CONNECTING WITH THE HENRYS IN A CHANGING ECONOMY

How will the HENRY – high earners not rich yet – consumers react as the economy turns south and what can luxury brands do about it?

By Pamela Danziger, Unity Marketing

COVID UNLEASHED A TSUNAMI OF ECONOMIC CHALLENGES

Across the globe and at every income level, consumers' mindset and purchasing priorities were reset because of the coronavirus and its forced global shutdowns. In the blink of an eye, consumer spending shifted from discretionary to necessity purchases and the internet became the go-to source for shopping throughout the shutdowns.

With luxury being the most discretionary of all consumer purchases, it was the first consumer segment to suffer cutbacks due to the coronavirus but also the first to recover since the affluent, unlike middle-and-lower income consumers, didn't take a hit to their incomes from job losses or cutback. In fact, they prospered throughout, unlike lower-income consumers.

Nonetheless, the affluent's lifestyles were disrupted like everyone else's. It was not just a threat to physical health, but also their emotional wellbeing.

The luxury market runs on the psychology of affluent consumers. When they feel good about themselves and on solid financial ground, they give themselves permission to indulge. When they don't, they won't. It's that simple.

Right now, other challenges resulting from or coincident with the pandemic weigh heavily on consumers' minds and their outlook for the future, such as Russia's invasion of Ukraine, supply chain snags, China's hesitance to open up post-covid, stock market upheavals, the threat of global recession and inflation reaching its highest level in 40 years.

While those at the upper levels of income and wealth feel on solid financial footing, the HENRYs (high-earners-not-rich-yet) who sit between the wealthy and the middle-class may not feel so confident.

IT'S NOT OVER TILL IT'S OVER

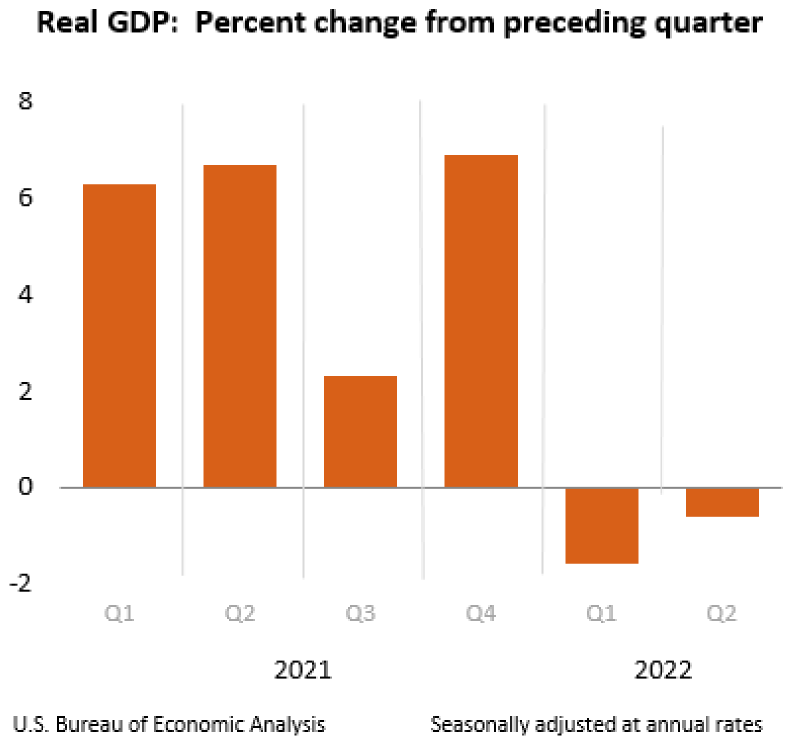
Through the first half of 2022, GDP has suffered two quarters of negative growth, the traditional sign of a recession. However, because unemployment remains low, many economists are hesitant to officially declare the U.S. economy has entered a recession. Yet, unemployment, which is traditionally a leading indicator of recession, may be a trailing indicator this time. And the job cuts that typically come with a recession may not only affect those at the lower-end of the pay scale.

"There have been over 30,000 job cuts by tech companies in the U.S. in the past few months alone, and unemployment claims have climbed to 8-month highs," Zero Hedge recently reported as Apple, Amazon, Tesla, Snap/Snapchat, Shopify, Twitter and Meta have announced layoffs. In addition, Alphabet owner of Google has implemented a hiring freeze and Coinbase and Microsoft are slowing their hiring pace.

Others announcing layoffs include Stanley Black & Decker, Gap, Bed Bath & Beyond, Best Buy, Ford Motor, HBO Max, Netflix, Peloton, Noom, Robinhood, Groupon, Re/Max, Kohl's, Walmart and Wayfair.

Wall Street isn't immune either, as rising interest rates and stock market volatility put those in the financial sector at risk. Goldman Sachs plans to cut several hundred jobs in the third quarter, while JPMorgan and Bank of America remain cautious.

In more troubling news, a survey conducted by PwC in August 2022 among 700+ senior U.S. executives found 50% of the firms are anticipating a reduction in overall headcount, while 52% foresee instituting a hiring freeze and 44% are rescinding job offers



ECONOMY TILTS TOWARD THE DOWNSIDE

The Conference Board just released a forecast for the nation's GDP and it doesn't look good. Earlier this yea, It announced:

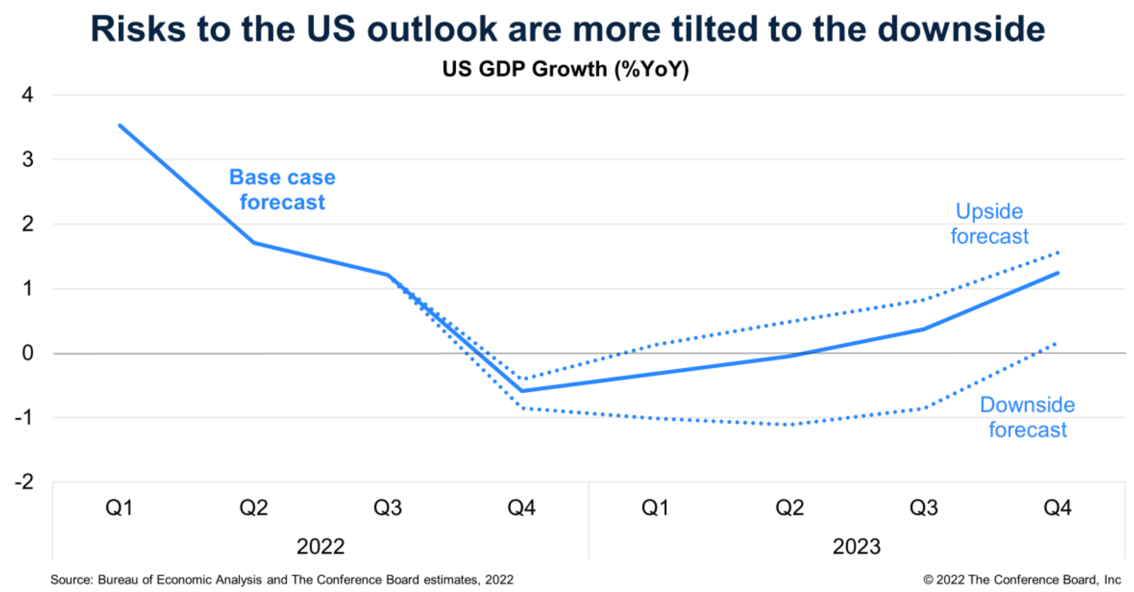
"The U.S. economy appears to be on the precipice of a recession. The Federal Reserve is rapidly raising interest rates to cool inflation by reducing demand from consumers and businesses.

"This will likely tip the U.S. into a brief and shallow contraction that is felt throughout the country."

But in September, The Conference Board added caveats to that hoped for "brief and shallow" contraction, including uncertainties around continuing inflation, interest rates, the housing market and government spending.

"According to our new research, the potential for further downside to U.S. economic growth resulting from these risks outweighs the upside potential.

"Said another way, the recession we forecast could be less shallow and less brief than anticipated."



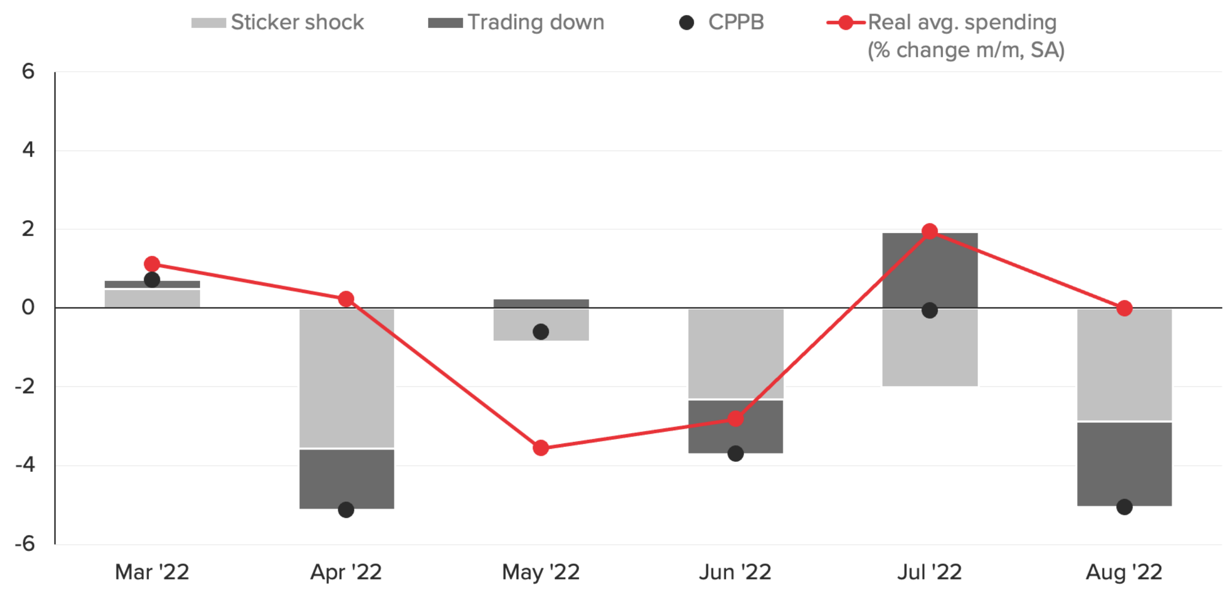
TROUBLES CONTINUE TO GROW

In August Morning Consult reported that real average consumer spending was flat and rising core inflation is resulting in a decline in its barometer of consumer purchasing power. Consumers are responding to sticker shock by trading down to less pricey alternatives.

Further, with consumers forced to spend more on essentials, like energy and gasoline, health care, groceries, housing and utilities, they are cutting back on discretionary purchases.

While the retail sector continues to post solid year-over-year gains, the bulk of those increases are attributed to rising prices, not growth in consumer demand.

Consumer Purchasing Power Barometer and Monthly Spending



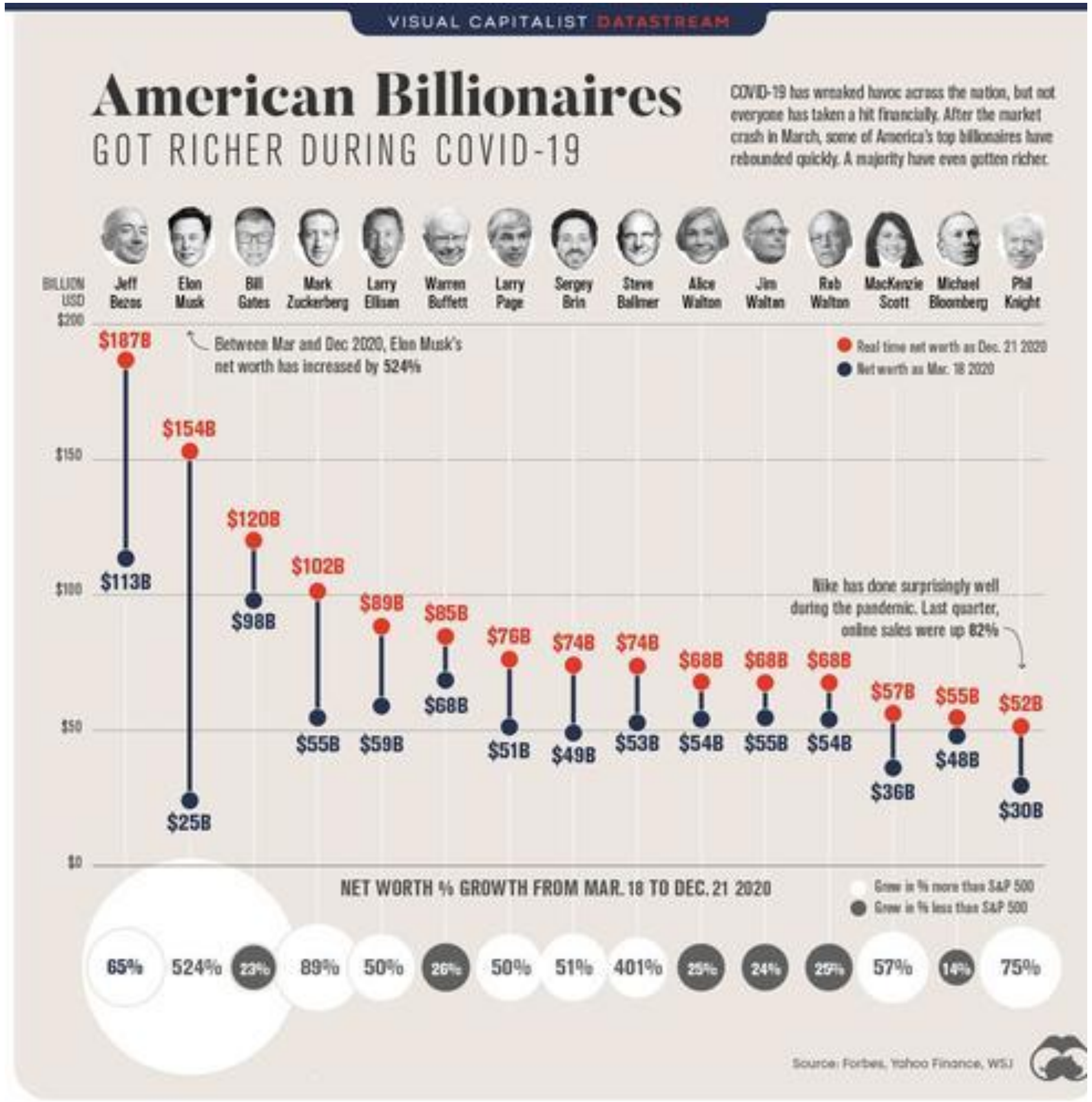
Source: Morning Consult Economic Intelligence. The CPPB is calculated by multiplying the Price Sensitivity Index values for each month by -1/3 and the Substitutability Index values by -2/3 and adding them together. Morning Consult's spending data is adjusted for inflation using the CPI and seasonality using seasonal factors from the Census Bureau.

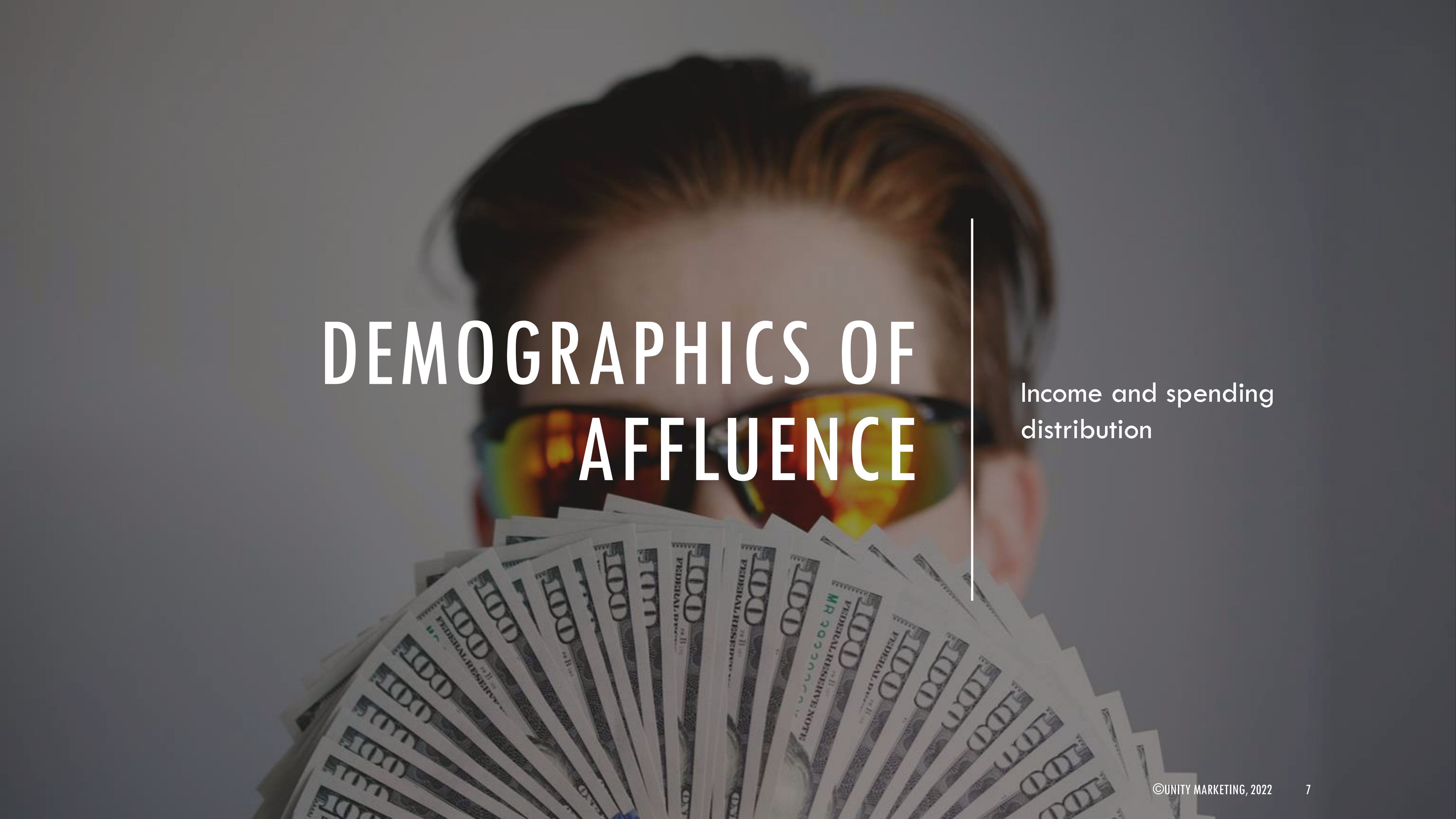
THE RICH GOT RICHER, BUT THE TIDE MAY BE TURNING

The richest didn't skip a beat during the pandemic though their fortunes have changed recently. This year's double-digit stock market decline has wiped out nearly $800 billion in billionaire's holdings since November 2021, according to Bloomberg.

They are not the only ones seeing a loss. U.S. household wealth has fallen between $5 trillion and $8 trillion through mid-year 2022 reported JPMorgan Chase. It predicted, "A wealth shock that is set to drag on growth in the coming year." wrote JPMorgan Chase economists in a note on Friday.

That impacts consumer spending, as consumer spending typically falls by two cents a year with every dollar decline in financial wealth, estimates JPMorgan. Further, it predicts that the second half of 2022 could bring more losses which might be as high as $9 billion.





