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Marketing Concept of 'Luxury' To Ulterior High Net worth Individuals (*Uhni)*

by
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Abstract. The term coined- Ulterior High Net worth Individuals refers to those filthy rich people who have amassed wealth through illegal means. This set of customers comprise of drug peddlers, land mafias, real estate tycoons, politicians, smugglers , dictators and others who are engaged in illegal activities. They have huge purchasing power but marketers of luxury goods/services normally do not reach out to them. They have rags-to-riches stories of their own and as a result may not be comfortable with concept of luxury although they can certainly afford. An effort is made in this paper to present a five- step model (conceptual) – AEIOU to tap this attractive segment for both private and public luxury products and services. Paper first deals with typical characteristics of these customers, which may not necessarily be common across world. At second stage, the model AEIOU is discussed in details. A stands for APPROACH, E- EXPLAIN concept of luxury, I- INDUCE these customers, O- OBVIATE crucial step which means prevent/remove potential difficulties in advance and lastly U- UPGRADE. All these steps are crucial, considering potential customers to be tapped. If this segment is won by successfully following above steps, marketers can benefit immensely. However, this goldmine is laid with thorns and there are issued involved such as ethics and values, customer satisfaction, issue of after sales service, impact on image of an organization once this set of customers start using their products on regular basis . Marketers of luxury products are always careful while choosing their own set of customers and question before a luxury product/service marketer is whether conscious efforts are to be made to catch this attractive pie?

Key words: customer, luxury, segment, UHNI, wealth
JEL classification: M31

1 Introduction

The economic definition of a luxury good is given as a good for which demand increases more than proportionately as income increases. Generally, a product, which is normally seen among usage of any elite group of people, is termed as a luxurious product. Luxury brands create an image in minds of consumers of high level of quality, price, rareness, aesthetics and functionality. These brands are alluring due to their ability of making owner stand out from the crowd.

In this paper, author has coined a new term – *UHNI*- that is Ulterior High Net worth Individuals. These are customers who are 'Dirty Rich" and have amassed huge wealth due to illegal activities. Nevertheless, for marketers, they are customers with huge untapped potential for luxury products – particularly - private luxury products such as watches, jewellery, penthouses etc. This set of customers comprise of drug peddlers, mafia, real estate tycoons, politicians, illegal mining operators, smugglers, dictators and others involved in illegal activities. Some have rags-to- riches stories of their own and as a result, may not be comfortable with luxury although majority of them can afford.

An effort is made to find out the possibility of reaching this set of customers and marketing luxury products to them. Reason to choose this topic was normally marketers for luxury products are unwilling to reach this set of customers.

2 Review of literature

According to Michel Chevalier & Gerald Mazzalovo (2012), a consumer as the name implies, consumes product he/she purchases. Whereas in luxury, there are no products, only special objects and emotions, fantasies, (dreams) that a client wants to acquire and keep. According to Oxford dictionary – luxury is a choice of expensive surroundings, possessions, which is the provision of great comfort and refinement at great expense.

Consumption of luxury is association with ‘ceremonial tension’.

According to Highnetworthindividuals.org, in United States, over $12 trillion of investable income lies in hands of high net worth individuals. The wealthiest 10% of households in the U.S. account for over half of all consumer spending, but marketing to this lucrative demographic can be challenging.

One of the highlights of Merrill-Lynch-Capstone's 2010 World Wealth Report is that expenditures for "passion investments" have increased among those with high net worth. Purchases of luxury items such as art, sports teams, musical instruments, antiques, and collectibles have increased in recent years, but most high net worth individuals do not purchase these items solely for the aesthetic value. Passion investments have become a hedge against inflation, so HNIs who make luxury purchases will opt for items whose value is expected to increase over time.

To be classified as an UHNI (Ultra High net Worth Individual), you must have a net worth of at least 30 million U.S. dollars excluding your primary residence, according to research firm Wealth-X’s definition. There are about 200,000 such individuals in the world, the firm reports. Taken together, their net worth has been valued at as much as 40 trillion U.S. dollars. They spend an estimated 300 billion U.S. dollars on luxury goods each year, and Wealth-X estimates as many as 95,000 UHNWIs will be created worldwide in the next ten years.

