

RESEARCH

UHNW individuals make 19pc of all luxury purchases: report

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Wealth-X and UBS's UHNW report

By NANCY BUCKLEY

The world's ultra-high-net-worth population has increased by 6 percent over the past year, according to a new report by Wealth-X and UBS.

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This year's report analyzes the wealthiest individuals in the world based on their location, wealth source and gender. Luxury brands focus a lot of attention on the 211,275 individuals who own 13 percent of the world's wealth, and finding ways to more meaningfully connect will be important going forward.

"Brands often have a top down approach to approach the ultra affluent market, but at the end of the day, most luxury brands do not have the answer to fundamental business strategy questions," said David Friedman, president of [Wealth-X](#), New York.

"For their top clients that spend a lot of money with them, their key revenue clients, [brands] don't know what their wallet share or closet share is for that individual," he said. "It is important for brands looking to grow in the ultra affluent market to ask 'Who is our target client? What is the relation of what they purchase in terms of price points and their net worth and equity?'

“Every luxury brand in the world does not know the correlation of the pricing of their top products and the net worth of their key clients. They are flying blind.”

The **Wealth-X and UBS World Ultra Wealth Report** showcases Wealth-X’s intelligence on the ultra-wealthy and the expertise of UBS as the global leader in wealth management. The report gives insight into the world’s ultra wealthy population, defined as those with net assets of \$30 million and above: by region, country, wealth tiers, gender and between old and new money.

Across the globe

UHNW individuals were found to represent 19 percent of total purchases in the luxury industry, while the population is only 0.004 percent of the world’s population.

In 2014 there was an increase in the UHNW population, despite the socio-political conflicts throughout the world. However, because of these problems, such as Ebola, protests and upheavals, there was a relocation of individuals to safer areas.

Similar to the 2013 report, Africa and the Middle East were the two fastest growing regions, but simultaneous growth in North America and Europe held these two continents as the top locations for the UHNW population.

Europe experienced the most growth in the UHNW population and wealth this year. Within Europe, Germany has the highest population followed by the United Kingdom.

The overall male UHNW individual is 87 percent of the population and represents 183,810 men with a combined worth of \$25.7 trillion. These men are primarily in the finance, banking and investment industries and hold most of their money in private holdings.

This year there was many instances where wealth was transferred to the next generation, creating a new, younger UHNW individual.



Locations of UHNW money

UHNW females represent a smaller portion of the population, but still hold a combined wealth of \$4 trillion. Many of these women inherited their wealth, but unlike the male inheritors, their wealth comes from their husbands, not their parents.

However, this year there was a decrease in the amount of women who inherited their wealth and an increase in those who partially inherited and are partially self-made.

FEMALE UHNW INDIVIDUAL



Female UHNW individual

Similar to their male counterparts, female UHNW individuals tend to hold most of their assets in private holdings. However, the top industry for these women is not finance, but rather non-profit and social organizations.

The report also highlights the hobbies of these individuals. The female UHNW individuals prefer philanthropy while the male populations prefer sports.

Across both genders, self-made individuals tend to keep their money in private holdings while inherited wealth tends to be in cash holdings and real estate and luxury assets.

Also, those who inherited wealth are, statistically, much more interested in philanthropy than those who are self-made, who prefer sports.

It is forecasted that this population will grow in coming years. The 211,275 individuals are already expanded through spouses, children and other family members that have access to their wealth.

Understanding the hobbies and trends of the UHNW individuals can assist brands in reaching out to these persons in a streamline and welcomed manner.

Extending the reach

Channeling marketing techniques to strike a chord with the hobbies of the UHNW individuals can be one tactic to reaching the population.

For instance, Germany's Montblanc looked to draw philanthropists from Departures' audience to highlight the good deeds of the publication's readers.

Montblanc's "Great Characters" initiative was housed as a sidebar advertisement on Departures' mobile Web site where it asked for nominees. Positioned as a special promotion presented by the brand partners, rather than an ecommerce effort, Departures' readers may be more inclined to click on the mobile ad ([see story](#)).

Also, LVMH-owned Veuve Clicquot hosted the Veuve Clicquot Polo Classic Oct. 11 in Los Angeles to continue the brand's association with polo in the United States.

The Champagne brand was the official sponsor of the event and offered guests two ticketing options to enjoy the day. By aligning with a sport like polo, Veuve Clicquot was likely to create a memorable impression among affluent consumers ([see story](#)).

Events and campaigns that revolve around the interests of UHNW individuals is a step in the right direction for brands to engage these consumers.

“Every luxury brand today bases their communications, PR, marketing and event strategy on what people spend with them; that is the analytics they use to determine how they can grow,” said Mr. Friedman. “That’s the wrong paradigm. The right one is what can they spend, not how much do they spend.

“Deep or rich data versus big data, big data is credit card companies turning trillions of data points,” he said. “For luxury brands it is about deep data to understand their client better than ever before. The more you understand about your client, the more you can engage with them personally.

“With the kind of data we have, a luxury brand can take that and create bespoke, digital advertising campaigns to target specific people based on net worth, passions, hobbies and interests.”

Final Take

Nancy Buckley, editorial assistant on Luxury Daily

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