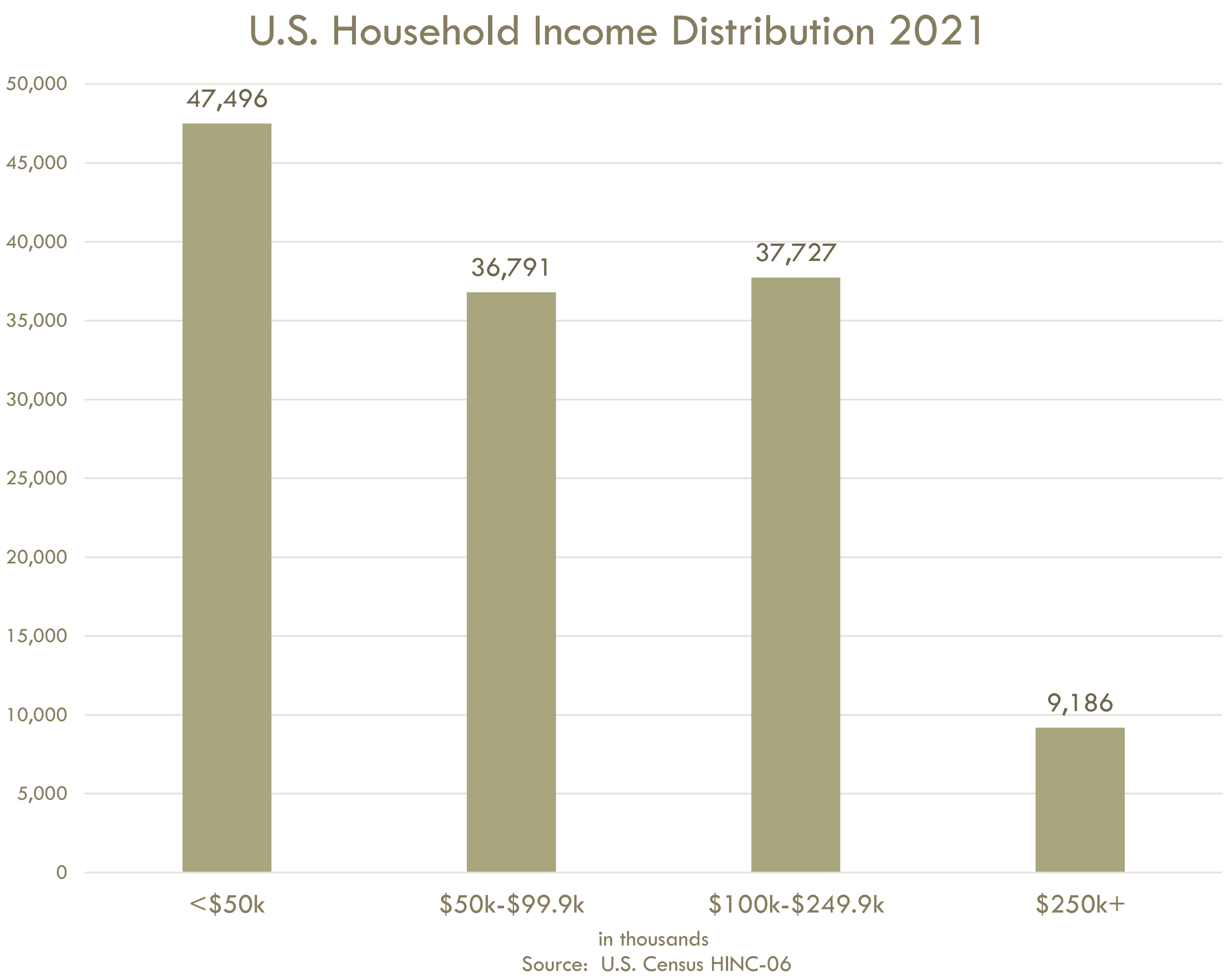
DEMOGRAPHICS OF AFFLUENCE

Income and spending distribution

DISTRIBUTION OF INCOME

In 2021, there were some 131.2 million households in the U.S. with a median income just under $70k.

Some 36% have incomes under $50k, and nearly an equal percentage (33%) have incomes above $100k.

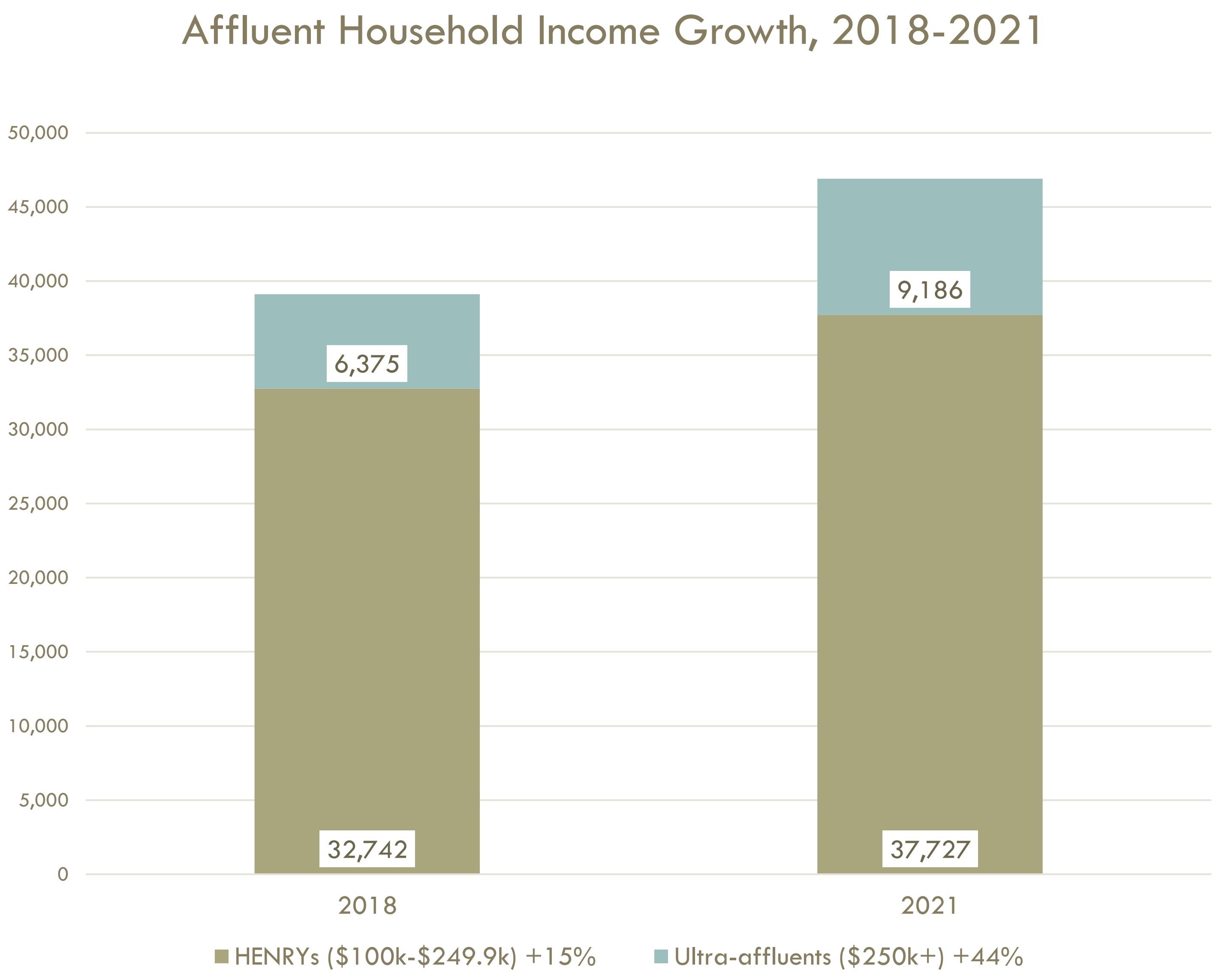


INCOME GROWTH AT THE TOP

While the total number of U.S. households only grew 2% from 2018-2021, the ranks of the affluent rose 20% in the same time period, from 39 million to 47 million.

And among the affluents, the number of ultra-affluent household increased by 44%, while the HENRYs – high earners not rich yet – rose 15%.

Overall, the HENRYs total 80% of affluent U.S. households, compared with 20% for the ultra-affluents.



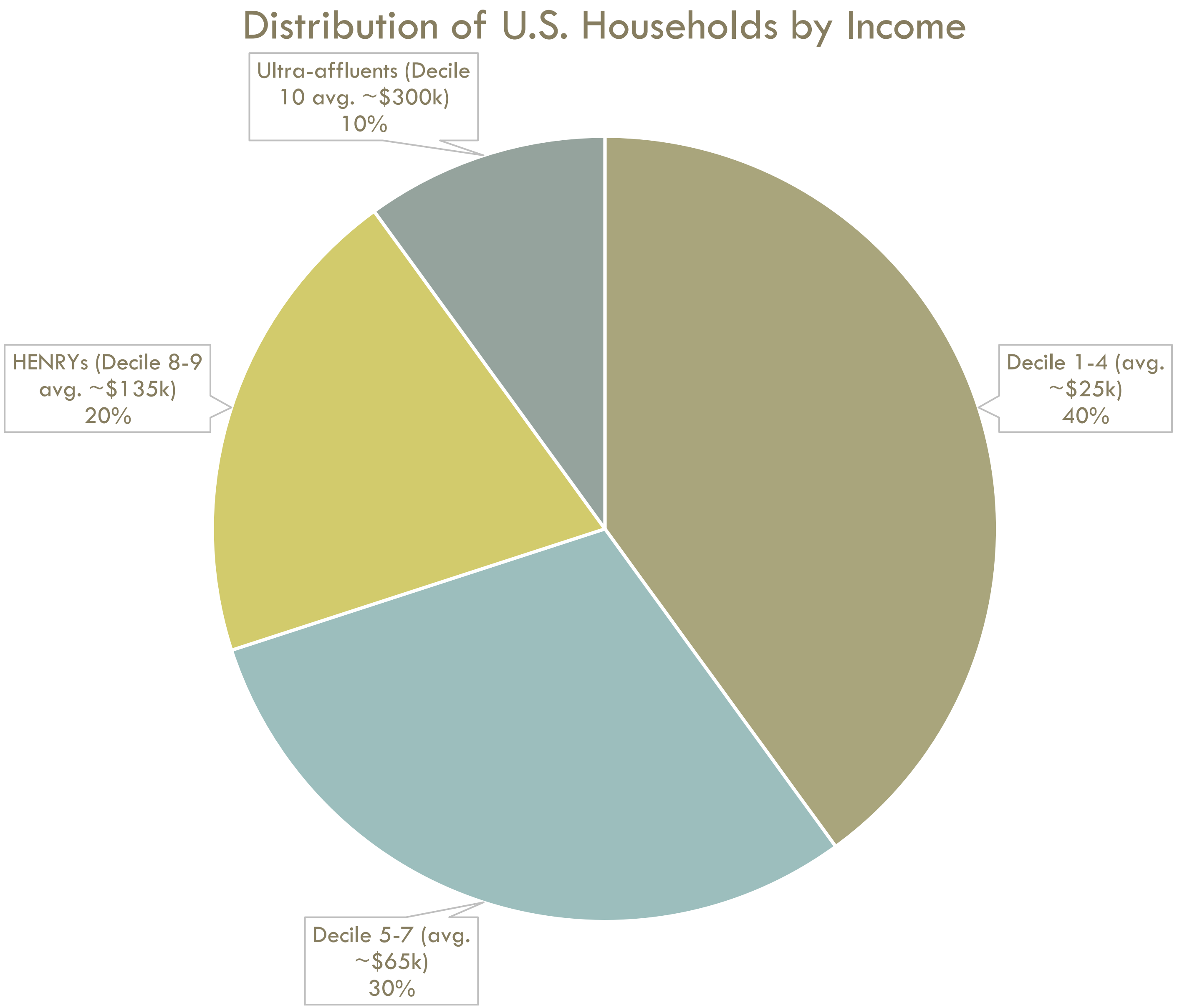
ANOTHER LOOK AT HOUSEHOLD INCOME

The Census Department studies the makeup of U.S. households by income, as well as other demographic factors.

The Bureau of Labor Statistics takes that data and ties it directly to household spending. It divides households by decile, i.e. equal sized segments of ten percent each by income.

The HENRYs correspond roughly to the decile 8 and 9 in the household income distribution, with an average income of about $135k. They make up 20% of U.S. households.

The top 10% of U.S. households, i.e. the top decile, represent the ultra-affluent income segment, with an average income of about $300k.

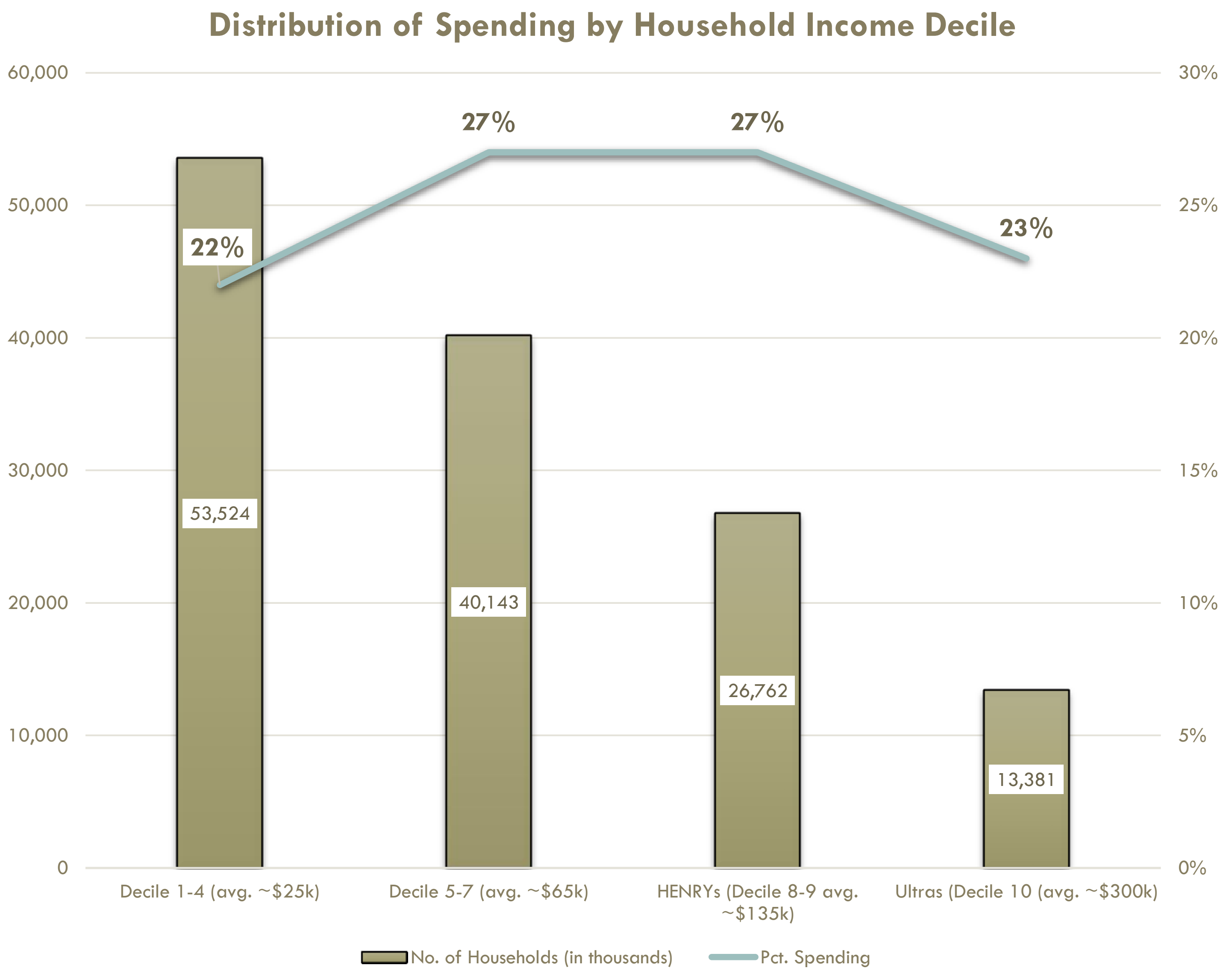


HENRYS PUNCH ABOVE THEIR WEIGHT IN SPENDING

Looking at spending power by the decile distribution of U.S. households. HENRYs account for roughly 27% of U.S. consumer spending, but make up only 20% of U.S. households. They account for roughly the same percentage of spending as the three middle-income deciles below them.

The top decile ultra-affluents make up only 10% of households but account for nearly one-fourth of U.S. consumer spending. These are the traditional targets for luxury brands.

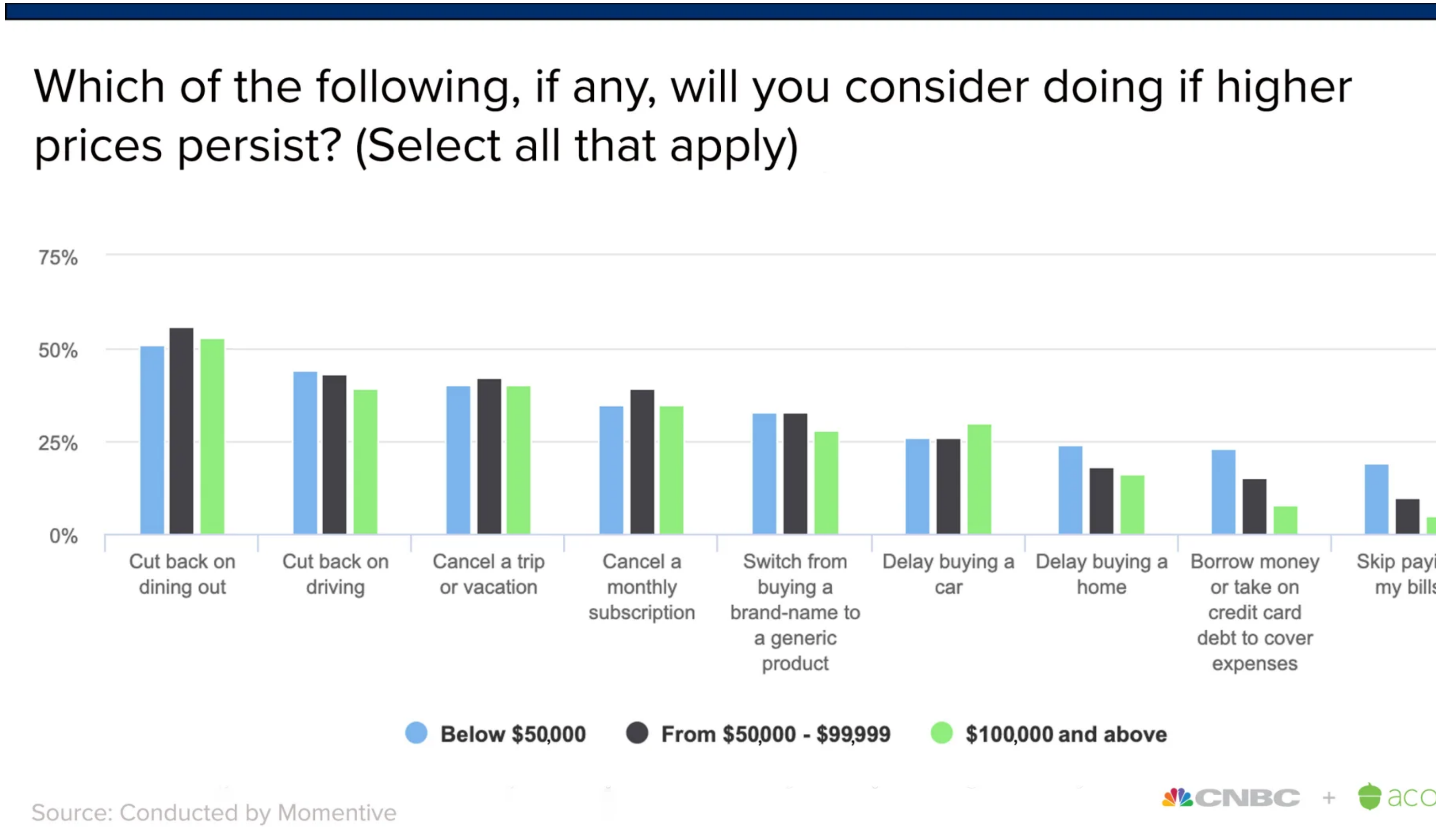
HENRYs are the mass-affluent who occasionally trade up to luxury, while the ultra-affluents have the luxury of living large due to their significantly higher spending power.



HENRYS ARE A MORE DIVERSE THAN ULTRA-AFFLUENTS

While affluents in general are less diverse than lower-income Americans, the HENRY demographic is more diverse than the ultra-affluents. Specifically, HENRYs, as compared with ultra-affluents, are more likely to:

- Live outside metro area (12% to 5% ultra-affluents) and more likely to live in the South (37% to 31%) and Midwest (22% vs. 18%) and less likely in the Northeast (17% vs. 24%) and West (24%) vs. 27%). HENRYs also have a lower incidence of home ownership, 76% vs. 87% for ultra-affluents.
- Less White alone, not Hispanic (69% to 76% ultras) and more Black alone (10% vs. 5%) and Hispanic (14% vs. 8%). However, ultra-affluents are more Asian alone, 11% compared to 6% HENRYs.
- Live in more single, non-family households (23% vs. 12%) and more one-earner households (30% vs. 21% for ultras).
- Be both younger and older. Some 43% of HENRYs are under 45 years of age vs. 34% of ultras. Yet 20% of HENRYs are also 65 years or older vs. 14% of ultras. Ultras, on the other hand, are more concentrated in the 45-to-64 age range (51%) as compared with 38% of HENRYs.



HIGH-INCOME CONSUMERS ARE WORRIED AND WORRIED CONSUMERS CUT BACK

While the affluent in general, and the ultra-affluents in particular, have greater ability to absorb a recession and the current inflationary spike, a recent CNBC and Momentive survey found they are just about as concerned as those at lower-income levels about the current economy's downward turn.

Americans across the board, as well as those with incomes of $100k or more, have started buying less and expect to buy less across more categories should inflation persist. In many categories, the affluent are cutting back just about as much as lower-income consumers.

The high-income consumers are also worried about their finances. Overall, some 45% of the affluent report some financial anxiety. That is less than the 57% of those with incomes under $50k, but still a significant share. In addition, a significant majority, 68%, of high-income consumers said they are worried higher prices will force them to rethink financial decisions.

"People making six-figure incomes are almost as worried about inflation as people making half as much —and they are just as likely to be taking steps to mitigate its effect on their lives," said Laura Wronski, senior manager of research science at Momentive. "Inflation is a problem that compounds over time, and even high-income individuals won't be insulated from the second- and third-order effects of price increases."

