

RETAIL

Heritage brands are safe havens for wealthy shoppers in a bear market

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The trading floor at the New York Stock Exchange. Image credit: NYSE

By DIANNA DILWORTH

The stock market had its worst time since 1987 last week driven by concerns over the coronavirus.

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Even as the market shows signs of rebounding in up-down sessions, many wealthy consumers have less money than they did just a couple of weeks ago. As these consumers are seeing their wealth disappear overnight from the end of the bull market, luxury brands from every sector are concerned about what it will mean for them.

"For some, this is an opportunity to buy assets that are undervalued in the sell-off," said Marie Driscoll, managing director of luxury and fashion at [Coresight Research](#), New York.

"For others, the negative wealth effect of seeing their portfolio value decrease will impact their spending," she said. "The real impact doesn't occur until you actually sell. The gains were on paper and the losses are on paper until you sell."



Marie Driscoll is managing director of luxury and fashion at Coresight Research

Wealth levels affect behavior

There are different levels of wealth and each group of wealthy people reacts differently to changes in the market.

"In general, the wealthier one is, the more likely they are to take coronavirus in stride," said Christopher P. Ramey, president of **The Home Trust International**, Palm Beach, FL. "High Achievers, Not Noticeably Abundant (HANNAs) with a net worth between \$1-\$5 million are most likely to react more aggressively.

"Wealthy investors are generally markets-savvy," he said. "The fundamentals are sound, so they can expect a reasonably return to normalcy faster than past recessions.

"We're experiencing a unique period, a drop in the stock market is a small part of the problem. The issue is changing one's behaviors, no small task when travel is the default."

For example, while a ultra-high-net-worth (UHNW) family with access to a private jet can easily fly to their place of seclusion with little change in routine, travel is not so easy for the HANNA who flies on a commercial airline.



Christopher P. Ramey is president of The Home Trust International

Tried-and-true hold value

Now is a time in which uncertainty about the virus and the stock market is making people hesitant about shopping on anything beyond toilet paper and hand sanitizer. Traffic is down in stores as people self-isolate and hesitate over spending.

"Risk aversion will impact aspirational luxury shoppers as well as the 1-10 percent of income earners," Ms. Driscoll said.

"Store traffic has rapidly slowed and now is a good time to reach out to clients and see how they are doing and sharing some new product that they might like," she said.

Because just because portfolios are being decimated, that does not mean that the affluent are not shopping even those countries such as Italy, France, Spain, United Kingdom and, to some extent, parts of the United States are under lockdown.

"Smart retailers are proactively leveraging their concierge services, ramping up marketing with slightly different messaging, making more appointments and exploring new ways to serve their affluent clients," Mr. Ramey said.

"A crisis of this sort is not the time for a luxury brand to be silent," he said.

In times of uncertainty, classic luxury brands are the most trusted and feel like the safest purchases.

"Luxury shoppers, if they are shopping between watching market news and coronavirus news, tend to spend on tried-and-true luxury brands and products that hold their value in the midst of the uncertainty we are experiencing," Ms. Driscoll said.

"Heritage brands convey safety and endurance during times of turmoil," she said.

Stir desire

Revenues will likely be down this year across the luxury economy, and the entire supply chain will be negatively affected.

But wealth will likely return eventually.

"Coronavirus is not corollary to world war," Mr. Ramey said. "It will dissipate and the stock market will reach new

highs. The Chinese government claims to have controlled its growth and the rest of the world will, too."

High-end brands will weather this storm by remaining true to their brand values and offering exceptional products, supreme service and a personal touch.

"Luxury shoppers have relationships with luxury brands," Ms. Driscoll said. "It is the brand's job to continue to engage their clients."

When coronavirus fears die down, affluent consumers will likely return to the stores and spending will pick up to satisfy material, emotional and psychological cravings.

"Luxury products are about dreams and when the fears dissipate, consumers will seek out experiences that bring them joy, and that luxury does well," Ms. Driscoll said.

Mr. Ramey seconds that line of thinking.

"Affluent consumers will, as they always have, return to invest in luxury brands that have created desire," Mr. Ramsey said.

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