According to Steve Versano (2013) of The Jet Business, following are the movers and shakers of luxury brands market.

Table 1.

Parameter	From	To
Age	60+	40+
Geography	Concentration in U S A	Emerging markets as China, Russia, Latin America, India
Bucket list	Tangible products	Unique services
Communication	Direct	Influence the influencers/advisors
Focus	Marketing product	Helping customer to educate himself on brand

3 Indian context

According to Sanjay Kapoor (2014) MD Genesis Luxury, Indian luxury market will continue to grow at an average of 15-20 percent across categories. If 2013 is any indication, global reduction in spends has not made any significant dent in Indian market.

Yves Carcelle (2007), Chairman of LYMH said some time back “The potential is massive in India. We will develop new generation of customers in India, people who are aware of what is happening in rest of the world”.

According to Forbes Billionaire list, the number in India has reached to 48 and their total net worth has gone up to Rs.9.08 lakh crores.

Significantly, the growth of NHI household is not restricted to metros and around 53% of them are in four metros.

Kotak Wealth management Report has HNI classified into three segments namely-Inheritors, Self-made and Professionals.

This year (2014), according to Gautam Anand, vice-president, opening services, ITC Hotels, “Luxury experiences are going to be about intimacy, personalization and creating a true sense of wonder through products as well as services.”

In Indian context, the *UHNI* were concentrated in metros and mini-metros. It was not difficult to identify them; real difficulty was reaching out to them and then buy time to explain concept of luxury; then induce them to buy products. This was critical because value attached to a luxury product in particular category was different from person to person.

4 Research methodology used

In depth interview method was used to unearth black box of respondents. It was extremely difficult to reach them out and assistance was taken of contact/influencers to reach out to real customer. Respondents were apprehensive about real motive and not ready to give sufficient time. As a result, I could interview only FIVE respondents who were from various fields as liquor baron, illegal mining operator, land mafia, politician and movie actor. They were not in wealth creation stage but in wealth spending mode. All of them fell in the HNI category although none confessed their real income in public or to the tax authorities. General characteristics of these *UHNIs* were as under:

1. All five had typical rags-to-riches stories and had difficult child hood.
2. Barring one, other four had divorced wife and had either second marriage or were in live-in relationship.
3. None was very comfortable with luxury brands although they knew few names particularly private consumption luxury brands in fragrance category or luxury cars.
4. All five relied on their subordinates over relatives.
5. Quality education to kids was on top priority.
6. Their concept of philanthropy was related to religion (religious institution as church/temple) than to NGOs.
7. Their concept of luxury did not include antiques, arts (paintings)
8. One occasion they were ready to spend without any limit was wedding of kids.
9. As far as luxury services such as fine dining or luxury travel, they were comfortable outside India.
10. Car in luxury product category was on top priority list.

5 Findings

Through in depth interviews, following insights emerged. These insights helped author to conceptualize AEIOU model of marketing luxury products to *UHNI*.

The respondents' life could be divided into three main phases as under:

Down memory lane Stage - Their past as described by them. All five respondents had an extremely tough childhood, which included starvation, early death of one of parents, lack of education, and turbulent marriage in case of four. All these factors made them very ambitious and motivated them to early lot of money, come what may.

Looking in the mirror stage - Their present as perceived by them: - This stage comprised of the current scenario when the respondents were rolling in money but did not know how to meaningfully utilize it or use it for personal enjoyment. The only exposure to luxury products was through Hindi/English movies and some T V shows on private channels. As a result, the concept of luxury was unclear to them. The plus point was the untapped purchase power they had and job of a luxury product marketer was to tap this potential.

Photoshop stage:-Their future as they wanted to be- Extremely interesting insights emerged during discussion. All five knew well that some section of society respected them because they had arrived (due to wealth accumulation and spending). However, they were not happy over the current scenario and wanted status and respect in society. Because of this author had named this stage as Photoshop- just as we can manipulate our photo; the respondents wanted to manage their image through various steps. They included both- changing the personal appearance by plastic surgery, and taking personal coaching from finishing expert to other extreme of entering the political arena or using charity mode to Photoshop their image. After elaborating on services provided by luxury hospitals such as Gleneagles in Singapore, respondents were ready to utilize their services without any fuss.