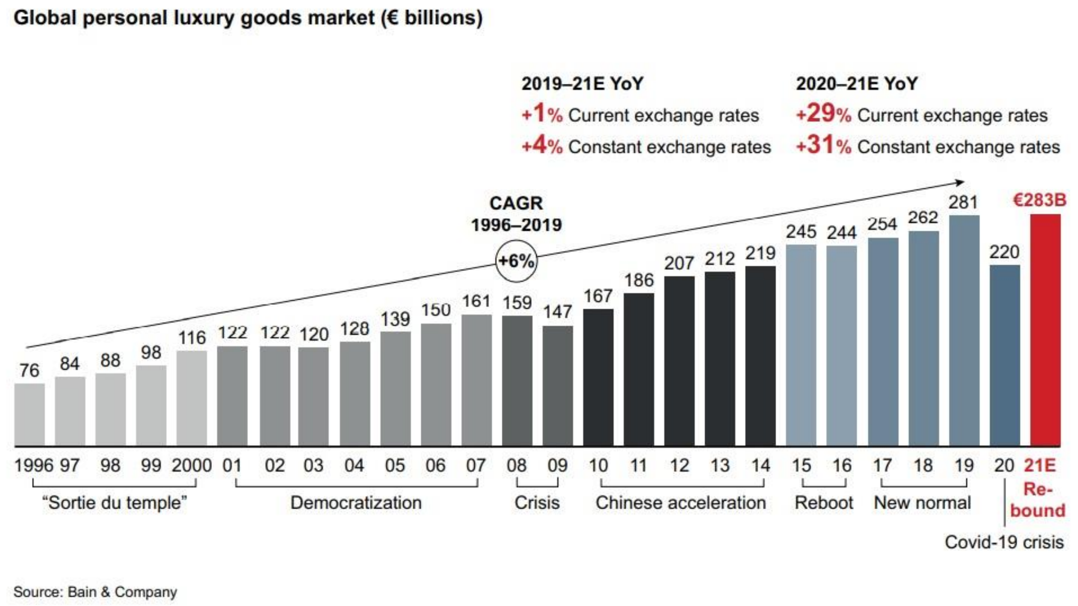
HENRYS WILL TAKE A FINANCIAL HIT

Securing a healthy financial future is going to be a priority for HENRYs, with the experience from the 2008/2009 recession still fresh in their minds. While the ultra-affluent may feel their financial status is secure despite economic upheavals, the professional class HENRYs don't.

For luxury brands, HENRYs are an important target market. Their individual spending power is not as great as ultra-affluents, yet their numbers far exceed those at the very top income and wealth levels.

Luxury brands can't afford to lose their share of HENRYs spending now and they must continue to develop a connection this demographic especially among the younger generation. Generally, most ultra-affluents start out as HENRYs before reaching their ultra-affluent income status later in life. So, for luxury brands, connections made with young HENRYs early in life is critical for their future revenue growth.

Luxury brands need to learn from the last recession which experienced a 9% decline from its high in 2007 to its low in 2009. If the past is a predictor of the future, the luxury market must prepare for another fall if a global recession sets in.



SPOTLIGHT ON HENRYS' BEHAVIORS & ATTITUDES

Findings from latest Research The Affluent Luxury Tracker

HENRYS' VALUES AND ATTITUDES

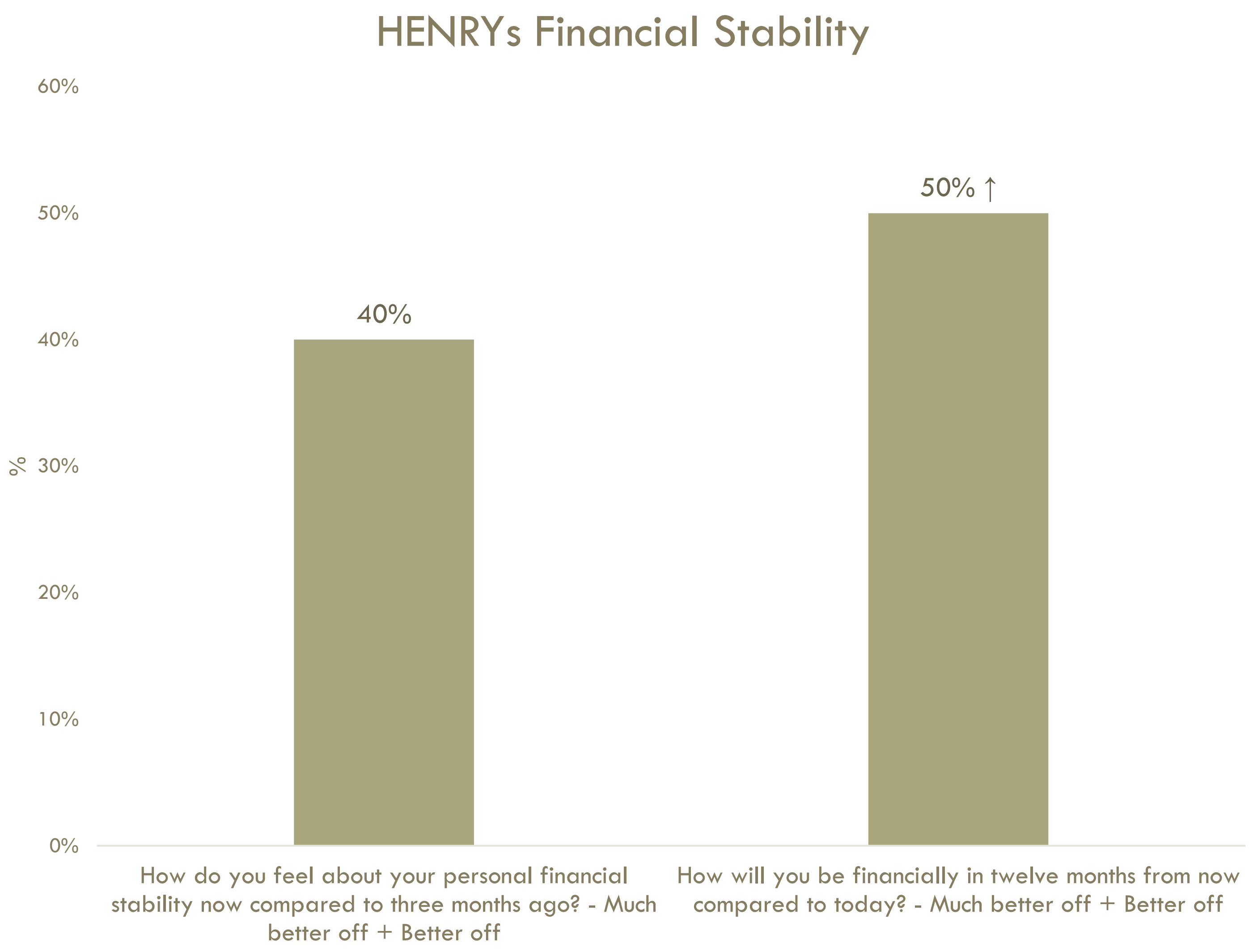
The Affluent Consumer Research Company (ACRC) has launched a "Research The Affluent Luxury Tracker" to provide an on-going longitudinal study of luxury consumer values, attitudes and purchase behavior across a range of 28 different product and service categories.

Its primary focus is the ultra-affluent consumer segment ($250k+ HHI) with high-net-worth; however, it also includes a small representative sample of HENRYs for comparative purposes. In its most recent fielding, n=120 HENRYs were included.

The HENRY sample includes 58% female/43% male, net worth less than $1 million (41% under $500,000 and 58% $500,000 to $1 million) and predominately Millennials (39%) and GenX (35%).

HENRYS REMAIN OPTIMISTIC PERSONALLY

The results show HENRYs remain optimistic about their current financial status and their future prospects.



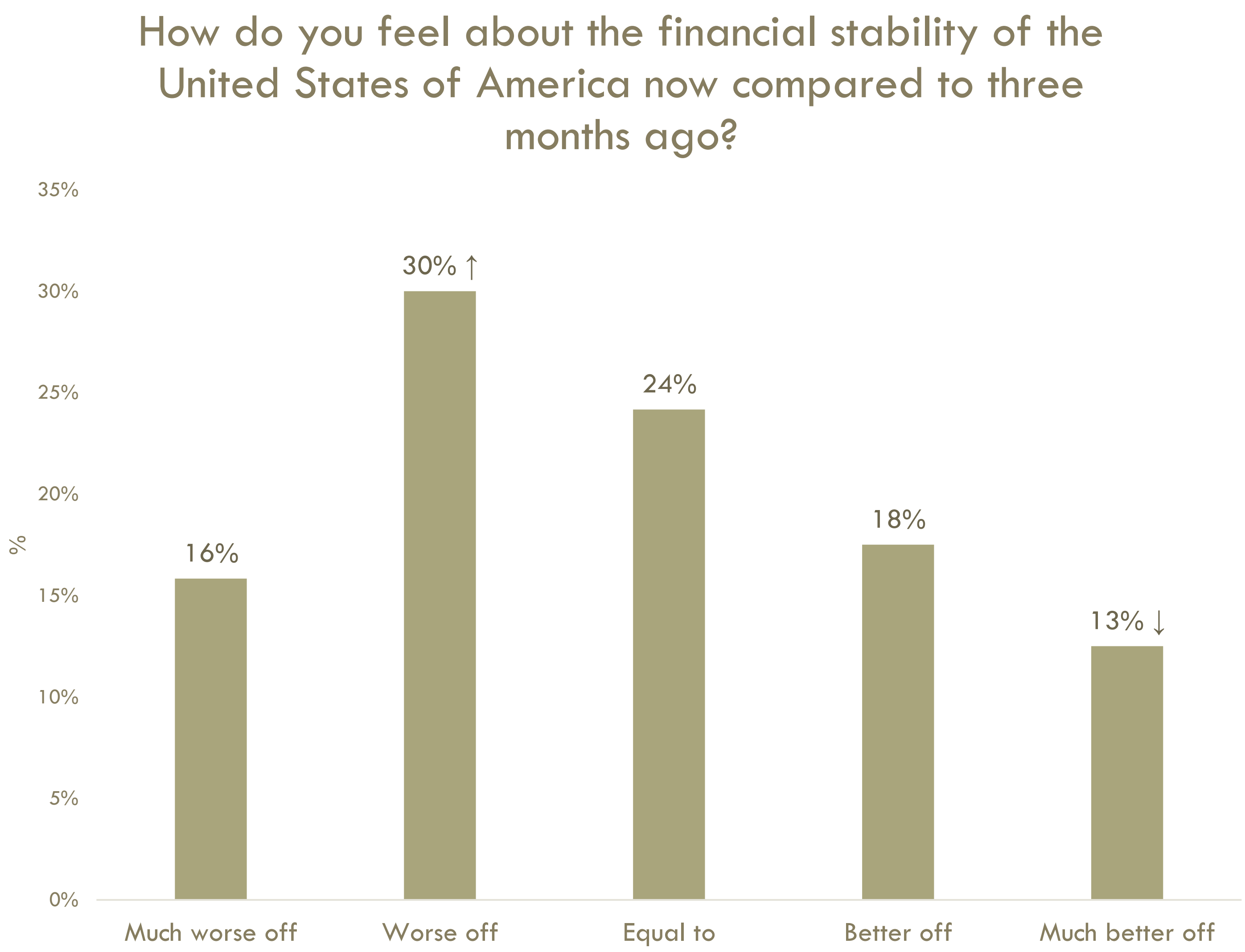
Arrows indicate statistically significant differences against the mean. Up arrow highlights values above average and down arrow those below average..

HENRYS ARE FAR LESS CONFIDENT ABOUT THE U.S. ECONOMY

The HENRYs' outlook for the U.S. economy as a whole is far less optimistic.

Specifically, 46% believe the U.S. economy is worse off now compared to three months ago.

Some 24% consider it stable, while 30% consider it better or much better than before.



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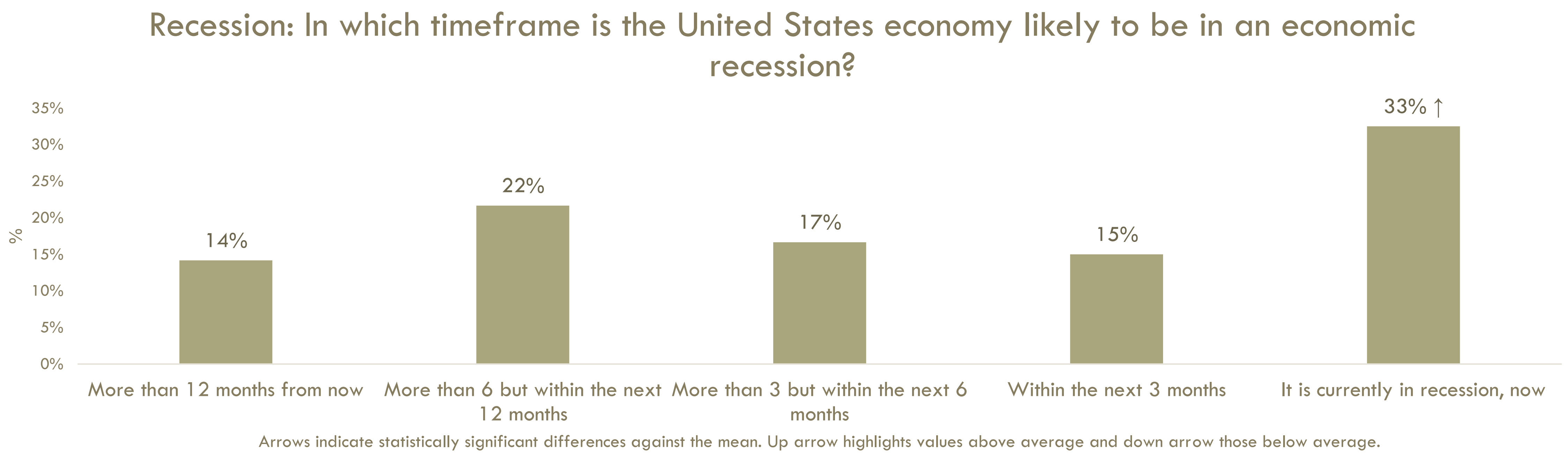


RECESSION NOW

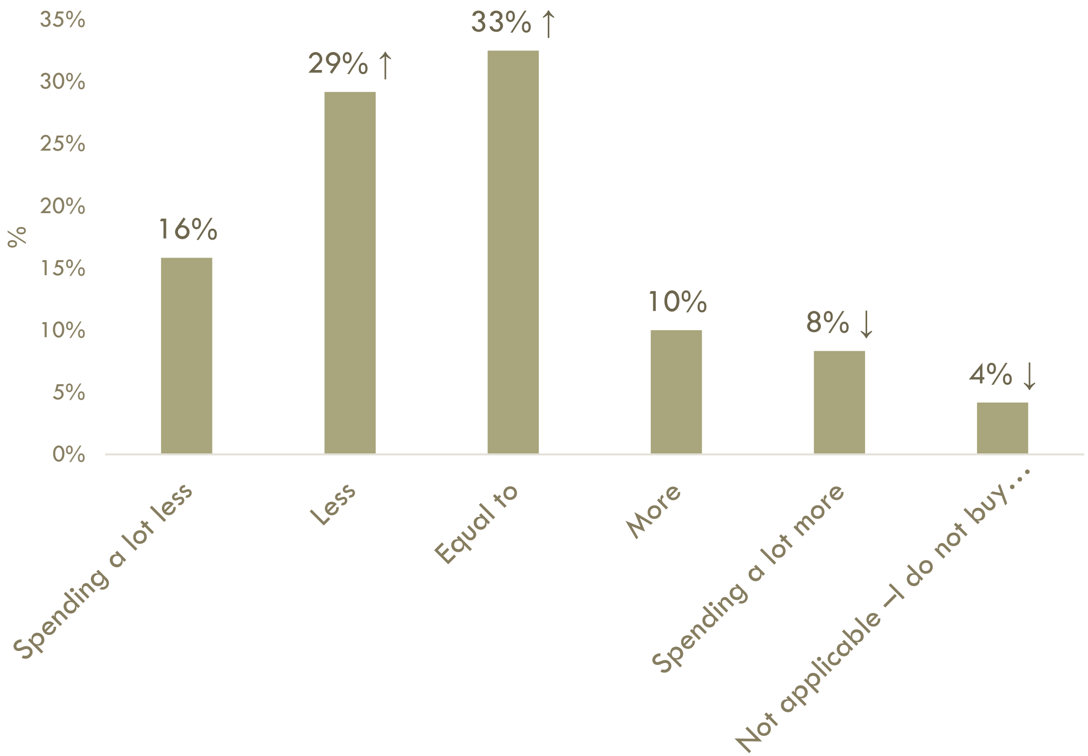
The largest share of HENRYs believe the economy is already in a recession and about an equal share (32%) believe it will enter one within the next six months.

CAUTION ON THE RISE

Already, 45% of HENRYs have cut back luxury spending from a year ago, with another 33% maintaining current levels.

More troubling, fewer than 20% have increased their luxury spending and 4% simply consider luxury purchases are not a priority.

How has your spending on luxury goods, services and experiences changed compared to this time twelve months ago? By luxury we mean items/experiences that bring superior quality, craftsmanship and service in return for a significantly higher price paid



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FIGHTING BACK

Currently, an overwhelming majority of HENRYs (63%) feel now is a good time to limit purchasing.

Yet, while concerns about spending runs high right now, HENRYs still resist giving up spending on the high-quality products they enjoy. Some 40% of HENRYs report this statement describes them well: “Even in times of personal financial uncertainty, I buy high quality items.”

And some 30% say that talk of a recession will not change where and when they spend money.

So, there is good news/bad news in this assessment. Some HENRYs are resisting pressure to cut back and are choosing to carry on.

LUXURY IS AN OCCASIONAL INDULGENCE

For the HENRYs, luxury is an occasional (47%) or rare (23%) indulgence, though 28% say that they opt for luxury most every time.

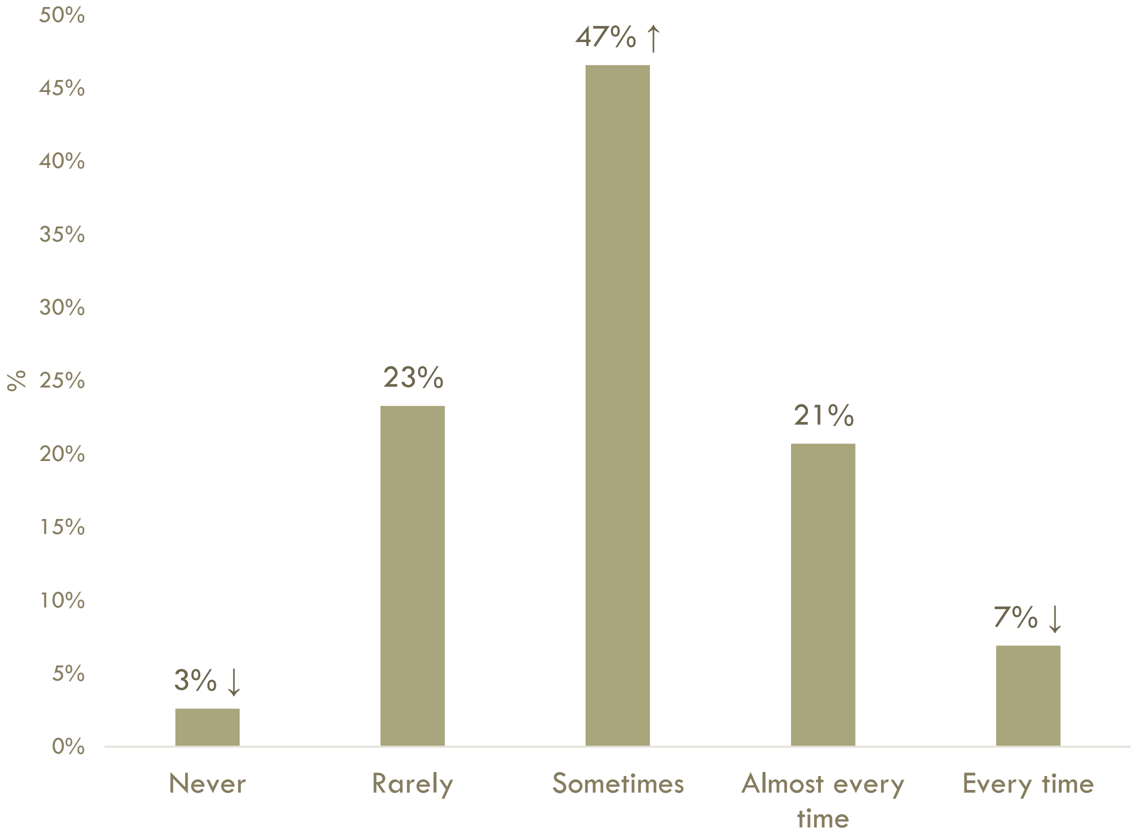
Among the luxury purchases they are most likely to make over the next three months include:

- Luxury beauty or skincare brands
- Gourmet food
- Luxury brand fashion apparel
- Fine wine
- Luxury brand accessories/leather goods
- Luxury confections/chocolates

Other findings around planned purchases include:

- More likely to indulge in high-end home electronics as opposed to personal electronics
- Interior home renovations before exterior renovations
- Less likely to purchase luxury jewelry or timepieces
- More likely to indulge in luxury hotel/resort vs. premium cabin seating on an airplane

