators are more diverse demographically and geographically. Expectations are greater with the vast array of choice and possibilities to live a fulfilling life. Legacy creation is less about planning for end of life, it is created along life's journey. It is a balance of collecting memorable experiences today and investing for

tomorrow.

To ensure your luxury brand resonates and is on customers consideration list, now is the time to act. Now is the time to revisit your values and brand proposition fit, across the products and services you offer, to how you behave as an organisation, to how you communicate your stories. Now is the time to strengthen your consistent and seamless experience across all touch-points, with built-in agility to evolve as new medium open-up. Now is the time to enhance your creativity – be bold, own and celebrate your unique brand difference. And with this, your luxury customers will continue to visit, experience and purchase.

Get insights in your inbox

Interested in the future of media and marketing?

Get actionable advice, insights and opinion from MediaCom experts every month

[Sign me up](#)

OPINION