www.mbd.ase.ro/journal

Redefining 'The Rich'

Milind Fadnavis
Institute of Management Technology Nagpur
milind.fadnavis@gmail.com

One important demographic variable used to segment market is income. Although there is a wide gap between rich and poor, identifying and targeting rich is a difficult proposition. The objective of this study was to find out how and why consumption basket of two sets was different from each other. Focused group discussion method followed by qualitative research tool of bubble drawing was used for this research. Total number of participants was 25 only and represented almost equally by both genders. Importantly, all of them were highly educated and were either independent professionals or senior executives. Interestingly none of them was from so-called royal rich family. However, age group varied widely from 35 to 68. Participants unanimously confirmed that liquid assets held by them were prime mover of their buying pattern. In their opinion, only ownership of fixed assets did not make an individual rich. Consumption basket consisted of small number of necessities and a large portion of luxury products. Interestingly, mobile handset and services was treated as necessity, I phone owned by them was treated as luxury. Similarly, a car as category was necessity for them, but a BMW owned was a luxury.

Their responses to occasion, home, possession, investments, vacation, priorities, attitude to life, socialization, services needed, sports, cuisine and hobbies were decoded. On basis of the responses and discussion, two-dimension matrix was developed which included robust rich, fragile rich, robust poor and fragile poor. To conclude, marketers need to relook to the rich customers and further sub segment them into robust rich and fragile rich. This sub-segmentation shall help them in delivering value to the sets of customers in a more efficient and effective manner.

Key words: Consumption basket, HNI, luxury, income

JEL classification: M31.

1. Introduction

The universe is divided into two broad categories – who are vegetarian from who are non-vegetarian, who believe in God knows it all from who believe in Google knows it all, who like Lionel Messi from who adore Christiano Ronald, who have seen Taj Mahal from who have not seen Taj Mahal! However, this binary approach to segmenting market is not enough. Particularly, when we find a shift in paradigm from mass markets to segments to niches to personalization, we need to use succession of variables. One important demographic variable used to segment market is income. However, in developing country such as India, this may prove a deceptive one. Although there is a wide gap between rich and poor, identifying and targeting rich is a difficult proposition. A marketing consultant Dr Rama Bijapurkar in her book WE ARE LIKE THAT ONLY aptly described this phenomenon. She confirmed 'In India, consumption data is maternity, but income data is paternity'.

In this paper, author has focused on rich customers in Western India and then tried to decode their consumption basket and priorities. The rich in different parts of world show different patterns of both buying and consumption. Still, there is a common thread. They are a readymade market for various kinds of luxury products and services. This market, although growing steadily all over the world, is complex and decoding the black box of rich customer can help marketer fine tune their offerings with pinpoint accuracy.

2. Objectives of the study

While working on another paper dealing with marketing of luxury products to rich customers, author found that the group was widely divided and their priorities were diametrically opposite in same category of products. This ignited me to work further on RICH. The objective of this study was to find out how and why consumption basket of these two sets was different from each other. The distinction would help marketers to subtly change elements of marketing mix while targeting these two set of customers.

Word luxury means different things to different people. The Latin LUXUS means "excess, extravagant and vicious indulgence". However, there has been change in meaning of luxury now and concept is treated on basis of consumer perception and interpersonal motives than purely on money-spent acquisition of an asset, product or service.

Figure 1. Assets, products and services in the luxury market

Author has tried to understand which assets, products and services rich customers preferred in luxury category.

3. Literature review

The RICH are relatively small in number throughout the world but are a subject of hot discussion on various platforms for different reasons. They form an attractive market for luxury products, which are beyond the reach of common man. Rich is an adjective that means having a great deal of money or assets. According to Merriam Webster, Rich is having abundant possessions and especially material wealth. Authors, economists, marketers all have different definitions of rich. For some $1 million is wealthy while for others, $100 million is wealthy. However, a new survey from UBS shows that most investors say "wealthy" means $5 million—with at least $1 million of that in cold, hard cash. The top 1% now controls 39% of the world's wealth according to Boston Consulting Group's Wealth Report.

