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FINANCIAL SERVICES

Marketing to millionaires requires tailored approach

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Different generations of millionaires behave differently. Image credit: Pink

By SARAH JONES

Millionaires only represent about 13 percent of the United States population, but this affluent segment wields both significant buying power and influence.

According to a new report from WealthEngine, there are about 30 million individuals in the U.S. who are millionaires, but depending on their level of wealth, age and interests, they have differing personas that need to be taken into account by marketers. Despite owning a significant amount of money, not all millionaires are leading lavish lifestyles, requiring luxury brands to find their prospective clientele by more than just demographic segmentation.

"The millionaire segment represents a massive opportunity for luxury brands given their influence and purchasing power," said Moira Boyle, director of commercial sales at WealthEngine. "It's also important to recognize that this segment is made up of a number of unique personas: those looking for high-quality luxury items or experiences at an entry-level, as a one-time purchase or as a high-end, loyal, lifelong buyer.

"It's critical that luxury brands identify these distinct segments and personalize their outreach and engagement efforts to put relevant marketing in front of the right people," she said. "There are millionaires who may be interested in luxury products that haven't been reached.

"In that sense, it's imperative for luxury brands to communicate with potential consumers who have the buying power and interest in their products. By demonstrating that understanding, you can bring entry-level buyers along with you, creating a loyal customer base and increasing their lifetime value. Ultimately, personalization allows you to cater your message and offerings to the right buyers in an authentic way."

Millionaire mindset

Part of what is driving the diversification of millionaires is the expansion of the population with that level of wealth.

Today, 19 million households have assets in the millions. The majority of millionaires have between $1 million and $2.5 million.

Six in 10 millionaires are between the ages of 60 and 79, pointing to the remaining importance of the boomer and silent generations for high-end goods and services.

About a quarter of millionaires are business owners, and 8 percent are senior executives.

These individuals are most commonly living in California, New York and Florida.

Millionaires on average own 2.4 homes, but 43 percent own only a single residence. Despite having assets in the millions, seven in 10 own homes with values below $1 million, with one-third saying their homes are worth between $250,000 and $500,000.

They also tend to drive cars produced by mass brands such as Toyota, Ford and Honda.

Millionaires are more apt to own a Toyota than a Lexus. Image credit: Lexus

Compared to the broader category of millionaire, the ultra-affluent multi-millionaires who have assets of at least $25 million behave very differently. They own an average of 17 properties, 81 percent own businesses and car marques such as Mercedes-Benz, BMW and Lexus are the most popular among this set.

Even further up the wealth ladder, ultra-high-net-worth individuals are on average 64, and the majority are male.

Beyond differences in wealth, millionaires at different ages show differing behavior.

For instance, retirees tend to be the most educated of the millionaires, with 70 percent having graduated college. They have stayed in their homes for an average 10.2 years, and this population is 75 percent male.

WealthEngine also profiled married 45-year-old millionaires. Three in 10 of these individuals are women, they own an average 2.6 properties and 85 percent have children.

While these Gen X millionaires are showing a growing interest in real estate as an investment, younger single millennial millionaires are less apt to look towards property buying for its returns.

Compared to older generations that have accrued more wealth, 99 percent of young unwed millionaires have less than $5 million in assets. Compared to other generations, young single millionaires are also less apt to have completed college and less likely to be business owners or senior executives.

Millennial millionaires are typically not leading lavish lifestyles. Image credit: Michael Kors

Generational differences also have an impact on where millionaires live. Single millennial millionaires tend to live in California or New York, while older married populations are more spread out across the country.

"With wealth plus lifestyle insights, luxury brands can use wealth and lifestyle data, combined with customer information to easily identify and engage with the many different personas that make up the millionaire population," Ms. Boyle said. "By building a look-alike model based on their best customers, we can help brands identify what makes them unique and find new customers just like their ideal customers.

"Once these millionaires are identified, it's imperative to cater to their individual needs through personalized messaging and products," she said. "When luxury brands use segmentation and personalization to create relevant marketing to appeal to first-time luxury buyers, not only are consumers able to receive the right products but the brands, themselves, are able to create loyalty among those customers."

Wealth transfer

Despite massive growth in China and from Chinese buyers, the United States is the biggest driver of wealth creation in the world right now, according to research from Knight Frank and Douglas Elliman. The U.S. creates about 500,000 millionaires a year.

The joint 2018 Wealth Report examines the state of high-net-worth individuals in the world today, digging deep into the current status of wealth, showing a world that has more than fully recovered from the devastation of the 2008 financial crisis (see story).

There will be a massive wealth transfer in the coming years, leading to more affluent millennials.

Luxury brands need to consider their social and environmental impact, not only for their own values but to attract affluents who are more concerned with social contributions in terms of legacy.

A report from *The Economist* shows that more than 66 percent of high-net-worth individuals in younger generations in the United States believe it is their duty to use their wealth for social benefit. They want their legacy to be more rooted in family and social contributions, says the survey commissioned by RBC Wealth Management (see story).

"Within this population, as with the overall millionaire population, there are many different traits and interests that we have seen develop," Ms. Boyle said. "Based on the extensive research we've done, it's important for luxury brands to forge authentic connections with millennials, articulate how their brand is connected to a cause, and the ways in which they seek to cultivate community with their consumers. These are key values for millennials.

"Luxury brands have to understand these unique affinities of millennial millionaires and then cultivate them in a personalized, relevant and authentic way," she said. "Every day, there are about 1,700 new millionaires and many of whom are, of course, millennials. This creates a huge opportunity for brands to position themselves in front of these entry-level luxury buyers who have the power to provide significant lifetime value to the brand as older millionaires age out.

"Affluent millennials allow luxury brands to reimagine their brand's presence. Instead of existing as an isolated entity whose sole purpose is to meet the consumer's needs, millennials are challenging luxury brands to think about their global audience and see how their presence can be used to better communities all over the world."