Because of tough childhood, none was ready to accept product/service as luxury unless convinced barring exceptions such as cars and fragrances. But a big opportunity was found in luxury kids wear market. One respondent had heard of brands such as Fendi Kids and Miss Bluemarine.

Recruitment to particular category was key issue. Normally, luxury buyers have a close circuit of friends and acquaintances. However, respondents were not ready to believe known current buyers. Rather they preferred to believe the marketer.

Because of wealth accumulation through illegal means, payment mode emerged as a critical issue. All preferred to pay through cash.

Due to superstition, high ticket item purchase was connected to an auspicious date or festival.
Barring few exception such as car, luxury yacht or honeymoon package for newlywed son/daughter, they preferred to deal indirectly with the company.
Few categories such as space travel, green products, and antiques were not in their bucket list.

Table 2.

Product category	Brands known/preferred by *UHNI*
Automobiles	Rolls Royce Ghost
Travel 9Gambling destination)	Las Vegas/Macau
Real Estate	Dubai/Abu Dhabi
Wine	Blackberry Martini
Watches	Rolex/Tiffany
Art & Collectibles	NIL
Charity	Temples/Hospitals

On the basis of above findings and through insights gathered from person interview, I have conceptualized AEIOU model; a systematic method of approaching this set of customers.

- A - Approach,
- E- Explain,
- I-Induce,
- O- Obviate
- U – Upgrade.

Approach: This was the toughest stage considering nature of work of respondents, particularly those involved in some illegal activities. Unless they were sure of contact and approach, they would not meet or may not open even in personal discussion.
Explain: As mentioned earlier, in case of luxury brands of personal consumption or brands of public display such as a car or a private jet, they were positive. However, barring medical checkup, they were not very comfortable on various costly services targeted. Again, customized route has to be taken to explain concept of luxury behind a particular brand. This may include technology, craftsmanship, limited production, handmade units, and list of existing clients and so on. In case of luxury cars, those brands seen in English movies (particularly Bond movies) made lot of impact. Another category, which finds quick acceptance, is watches category.
Induce: If earlier steps were successful, then marketer has a smooth sailing here except for two issues- mode of payment in case of high ticket items and actual name of buyer. Extreme precaution should be taken to ensure that no commitment be made which cannot be fulfilled.
Obviate: This was a crucial step which meant prevent/remove potential difficulties in advance. Importance of this step was to be understood well by a marketer because of customer of luxury products were normally very uncertain on behavior. In case of *UHNI* this issue became further complicated. As a result, before and after sales service, mandatory servicing of cars, quick resolving of complaints played critical role.
Upgrade: This stage came much later after the target buyer was recruited to the category. After few years, he could be enticed to upgrade himself in the category. This was certainly possible in case of categories where technology was changing faster as in case of automobiles, smart phones, and private jets.

6 Managerial implications

Although response from interview was positive, the first question a marketer has to ask himself- is it ethical to bring *UHNI* in company fold? If so, then what steps should an organization take to ensure that brand equity of a product is not diluted? Following pointers emerged after the interviews.

- In case of private consumption luxury categories such as fragrances and personal accessories, issue was not critical.
- However, those brands which could be seen by others, such as a car, a penthouse or a private jet, issue of juxtaposing *UHNI* with other customers was critical and needed precaution.
- In case of high ticket items, personalization was the key.
- “No logo” style adopted by Bottega Veneta in 1970s could be followed by marketers trying to tap this segment for the first time.

- Collectibles, antique items, paintings and other pieces of art should not be offered to this set of customers.

7 Limitations

The interviews were carried out with only five respondents due to the difficulty in reaching out and extracting information from them.
The findings could not be extrapolated to similar respondents from other parts of the world.
The respondents were not ready to reveal their true financial worth, and as a result could not explain newer concept emerging in luxury market.

8 Conclusion

To conclude, the target niche of *UHNI*, although small, but was attractive and could be successfully tapped provided the signposts and warnings were properly understood and concept behind a particular luxury brand was made understood to the target customer.

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