WEALTHINSIGHT

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The Rise of Luxury Goods in Emerging Cities

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About WealthInsight

The WealthInsight Intelligence Center Database is an unparalleled resource and the leading resource of its kind. Compiled and curated by a team of expert research specialists, the database comprises dossiers on over 125,000 HNWIs from around the world.

The Intelligence Center also includes tracking of wealth and liquidity events as they happen and detailed profiles of major private banks, wealth managers and family offices in each market.

With the Database as the foundation for our research and analysis, we are able obtain an unsurpassed level of granularity, insight and authority on the HNWI and wealth management universe in each of the countries and regions we cover.

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Highlights: The Rise of Luxury Goods in Emerging Cities

WealthInsight's study on 'The Rise of Luxury Goods in Emerging Cities 2019' looks at the market growth potential of 10 emerging cities for luxury brand expansion. These cities include Shanghai, Mumbai, Mexico City, Istanbul, Bangkok, Tel Aviv, Jakarta, Kuala Lumpur, Ho Chi Minh City and Lagos. The study is based on the latest forecast from WealthInsight's database and interviews with suppliers, luxury consultants and wealthy consumers living in the cities studied.

Istanbul, Mumbai and Mexico City are the rising cities for luxury brands

Demand for luxury goods in Istanbul is strongly driven by a number of factors. The city has the highest number of UHNWIs of the 10 selected cities, with 1,110 individuals in 2014, slightly higher than Shanghai with 1,095 in the same year. HNWI population growth in Istanbul is also high, at a forecast-period CAGR of 6.1%, rising from 58,000 individuals in 2015 to 65,000 in 2019. The city's urbanization is one of the highest in Turkey, with 73% of its population living in urban centres. The city has also experienced strong growth in its female working population as well as wealthy Middle Eastern tourists.

Mumbai, India's financial capital, is an attractive location for multinational enterprises (MNEs), and increasingly attracts wealthy expatriates. The city is also home to Bollywood, and has the country's highest HNWI population, with 98,000 individuals in 2014, which is forecast to reach 138,500 in 2019. The city also has a growing middle-class population, offering a significant opportunity for luxury brands.

Demand for luxury goods in Mexico City is strongly driven from domestic sources such as the emerging middle class and HNWIs living in the city. It had 63,500 HNWIs in 2014, with a positive growth prospect at a CAGR of 7.7%, rising from 65,500 individuals in 2015 to 73,500 in 2019. There are more than 1 million Dual Income No Kids (DINKs) in Mexico, of which a significant proportion reside in Mexico City and form one of the key customer segments for luxury brands.

"It is clearly evident that luxury goods are on the rise in the emerging cities. This is a strong message for luxury brands to carefully formulate their expansion strategy, client strategy, and marketing strategy to capture local demand, if to remain competitive," comments Dr Roselyn Lekdee, Economist at WealthInsight.

Domestic demand in emerging cities strongly drives luxury goods growth

WealthInsight finds that domestic demand has a great effect on luxury goods growth in the emerging cities studied. Domestic demand is broadly made up of wealthy local consumers, or HNWIs and UHNWIs living in the city, in particular the lower-tier millionaires and mass affluent consumers who have a strong preference towards luxury brands. It is very unlikely that individuals would travel to emerging cities such as Lagos to specifically purchase luxury goods.

Shanghai had the highest number of HNWIs among the 10 selected cities in 2014, with 176,300; it is expected to record a CAGR of 10% to reach 237,600 in 2019. The city was followed by Mumbai with 98,000 HNWIs in the same year, which is projected to grow at CAGR 7.6% to reach 138,500 by 2019.

Mexico City, Istanbul and Bangkok also had large HNWI populations in 2014. Mexico City had 63,500 HNWIs, followed by Istanbul with 56,200 and Bangkok with 49,300. Interestingly, Bangkok is forecast to record the second-highest growth of HNWIs over the forecast period, after Shanghai, at a CAGR of 8%, to reach 57,000 HNWIs by 2019.

HNWI Populations in Emerging Cities, 2010–2019

HNWI Population – Review	2010	2014	CAGR 2010–2014
Shanghai	136,433	176,303	11.9%
Mumbai	85,256	97,912	3.2%
Mexico City	55,962	63,572	3.5%
Istanbul	48,933	56,203	6.6%
Bangkok	43,526	49,371	7.0%
Tel Aviv	24,964	26,648	3.2%
Jakarta	16,265	21,352	3.5%
Kuala lumpur	12,107	14,419	4.5%
Ho Chi Minh City	5,518	8,648	7.2%
Lagos	5,555	7,329	1.6%
Total	462,534	546,379	4.7%
HNWI Population – Forecast	**2015**	**2019**	**CAGR 2015–2019**
Shanghai	187,512	237,662	9.9%
Mumbai	103,137	138,529	2.8%
Mexico City	65,592	73,301	7.7%
Istanbul	57,989	64,804	6.1%
Bangkok	50,940	56,927	8.0%
Tel Aviv	27,413	29,843	2.8%
Jakarta	22,140	30,070	2.8%
Kuala Lumpur	14,987	17,141	3.4%
Ho Chi Minh City	9,019	13,156	4.7%
Lagos	7,651	9,202	2.1%
Total	546,379	670,635	5.3%

Source: WealthInsight database **© WealthInsight**

WealthInsight forecasts that the number of HNWIs in the 10 selected emerging cities combined will exceed 670,640 by 2019. In particular, Shanghai, Bangkok and Mexico City will have the highest HNWI population growth over the forecast period – at a CAGR of over 7% – providing strong market potential for luxury brands to target HNWIs.

Cities with smaller luxury markets such as Lagos, Kuala Lumpur and Ho Chi Minh City are the ones to watch, while traditional markets such as Shanghai and Bangkok show slower growth. Jakarta and Tel Aviv are the upcoming markets, while Mexico City, Mumbai and Istanbul offer the most promising prospects for expansion. Growth opportunity in emerging cities certainly exists when there are growing HNWIs and the market has not reached the mature stage. HNWIs often treat themselves and look for ways to showcase their financial success.

Report definitions:

- *High net worth individuals (HNWIs) represent those individuals with a wealth of US$1 million or more, including equities, bonds, cash and deposits, fixed-income products, real estate (excluding primary residence), alternative assets and business interests.*

- *Lower-tier millionaires are those HNWIs with a wealth of between US$1 million and less than US$5 million, including equities, bonds, cash and deposits, fixed-income products, real estate (excluding primary residence), alternative assets and business interests.*

- *The "mass affluent individual" is the segment between the local-currency equivalent of US$100,000 and US$1 million of investable wealth.*

- *CAGR or a compound annual growth rate applied to values is calculated by taking the nth root of the total percentage growth rate, where n is the number of years in the period being considered.*

- *The study provides key findings from the WealthInsight report entitled 'The Rise of Luxury Goods in Emerging Cities 2019' which employs both primary and secondary research as a source of insightful information. The primary research was conducted through a number of in-depth interviews with suppliers, luxury consultants, and wealthy consumers living in the emerging cities. The information is based on WealthInsight proprietary database comprising over 125,000 HNWIs dossiers.*

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