

RESEARCH

High-income tops high-wealth for luxury purchase intent: report

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Consumers emotions have a significant impact on their behavior

By SARAH JONES

High-income Americans are generally more active purchasers of luxury goods than their counterparts with high net worth, according to a new report from Shullman Research Center.

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Sixty-nine percent of those with a household income of \$500,000 or more bought at least one luxury product within the past 12 months, with only 49 percent of those with a net worth of at least \$1 million able to say the same. These consumers are purchasing more frequently than their less affluent counterparts, but their small populations require a strategic, personalized marketing approach.

"[The high income, high wealthy in this report] spend enormous amounts of money on luxuries, but there aren't that many of them," said Bob Shullman, founder of the [Shullman Research Center](#), New York. "If you're in that marketplace and you're selling goods and services that appeal to these people, and you want to sell the really expensive ones, you in many respects have to go after these people.

"In my mind, depending on how you look at it, particularly the high income ones, they're a

micromarket," he said. "They require an incredible rifle shot to reach them unless people have an incredible customer or prospect list where they can get access to them. You don't generally go after these people with what I call mass market advertising."

The data for Shullman Research's "Luxury Purchasers Part 3: What Do Extremely High-Income and Wealthy Consumers Buy?" report comes from its Luxury, Affluence and Wealth Pulse, fall 2014 wave. For this study, conducted online between August 22 and August 27, 2014, the research firm interviewed 1,665 individuals aged 18 or older, with 1,056 of those surveyed with household incomes of at least \$75,000.

Spending power

With unemployment going down, stock markets rising and consumers with more confidence and disposable income, Shullman Research predicts a growth in luxury spending. This is particularly the case with high income and high-net-worth individuals.

Those with an income of \$500,000 or more represent the top 1 percent of U.S. households, with only 1 million identifying as luxury purchasers. Consumers with a personal net worth of \$1 million or more are greater in number, at 25 million, while 15 million have liquid assets of at least \$1 million.

Except for cosmetics and perfumes, those that fall into the three high wealth segments identified in the report were more likely than general luxury purchasers to have bought high-end items. Those with an income of \$500,000 or more were much more likely to have made purchases in the categories of fine wines, luxury vacations and cruises, automobiles, home furnishings and art this past year than for those with high wealth.



Four Seasons' Beverly Wilshire "Pretty Woman for a Day" package

In watches and jewelry, those with liquid assets of at least \$1 million were slightly more likely than their high wealthy counterparts to have made a purchase in the last 12 months.

High-wealth individuals have more of a prevalence to spend, but their numbers present a limited opportunity for marketers. Of the 46 million total luxury consumers in the U.S., only 12.5 percent of them have a net worth of \$1 million or more.

For instance, the majority or 59 percent of those with a household income of \$500,000 or higher made luxury travel purchases, but they only accounted for 5 percent of the total

high-end travel bookers. Perhaps due to their greater population, those with a net worth of \$1 million or more made up at least 40 percent of purchasers across a number of categories, including luxury Champagne, vacations, watches and jewelry, art and automobiles.



Veuve Clicquot bottles

High-income individuals make the most frequent luxury purchases, with a median of five goods bought in the past year. Their high-net-worth counterparts made a median of 4.4 to 4.5 purchases.

These high-income and high-wealth individuals also spend more than the general luxury buying population, with more than a third saying their last luxury good bought was at least \$10,000. Those with liquid assets of \$1 million or more had the highest median price, at \$2,900.

When it comes to making a luxury purchase, high-wealth individuals are more likely to save for the expense, while those with a high income are more apt to pay with credit or cash.

Untapped potential

With the highly affluent in short supply, luxury marketers need to remember the other luxury purchasers who may not fit into the same income or wealth bracket.

Luxury marketers disregard the broader marketplace at their own peril, according to the founder of the Shullman Research Center at the Luxury Insights Summit 2015 April 29.

The executive warned luxury marketers against focusing exclusively on the ultra-affluent. Indeed, an enormous amount of sales come from mass market consumers who are rarely marketed to ([see story](#)).

In the U.S., approximately 20 percent of the 239 million adults purchased at least one luxury item in the past year, according to a report from Shullman Research Center.

Men are primarily spending in the automobile industry whereas women spend more on luxury beauty items; the differences vary across generations and household incomes as well. Having a deep understanding of the consumption interests among different

demographics will allow brand marketers to tailor campaigns to specific groups ([see story](#)).

"It's clear here depending on what you're doing and what you're offering, some are more income-oriented products and services versus wealth-related ones," Mr. Shullman said. "But the other thing is the wealth-related people tend to be a little bit older, so they may have already bought some of these luxuries that the higher income people, who tend to be a little bit younger, may not have yet had the opportunity or the desire to buy.

"When you hit retirement age, in many respects particularly the people who have been very successful financially and can afford luxury products and goods, they have closets full of them already, and they're not going out there for the first time getting their Birkin bag," he said. "They already have it, or have a couple of them."

Final Take

Sarah Jones, staff reporter on Luxury Daily, New York

Embedded Video: https://www.youtube.com/embed/xBDS_ZCRHyY

1 thought on "High-income tops high-wealth for luxury purchase intent: report"

1. [erick sabelskjold](#) says:

[February 10, 2017 at 2:33 pm](#)

Completely agree with you, your marketing strategy can't focus only on the ultra wealthy. Our happiest clients are upper middle class that is getting an elite experience and product at an intelligent price.

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