

RETAIL

Affluents pull back on luxury purchases as confidence wanes: report

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Affluents equate money with freedom. Image credit: Cartier

By SARAH JONES

Wealthy consumers' confidence about their finances has fallen slightly over the last few years, leading affluent individuals to work harder and save more.

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According to data from YouGov's Affluent Perspective 2019 Global Study, while consumers are more confident in their personal finances than those of their nations, only 44 percent are extremely or very confident about their personal economics, down from 48 percent in 2016. This dwindling optimism is having an impact on behavior, including how they spend on luxury.

"Confidence in personal economy, in other words, their own personal P&L, outpaces their confidence in their own nations' economies because this is something they can control," said Cara David, managing partner at **YouGov**, New York.

YouGov's report is based on a survey of consumers from 26 countries.

Financial freedom

While consumers are generally less confident about their own finances than they were three years ago, they show more optimism about their own economics than those of their countries.

Globally, only 31 percent are extremely or very confident about their nation's economy.

The affluent are more focused on work than they were last year, with 47 percent saying they prioritize their job over their personal lives. This is up 10 percentage points from 2018.



Consumers are putting more emphasis on work. Image credit: Olapic

Affluent consumers are also saving, with 26 percent of their income being saved. When asked what they would do with extra money at the end of the month, 83 percent would save it rather than spending.

YouGov found that 77 percent of affluent individuals say they are making fewer, more meaningful luxury purchases.

About 40 percent of those who say they are spending less on luxury are doing so because they need to allocate funds to other expenses or because they want to save more of their income. Four in 10 also note having everything they need.

While mentioned less often, 23 percent say that a higher cost of living is causing them to pull back.

Even with some opting to spend less, consumers still value luxury, with 76 percent agreeing that luxury is satisfying.

Affluents primarily look at money as giving them freedom, with 60 percent equating finances with independence.

To a lesser degree, 30 percent of affluents also tie finances to self-esteem. Meanwhile, 27 percent agree that one can never have too much money.

"Affluent consumers equate money with freedom because it's precisely what money buys them, and freedom is what they value most," Ms. David said.

"This is the primary reason why they save before they spend," she said. "Eighty-three percent say that if they had more money at the end of the month they would save it."

Spending patterns

Affluent consumers are seeking to simplify their lives, with more than half of respondents in an earlier YouGov study saying they are looking to buy less and declutter.

The biggest motivator for this shift is saving time, as these individuals look to spend more of their time exploring their passions or having "me time." Consumption patterns have been increasingly moving away from accumulation and more towards mindful purchasing, as consumers seek to fill their lives with experiences rather than material goods ([see story](#)).

Consumer behavior and values shifted drastically with the 2008 recession, creating cause for concern for those who rely on consumer spending.

An executive from MasterCard Advisors explained during the 2016 FT Business of Luxury Summit that much like the "Depression babies" of decades ago, today's consumers are more conscientious about what they buy. This requires a changed strategy to acquire new clients and convince them to shop ([see story](#)).

"The luxury business needs to adapt to the changing personal priorities of the global affluent population," Ms. David said. "A shift has occurred among the majority of the affluent population, and this is unlikely to change any time soon."

"Increasingly, the new status is a life of purpose, not of possessions," she said.