How frequently do you choose the luxury selection? Among HENRY luxury spending



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MAKING THE EMOTIONAL CONNECTION WITH HENRYS

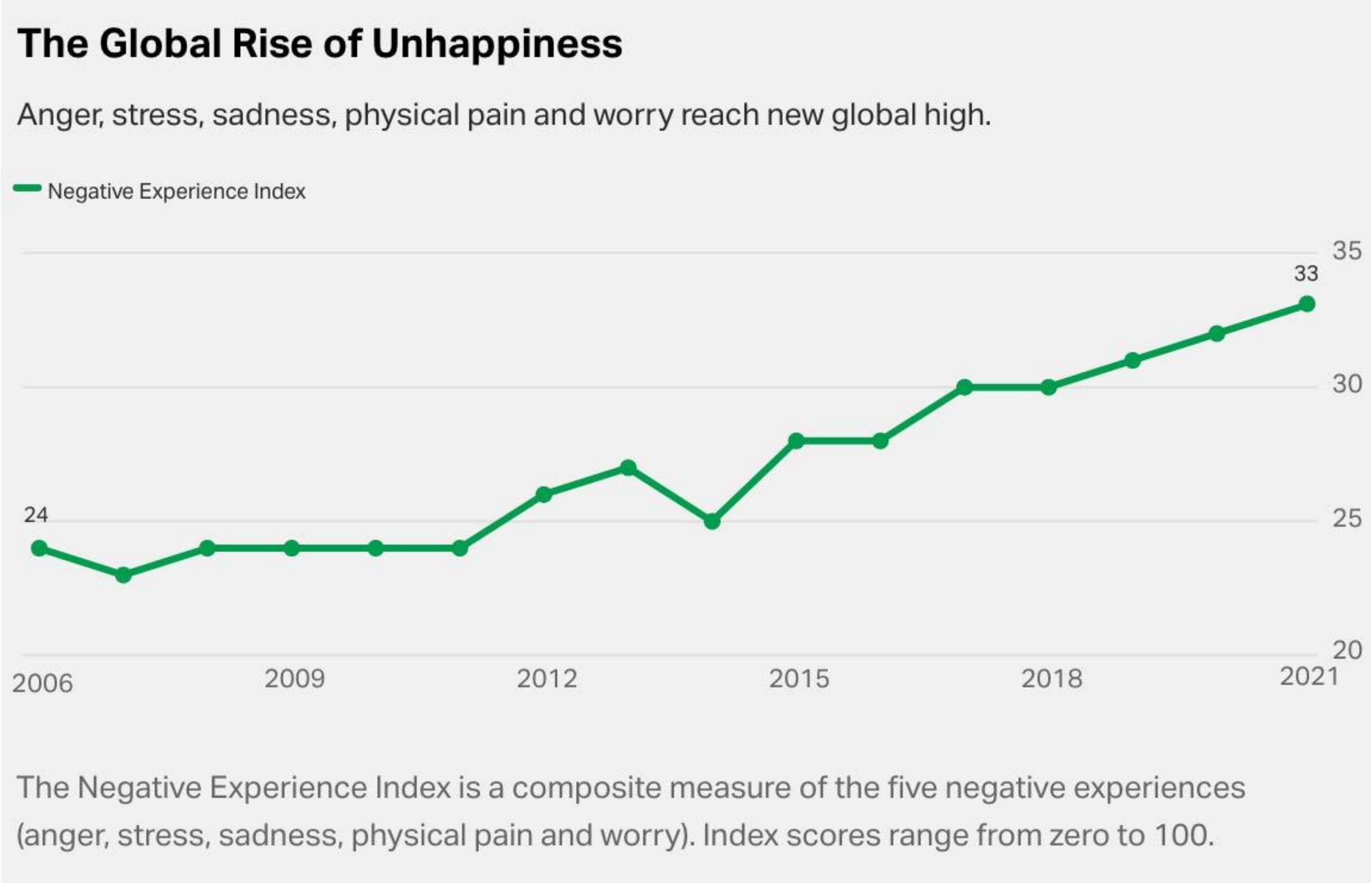
Brand loyalty is made through emotional connections.

HOW DO YOU GRAPH EMOTIONS?

A new book by Jon Clifton, CEO of Gallup, entitled *Blindspot*, analyzes a rising happiness gap. "Unhappiness has been increasing globally for a decade, according to Gallup – and its rise has been missed by almost every world leader. That's because while leaders pay close attention to measures like GDP or unemployment, almost none of them track their citizens' wellbeing," Clifton wrote.

Unhappiness is expressed in many ways by consumers. Shopping, i.e. retail therapy, is one way people use to restore happiness. But with their financial status under threat from inflation, consumers will be less inclined to indulge in this therapeutic intervention.

It puts luxury brands at risk. Maybe not from cutbacks among the ultra-affluents who have more financial resiliency, but from the HENRYs.



LUXURY BRAND'S PRIMARY GOAL: DELIVER HAPPINESS

Why do people buy luxury?

Not only because of left-brain reasons like quality, value or enhanced features offered. These are used most often as justifiers for consumers to trade up, but their purchase desires and drives go deeper.

HENRYs buy luxury for the sheer, unadulterated pleasure and joy they receive in the anticipation of the purchase, the buying, and the using experience.

And if we do our jobs right, customers also get happiness in the memory of each of those.

HAPPINESS RESEARCH FINDS…

All the academic research on happiness confirms this fact:

Greater joy and happiness comes from the things we do (i.e. experiences), not the things we buy and acquire (i.e. luxury goods).

It is the customer's happiness experience that luxury marketers must focus on.

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Experientialism, Materialism, and the Pursuit of Happiness

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Previous research indicates that materialistic aspirations are negatively associated with happiness and psychological health. Recent research extends these findings by demonstrating that allocating discretionary resources toward life experiences makes people happier than allocating discretionary resources toward material possessions. Respondents to various surveys have indicated that purchases made with the intention of acquiring life experiences make them happier than purchases made with the intention of acquiring material possessions. Thinking about experiential purchases has also been shown to produce more positive feelings than thinking about material purchases. Other studies suggest that experiential purchases make people happier because they are more open to positive reinterpretations, are more resistant to disadvantageous comparisons, and foster successful social relationships more than material purchases.

Most people want to be happy. Almost everyone I know devotes considerable time, energy, and money pursuing happiness, pleasure, and contentment. For many of us, pursuing the "good life" is surprisingly difficult. Despite being professionally and financially successful, we wonder whether we would be happier with more money, a more prestigious job, a bigger house, a newer car, more fashionable clothing, nicer furniture, and so on. Such rumination may be well advised. Among the most intriguing findings of research on subjective well-being is that increases in material goods are not met with corresponding increases in happiness (Diener & Biswas-Diener, 2002; Easterlin, 1995).

The question addressed in this article is whether there might be a simple, empirically grounded prescription for allocating discretionary resources in pursuit of happiness. Recent years have seen a tremendous growth in research on the causes and correlates of happiness, or subjective well-being (Diener, 1984). Researchers have also begun to examine the relationships among consumption, consumer aspirations, and well-being. Does this research suggest a strategy for allocating discretionary resources in the pursuit of happiness?

The central thesis of this article is that investing discretionary resources in life experiences makes people happier than investing discretionary resources in material possessions. Two lines of research support this thesis. First, dispositional materialism is negatively associated with subjective well-being and psychological health. Second, research from my own laboratory indicates that people in general are made happier by spending money with the intention of acquiring life experiences than by spending money with the intention of acquiring material possessions. Preliminary research suggests three reasons why experiential purchases make people happier than material purchases: (a) Experiences are more open to positive reinterpretation, (b) experiences are less prone to disadvantageous comparisons, and (c) experiences are more likely to foster successful social relationships.

Materialism

Epicurus, for instance, wrote, "we regard independence of outward things as a great good . . . so as to be contented with little if we have not much, being honestly persuaded that they have the sweetest enjoyment of luxury who stand least in need of it" (1966, p. 51). Fromm (1976) echoed these sentiments, criticizing American culture for emphasizing "having," which prevents self-actualization and happiness, versus "being." Along similar lines, Ski-

This article was based on a presentation made at the 2004 International Positive Psychology Summit. Portions of the material presented appeared in an earlier article (Van Boven & Gilovich, 2003).

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132

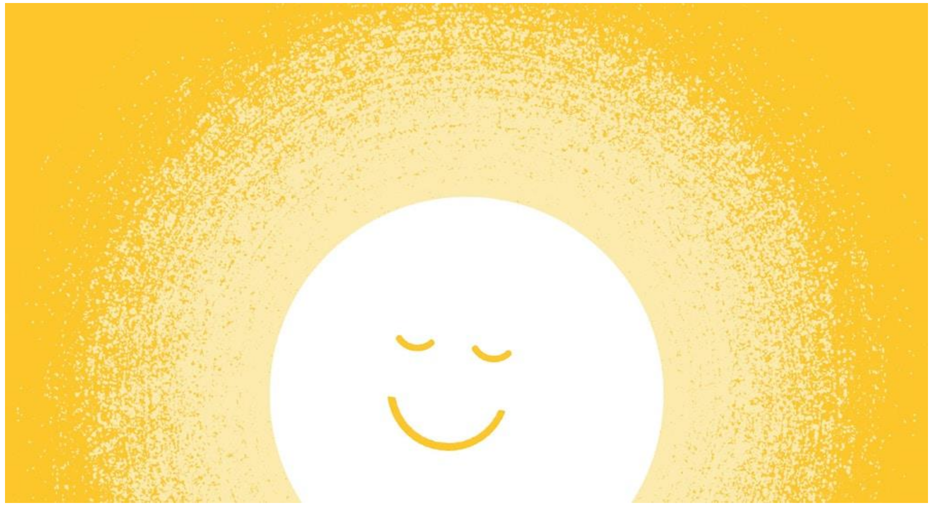
LUXURY CONSUMERS' PATH TO PURCHASE AND HAPPINESS

A study from Lippincott, entitled the "Halo of Happiness," identifies three stages of consumers' path to purchase that enables brands to make an emotional 'happiness' connection with the consumer:

- Anticipation before purchase
- Interaction at point of purchase
- Afterglow upon memory of purchase

HOW TO CREATE EMOTIONAL EXPERIENCES AT EACH STAGE

The Halo Effect report suggests these ideas to help brands create emotional connection with customers at each of the three stages on their path to purchase.



ANTICIPATION

Tease -- What can your brand hide to build excitement during anticipation?

Tempt -- What can your brand expose to give customers something to look forward to?

Make it a treat -- What moments of your brand experience might be a limited-time treat for customers, and how can you frame them that way?

INTERACTION

Immerse -- How can your brand encourage customers to immerse themselves in your experience?

Direct -- How can you focus choice in a way that feels helpful rather than limiting, easing decision making stress and post-interaction regret?

Elevate -- How can you make customers feel superior, even to other customers?

AFTERGLOW

End strong -- What's your "last impression," and how can you make it a happy memory?

Surprise -- What surprises can your brand deliver to bring unexpected joy to the afterglow?

Reinforce and rewire -- What can your brand do to reinforce your positives and rewrite your negatives?

EMOTIONS BEFORE REASON

Luxury shopping is driven primarily by emotional, not physical needs.

"Shopping behavior is always a means to an emotional-based end," explained Chris Gray, PsyD., founder of consumer psychology consultancy Buycology and one of the early pioneers in the shopper psychology field with Saachi & Saachi.

"Behaviors happen for a reason, always," he continues. "If you can get to the bottom of why – the reason it is happening – you can start to understand consumer behavior."

ENDS DETERMINE THE MEANS

Since emotions are at the core of luxury consumer spending, the luxury industry is largely dependent upon their customers' feelings to make sales. Rational decision-making takes a back seat in the world of luxury.

"We are feeling a sense of insecurity at a very basic level. The intensity of that anxiety is new to most of us," he said, referring to the pandemic. However, in a recent survey, anxiety and depressive disorders remains at high levels (28%) in August 2022, not far behind those tracked in May 2020 at 31%.

"People get worn out. They react with a desire to buy things that show the world that they are here and safe. After an emotional crisis, the rebound is about identity building and showing the world that you are in a good place," Gray explained. This will then lead to more identity-building and personal-reinforcement purchases, of which luxury brands are the pinnacle.

"Showing your identity is a very important emotional aspiration that plays into shopping behavior. Luxury says to the world that I'm doing well and that I can afford this. From that comes a greater sense of comfort and security," he said, and continued, "The spending that comes after hard times is more about identity and security."

NEW DREAMS

On a positive note, Buycology's Gray foresees luxury brands may experience hardships in the short-term but see opportunities after an economic crisis, as the luxury industry experienced immediately after the pandemic with the personal luxury market rebounding immediately to reach its highest historic level ever.

"Luxury items provide a sense of possibility and freedom to dream. When you are in the middle of a crisis, it is hard to dream," he said.

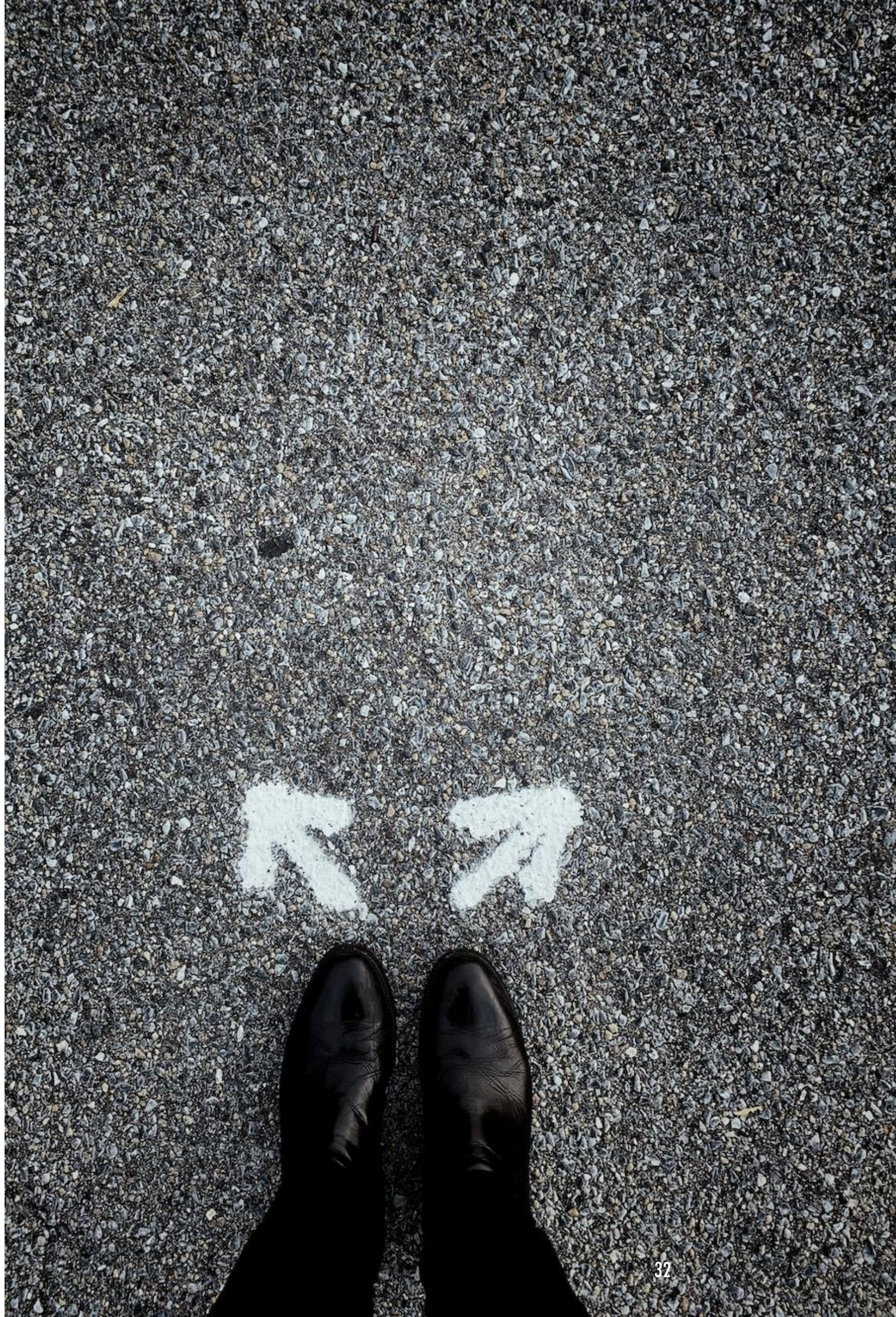
"People are focused on the day-to-day versus being able to think about how life may be better in the future. This opens another opportunity for luxury brands to be able to provide people with that sense of aspiration and possibility."

TO CAPTURE HENRYS, LEAN INTO THEIR EMOTIONS

HENRYs are going to experience disruption to their lifestyles if the economy continues to turn south. They are going to more carefully evaluate new purchases and be more likely to trade down to less costly alternatives than they are to trade up to luxury.

With the future of luxury brands resting on the future spending power of young HENRYs – more mature ultra-affluents typically start their luxury journey as HENRYs – brands need to prepare for the changes coming in their spending and purchase behavior by leaning into the HENRYs' mindset, priorities, and values.

It all comes down to the value equation: giving HENRYs more of what they need, want and crave.



EMOTIONS AND VALUES

"Consumption is driven by very strong motivations, like emotion, identity, and social connection. Those motivations aren't going anywhere. But the values, habits, and norms that shape what we consume and how we consume could shift dramatically."

– *Erica Carranza, Ph.D. and vice president of consumer psychology at research firm Chadwick Martin Bailey.*

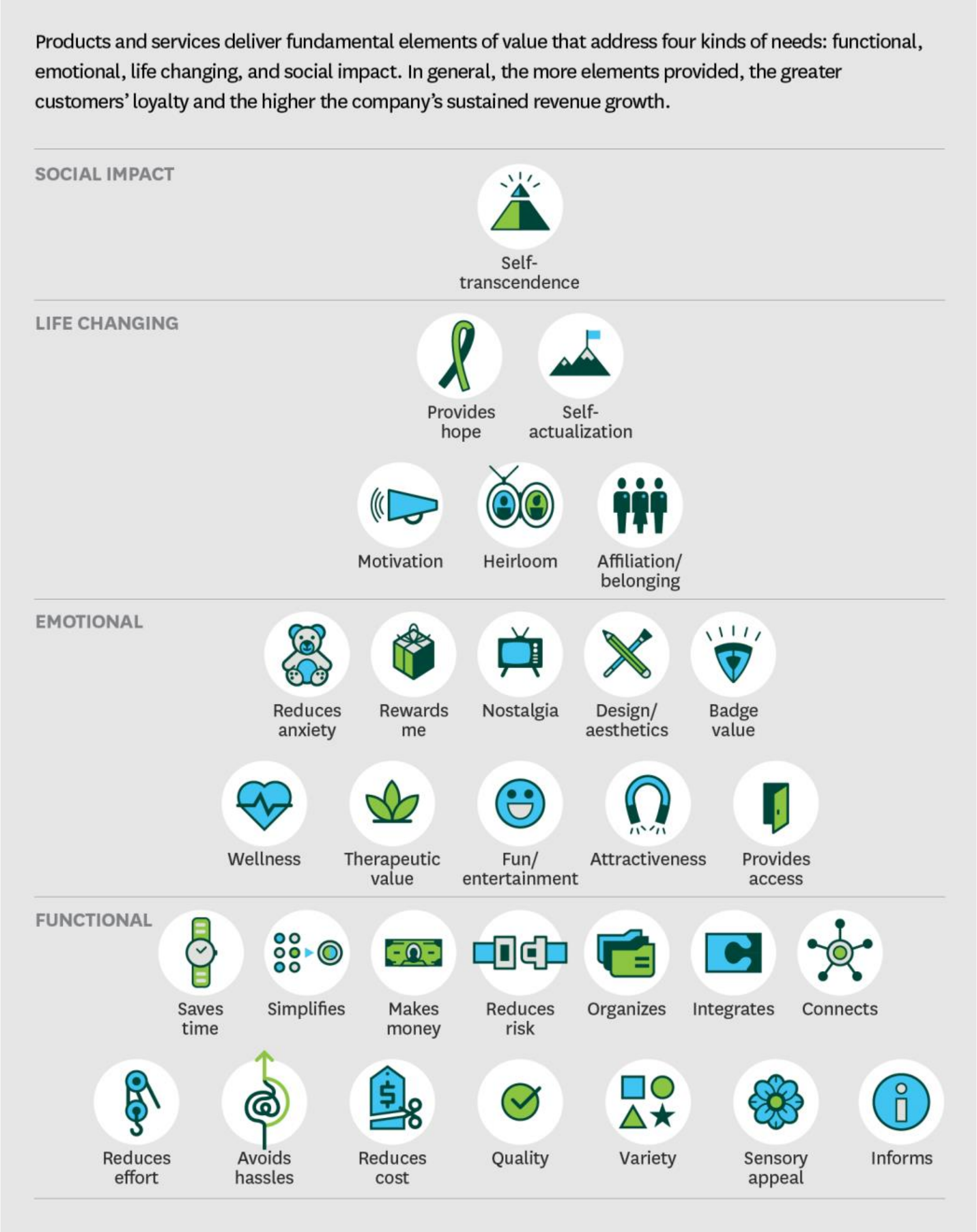
ELEVATING THE VALUE EQUATION

Making a more meaningful connection with HENRYs

ELEMENTS OF VALUE

In a seminal study conducted by Bain and published in the *Harvard Business Review*, Bain researchers Eric Almquist, John Senior and Nicolas Bloch unpack 30 distinct dimensions of the value equation for consumers divided into four major categories: functional, emotional, life changing, and social impact.