Now a day, another term used by marketers that is HNWI- High Net worth Individual. According to Wikipedia, A *high-net-worth individual* (HNWI) is a person with a *high net worth*. In the western, and primarily American, private banking business, these *individuals* typically are *defined* as having investable finance (financial assets, excluding primary residence) in excess of US$1 million. Then there is a new sub set which has emerged due to concentration of wealth in hands of a few. They are Ultra High net worth Individuals. Ultra High Net worth Individuals are defined as having a net worth of at least US$30 million (after accounting for shares in public and private companies, residential and passion investments such as art, planes and real estate).

From dictionary meaning to marketers' approach, everyone talks of rich in financial terms. Further classification is done on basis of tiers of wealth, possession and liquid cash.

An ultra high net worth household (ultra HNH) is defined as the one with a minimum average net worth of Rs. 25 crore accumulated over past 10 years, which as per CRISIL's proprietary tool IDeA (Income & Demographic Analysis) is mapped to a minimum income of Rs. 3.5 crore to Rs. 4 crore a year.

In 2012, India was the fastest growing luxury market in the Asia-pacific region, brisker than even China. The market grew at 30%in 2013 and is expected to be worth $ 18 billion by 2017.

According to Jo King head of Audi India; we have several examples of Audi Q3 and A4 customers who have jumped price bands to buy our luxury cars. These customers were looking for better value and not a lower price. According to report from Kotak Wealth Management & CRISIL research, half of the HNH (there were more than 100,900 ultra HNH in India in 2012-2013)were from four metros in India. This number is expected to triple to over 329,000 by FY 2018.

Indian customers in general are known as VFM- value for money customers. However, one aspect which came to fore recently in a survey carried out by JLL was Indian shoppers today are at times ahead of the market in terms of information. For instance, eager customers are aware of a favorite brand's new product launch even before the manufacturer formally introduces the product to the market. Be it cars, mobile phones, movies or books, many customers are informed well in advance should a new product feature in their desire list; they are also in the know as to which will be the best destination to shop for it. Further, increased exposure to foreign products through various channels—by either travelling abroad or interacting with foreign tourists in India—has increased the appetite for foreign brands. At times, these brands may not be available in physical stores, but an online platform will provide shoppers the luxury

4. Detailed Profile of Participants

Total number of participants was 25 only and represented almost equally by both genders. Importantly, all of them were highly educated and were either business persons, independent professionals, entrepreneurs and senior executives. Interestingly none of them was from so-called royal rich family. However, age group varied widely from 35 to 68.

Mumbai, in India, is a place where we have largest concentration of millionaires. Participants in this study were all from Mumbai. Those in businesses were mainly from high value exports such as diamond trading. Four first generation entrepreneurs had start-ups in information security (high end) and made it big in only four years. There were only two male respondents who became millionaire in real estate field.

Women respondents were again independent businesspersons. One made it big by production and export of herbal cosmetics. Two were independent professionals and two were tax consultants.

Practically, all of them, except two were fluent in English, the common global business language. For the two exceptions, language was no barrier and they were successful at global level without any formal education or proficiency in English language.

They were in highest income tax payers category and were clients of branches of banks that were having boutique branches to serve high net worth individuals. Such branches served only millionaires/HNIs and such branches were opened in metros and mini-metros in India.

All of them visited luxury malls Palladium in Mumbai and Select City walk in New Delhi. At global level, they preferred to buy items at Dubai mall during Dubai festival and at Galleries Lafayette in Paris, France. All of them were platinum credit card holders of various banks and members of frequent fliers clubs of different airlines.

