



MODERN AFFLUJENCE SUMMIT

**RISE TO THE CHALLENGE
OF THE AFFLUENT CONSUMER**



EXECUTIVE SUMMARY

Today, the affluent consumer represents a large and growing opportunity for luxury and premium brands. But the motivations of these consumers are very different from those of consumers in other segments – and from those of wealthy consumers in the past. To successfully capitalise on the opportunity the modern affluent audience represents, brands need to be brave.

In this white paper, we document the findings of 2019's Modern Affluence Summit – and look at what it takes to cultivate and sell to this demanding and fast-changing audience.



AN APPROACH TO THE ENTIRE CUSTOMER JOURNEY

The affluent consumer is changing, arguably faster than any other demographic group. There are numerous reasons for this, ranging from the rise of China's entrepreneurial class to the globalisation of popular culture through social media. But the convergence of these trends and their impact is more important for premium and luxury brands than isolated market changes. The result of this convergence is a single mega-trend that has seen the affluent consumer become younger, more fashion-conscious, more keen to interact with the right brands and more ethically aware. For brands that have successfully served wealthy customers in recent years, this is a veritable earthquake, because, while some long-standing customers may not be going anywhere, the flow of new ones will soon dry up. And worse, most modern affluent consumers will quickly desert the brands they feel don't measure up.

For marketers experienced in addressing the needs of the traditional affluent consumer, this is nothing short of a paradigm shift. Brands will need to make brave decisions, at every stage of the consumer life-cycle. Using analysis and advice presented at the 2019 Modern Affluence Summit, this white paper seeks to answer the most critical questions now being raised – and act as a guide in this fast-changing world.

From awareness-raising and generating interest, through to purchase and ongoing loyalty, we look at what today's luxury and premium brands need to do to stay successful – and crucially, what needs to change.



THE WORLD'S MOST CHALLENGING AUDIENCE?

At the heart of the modern affluence megatrend is a move to a more entrepreneurial mindset. Of course, it is no surprise that many affluent consumers are entrepreneurs in some form. But the accelerating pace of technology will bring many new opportunities for business-minded consumers. And as 5G networks are rolled out globally, opportunities for wealth generation will quickly follow. As a result, the world's population of high net-worth individuals is set to grow fast.

"We can't quite yet comprehend or fathom the amount of change that 5G will bring. We are going to see a rise of the geek billionaire: people that are going to invent industries that we can't quite comprehend yet," explained Phil Robinson, Bloomberg's Head of Data Science and Insight, at the Modern Affluence Summit.

He presented data from a report recently published by Bloomberg and Credit Suisse, highlighting five key characteristics of the entrepreneurial mind:

- / A passion and resilience that pushes them relentlessly forward
- / A restless curiosity about business, people and the world
- / The desire to manage failure and fear, preferring to act
- / A positive, opportunistic and solutions-focused attitude
- / A constant urge to innovate and to challenge the status quo

If you understand these motivations and how they differ from those of other consumers, you will be well equipped to satisfy the needs of the affluent consumer.

As Robinson explained at the summit,

"IF YOU REALLY WANT TO CONNECT WITH THIS AUDIENCE, YOU NEED TO CHALLENGE THEM. BECAUSE AT THE CORE OF THE ENTREPRENEURIAL MIND IS A RESTLESS DESIRE TO DO BETTER."



That underlying motivation is expressed in a desire for personalisation, participation and the alignment of a brand's values with their own, argued Robinson. And they want it now, in real time.

For many brand owners reading this, however, the key question will be when to act. Because anyone can make a prediction, but businesses considering a change of strategy need to know when their investments can be expected to pay off.

According to Joss Duggan, founder and chief executive of London-based investment firm Arcturus Ventures, many consumers in their twenties are holding off on forming their own companies – a trend he linked to the growth in student debt. “People in their twenties are not taking on the risk of doing that kind of thing; they're likely waiting a bit longer.”

On that basis, he surmised that in the years ahead, we may see an explosion of entrepreneurship, as today's twenty-somethings put their college debt behind them and begin to invest in their future.



PROGRESS THROUGH TECHNOLOGY

As Phil Robinson explained, modern affluent consumers actively desire to be part of the brand conversation. They use technology daily and they expect it to be involved in every aspect of their lives. But when it comes to persuading them of your relevance, how should you do it?



Social media, not surprisingly, is critical. Ron Timehin, a photographer and Sony Imaging Ambassador, explained that it's all about authenticity. For an audience that has grown up in an environment of celebrity endorsements, sponsored posts and paid influencers, true authenticity is valued – so much so that they view brands' communications with unprecedented suspicion.

