Asia’s Quiet Spenders

Being affluent used to mean owning trunkloads of certain kinds of branded goods. Today, it means having experiences that are difficult to obtain unless you have both money and time.

By Saw Puay Lim
7TEND

When former banker Joanna Wong left her job as a senior manager running the priority banking unit of Standard Chartered Bank in 1998, she did so with a clear objective — to nurture her two sons, Brandon and Bryan, during their growing years. Her freedom from the tyranny of corporate life also allowed her to pursue several personal interests: Wong is now an artist with a home studio and an online gallery. She has also authored a children’s book, *Squeaky*, which was published in 2005.

The freedom to indulge in one’s interests and to enjoy the subtleties of what money can buy are the new trophies among Asia's affluent; amassing a cache of branded goods and other ostentatious badges of wealth are passe. In some cultures, like Australia’s, the pursuit of branded goods is generally considered crass, as a major study by American Express, titled *Inside The Affluent Space*, discovered (see Subtle Shades Of Wealth).

The focus has shifted to inner wealth. As Wong notes, today’s affluent are more willing to pursue hobbies that are “food for the soul”, such as taking up art classes, music and dance. “In my art classes, we have many professionals — lawyers, bankers, accountants, successful businessmen — who are willing to sacrifice a few hours a week just to paint.”

Dr Lee Hock Guan, Senior Fellow for Regional Social and Cultural Studies at the Institute for Southeast Asian Studies, sees a shift in the consumption patterns of the affluent. He linked some of the changes in consumption behaviour and attitudes to what he calls the “McDonaldisation” of designer labels.

Buying certain types of brands used to make the affluent feel “different from all the rest”, but not anymore because a burgeoning middle class is now also able to acquire these brands, Lee says. In fact, secretaries in Japan would spend an entire month’s salary on a Louis Vuitton handbag. Which well-heeled fashionista would like to be mistaken for a Japanese secretary?

To enable the affluent to distinguish themselves, Lee notes that designer labels now have distinctive product differentiation, so the middle class could wear, say, a Cartier watch with a simple leather strap, whereas the wealthy could opt for a diamond-studded model.

Individuals also buy for mental stimulation and the products’ novelty value, he adds. “If you keep spending on the same things, it gets boring”, and there is no novelty, mental stimulation or the “talk value” mentioned in the survey reports (see Subtle Shades Of Wealth).

Indeed, Shashi S Dash, President, Asia Pacific, at Samsonite Asia observes that “there is a high emotional component in buying decisions. The Internet provides people with easy access to immense amounts of information and hard facts. People are therefore looking for something unique and individual. They are looking for a ‘story’.”

Creating a “story” is the luggage company’s current strategy for winning the attention of an upmarket clientele. “Samsonite’s Global Creative Director, Quentin Mackay, correctly acknowledges that we have quite a hard image to break away from — people still think of that hard, plastic suitcase when they think of Samsonite. Function only gets your product to the table; aesthetics and emotion are the key differentiators,” Dash says.

Samsonite’s CEO, Marcello Bottoli, is raising the bar in the luggage industry by engaging Alexander McQueen as a designer to create products that are striking and are seen as fashion accessories. Dash declares, “We are and will be gutsy.”

Wong observes that “the affluent today are more willing to spend than their parents because not only do they feel that they earned it, they also feel that they have the capacity to continue earning more in the future. So, they are more willing to splurge on their housing, cars, children, vacations and branded goods.”

But the splurging these days isn’t as “loud” as it was in the past. Francis Phun, Chairman of Singapore Explorer, observes that today’s affluent “go more for quality than to show off.” For instance, whereas last century’s rich would purchase an expensive car primarily for its badge value, today’s automobile connoisseur is happy to pay handsomely for a vehicle for its intrinsic value. “If they buy a Ferrari, it’s for the performance; for the machine itself, not because they want to tell people ‘I am rich’. If they want to do that, they would buy a Mercedes or a Rolls Royce,” Phun declares.

He also suggests that the sheer diversity of products in the market now, compared with a generation ago, has contributed to the changing consumption behaviours and expectations.

Make Mine Special

It may well be a circle in which retailers and service providers play a role: They revise and expand their offerings as their target market’s preferences evolve. The
savviest also try to anticipate needs that have not surfaced yet.