5. Research Methodology

I have used focused group discussion method followed by qualitative research tool of bubble drawing. The participants were not ready for in-depth interview because it was for research purpose. They were, in any way, not going to be benefitted out of it in form of published interview in a magazine or a newspaper. I therefore decided to first use the tool of focused group discussion to break ice between me (researcher) and them (respondents).

Focused group discussion initially revolved around definition of RICH, their consumption basket, attitude of Government and society to RICH. Later on, it shifted to how marketers treat this set of customers and in turn their reaction to various marketing programs. At second stage of research, each participant was given 12 pieces of paper with two characters shown talking to each other with empty bubbles. The participants were asked to write in those bubbles what they thought was communication between the two characters which comprised of a man and a woman from rich class. Each paper had headline above the bubble. The headlines were- occasion, home, possession, investments, vacation, priorities, attitude to life, socialization, services needed, sports, cuisine and hobbies. Instead of in-depth interview, this method proved extremely useful. All respondents were comfortable in expressing their opinion through the two characters in picture ie. through third person than expressing on their own verbally.

6. Results and Discussion

Participants unanimously confirmed that liquid assets held by them were prime mover of their buying pattern. In their opinion, only ownership of fixed assets did not make an individual rich.

Consumption basket consisted of small number of necessities and a large portion of luxury products. Interestingly, mobile handset and services was treated as necessity, I phone owned by them was treated as luxury. Similarly, a car as category was necessity for them, but a BMW owned was a luxury.

They were vocal on poor treatment by Government in spite of their contribution in form of taxes paid. The group stated that professionals and executives were honest enough to pay tax compared to a businessperson.

All respondents complained over invasion of their privacy by marketers. They blamed it to the information given in KYC (Know Your Customer) form and CRM programs run by marketers. All of them received large number of junk mails, spam mails and calls on their mobile at most awkward time. In age of information available on net, this bombardment of communication from marketers proved to be an irritant for all of them. They expressed satisfaction over special efforts taken by some marketers by isolating them from ordinary customers. An Indian bank opened boutique branches for HNIs. Respondents categorically stated that marketer, if wanted to tap rich customers, must insulate and isolate them from others.

In second stage of research, participants were automatically divided equally and their responses were diametrically opposite. The division was due to age group. Younger lot (named as group A) and mature lot (group B) had very different preferences in each category.

1- **Occasion:** - For younger lot, it was birthday of partner, marriage anniversary, performance of kid in school function were most important occasions. Only four respondents, who worked in field of information technology said that 25th marriage anniversary of parents was important.

On the contrary, group B (older group) preferred to tick marriage of son or daughter, their own marriage anniversary, alumni meet of school or college as important occasions.

2- **Home:**- The younger lot preferred an independent villa or a bungalow. They were well aware of the maintenance issues in case of larger homes. The other older group preferred two/three BHK flat in a posh locality. They did not prefer independent house for safety issues and wanted security gadgets including alarm, camera phone to be installed in flats. For interior decoration, younger group preferred DIY- do it yourself and not DIFM- do it for me. Younger group (A) preferred green building and LED lights and was concerned over electricity and water consumption issues.

3- **Possession**: - The younger lot preferred products, which were for individual consumption but can be displayed in public. This included cars, bags, pens, suiting, and gadgets. The older lot wanted items falling in antique category. They were not interested in display of their possession to public. In their own opinion, they were true connoisseur of luxury that meant appreciation of antique and unique. In case of gadgets, the first lot (read younger) practiced concept of showrooming. This meant that they checked product/gadgets off line and then bought same on line. This was only in electronics category and that too confined to only limited brands of repute.

4- **Investment:**-The younger lot wanted to save and invest in high risk/high return instruments. They were not interested in concept of second home. The older lot preferred savings in bulk in Government securities with nomination of kids or wife. Group B was not interested in real estate now and those who preferred to invest had preference for a vacant developed plot of land rather than a home. Spreading thin was the mantra of younger group.