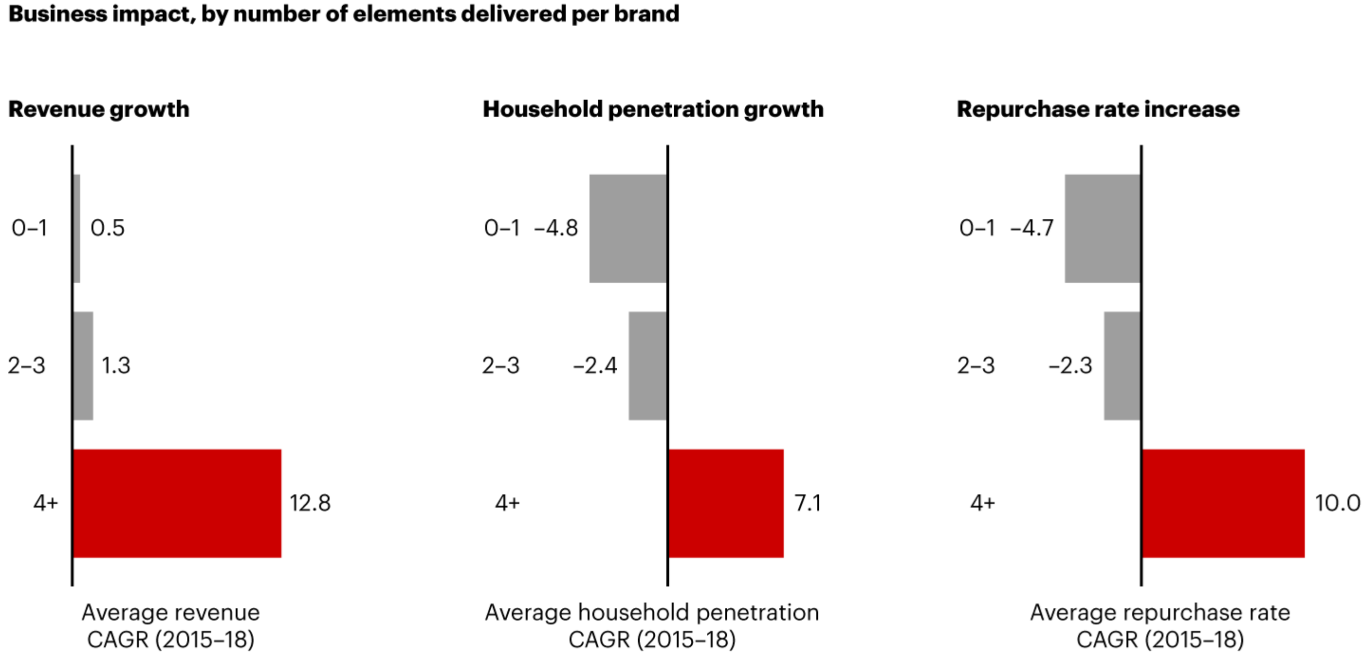
These 30 “Elements of Value” are structured in a pyramid and help brands elevate the value proposition beyond mere price to explore ways to offer more value.



HENRYS WANT MORE VALUES FOR THEIR MONEY

The traditional price/value equation breaks down the value proposition across a single dimension. "But that's the easy part," the Bain researchers wrote. "Pricing usually consists of managing a relatively small set of numbers, and pricing analytics and tactics are highly evolved."

Rather, they found that brands that deliver more than four Elements of Value to consumers experience higher growth in three important metrics: revenue increase, household penetration and repurchase rate.



Notes: Repurchase rate measures the percentage of households that buy two or more times per year; revenue growth rate figures based on weighted averages, penetration and repurchase rate growth figures based on straight averages; revenue data represents IRI MULO tracked in-store sales only; excludes brands for which data is missing or zero for 2015 and/or 2018
Sources: Bain CP Elements of Value Survey, June 2019 (US only, n=13,124); IRI

FUNCTIONAL VALUES ARE TABLE STAKES

The 14 Functional Elements of Value are the basics – the price of entry to get your brand onto HENRYs' brand consideration set.

DELIVER MEANINGFUL FUNCTIONAL BENEFITS

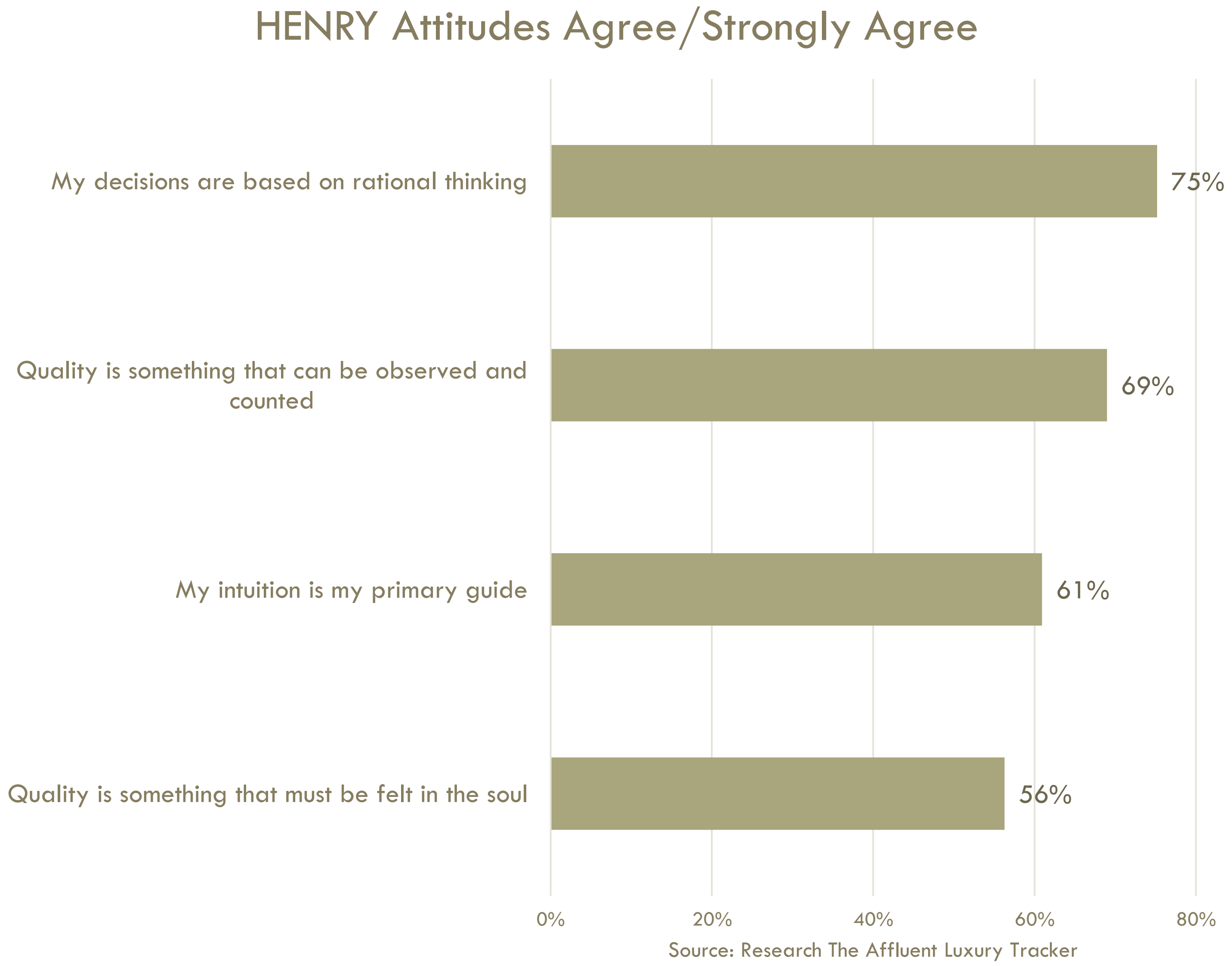
With Functional values as table stakes, then quality is essential for HENRYs.

Bain defines quality as "providing high-quality goods and services."

Quality is both category and brand specific.

HENRYs affirm that quality is objectively observable and their buying decisions are primarily rational in nature. At the same time, they combine the rational with intuition as their guide.

And for a majority of HENRYs, quality is something that is felt in their soul.

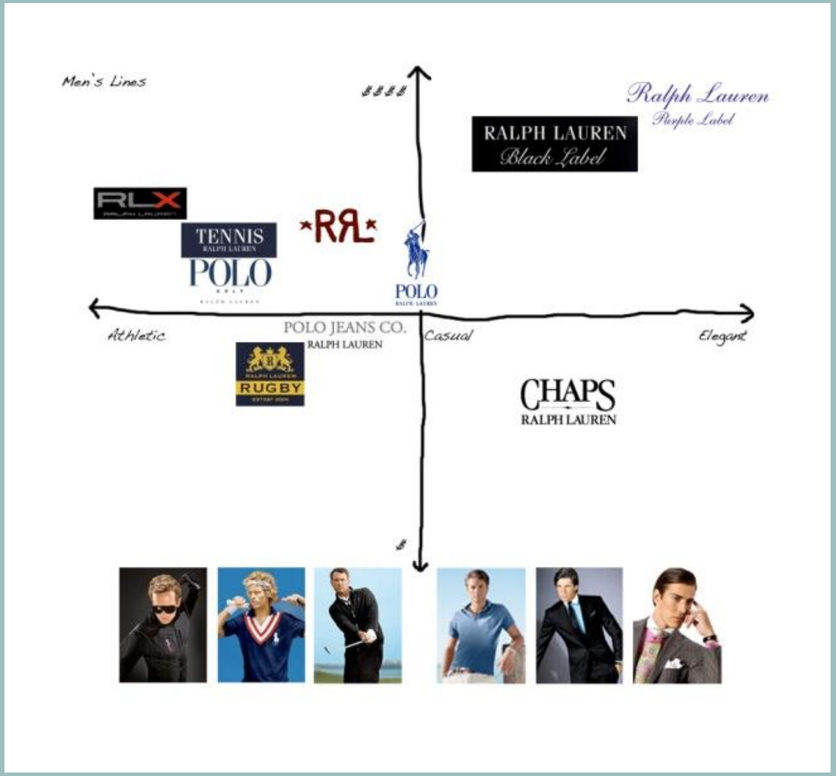


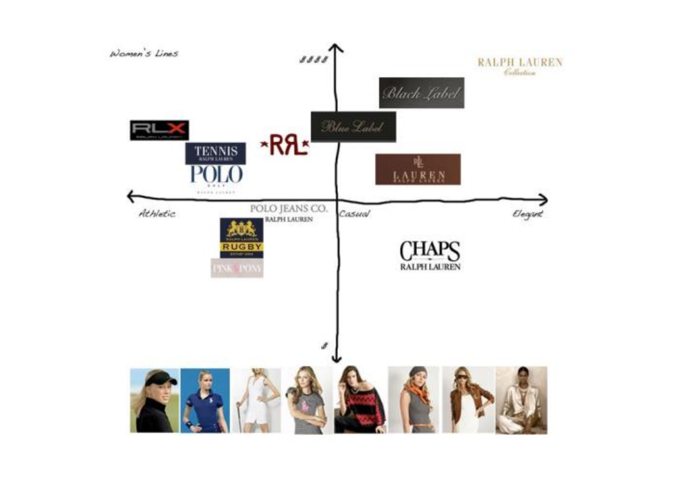
THE “SOUL” OF RALPH LAUREN

The Ralph Lauren Company has just announced an updated strategic plan, entitled “Next Great Chapter: Accelerate,” to leverage the gains made over the last four years since Patrice Louvet took over as CEO.

In that time, the company has realigned its retail footprint to remove the brand from two-thirds of its North American low-value wholesale accounts and cut off-price retail 50%.

Full-price retail is now its priority and through it, the company has increased its DTC average-order-size by 64% and brought in 20 million new DTC customers, many of them next-generation HENRYs.





RL VALUE IS TIMELESSNESS

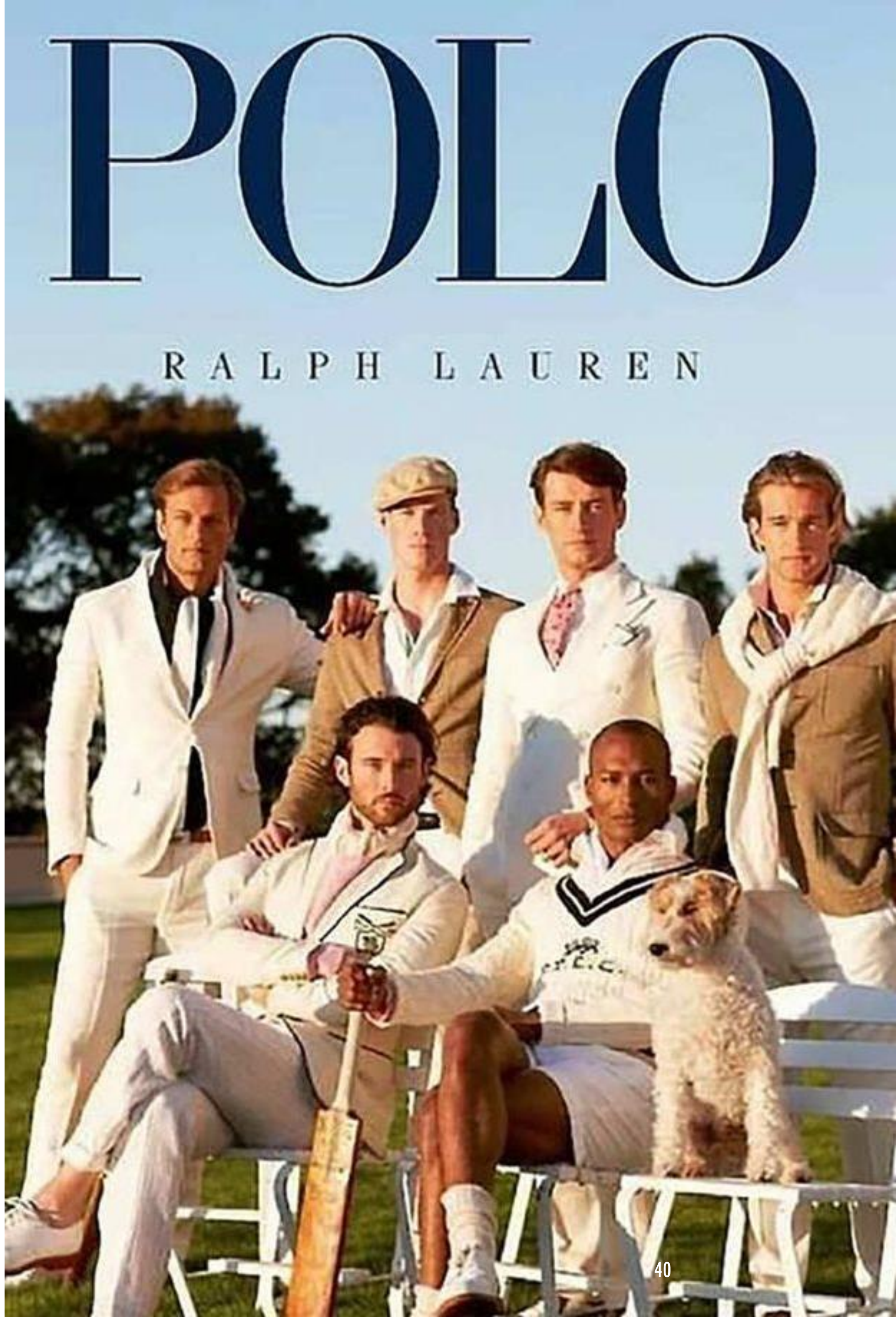
Chief product officer Halide Alagöz described the RL quality value proposition:

"We are so fortunate that everything we do is guided by our purpose to inspire the dream of a better life, through authenticity, and timeless style. When Ralph founded our company over 50 years ago, he did so with the conviction that everything we create endures the test of time, and be loved, worn and passed on to the next generation.

"We do this by leveraging one of our core strengths, which is creating products that are timeless. We have previously defined timelessness as the durability and longevity of our products, as well as the intergenerational desirability of them. Recently, we have expanded that definition to cover principles of circularity, both in the ways we bring those products to life, but also building systems to keep them in use longer, like rental repair, upcycling and recycling opportunities.

"The concept of timelessness is part of the magic of our brand and will remain a key differentiator at Ralph Lauren. The best example of that lasting power of timelessness is the power and strength of our core products that comprises the foundation of the modern wardrobe across generations. Our core products formed the foundation of our business, and consumers look at our brand as the premium arbiter of those styles. They are the consistent drivers of our business because they are the consistent statements of the wardrobes of our consumers from all walks of life as they ease into new areas of their lives, or new seasons.

"Our iconic polo shirt exemplifies these principles. The combination of its sporting roots, its durability, its ease a sophistication allows us to stand the test of time, and it has become a staple for women, men and kids all over the world, all walks of life. It represents the best of fashion is a universal language that transcends continents, ethnicities and ages. Our core is not static. The timelessness of our polo shirt allows us to constantly reimagine and evolve it through design codes, but also through principles of sustainability and innovation, to continue to capture the imagination of our consumers and meet their needs. We are also continually evolving our core merchandise styled for young generation in the streetwear. Or for a more fashion forward consumer. Or for more classic look."



AUTHENTICITY AND QUALITY GIVE CONSUMERS CONFIDENCE

"The common thread is the authenticity, the quality, and the confidence our consumers tell us they feel when they wear it their own way. These principles apply to all of our core programs. We continue to reimagine and evolve them through design codes, styling, innovation, and sustainability," Halide Alagöz explained.

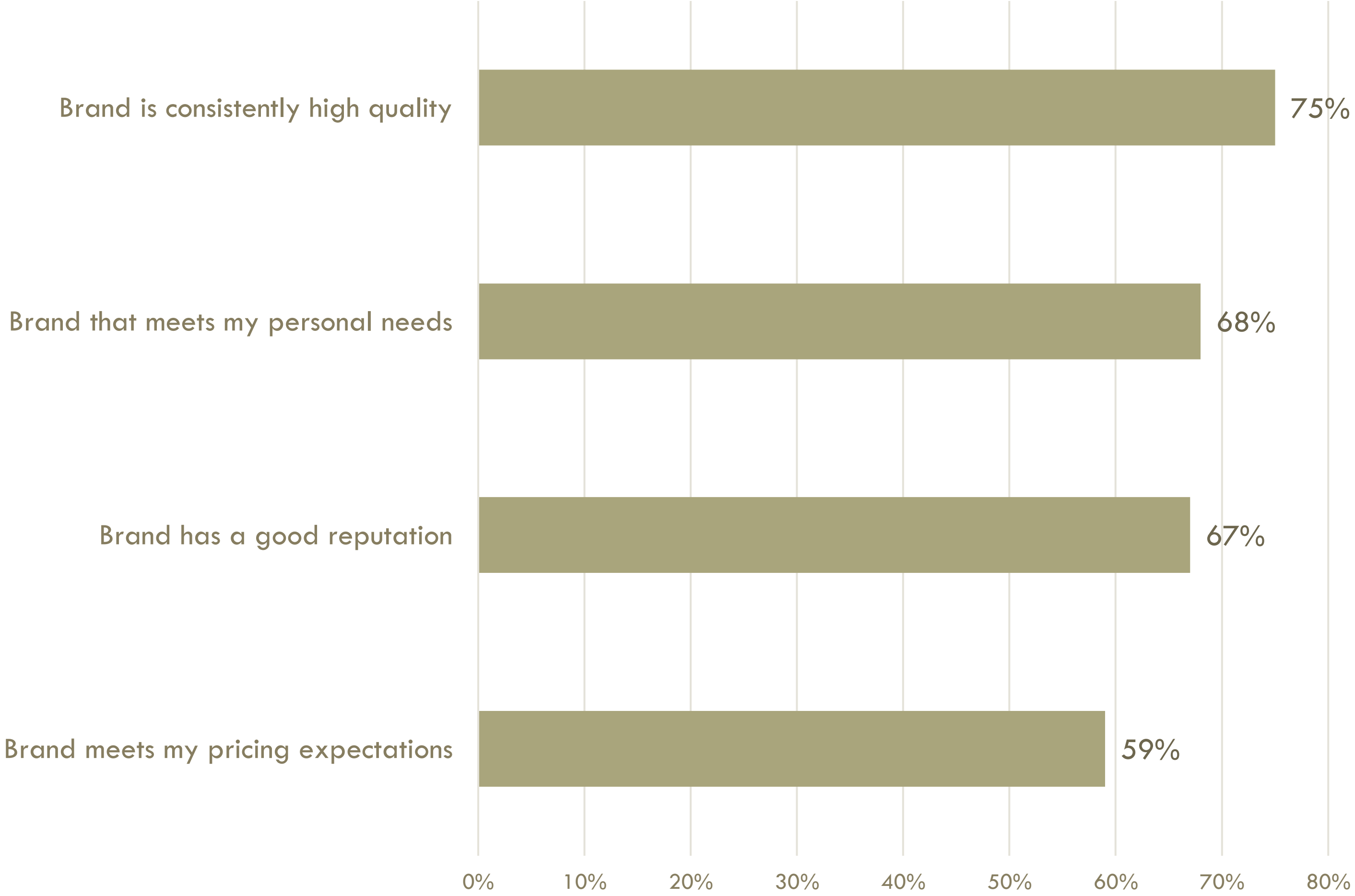
"So as a result, we are increasingly proving out that there are no limits how we will carry our icons forward. As we look into the future, it is this strength that established our credentials with our consumers and enable us to bring them into the full world of Ralph Lauren luxury lifestyle."