"Whatever we implement in our restaurants, be it a new menu, certain standards of service or décor, we essentially not only answer to the demands of our customers, but also try to surpass their expectations," says Andrew Tjoe, Executive Chairman, Tung Lok Group. "These days, the trend is moving towards healthier dishes. Likewise, our menus are refined to cater to the changing demands."

The restaurant group, which owns some of the region's most upscale dining establishments, also receives regular requests to book an entire restaurant for private events, Tjoe says. Demand for their chefs for outside catering is also high. "These clients are mostly our regular customers and we will accommodate them when there are such requests. They have been our strong supporters."

Madeleine Ho, Marketing Director at Hermès Singapore (Retail), says that "more and more customers today desire and are willing to pay a premium for exceptional Hermès products such as the Crocodile Kelly or Birkin bags with diamonds, fringed leather plaids, silk scarves with sable, Pippa furniture in ebonised maple and matt crocodile, among other rare items."

To cater to a clientele that is more discerning and expecting more personalised service, the label offers, for instance, exclusive previews, scarf-tying workshops, and personalisation of products, such as embossing initials on a leather item, or even the creation of special orders such as an exclusive apple holder for a client who wanted a carrier for his daily apple! Dr Kenny Chan, Managing Director of The Hour Glass Group, which has sold more than S$6.5 billion worth of watches in its 28-year history, notes that the "passion for watches has no limits — watch collectors are prepared to invest in timepieces that require a lead time to delivery."

"With the rising affluence in our region, there is an increased awareness and demand for technical watches with high complications," he explains. "When customers enter our boutiques, they need to know that they will be able to have a conversation with a watch specialist rather than a watch salesperson. The experience in our boutiques is not only one of excellence and attention to detail, but supported by detailed knowledge that customers can rely upon."

Affluent consumers are also demanding depth and novelty from their travel experiences.

American Express' concierges, for instance, have been involved in a breakfast at sunrise in Angkor Wat; afternoon tea served in silverware in the middle of a South African safari; and fine dining for two on Valentine's Day under a full moon at the Taj Mahal.

American Express, having discerned changing attitudes among its affluent cardmembers, is equipped to help them use their wealth in novel ways: The gourmet concierges can fly in special brands of caviar or bottles of wine, or help secure a table in that restaurant in New York that's perpetually fully booked; its Membership Travel Services can arrange unusual experiential holidays in exotic places such as Morocco, Yemen,
Members of the firm’s most exclusive card, the Centurion, get invited to by-invitation-only events, such as the recent preview of the autumn/winter collection of Italian designer Giambattista Valli. The haute couturier himself was in attendance.

Centurion members also have access to the Centurion Suite in several Raffles Hotel Group properties around the world. In Hong Kong, guests at Conrad Hong Kong receive a highly personalised service. Lucy Lau, Director of Sales and Marketing, says, “They’re addressed by their name, and when they go into a room, they have the type of bed they would like. The [American Express] study confirmed that we’re going in the right direction to focus on one-on-one and customised service, and get our customers engaged emotionally with our product.”

The Changing Mindset

The range and depth of investment products available today are also urging Asia’s affluent individuals to invest differently than the previous generations did. The first-generation wealthy were often self-starters and were most inclined to “put capital back into their business,” says Annie Koh, Associate Dean of the Lee Kong Chian School of Business at Singapore Management University. “They like real estate and if they are in plantations or trading, they do diversify into real assets and property along the way.... They trust no one and do it all themselves.”

The second generation who inherited wealth from their parents are "actually more risk averse and less likely to rock the boat and take big bets.... They feel the weight of trying to be as good as, if not better than, the founders and are less likely to go for big bets even in investments. They probably like mutual funds, diversified portfolios and are quite happy to outsource to investment advisors," Koh observes.

The third-generation affluent have the best of circumstances, says Koh. As they are likely to be well-educated, usually with an overseas education, they feel they are financially savvy and are often sophisticated investors, “willing to try any product the investment advisor brings to their attention... unfortunately they do not have much capital personally, but are keen to encourage their parents to go for all the bells and whistles”.

The three generations’ approach to taking risks forms a wide spectrum. As Koh says, “The first generation is more opportunistic, the second generation, more risk averse, and third generation, more risk inclined”.