5- **Vacation:-** First group wanted to go to unknown and not exotic places. Although, they had not fully explored the world, their preference was not to the well-known popular destinations in USA or Europe. Adventure and experience was the key. The older group wanted to rejuvenate and relax and preferred exotic destinations. Unanimously, they preferred luxury cruise as value for money option. Internet and videos on YouTube apart from channel Travel & Living played a crucial role in determination of destination. Six respondents from group B wanted to undertake journey on Trans Siberian route through luxury train journey operator Zarengold.

6- **Priorities:-** Partner (husband or wife) and kids education was on top priority of first lot. In case of second lot, preventive medical check-up, marriage of son or daughter, planning for welfare and well-being of partner after one's death was on top priority. There was unanimous opinion across respondents of group B that wife after death of husband can survive with relative ease compared to reverse situation (husband living after death of wife). Searching for modern home for aged was on top priority of three respondents from group B.

7- **Attitude to life:-** ETIL- Enjoy till it lasts was the mantra of first lot. They exhibited strong confidence in themselves and wanted to live life on the edge. The other group was focusing on cautious consumption. First group was impatient and did not believe in knocking of opportunity at door. Build another door, if opportunity does not knock at earlier one was the opinion. This attitude had lot of impact on both- buying and consumption. In case of group B, fear was the key and they bought few products out of fear of unknown. Surprisingly, majority of respondents from group B had seen program Doomsday Preppers on you tube and were thinking to prepare themselves on those lines.

8- **Socialization:**- The younger group wanted to socialize with people from different cultural backdrop apart from their own relatives and friends. Some respondents from group A were working part time for different NGOs. The other group wanted to socialize with people who were enjoying similar social status. As a result, membership to a particular social clubs was on their bucket list. Gatherings of senior citizens were a no no for second group.

9- **Services needed**:- Here again the first group believed in DIY- Do it yourself. However, group B that comprised of seniors wanted DIFM- Do it for me. This included sundry domestic services. First group wanted advice on education for kids, shopping experts for buying high- end gadgets, specific inputs from experts for their vacation. There were exceptions such as cosmetic surgery, finishing school and short courses on power yoga were on top priority of younger group. The seniors focused on health related services and especially on preventive medical checkup. Group B believed opinions of expert on T V while group A respondents believed in blogs and websites related to a particular field. One young respondent referred to a service provider Just Dogs – a pet products and service chain which used videos, on line chat, tele-calling, home delivery to provide a comprehensive delivery model.

10- **Sports:-** Younger lot surprisingly has shown interest in football and not in cricket which was treated as religion in India. When asked, they confirmed that majority of them were having global exposure due to information technology work culture and hence this change. The old lot was happy with cricket and golf. In spite of recent controversies and corruption related to Indian cricket, they still were strongly loyal to cricket. Adventure sports such as bungee jumping, skydiving was on top priority of group A.

11- **Cuisine**:- The responses were again divided between experimentation and experience. The young lot was ready to experiment with continental cuisine. They were interested in calorie and fiber information before preferring a dish. The senior lot was more conservative on experimenting on variety and focused on traditional ethnic cuisine. Group A respondents experimented with Mexican, Thai and Italian cuisines. Group B wanted to consume gourmet food, which included specialty cheeses, meats, condiments, exotic herbs sourced from all over the world.

12- **Hobbies**:- Young group had hobbies, which would distress them from stressful work routine. The list included listening and playing music, Sudoku , Rubik cube, computer games. The old lot was having a different view. Their hobbies included social service in immediate vicinity, reading, philately, watching old movies.

The broad division of respondents and their priorities helped in gaining insights to consumption basket of rich. As a result, author has drawn conclusion that all rich customers could not be put in one basket.

I present following matrix in which the rich are redefined.

