Luxury Daily®

The News and Intelligence You Need on Luxury

RESEARCH

China's HNW population doubles from 4 years ago: Bain

May 28, 2015

Mandarin Oriental Shanghai little fans

By JOE MCCARTHY

China's high-net-worth population has surged in the past few years, largely driven by investment in innovative industries, according to a new report by Bain.

Nearly 80 percent of the emerging rich are under the age of 50 and the investment landscape is adapting to this infusion of youth. In the past several years, the investment opportunities available to the wealthy have broadened, with domestic players nudging international banks out of the way.

"China's high-net-worth individuals are driving the growth of the country's real economy, particularly in key innovative sectors, which is helping to fuel the economy and advance innovation," said Alfred Shang, Bain partner and co-author of the report, Beijing.

"Among the newly rich HNWIs, we're seeing a more aggressive investment style, an openness towards alternative investments and increased focus on wealth creation, second only to wealth preservation as their primary wealth management objectives," he said.

The fourth "China Private Wealth Report" includes a survey of around 2,800 Chinese

HNWIs and was conducted by Bain and the China Merchants Bank.

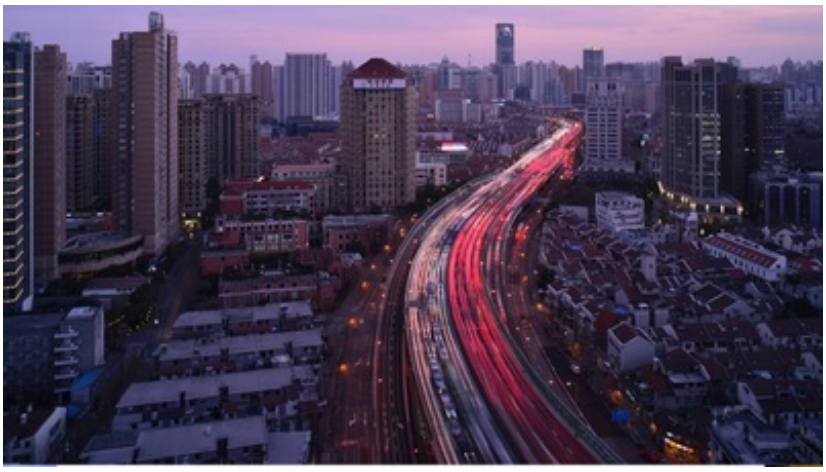
Staying on top

China's HNWI population surpassed 1 million in 2014. The collective wealth among this population grew 16 percent from the year-ago period to $2.1 trillion and is expected to rise another 16 percent in 2015.

Seven provinces in China have a pronounced HNWI presence of more than 50,000: Guangdong, Shanghai, Beijing, Jiangsu, Zhejiang, Shandong and Sichuan.

Guandong is the first to surpass 100,000 HWNIs.

The report expects continued growth in Central and Western China because of "the 'One Belt, One Road' initiative and the Yangtze River Economic Belt policies."



A view of Shanghai

Nearly two-thirds of respondents said that "wealth preservation" was their chief financial concern going forward.

However, the newly rich conveyed a greater sense of temerity, expressing a desire to take risks to increase their wealth rather than just guarding it.

Whereas the second financial concern among all respondents was inheritance, the newly wealthy preferred wealth creation.

The newly wealthy were also more likely to invest in equity and alternative funds, two areas riskier than cash and fixed-income, than the whole sample on average.

According to the report: cash refers to cash deposit and monetary fund; fixed return includes bonds, bank wealth management products and trust products; equity includes equity funds and stocks; alternative investment includes guarantee-type insurance, other domestic investment and investment property.

Bain's report attributes the rise of the newly rich to innovative industries such as information technology, biotechnology, manufacturing and alternative energy, which received heavy investment over the past few years.

The private banking community has observed the rise of this demographic and has

steadily modified their offers to meet escalating demands

In 2009, the private banking sector was in its infancy and consumers were beginning to appreciate the opportunities afforded by investment.

Four Seasons Hotel Beijing

In the six intervening years, the industry has matured rapidly, with banks dedicating resources to building client relationships and service model innovation, while also expanding overseas.

Many consumers now expect to have expansive mobile applications to command their investments.

Forty-eight percent of consumers said in-depth policy analysis was their favorite information to receive via mobile, followed by domestic and overseas market and industry news.

The top three value-added services that consumers expect via mobile are asset portfolio evaluation, wealth management product inquiry and online subscription of wealth management products.

Changing attitudes

How Chinese consumers perceive the importance of wealth is also changing.

Sixty-five percent of respondents said that spiritual wealth was the most important part of family wealth to pass on.

Within spiritual wealth, the top three components were education, work ethic and business philosophy.

So, while wealth preservation is the top priority, consumers are not averse to spending to achieve well-being.

Ninety percent of mainland Chinese consumers plan to maintain or grow their spending in 2015, according to a report by Ruder Finn and Ipsos.

Despite lots of conversation of a slowdown in spending, the market has remained largely unchanged, according to the authors. This report concludes that Chinese shoppers will

continue to be a large growth factor for markets outside of China, allowing them to retain their position as “the world’s number one luxury force (see story)."

Ultimately, as Chinese financial institutions continue to meet demand, there will be a deeper commingling of interests among banks and consumers.

"It's no longer enough for banks to focus only on product offerings," Jennifer Zeng, Bain partner, who co-authored the report, Beijing.

"They also need to offer trusted and reliable services, such as asset management and relationship management, in a bid to improve customer ‘stickiness' and loyalty," she said.

"Our survey bears this out. More than half of all respondents cited expertise as their top criteria for selecting a bank or wealth management institution, followed by brand and personal relations."

Final Take
Joe McCarthy, staff reporter on Luxury Daily, New York

Embedded Video: https://www.youtube.com/embed/kq7P4xJGZ-E