

FINANCIAL SERVICES

Luxury brands have wealth of opportunities as UHNWI successfully manage crisis

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Older women are making up a growing number of wealthy Americans. Image credit: UBS

By SARAH RAMIREZ

NEW YORK As the coronavirus pandemic recovery continues, there is a growing population of high-net-worth individuals that luxury brands can engage with in the future.

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In a series of conversations at the Future of Luxury eConference on Sept. 24, wealth management experts discussed how ultra-high-net-worth individuals have responded to the pandemic. While the global crisis has led to widespread economic uncertainty and anxiety, even among the world's wealthiest, billionaire wealth has grown during the pandemic.

"This is one of the quickest and immediate recoveries we have observed," said Tej Vakta, senior leader of the global capital markets practice at Capgemini.

Future of Luxury eConference was produced by Luxury Daily

Wealth of opportunities

Worldwide, the number of millionaires has grown at a double-digit rate year-over-year since 2012, according to Mr. Vakta.

Capgemini's 2020 World Wealth Report showed that young HWNI defined as those under 40 years of age with more than \$30 million of investable assets are willing to pay a premium for "value-added services" such as personalized concierge services or access to exclusive events.

"Providing value-added services is the goal," Mr. Vakata said. "The luxury industry has a lot more to benefit out of this, if they start collaborating with wealth managers, private bankers and financial industry firms."

At the start of the pandemic, some wealth management clients requested to park their money in low-risk investments. The majority have seen their wealth continue to grow, despite broader economic uncertainty.

The pandemic has also changed HWNI's buying habits, while growing acceptance of digital and delivery options have led to more services, such as healthcare, being offered in the privacy of the wealthy's homes.

"They have fewer ways to spend directly going out and going on a three large vacations or going on a yacht trip and so on," Mr. Vakata said. "So there are a lot more innovative ways they're finding to get that luxury back into their lifestyle."

In the U.S., more millionaires than ever are women. This trend has been driven by higher wages, higher rates of education and longer life expectancies than in the past, among other factors.

"Here is I think what is even more impactful for stewards of luxury brands," said Alli McCartney, managing director of private wealth management at Alignment Partners, UBS Financial Services. "Sixty cents of the average dollar spent in this country is currently spent by a woman over 40 years of age.

"Age, gender and the source of wealth matter when it comes to an individual or family's relationship or desire for luxury," she said.

While it remains important for luxury brands to market to younger consumers who will grow into more valuable demographics for instance, younger Gen Z shoppers or members of Generation alpha receive their discretionary funds from their parents, who are Gen X or millennials older women are also spending on luxury.

As Ms. McCartney explained, some women may be downsizing homes as their children become adults but are also upgrading their luxury goods or vacations. She noted that trends such as investing in home gyms or concierge medicine will likely continue.

"People don't move backwards; get access to luxuries and conveniences, then go back to the old way," Ms. McCartney said.

Experiential potential

"Remember that the world will open back up," UBS' Ms. McCartney said. "And when it does, people are going to be desperate for experiences."

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