DIMENSIONS OF QUALITY

Quality is always top of mind for HENRYs, but they also are highly attuned to brands that meet their personal needs, have a good reputation and meet their pricing expectations.

And chief among the reasons they abandon a brand is due to a decline in quality materials (56%), the brand becomes too expensive (50%), a decline in consistency (49%) and a decline in craftsmanship or construction of the product (43%).

HENRY Brand Loyalty: Which of these factors, if any, do you look for in brands you are loyal to?



Source: Research The Affluent Luxury Tracker

OTHER FUNCTIONAL VALUES FOR HENRYS

Saves Time – Saving time in tasks and transactions, such as online shopping.

Simplifies – Reducing complexity and simplifying, such as curating product selection to make the HENRYs purchase decision a simple one.

Making Money – Helping to make money, such as cash-back credit cards or loyalty points.

Reduces Risk – Protecting from losses, such as guarantees, warranties and easy returns.

Organizes – Becoming more organized, such as Marie Kondo's KonMari Method of buying and keeping only things that bring joy.

Integrates – Integrating different aspects of life, such as the smartphone and mobile shopping.

Connects – Connecting with other people, such as social media and in-person shopping.

Reduces Effort – Getting things done with less effort, such as personal and kitchen appliances.

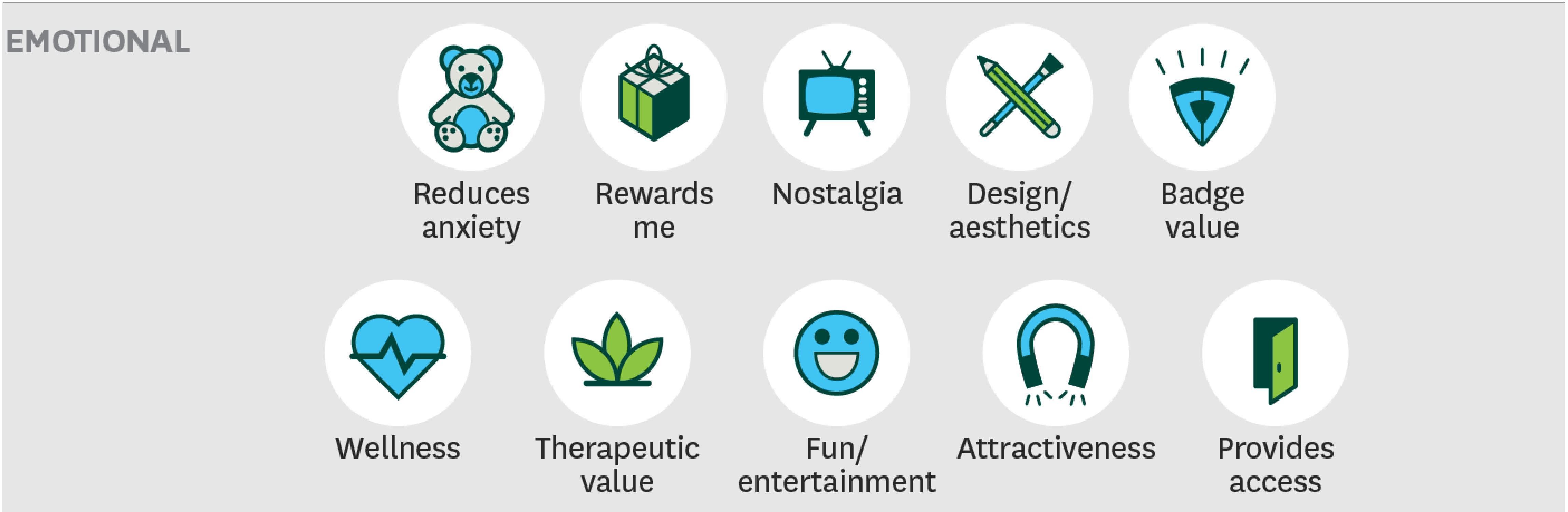
Avoids Hassles – Avoiding or reducing hassles, such as personal and concierge shopping.

Reduces Costs – Saving money in purchases, fees or subscriptions, such as promotions and loyalty programs.

Variety – Providing a variety of things to choose from, such as department stores and cross-merchandising.

Sensory Appeal – Appealing in taste, smell, hearing, and other senses, such as multi-sensory environment in the store.

Informs – Providing reliable and trusted information about a topic, such as third-party endorsements, user-generated content and reviews.



CONNECT WITH HENRYS EMOTIONALLY

It's essential to connect with HENRYs emotionally. Function matters, but emotions tip the scale.

HOW IT MAKES HENRY FEEL

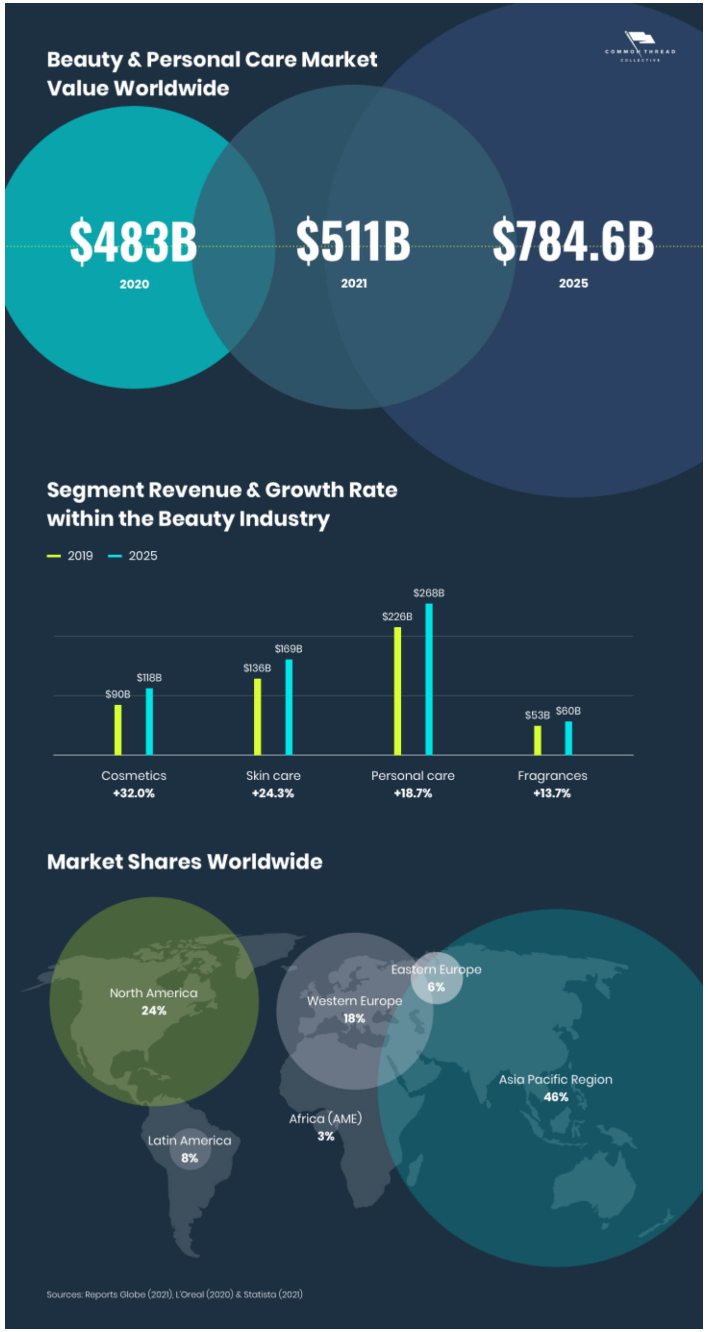
The ten emotional elements of Bain's Elements of Value reflect how a product or service makes the customer feel. It goes beyond the functional values to the emotional level.

For HENRYs, three emotional elements are most important:

Attractiveness – Helping people feel more attractive.	Design Aesthetics – Providing an appealing form or design.	Badge Value – Representing achieved status or aspirations.

BEAUTY INDUSTRY'S REASON FOR BEING IS TO ENHANCE ATTRACTIVENESS

The beauty industry is expected to reach nearly $800 billion by 2025. Pre-pandemic, McKinsey estimated nearly 85% of all beauty product shopping took place in brick-and-mortar stores, but that shrank to about 60% afterwards due to the rapid rise of online shopping, a favored channel for next-generation consumers.



LIPSTICK EFFECT: TRUE OR FALSE?

In beauty circles, the Lipstick Effect, also called the Lipstick Index, is claimed to be the category's leading economic indicator. The concept is that in times of a recession and other economic stresses, women will indulge in discretionary purchases that provide an emotional uplift without breaking the budget. Lipstick fits the bill.

The lipstick effect was posited first by economics and sociology Professor Juliet Schor in her 1998 book *The Overspent American*. She found when money is tight, women would splurge on luxury brand lipsticks that are used in public, like semipublic restrooms and after dinner in a restaurant, and forego higher-priced beauty products that are applied in the privacy of home, like facial cleansers and eye makeup.

"They are looking for affordable luxury, the thrill of buying in an expensive department store, indulging in a fantasy of beauty and sexiness, buying 'hope in a bottle.' Cosmetics are an escape from an otherwise drab everyday existence," she wrote.

In 2001, Leonard Lauder, chairman of Estée Lauder, supplied anecdotal evidence of the lipstick effect when he reported his company saw a spike in lipstick sales after the 9/11 terrorist attacks. He doubled down on the message after the recession of 2008 reporting once again a rise in company lipstick sales.

An academic study led by Texas Christian University professors Sarah Hill and Christopher Rodenheffer lent further credence to the lipstick effect theory. In the study entitled "Boosting beauty in an economic decline: mating, spending and the lipstick effect," the researchers adopted the broadest definition of the lipstick effect to include all beauty products, as opposed to focusing exclusively on lipstick.

IN TIMES OF ECONOMIC STRESS, BEAUTY IS EVEN MORE IMPORTANT

The TCU researchers defined beauty products as cosmetic products that enhance a woman's physical appearance, including lipstick. And through a series of four experiments, the findings were consistent. "Recession cues persistently increased women's desire to purchase beauty products," they wrote, just as it tends to shift their spending away from other products that have no beauty-enhancing qualities, such as furniture, electronics and leisure/hobby products.

The researchers theorized that women purchase beauty products to enhance their attractiveness to men since men place a premium on a woman's physical appearance in their choice of a romantic partner. It's no surprise that women buy beauty products to increase their attractiveness to men, but that women lean into it more in tough economic times might be.

"Because there are fewer men with access to resources in recessionary times [e.g., higher unemployment], women's desire for resource access in a mate increased in response to recession cues," they explained.

They then tested the hypothesis that under economic stress women indulge in small indulgences for an emotional boost, like lipstick, rather than more expensive luxuries or higher-priced beauty brands. The researchers tested this assumption and found it didn't hold.

When given a choice between pricey "attractiveness-enhancement" products and discount versions of the same, women, regardless of their economic status, chose the more expensive options. Specifically, "recession cues did not increase desire for discount brand beauty products."

Women chose the more expensive brands because these alone were perceived as being more effective to enhance their attractiveness. "Recession cues increased women's desire for products that could make them more attractive to mates, despite the significantly greater expense of such products," they wrote and suggested that was because luxury beauty brands do a better job advertising their attractiveness-enhancing benefits.

And the researchers concluded: "Economists have established that recessions are reliably associated with increased spending on two types of products: traditional inferior goods (e.g., spending more on tuna rather than salmon because of budgetary constraints) and morale boosters (e.g., going to see a Charlie Chaplin film in the Great Depression). Although the lipstick effect has garnered some anecdotal lore, the present research suggests that women's spending on beauty products may be the third indicator of economic recessions — an indicator that may be rooted in psychology."

ULTA IS READY FOR CUSTOMERS TO TRADE-UP AND TRADE-DOWN

Ulta, the nation's largest specialty beauty retailer, is introducing a new store design that makes it easier for customers to trade down or up as the economic winds blow. It's new shopping environment will combine in-store displays of mass skincare and makeup brands with prestige.

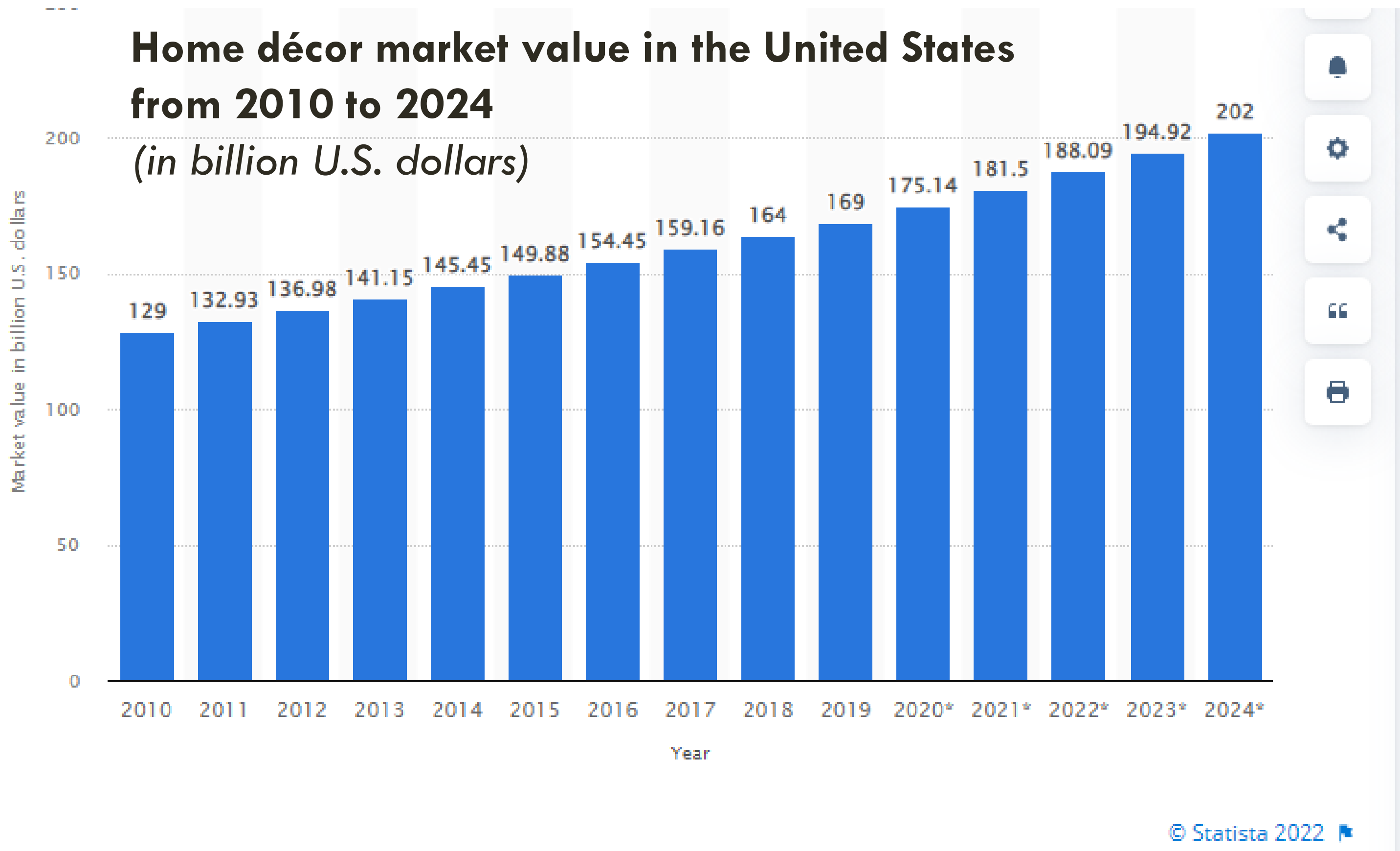
Since the company's founding in 1990, mass and 'class' beauty have been segregated. Mass brands were on one side of the store, prestige on the other, fragrance in the middle and hair care in the back.

Coming soon to select Ulta stores will be a new layout that will merge mass and prestige offerings to "better reflect how a guest really shops with consolidated categories and intuitive adjacencies," explained COO Kecia Steelman.

While CEO Dave Kimball confirmed the company hasn't yet seen customers trading-down to less expensive brands, its positive experience placing Ulta shop-in-shops in Target stores gives it confidence that discount-minded Target shoppers like having mass and prestige beauty choices in close proximity.

Ulta is now in 186 Target locations with an expanded range of premium offerings including Benefit (an LVMH brand), Tula and Morphe. It's a sign that Target shoppers are trading up too.

That is the key advantage of collocating mass and prestige offerings together. It gives customers as many chances to trade up as it does to trade down. In these crazy times, Ulta is prepared for all contingencies.



DESIGN AESTHETICS DISTINGUISHES THE HOME FURNISHING MARKET

The home décor market in the United States is forecast to reach $202 billion in 2024, a 20% increase from 2019 value.

IKEA, Wayfair, and Bed Bath & Beyond are among the market share leaders in U.S. home décor and furnishing industry.

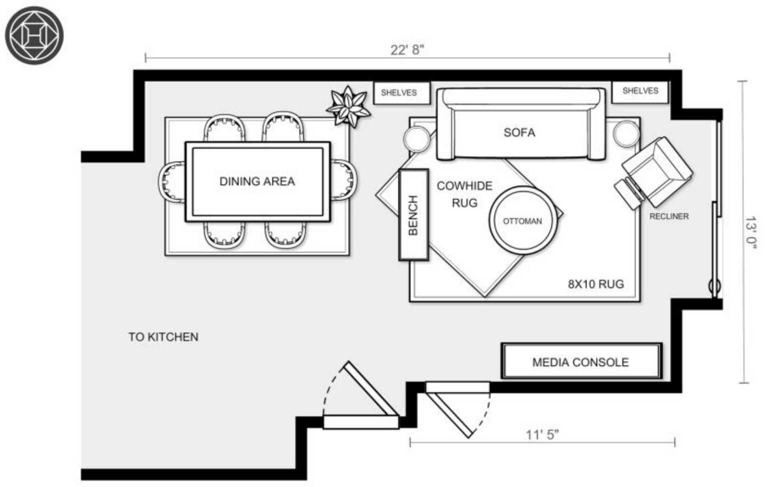
But decorating a home and shopping for furniture and decorative accessories can be a daunting tasks for many HENRYs.

ONLINE INTERIOR DESIGN SERVICES SIMPLIFY THE PROCESS

Online interior design services combine the functional benefits of simplifying the design process, avoiding hassles and reducing risk in making a bad design decision with enhanced design aesthetics provided by a trained, professional designer. A *Good Housekeeping* comparative review of various design service, including Modsy, Pottery Barn, Spacejoy, Clairrow and RoomLift, found Havenly its top pick.

Havenly asks users a few interior design style questions, including style preferences, budgets and any existing pieces they want to incorporate in their design, and offers a matched selection of professional designers for customers to choose to work with. Then customers can select from budget-friendly packaged offerings: the $79 mini offering (three design ideas, one design concept and two revisions) and a $199 full offering package (everything in the mini offering and a 3D room layout visualization).

With the design in hand, Havenly can source specified products through partnerships with over 400 brand partners. Havenly has also expanded into physical locations in Atlanta, Austin, Chicago, Dallas, Denver, Houston and New York City. It also offers curated top designer picks on its website for sale.



BADGE VALUE STILL MATTERS TO SOME HENRYS

In the face of rising income inequality, many affluents are avoiding conspicuous luxury brands. At the same time, there are still consumers who value the badge value of luxury brands, as the rapid recovery of the leading luxury brands – also with the most prominent logos – proves.

