

MARKETING

# Luxury seen positively by 84pc of affluent Americans: Ipsos

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The webinar dove into in-house research, pulling out strategies for luxury marketers that could help them appeal to even the most cynical affluent Americans. Image credit: Ipsos

By EMILY IRIS DEGN

Research firm Ipsos recently outlined the attitudes that wealthy American consumers have toward the high-end sector.

According to the organization, 28 million affluent Americans state that luxury products and services are important pieces of their lifestyles. Led by two speakers from the organization, Ipsos got to the bottom of the wealthy population's differing views on the prestige industry and untangled how brands from all categories can appeal to both sides of the aisle.

The March 26 webinar, "[Loving or Loathing: Understanding Affluents' Relationship with Luxury](#)," featured Tony Incalcaterra, chief research officer at Ipsos, and Nathalie Sodeike, service line leader for Ipsos Affluent Europe.

## The who's who

Ms. Sodeike introduced Mr. Incalcaterra, who detailed how top-earning households see the luxury sector, revealing both positive and negative opinions held.

He outlined the Q4 2023 Barometer and the Ipsos Affluent Survey, which were discussed throughout the webinar. He shared that the latter has been tracking high-net-worth individuals' (HNWIs) spending and media behavior for nearly 50 years across 50 global markets.

*Ipsos presents Loving or Loathing: Understanding Affluents' Relationship with Luxury*

The findings have proven beneficial for brands, providing an inside look at their audience's habits, opinions and desires.

"According to the Federal Reserve's quarterly data, the top 20 percent of income-earning households in the U.S. really control more than \$100 trillion worth of wealth," Mr. Incalcaterra said.

"That's roughly 70 percent of all of the net worth in the country," he said. "The old adage is true, the rich keep getting richer. Therefore, it's important for us to understand them."

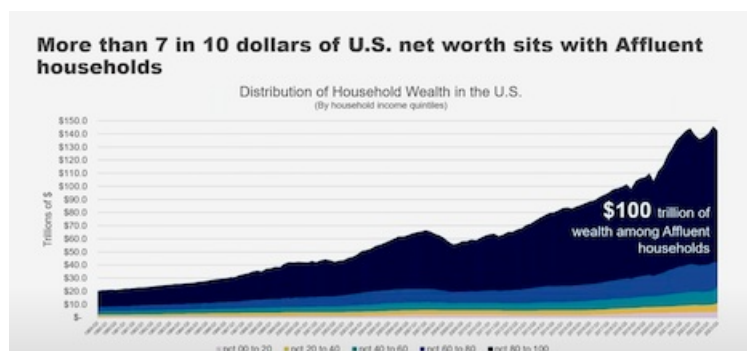
This population holds what the speaker called "the lion's share of assets" across most categories.

In fact, the top 20 percent controls 84 percent of U.S. equities and mutual funds, 56 percent of real estate, 46 percent of

consumer durables, 62 percent of pension entitlements, 79 percent of private businesses and 72 percent of other assets.

“The good news is that we continue to see affluent optimism growing about the U.S. economy, certainly over the last three quarters,” Mr. Incalcaterra said.

“Now, the gap between optimism and pessimism has actually increased to about 15 percentage points in the most recent survey that we conducted earlier this year,” he said. “With the level of optimism growing, it’s even greater among those with household incomes of \$500,000 or more.”



Affluent Americans hold a lot of power, but their views when it comes to luxury can differ widely. Image credit: Ipsos

Nearly six in 10 of those in this group are optimistic about the U.S. economy. Sixty-nine percent of those with a household net worth of \$5 million or more feel the same way.

As Mr. Incalcaterra put it, this is good news for luxury marketers (see story).

In the past year, Ipsos reports that HNWI's have spent \$67 billion on fine jewelry, \$35 billion on women's designer or evening wear and \$27 billion on men's designer clothing or formal wear. This year, 25 percent plan to purchase a watch or jewelry item costing at least \$2,500.

At this, the impressions of luxury were delved into.

“The majority of affluents associate the term luxury’ with high-quality, expensive items that are not necessary, but are desired for their perceived value or exclusivity or the status that they confer upon the individual,” Mr. Incalcaterra said.

Referencing the data collected, he shared that when speaking about luxury, HNWI's usually focus on the aesthetic. They also highlight the craftsmanship, brand reputation and uniqueness (see story).



When asked what words come to mind, HNWI's tended to focus on price and image. Image credit: Ipsos

When asked how they feel about the sector, 19 percent of affluent people stated that they feel “extremely positive,” 25 percent feel “very positive” and 40 percent feel “somewhat positive.” On the other hand, 17 percent said they do not feel positive about it at all.