To meet the challenge of communicating successfully with this audience, Timehin recommended a step-by-step approach, beginning by defining the purpose of your brand's presence in their world. Is it to inspire, to educate, or to entertain? To pass the authenticity test, you should choose one and stick to it. Then come up with a content niche that will enable you to do that. Whether it's photography, travel, fashion, food or anything else, it must reflect a content area in which your audience has an interest – and one in which you can credibly publish content. And crucially, it must be something that can differentiate you; an arena in which you can become a unique voice. So, if you're a car manufacturer, you won't be the only car manufacturer posting about cars. But if you target technology within the car market as your content area, you could become an authentic and unique voice in the world of motoring technology. Think of it as your niche-within-a-niche.



MAKING IT HAPPEN

Once your niche-within-a-niche has been selected, there are numerous techniques available to help you capitalise on the opportunity. Among the most important ideas suggested by Timehin, was learning to be selective, i.e. publishing only content of the highest standard. Never post for the sake of posting. And to avoid compromising your all-important authenticity, identify clearly when you are advertising a product of your own, no matter how indirectly. Modern affluent consumers don't mind being sold to, but they do not appreciate being blatantly deceived.

At a more tactical level, reach can be greatly extended with the liberal use of hashtags and geotags. Timehin recommended searching for highly engaged hashtags which appear in fewer than 100,000 posts. For the sake of presentation and readability, don't use tags within your caption. Instead, follow up the caption with the first comment and add your tags there.

Modern affluent consumers expect a participative experience with brands, so actively seek out opportunities to interact with your followers. Ask questions and employ calls to action where appropriate. You can boost engagement further by commenting on others' posts – and there is no better way to establish yourself as a voice in your niche-within-a-niche. And don't be afraid to comment on competitors. If your customers follow those brands, show them some respect. It may seem counter-intuitive, but your bravery will pay off in the long term.



CONSUMPTION WITH A CONSCIENCE

So far, so good. You need to appeal to a confident, discerning and driven consumer – and you need to do it via authentic and adept use of modern media. But the big upheaval for most of today's luxury and premium brands was discussed in the final hours of the summit. The unprecedented need for your brand to represent ethical values the consumer can get behind. Because for this rapidly growing audience, authenticity is not just about being who you say you are. They expect the brands they interact with to have a moral compass – a set of values that as consumers, they are prepared to adopt and even flaunt.

According to a study undertaken by Accenture covering 2,000 British Millennials and Generation Z consumers, they tend to feel positively towards retailers that claim to have a higher purpose – while more than 60% consider a company's ethical values and authenticity before making a purchase. More challenging still, 71% of the consumers surveyed by Accenture believed that criticising brands on social media or worse – refusing to buy from them – can make a tangible difference to the way they act.

At the Summit, this point was made by Dolly Jones, Chief Content Officer at brand consultancy Eco-Age. She explained that for many consumers, luxury and premium purchases are becoming an opportunity to express personal values. "They're not just buying to be seen to own something," Jones stated, "but to be seen to represent something."

Entrepreneur Dominic McVey pointed out that ethical considerations don't stop at the environment. Echoing Ron Timehin's point about a higher purpose, he explained that, "people aged 55 plus care a lot more about plastic. But Gen Z is much more focused on poverty and immigration, and freedom of movement."

He added that luxury brands need to embrace ethical business with more enthusiasm than many have demonstrated to date – highlighting that just 5% of Fortune 500 companies have a healthcare or workplace wellbeing agenda.

This change in consumer attitudes can be daunting for some high-end brands, argued Jones. But the tide is already turning. She went on to cite Swiss jewellery brand Chopard which, in July 2018, became the first heritage jewellery maker to move 100% of its product range to ethically sourced gold. "A guilty conscience – or a lack thereof – is rapidly becoming the barometer of pleasure that we derive from ownership," she concluded.



A BRAVE NEW WORLD

This year's Summit brought a large audience of luxury and premium brand marketers together, both to listen and to present. From the opening remarks to the conclusion of the panel discussion, it offered fascinating insights into the way the world is changing – and what we can do to make the most of the opportunities these changes present.

Most obvious of all was the need for brands to be brave in the face of unprecedented challenges. Because, while the market for luxury and premium products is changing at a phenomenal rate, there are enormous opportunities for those with the insight and agility to adapt.

LOOKING AHEAD

To learn more about the data behind the presentations and what today's brands can do to adapt, please contact Ben Whattam, Managing Partner at Keko London on info@modernaffluence.com

Plans are already underway for the Modern Affluence Summit 2020. For the latest information, please follow us on the social channels listed below, or visit keko.london to register for the email newsletter.

The future will be here sooner than we think.

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