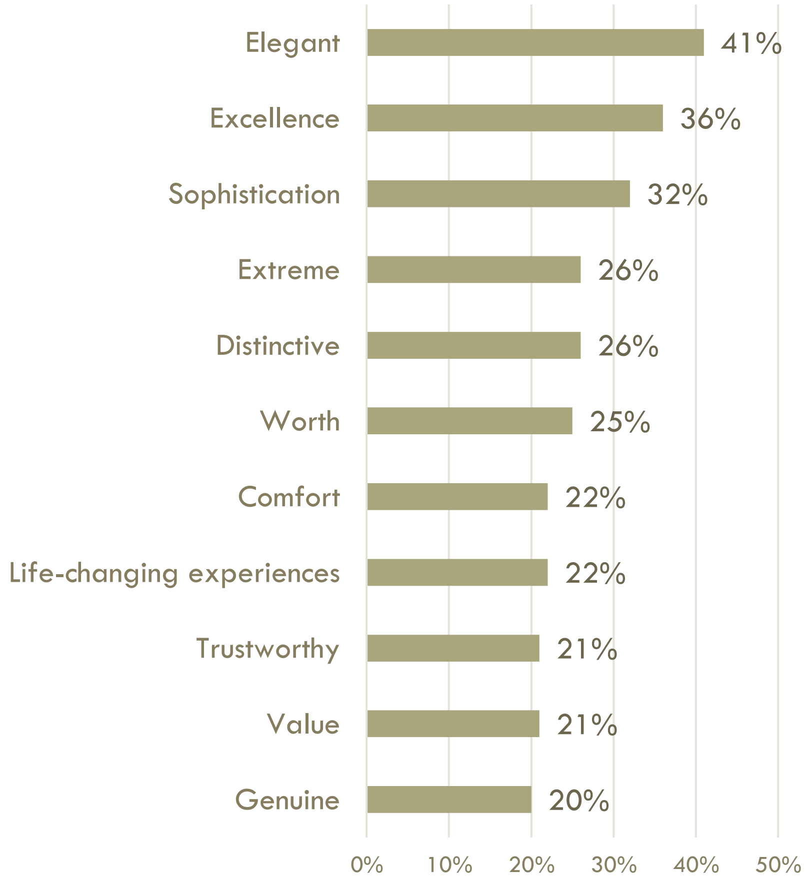
However, luxury brands need to be cautious about relying too heavily on their badges and impart greater meaning into their value equation.

“Luxury brands have struck a Faustian bargain, as Louis Vuitton and other conspicuous logo-wear brands have, between being demotic, meaning of the people, and yet preventing a vast majority from experiencing their goods on the other,” said Benedict Auld, founder of brand strategy consultancy Lapidarius.

“You can’t have it both ways. LVMHs’ strongest adherence isn’t to social impact, except for the top 1% of human society, which control about 80% of the wealth and who are the product of income inequality and have a vested interest in its continuation,” he continued.

Auld sees logo-centric displays diluting brand value rather than creating it. “Catering to the idea of showing monetary income status via branded goods is the last gasp of any quote, unquote luxury brand,” he shared. “It’s what luxury brands do when they have no other meaning to offer.”

Which of these words, do you associate with your concept of "Ultra Luxury"?



Source: Research The Affluent Luxury Tracker

CONSPICUOUS VS. CONSCIENTIOUS CONSUMPTION

HENRYs are increasingly choosing conscientious consumption, rather than conspicuous consumption.

"We have to take a holistic perspective. The Covid health crisis and the way we reacted to it is a symptom of underlying weaknesses," Meaning.Global's Dr. Martina Olbert said. "It is a wake-up call to brands. It can serve as a great catalyst for brands to transition to the new luxury paradigm."

"Luxury brands need to be thinking about future-proofing their businesses in ways that go beyond catering to different markets," she shared. "They need to think about serving people's essential needs that revolve around what is scarce and luxurious."

She believes the future-proofing opportunity lies in enhancing the quality and timelessness of the products and services offered.

"Ultimately, the symbolic value of luxury isn't going to change," she continued. "Many of these luxury brands have been around for hundreds of years. There is always going to be demand for something that is handcrafted, premium quality and of lasting value."

Luxury brands must return to their roots and enhance their true legacy value. By following popular culture trends and producing more high-priced, mass-produced stuff with prominent logos and shouting about it on social media, luxury brands discount rather than build their value.

"This is a time to create and strengthen brand perceptions, which ultimately creates value. That's all anchored in meaning," Olbertova concluded.

TRUE LUXURY WHISPERS. IT DOESN'T SCREAM.

Conscientious luxury is quiet as opposed to conspicuous luxury that is loud.

Hermès is considered the quietest of luxury brands, recognized by its iconic design. No logos required.

OTHER QUIET LUXURY BRANDS

Contrasted with “loud luxury” brands with prominent logos and marketing campaigns, like Louis Vuitton and Gucci, “quiet luxury” brands are more subtle with logos on the inside, not the outside. Quiet luxury is not about showing off wealth or status, rather it displays good taste and sophistication. The products are characterized by exquisite beauty, ultra-high quality and craftsmanship. Besides Hermès, these brands also have a quiet luxury aesthetic:

- Max Mara – Known for its iconic coats that interpreted men’s fashion codes for women, Max Mara offers timeless beauty and ultimate quality to make its fashion a staple in the customer’s wardrobe that will last a lifetime.
- Brunello Cucinelli – The brand stands apart in terms of artisanal style and Italian hand craftsmanship. It finds “its truest meaning and aesthetic research in manual work and craftsmanship. These are the most authentic expressions of people’s humanity and creativity, and they are essential to us,” it declares..
- Celine – An LVMH brand in sharp contrast to sister Louis Vuitton, Celine represents modern minimalism in a French style.
- The Row – Established by twin sisters Ashley Olsen and Mary Kate Olsen in 2006, The Row is also noted as quietly elegant with simplistic shapes with superb fabrication and workmanship.
- Gabriela Hearst – Born in Uruguay and raised on her family’s ranch, Gabriella Hearst was a fashion insider who established her eponymous line in 2015. The website states, “Gabriela wanted to create a brand that reflects a slower pace and process: where things are made with care and detail, where tradition is more important than trend, where there is a purpose to every piece.” The line is described as “luxury with a conscience or in other words, ‘honest luxury.’”
- Bottega Veneta – Bottega Veneta is so quiet it’s not even on social media. No logos are required to recognize a Bottega Veneta intreccio cross-hatch leather design.

EVERLANE IS QUIET NEAR-LUXURY FOR HENRYS

Everlane expresses the same timeless quality as Ralph Lauren but not as showy or expensive.

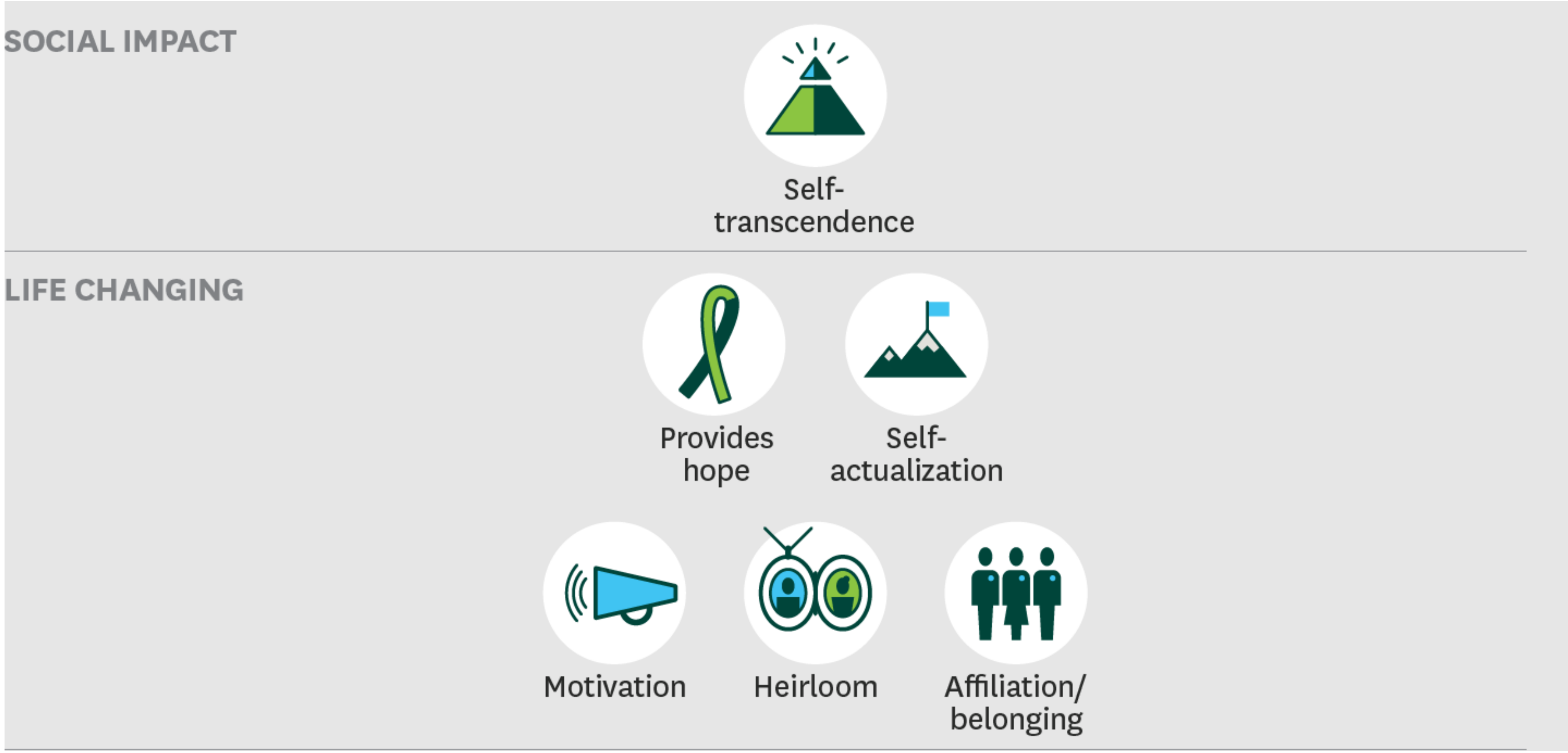
"At Everlane, we're not big on trends. We want you to wear our pieces for years, even decades, to come. That's why we source the finest materials and factories for our timeless products— like our Grade-A cashmere sweaters, Italian shoes, and Peruvian Pima tees," the website states.

Everlane is a DTC brand that started online but has expanded into physical retail with nine locations. It manufactures fashion basics using high-quality fabrications and factories that operate sustainably and responsibly.

It also stresses its "Radical Transparent" pricing based on a model that breaks down the cost at each stage of production through to retail. For example, a cashmere crew sweater at Everlane retails for $100 versus $210 from a traditional retailer using a 5x-to-6x retail markup.

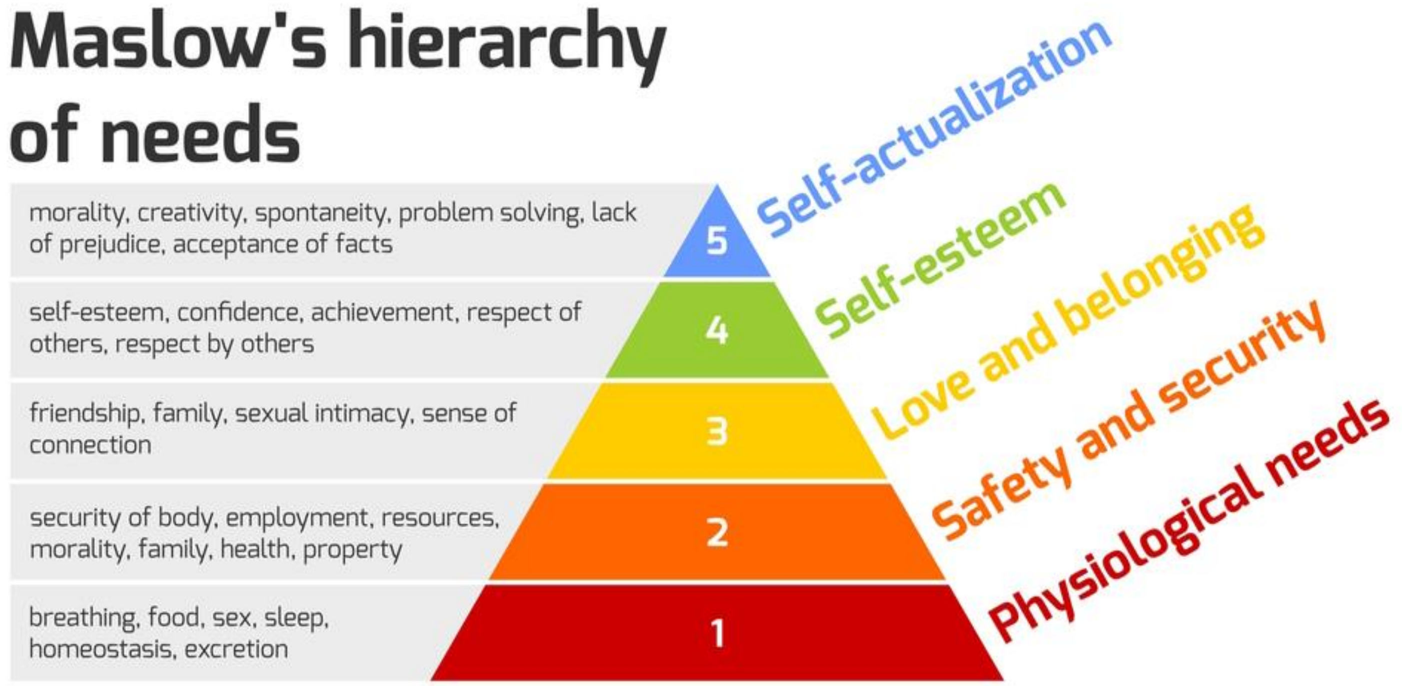
Everlane explains:

"At Everlane, we want the right choice to be as easy as putting on a great T-shirt. That's why we partner with the best, ethical factories around the world. Source only the finest materials. And share those stories with you—down to the true cost of every product we make. It's a new way of doing things. We call it Radical Transparency."



HIGHER LEVEL VALUES

Bain identifies Life Changing and Social Impact values as operating at the highest-level in the consumer values hierarchy. These would be most especially important to the more self-actualized HENRYs.



LIFE CHANGING & SOCIAL IMPACT VALUES

The Life Changing elements of value asks "How does it change my life?" The Social Impact element asks "What value does it deliver to society?"

The Bain "Elements of Value" pyramid is based upon Maslow's Hierarchy of Needs and at the top of Maslow's pyramid is self-actualization needs.

Maslow wrote:

"Self-actualization (also referred to as self-realization or self-cultivation) can be described as the complete realization of one's potential as manifest in peak experiences which involve the full development of one's abilities and appreciation for life."

HIGHER LEVEL VALUES

Provides Hope – Providing something to be optimistic about. Happy people are optimistic people, so the happiness quotient offered in a luxury good or experience will lift people up and provide hope.

Self-Actualization – Providing a sense of personal accomplishment or improvement. The pride of owning a luxury brand, such as a luxury watch, piece of jewelry, automobile or home, often represents such accomplishments.

Motivation – Supporting people to achieve their goals. Brands targeting active lifestyle HENRYs or their health and dietary needs aim at the motivational value.

Heirloom – A good investment for future generations. Luxury brands that focus on their lifetime value and utility play to this value.

Affiliation and Belonging – Helping people become part of a group or identify with people they admire. This is the concept of *Tribes* that Seth Godin wrote about in his book. Brand loyal consumers are members of a brand's "tribe."

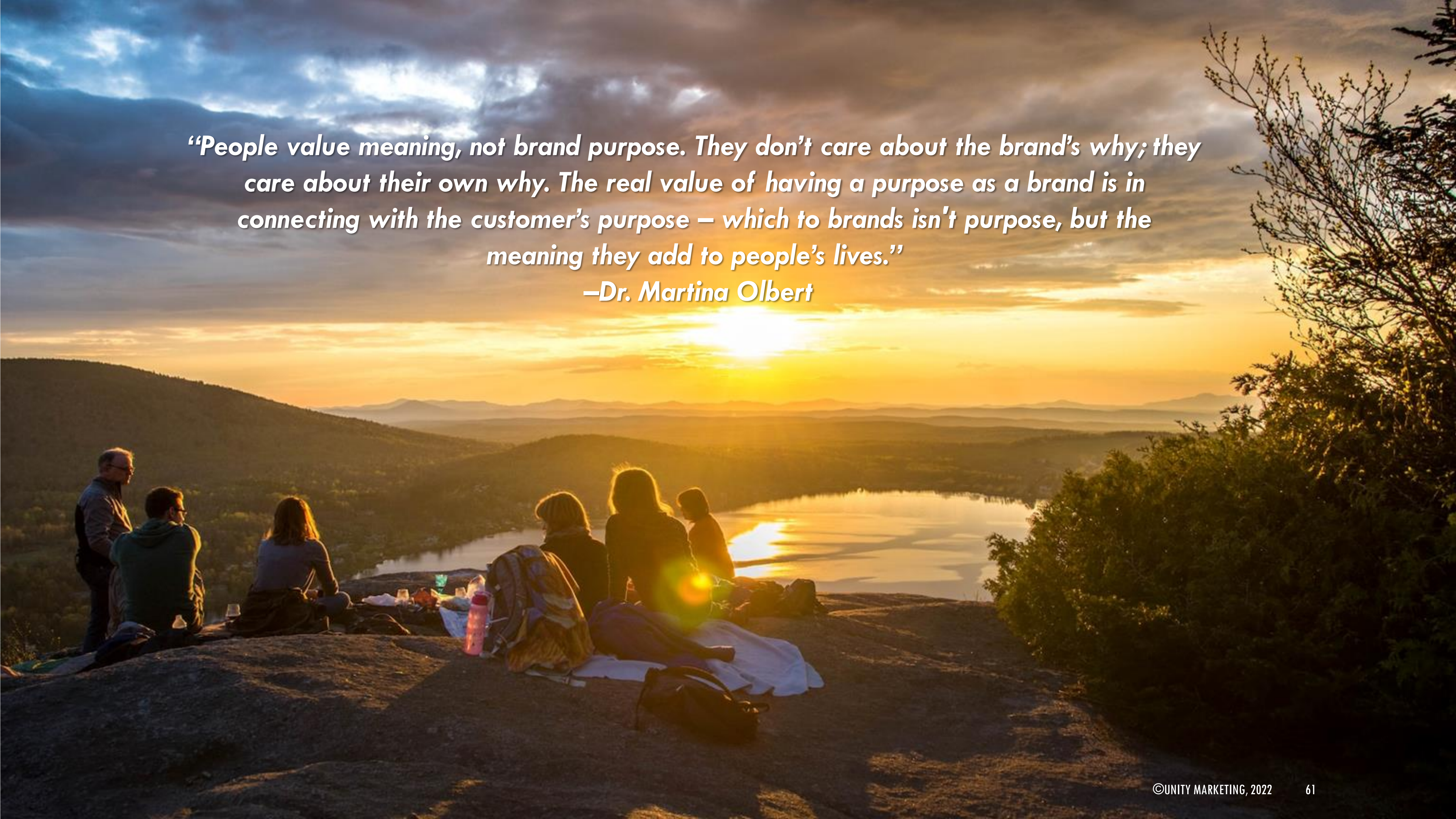
Self-Transcendence – Helping other people or society more broadly. Company environment, social and governance policies (ESG) align with this value.

PROVIDE MORE MEANING TO HENRYS

Bain's Elements of Value pyramid helps brands discover how to provide more meaning to their customers. Meaning.Global's Dr. Martina Olbert, explained the how in her book *Reimagining Consumerism As A Force For Good:*

"Meaning is what people value and what they emotionally connect with in their own lives through their beliefs, needs, values, identities and authentic sense of self. The true value of any brand is in what it represents to people – what it means to them. To understand the true power of meaning in business, we need to change our point of view and adjust where we are looking at the world from: that is not from the corporate perspective but from the human perspective.

"To make brands purposeful in people's lives, they paradoxically cannot be led by purpose. Yes, this seems counterintuitive but when you think about it, it really isn't. When you look at who determines the value of brands, the mental paradox suddenly disappears. Brands must be led by meaning because meaning is what people value, and not brand purpose. People don't care about the brand's why; they care about their own why. They don't care about brand purposes, they care about their own lives – as they should. And that is okay. This means that the only real purpose that is important to brands as an indicator of their future value is the customer's purpose – which to brands isn't purpose, but the meaning they add to people's lives."