In Australia, superannuation appears to be the fascination of the moment. Melbourne-based Doug Crompton, Regional Manager (Asia) for Atex, a global supplier of software systems, says: “My generation has generally invested in shares — Australian shares mostly — and
property, particularly residential. But, as of July 1, 2007, this has started to change radically. The Australian government has made superannuation very, very attractive, and accordingly there is a huge flow of funds right now from shares and property into superannuation.”

Looking Out For Number One

Where do the heirs of wealthy individuals stand amid these developments? There are indications that they may not inherit as much wealth from their parents as the previous generation did. Or they may inherit it much later in life because life expectancy is increasing throughout the region.

A HSBC study conducted with 2,500 affluent individuals in Singapore, Hong Kong, Sydney, Mumbai and Shanghai, on their changing attitudes towards wealth, revealed that the majority (54% in Singapore) planned to use their wealth to maintain their present quality of life in their retirement although participants in all cities, except Sydney, said they would also save their wealth for their children.

As Crompton says, “My generation has this large slab of wealth tied up and is about to retire — but not about to die for maybe another 25 years!” The retired wealthy are likely to be “pretty busy travelling, for example, buying large 4WD SUVs, gambling at casinos, cruising around the Bahamas. And spending on medical matters to further prolong life.... The kids won’t get too big a piece of this pie, directly, until they aren’t kids anymore — fiftyish!”

Teo Lee Keng, Director of Titch, a regional chain of home furnishing fabrics, is concerned that a pampered life has resulted in a lack of ambition among many children of the affluent. “They are not so driven. They tend to give up when things get tough,” she says.

Teo says she would finance any trip that can broaden the thinking of her two children, both in their early 20s. For instance, her 21-year-old son, Wenzhang, who she stressed is actually very driven, went on an exploration trip to Antarctica recently to study its biological environment.

Indeed, the current value placed on enriching experiences is being transferred to the next generation too. Hooi Ren Syn, a 15-year-old student in Singapore, will be going to Calcutta in December to help build and repair some buildings as well as teach poor children. The trip is part of the Nanyang Girls High School’s community involvement programme. This is open to the school’s secondary three pupils and parents pay for the trip and the expenses incurred.

Three years ago, her elder sister Ren Yi, 18, went to Hainan island on the same programme. The girls’ mother, a pianist, encouraged them in both instances so they would “see the world in a different light and just be more appreciative of what I have,” Ren Syn explains.

The desire to give something back to society surfaces in every generation. While first-generation philanthropists built schools and hospitals among other institutions, the affluent today have more opportunities to contribute in quieter ways, say, through causes they believe in, Phun notes. Very often too, they are not content to just donate funds — they want a role in decision making and perhaps even in managing the charity.

Sociologist Lee agrees, pointing to the example of Ho Kwon Ping and Claire Chiang of The Banyan Tree group, who actively champion corporate social responsibility and “do not just write cheques”.

In Australia, the American Express survey found the well-off believe that “with the privilege of affluence comes the responsibility of helping others and they have a genuine desire to contribute to society — to give back, in a hands-on sort of way... Confident in their business acumen, they believe they can bring skill and expertise that can add value to pro bono organisations while gaining a sense of personal satisfaction”.

It’s early days yet to discern a definite trend in how the next generation of affluent will manifest their wealth. Crompton’s son, Neil, told him “his generation is essentially doing the reverse of my generation... They are saving nothing much at all — living from day to day — with a huge credit card debt! They are living in rental houses that are owned by one of MY generation!”

The Hooi sisters’ views reflect the same lack of obsession for material wealth accumulation.

“Wealth attainment is an important incentive for me to work hard for the future, but it is not the only motivating factor. Most people, including me, would probably envision the future in broader terms, for example happiness or success, which wealth is only a facet of,” asserts Ren Yi. The level of wealth she would strive for would be that “which allows me to lead a comfortable, but not necessarily luxurious, life.”

Ren Syn says: “Wealth attainment does motivate me to work hard right now.... However, it is not so much about working hard just so that I can be rich in the future, but it’s more of working hard so that I would have a more comfortable and safe future.”

The Hooi sisters place high value on rich experiences.

Affluence Goes Mainstream

Affluent individuals in the Asia Pacific

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<thead>
<tr>
<th>Year</th>
<th>Number of individuals with liquid assets of US$50,000-US$300,000</th>
<th>Individuals with liquid assets of more than US$300,000</th>
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<td>2005</td>
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<td>2008</td>
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