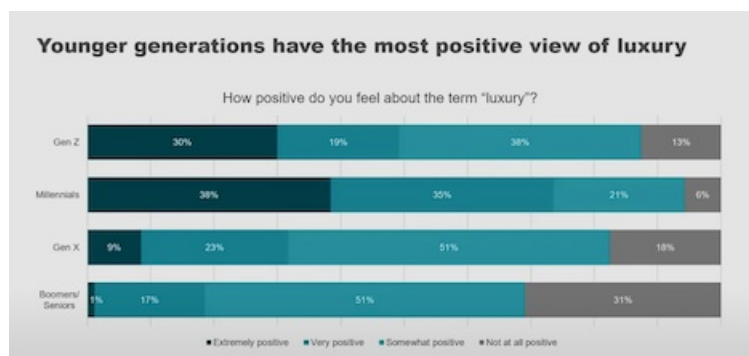
Men are more likely than women to have a very complementary view of luxury, seeing the high-performance potential of the products. Twenty-three percent stated that they feel “very positive” about it.

Of women, 15 percent said as much. They tend to value the look, indulgence and self-affirmation granted by high-end items many also revealed that the products feel like symbols of success to them, and are a way to show others that they are accomplished.

Non-white affluent individuals are 12 percentage points more likely to say that luxury is about feeling special.

To ensure that those from underrepresented groups, such as they, are spoken to in advertising, it will be vital to emphasize how the offerings can make them feel pampered.

Generationally speaking, millennial HNWI's hold the best opinion of the industry, with 38 percent saying they feel "very positive." Gen Z follows, with 30 percent sharing the sentiment.



Young people have a higher opinion of luxury products. Image credit: Ipsos

There is quite a drop-off between this younger group and even Gen X, of which only 9 percent feel this way. Boomers are even less satisfied, as a mere 1 percent picked "very positive" when asked about how they feel about luxury.

Mr. Incalcaterra explained that as the younger groups are not in their "peak earning years" yet, the sector's offerings are still seen as aspirational to them, granting a romantic light and, therefore, more favorable views. Older spenders could feel "somewhat jaded," according to the speaker, who also shared that the cost-to-benefit ratio has also shifted at that point.

"In the end, the main reasons why luxury is bought really comes down to a few things," Mr. Incalcaterra said.

"It's the quality of the materials and the craftsmanship in producing them that are the strongest reasons for why luxury items are bought," he said. "It's the perceived value that's really foremost in affluent's minds when they think about luxury."

### Luxury feel

Ipsos found in its surveys that the number one word that comes to mind for HNWI's when they picture luxury is "expensive" the same goes for those with a negative view of the sector.

"In order to get more of these people to purchase luxury, it's going to be important to stress factors that offset the expensive imagery," Mr. Incalcaterra said.

"Those are going to be things like the quality and durability, that long-lasting status."



Luxury enthusiasts see themselves as open and in control of their lives. Image credit: Ipsos

Those who view prestige with high regard have a different word in mind: brand.

The speaker outlined how it will be profitable for labels to focus on their image, and to try to connect with consumers through it. How affluent spenders view a brand will be, in many ways, more important than how they see their products or offerings.

Top earners in the U.S. who see luxury as important to them see themselves as extroverted, sociable, in control of their lives and ambitious.

"These are people that live life to the fullest," Mr. Incalcaterra said.

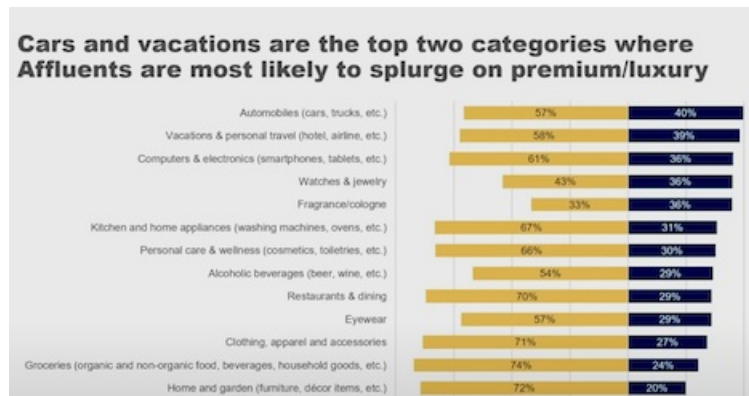
"A luxury marketer can appeal to these individuals with messages that convey enjoyment with friends and family," he said. "Really

look at the emotional aspects that these products and services bring to their lives.”

Those who do not have a favorable view of luxury see themselves as ambitious as well, but far more in control, slightly less sociable and introverted.

“Appealing to these individuals is going to require more focus on the quality of the products, their craftsmanship and their durability, rather than appealing to the social or emotional aspects of why they should pay more for luxury,” said Mr. Incalcaterra.

Finally, Mr. Incalcaterra brought up the importance of the intangible elements of luxury.



The top things that HNWI's plan to spend on are cars, vacations and tech. Image credit: Ipsos

Sixty-three percent of HNWI's say that they would rather put their money toward experience instead of physical items. Seven in 10 would spend on a big trip before they would go for an expensive car.

For these reasons, the ability to provide exceptional service and finding ways to help customers make memories will be key determinants of success in the year ahead.