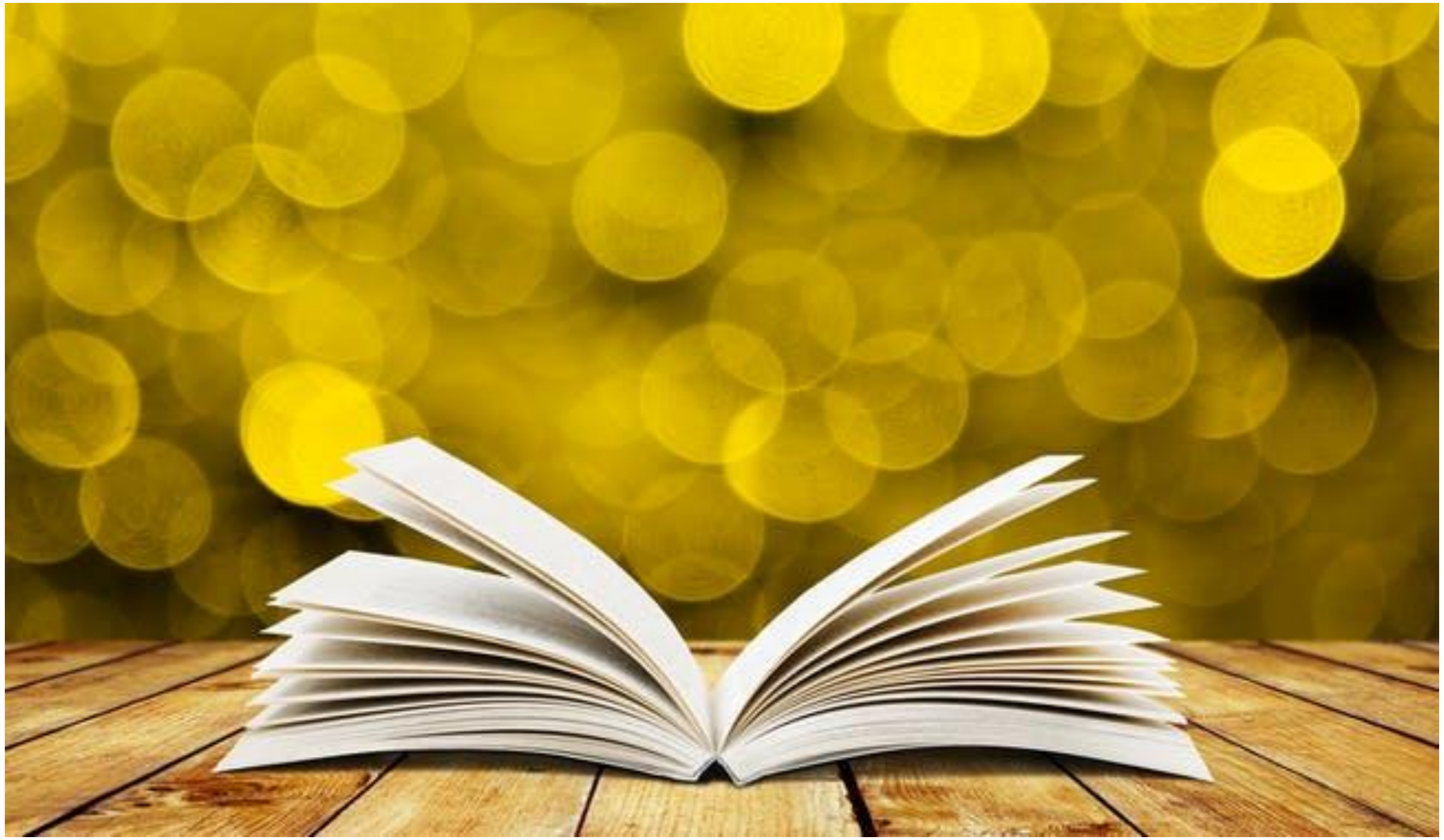


"People value meaning, not brand purpose. They don't care about the brand's why; they care about their own why. The real value of having a purpose as a brand is in connecting with the customer's purpose – which to brands isn't purpose, but the meaning they add to people's lives."

–Dr. Martina Olbert

TRADING UP TO LUXURY

Luxury must mean more than a fancy label and higher price tag. It means telling new stories of luxury that make an emotional connection with HENRYs.



PROVIDE MORE MEANING TO HENRYS

- Luxury of Performance
- Create-Your-Own Luxury
- Luxury of Convenience
- Collectible Luxury
- Value Luxury
- Luxury of Comfort
- Bespoke Luxury
- Luxury in Simplicity
- Luxury of Wellness
- Luxury of Discovery
- Authentic Luxury
- Sustainable Luxury
- Anti-Status Luxury

LUXURY MUST PERFORM

Forrester, the research firm which publishes the Customer Experience Index (CX) that measures brand loyalty, defines 'customer experience' as encompassing three variables : useful (deliver value), usable (make it easy to find and engage with the value), and enjoyable (emotionally engaging so that people want to use them).

The values of usefulness and usability are practical and functional. This is the new luxury of performance and brands like Nike, Canada Goose and Lululemon nail this.

That luxury must be experienced before, during, and after the sale, every time the customer holds, wears, admires, or thinks about the luxury brand. It doesn't happen just in the store or online, that is where brands engage in customer service, but the ultimate customer experience of a luxury brand goes far beyond customer service.

To create the ultimate customer experience in luxury, brands must focus on two things : deeply understanding the needs, aspirations, and desires of the customer and continuously enhancing their value perception of the brand. It starts with the customer and works out from there.

CREATE-YOUR-OWN LUXURY

The HENRYs demand a true 'customer-centric' product experience, not in words as many big brands do, but in reality, like many of today's innovative brands do by necessity and design.

Customization and personalization put the power in their hands to create-their-own special brand of luxury.

Most jewelry brands, like Brilliant Earth, allow customers to customize their own pieces, but Brilliant Earth offers lab-grown diamonds as a particularly appealing choice for HENRYs. In the home space, Interior Define is tailor-made for HENRYs with customization offerings across home furnishings.

And Burberry among other luxury brands offers personalization options to add their product offerings, like initial monograms on handbags and scarves.

LUXURY OF CONVENIENCE

Time is the “ultimate” luxury, since everyone, no matter how much money they’ve got, gets only 24/7. For the busy, multi-tasking HENRYs, convenient, time-saving ways to interact with a brand and get their shopping responsibilities done is a critical need.

This the huge advantage for e-commerce brands. Shopping electronically, any time and any place, is a huge time saver.

Unity Marketing’s *State of Luxury 2022* study among some 250 luxury goods industry executives found nearly 60% of luxury goods companies had an e-commerce website, up from 51% in 2020.

COLLECTIBLE LUXURY

People who collect things are the ultimate loyal customers. Creating collectors, rather than customers, guarantees repeat purchases.

People have been collecting since the dawn of time and collecting is a particular passion for the affluent, whose art collections fill the world's museum.

In contemporary culture, we tend to think of collecting as something only old folks do. However, young HENRYs collect too, but in a different way and with different things. This is a generation that grew up with whole sneaker collections, one pair for every athletic endeavor. Young children love to collect and it carries on into adulthood.

For HENRYs, their take on collecting is focused on collecting experiences and feelings that make memories, not on amassing a bunch of things to display on a shelf.

Pandora Jewelry was built on the collectability of its Moments charms and bracelets and has recently leaned into the collectible passion of Millennials and GenZ consumers with its Pandora ME collection.

VALUE LUXURY MEANS GETTING MORE

Under the old 4Ps of marketing model, low price was the primary trigger used to attract shoppers, i.e. "Price it low, watch it go! Pile it high, see it fly!" And it still works for TJ Maxx, Target, Walmart and many others.

But HENRYs are more attuned to value for the price. HENRYs are looking to maximize the value received for the money exchanged.

That's what Henry Kanter, former CEO of Blue Nile understands. "It's really about spending less, and getting more," he said

LUXURY OF COMFORT

Our challenge is to create a comforting experience for HENRYs. Luxury must be good and feel good. Coco Chanel said, “Luxury must be comfortable, otherwise it is not luxury.”

We must communicate comfort viscerally so he or she really feels it. Eileen Fisher’s Cashmere Silk Bliss sweater combines these two materials for ultra-softness. And Naadam brings the luxury of cashmere at HENRY prices.

Part of HENRYs’ comfort comes from knowing they are not paying a fortune for something.

HENRYs must touch it, feel it, try it on and if as promised, the sale is made.

It is psychological.

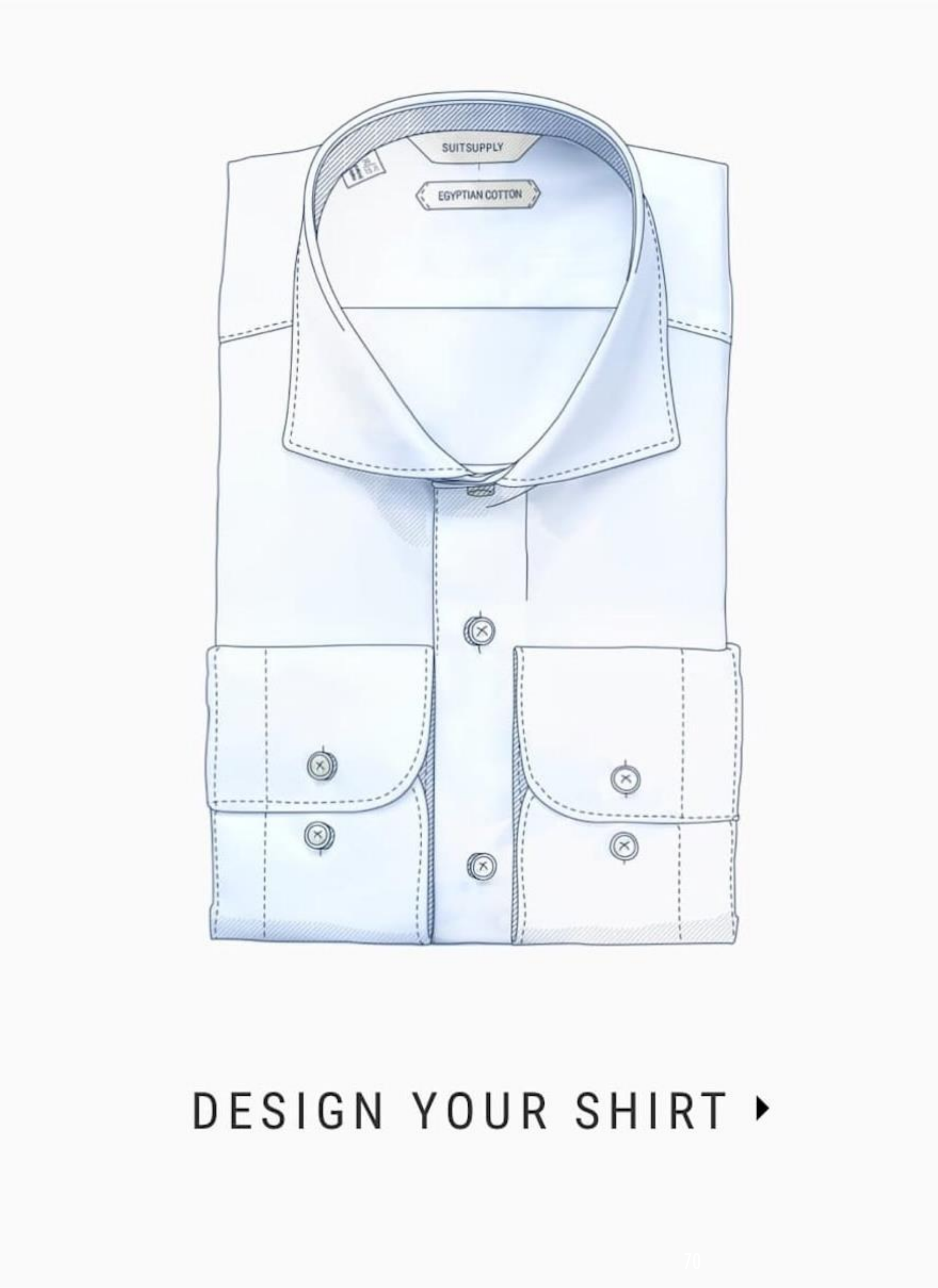
BESPOKE LUXURY

Customers today demand a true 'customer-centric' product experience, not in words as many big brands do, but in reality, like today's most innovative brands do by necessity and design. Suitsupply creates bespoke fashion for men and its sister Suistudio for women priced right for HENRYs.

There are many ways marketers can personalize their offers to HENRYs:

- **Personalized Product:** Offer unique product with a wow factor that meet personal needs of HENRY customers. Curate product selection to tell a personal story about your brand that connects with the most valuable, high-potential customers.
- **Personalized Service:** Understand that the people that sell your brand, from the stock room, customer service manager to the selling floor all must work together with one focus: Delighting the customer with an experience customized to their special needs and desires.
- **Personal Customer Connection:** Build a loyalty bond with HENRY women using social media and internet tools and techniques.

The key is to give HENRYs an opportunity to customize their experience.



> Simplicity is the ultimate sophistication
>
> Leonardo da Vinci

LUXURY OF SIMPLICITY

Simplicity is hard to do, but beautiful to behold when it is achieved.

Remember the paradox of choice: “Less is more” is the guide to creating simple, elegant brands and brand stories.

The Siegel+Gale Global Brand Simplicity Index most recent study found that simplicity strengthens a brand’s reach and loyalty and its becoming even more important post-pandemic, specifically:

- 76% of people are more likely to recommend a brand that delivers simple experiences, compared to 64% in 2018.
- 57% of people are willing to pay more for simpler experiences, slightly higher than the last report’s findings.
- Consumers will pay more for simplicity. “While there isn’t a significant change in people willing to pay more for simplicity, the premium people are willing to pay for it has quadrupled. Siegel+Gale estimates that companies leave an estimated $402 billion on the table by failing to provide simple experiences, versus $98 billion in 2018,” they report.
- And the simplest brands outperformed the average valuation of companies across the major indexes by 1,600% since 2009.

Simple elegance defies ostentation or extravagance. Simple elegance is communicated in all brand touch points – from promotion, packaging, branding, positioning.

Simple elegance pays attention to the minute details and shows how those details transform the product into an experience.

LUXURY OF WELLNESS

HENRYs are keen on health, as *Vogue* magazine writes, “Looking Like Money: How Wellness Became the New Luxury Status Symbol.”

Euromonitor research found that 42% of high-income consumers are following at-home fitness programs and some 40% are taking measures to manage stress, anxiety and mental health.

This trend was behind Lululemon’s acquisition of Mirror in 2020 to extend its offering from exercise clothing to the exercise experience.

LUXURY OF DISCOVERY

As shoppers, men are said to be hunters – they know what they want to buy and go on the hunt to find it – whereas women are gatherers – they scan the environment looking for buying opportunities. Increasingly, women gatherers start their shopping journey online, with Google reporting that 63% of all shopping occasions start online.

Yet while most women begin shopping online, many still prefer to complete the sale in-store, which is a good thing for retailers since consumers spend significantly more per visit in-store than online.

A study conducted by First Insight found that 71% of shoppers spent $50 or more when shopping in-store, compared with only 54% who spent that much online.

That is the most important reason why digitally-native brands are now opening their own stores. It helps them make a more lasting impression with customers, plus it adds to the average basket size for purchases conducted in-store compared with online.

LUXURY OF AUTHENTICITY

In marketing circles, the concept of authenticity is a quality that the brand itself embodies. But the ultimate goal of brand authenticity is to give the HENRY a way to realize his or her own authentic self, according to Meaning.Global's Dr. Martina Olbert.

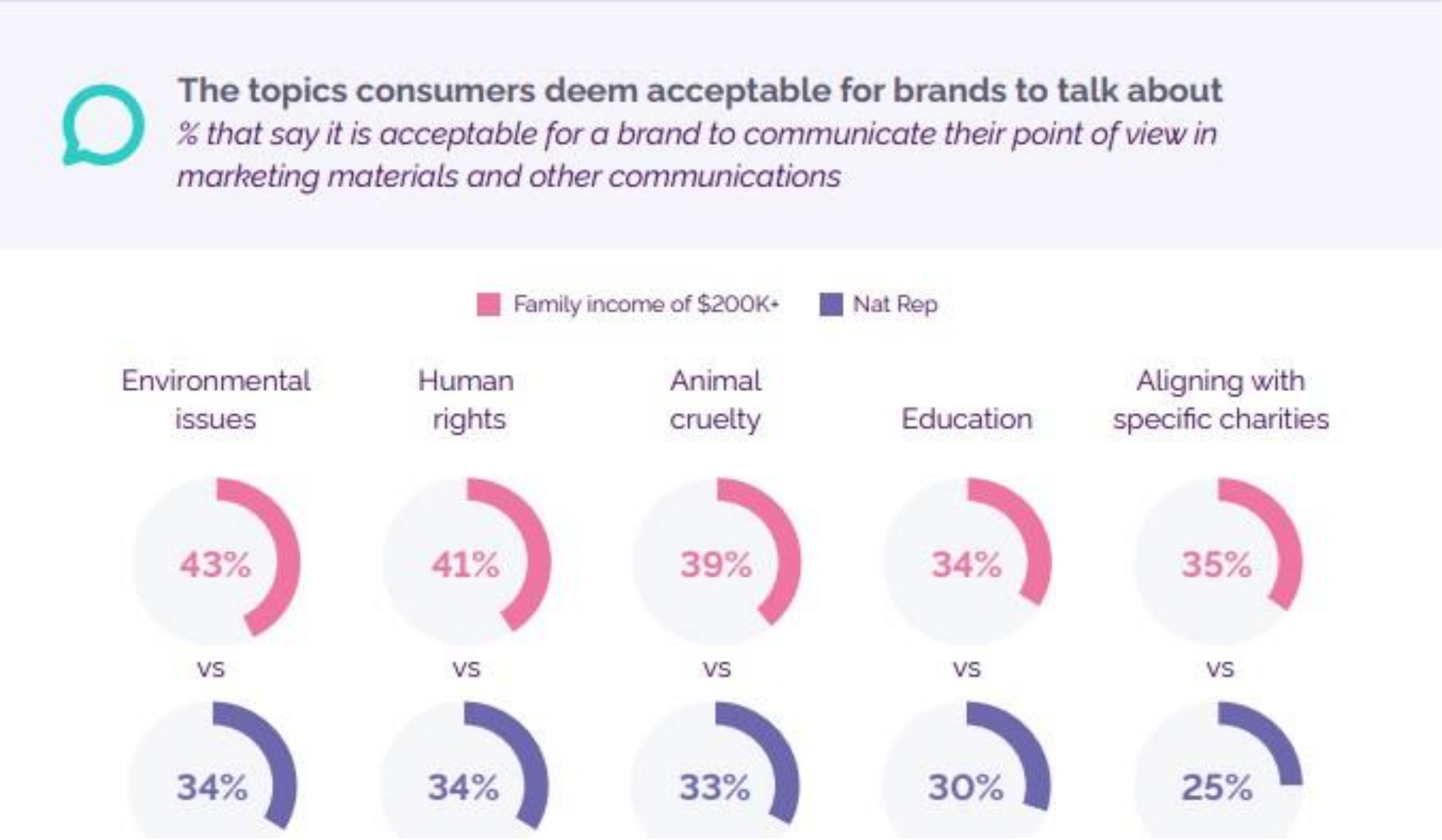
HENRYs are striving for authenticity in an inauthentic world. Luxury is less about the brands themselves and more about enabling people to become more of who they really are. "It's not about the brand, but what the brand can do for the customers," she shared. That shifts the focus of luxury brands from what they are to helping customers become more of who they are."

"It reverses the industry dynamics away from aspiring to own brands toward empowering people and their own creative expression," she challenged.

Take the Louis Vuitton monogram handbags. Such a bag turns the owner into a walking billboard for the Louis Vuitton brand. How does that empower the customer in their desire to express individuality and self-actualization?

On the other hand, Bottega Veneta with its famed 'sans logo' strategy is called out as a luxury brand with "discreet style and labeling" that empowers the customer through its "codes of timelessness, craftsmanship and simplicity."

Bottega Veneta is rich with symbolic meaning, not an in-your-face extravagance that is at odds with consumers' current drive to own fewer things and only those of lasting quality.



LUXURY OF SUSTAINABILITY

A recent YouGov survey among affluent consumers found that environmental issues, specifically toward sustainable business practices that produce sustainable products, is top on the list of what affluent consumers want.

Some 42% of those surveyed want companies to reduce their brand's carbon footprint and consumption of raw materials.

Nearly the same number (38%) say that leaders of large companies should prioritize reducing the use of plastics and a third (32%) feel leaders should minimize the amount of packaging their companies use.

YouGov analyst Chandler Mount wrote, “Sustainability is now a factor in how consumers view brands. The research so far shows an appetite for advertising and messaging that relates to sustainability. But it goes deeper: consumers hold companies accountable to some extent and want them to practice what they preach. This includes an awareness of waste production, reducing environmental impact, and being a true champion for sustainability practices.”

ANTI-STATUS LUXURY

HENRYs are redefining their status symbols. Whereas traditional status symbols communicate how much money one has, an anti-status symbol communicates this is who I am. For example, a millennial in a recent focus group said, her status symbol was the initials after her name, in this case her Ph.D.

HENRYs are looking for new meaning beyond traditional status symbols. Status symbols reflect elitism, snobbishness, one-upmanship. Anti-status status symbols tell you about me.

PILLARS OF NEW LUXURY

From Exclusive to Elusive

From Designer's Expression to his or her Own

From Craftsmanship to Feel the Touch of the Maker

From Product to Experience

From Brand Heritage to her Personal Story

From Elitism to Sophisticated Basics

LUXURY IS THE JOURNEY, NOT THE GOAL

Having come through a deeply personal crisis during the pandemic and now potentially facing another one economically, HENRYs are once again confronted with disruptions to their lifestyle and challenges in where their spending goes.

Luxury brands need to keep HENRYs trading up and that requires they provide more meaning and relevance through their value proposition and shopping experience.

Unity Marketing can help brands get closer to their customers and target customers through quantitative and qualitative market research as well as providing on-going measures of affluent consumers' purchase behavior, attitudes, values and motivations in the longitudinal "Research The Affluent Luxury Tracker" conducted in partnership with The Affluent Consumer Research Company (ACRC) founded by Chandler Mount.

In addition, Pamela Danziger supports brands with strategic and marketing consultation services through the American Marketing Group.

GET MORE DATA & ANALYSIS

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