Matrix]

RICH (FINANCIALLY + PHYSICALLY) ONE ROBUST RICH	POOR (FINANCIALLY POOR + PHYSICALLY RICH) THREE ROBUST POOR
RICH (FINANCIALLY + PHYSICALLY POOR) TWO FRAGILE RICH	POOR (PHYSICALLY POOR + FINANCIALLY POOR FOUR FRAGILE POOR

Figure 2. Redefined rich matrix

Not all rich were necessarily physically fitAs a result, they had shown different trajectories of both-buying and consumption that was evident in their preferences for different variables.

- **Robust Rich** were those who had both – money and were blessed with good health. They formed an attractive market for different luxury products and services. In product category, they were early buyers for different wearable gadgets and also potential buyers for unique services.
- **Fragile Rich** were those who had money- but were suffering from health issues which affected both- their purchase and consumption pattern. This proved an extremely attractive market for different services because fear was the key and they opted for different services on regular basis.
- **Robust Poor**
- **Fragile Poor**

The other two quadrants, robust poor and fragile poor were not objectives of my study and hence not discussed here.

7. Conclusion

To conclude, all rich cannot be put in one segment only because they are monetarily rich. Some of them, mainly due to age, were not be in best of physical health. This means composition of consumption basket changed dramatically with age although purchasing power was be same. The group in this research was vertically divided between young and fit rich, old and not so fit rich. On all parameters, they have shown different trajectories of consumption.

Younger lot could be put in YOLO – you only live once category. They lived life on edge, were confident and experimental and did not fear of losing life. They preferred passion over stability and took extra ordinary decisions such as changing career path in mid 40s.

The old rich could be put in YODO category. You only die once is a philosophy which encouraged people to live life consciously. They chose reason over passion, thought of future, were concerned for long-term benefits and not in instant gratification. Moderation was the key in their consumption process. In their opinion, one action would either enrich or spoil their life.

Marketers need to relook to the rich customers and further sub segment them into robust rich and fragile rich. This sub-segmentation shall help them in delivering value to the sets of customers in a more efficient and effective manner.

8. Limitations

Number of participants was 25 only and this certainly is a small number considering the scope of research.

Respondents were from western India only. As a result, findings cannot be said to be applicable at all India level.

Participants were enthusiastic on consumption basket composition. However, they were reluctant to talk on income part, which financed this basket.

The report suggests that the total net worth of Indian ultra high-net worth households (ultra HNHs) will reach Rs 318 trillion in 2016-17, a nearly five-fold increase from around Rs 65 trillion in 2011-12. This growth in net worth will be driven predominantly by growth in the number of ultra HNHs and the returns on wealth.

The four RICH principles as defined by Matt Ham in his book 'Redefine Rich' that hold the key to unlocking this truth:

R ecognize you are broke(n)
I nvest in others
C hoose gratitude
H umble yourself with confidence

References

AAFMINDIA2012. *The Indian HNI Families*, Retrieved from https://aafmindia.wordpress.com/2012/07/16/the-indian-hni-families/.

BAJPAI, S.N. 2015. Luxury For all, *The Week* , 69.

BEARDSLEY, B., BECERRA, J., HOLLEY,B., KESSLER D., NAUMANN, M., TANG, T., & ZAKRZEWSKI, A. 2013. Global Wealth report, *Boston Consulting Group*.

BERA, S. & VALSAN, S. 2015. Challenges in retail estate in India's transitioning society, *Jones Lang LaSalle*, 7.

BIJAPURKAR, R. 2009. *We are like that only: Understanding the Logic of Consumer India*, The Indian edition, Penguin.

CRISIL RESEARCH, KOTAK WEALTH MANAGEMENT. 2013. *Top of the Pyramid: Decoding the ultra HNI*, Retrieved from http://wealthmanagement.kotak.com/topindia/pdf/topofthepyramid2013.pdf.

HAM, M. 2015. *Live Richly*, Retrieved from http://mattham.com/living-richly/.

Rich. (n.d.), In *Merriam Webster online*, Retrieved from http://www.merriam-webster.com/dictionary/rich.