VISA AFFLUENT STUDY

2013

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INTRODUCTION

According to the writer Ernest Hemingway, his rival F. Scott Fitzgerald once told him, "The rich are different from us." To which Hemingway flippantly and famously replied, "Yes, they have more money." But not only is the story untrue – Hemingway made it up – it's unfair on the affluent. There is a lot more to them than that.

> **How do the affluent use their money? What are their priorities?**

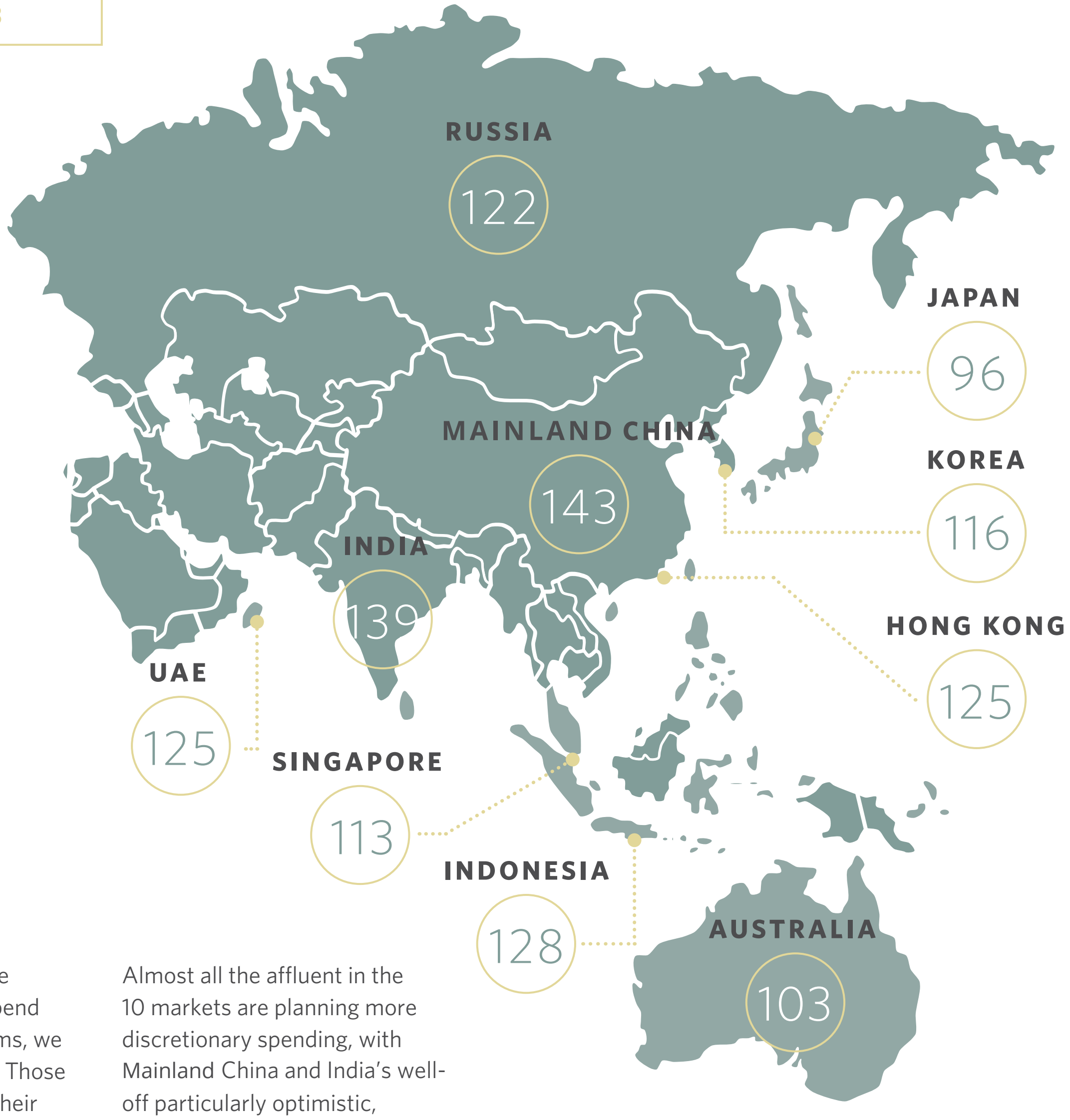
How do they use their money? What are their priorities? What are the differences between countries and cultures? The answers to these and more will help governments, industries, planners – and banks – understand the motivations, fears and expectations of an important part of every society.

In comes the Visa Affluent Study that reveals insights into the world of the affluent – we interviewed the well-off and the very well-off and we defined affluence relative to the wealth of a country, so household incomes between markets varied widely, from the equivalent of at least $14,000 per household a year for a well-off household in India (INR750,00), to the equivalent of more than $245,000 a year for the very well-off in Japan (¥22 million).

The Visa Affluent Study was conducted between November 2012 and January 2013 by TNS Singapore on behalf of Visa. Male and female credit card holders between the ages of 18-55 year olds and in the top 20 per cent of each country/region's income distribution range were surveyed. In each of the 10 markets, except for the United Arab Emirates (UAE), 500 interviews were conducted online with representative quotas of gender, age and income. In the UAE, the figure was 300. The study surveyed 4,846 affluent consumers in countries/regions including Australia, Hong Kong, India, Indonesia, Japan, Mainland China, South Korea, Russia, Singapore and the UAE.

Interviewees came from a small percentage of the population in countries/regions with fewer affluent (around two percent) to representatives of around 15 percent of the population in countries/regions with many affluent people.

VISA AFFLUENT INDEX 2013



AFFLUENT INDEX RANKINGS

To find out who among the affluent are planning to spend more on discretionary items, we developed a simple index. Those who planned to increase their discretionary spending over the coming year were scored 200, those about the same as last year 100 and those reducing discretionary spending 0.

We then asked whether they would increase, decrease or spend the same on a list of luxury items, with the same scoring system: an increase scored 200, roughly the same 100 and a reduction 0 on every item.

Finally, we averaged the lot. Markets scoring more than 100 are planning higher spending.

Almost all the affluent in the 10 markets are planning more discretionary spending, with Mainland China and India's well-off particularly optimistic, probably because their economies have been growing fast.

There are a couple of exceptions. The affluent in Japan, whose economy has flatlined for around two decades, are quite pessimistic, while Australia's affluent appear to be ambivalent, only just topping the neutral 100 mark. Again, worries about their economy are the probable cause.

Visa Affluent Study 2013

71% of the affluent in high-growth India think the world's economy is on the up, while just 17% in deflated Japan agree

THE GLOBAL ECONOMY

We asked the affluent whether the global economy will improve. The responses in each country/region appear to be influenced by national growth. For example, 71% of the affluent in high-growth India think the world's economy is on the up, while just 17% in deflated Japan agree – and 45% think the global economy will deteriorate.

In all countries/regions apart from Japan, a majority believe inflation will rise, although the majorities in Indonesia and Australia are thin, at 52% and 53% respectively. Even in Japan, 32% think inflation will rise, which is optimistic in a traditionally deflationary economy.

People's expectations of the performance of their local economy appear to correlate with their expectations of the global economy. This could be a reflection of a globalized world or a tendency for local perceptions to be overlaid on a bigger picture.

There is also some apparent correlation between expectations of inflation and levels of discretionary spending – for example, Korea and Singapore's relatively low percentages of people expect discretionary spending to rise, against higher percentages who expect inflation to increase. Perceived prospects for employment also appear to affect discretionary spending – few of Japan and Korea's affluent see employment improving and have relatively low numbers expecting to increase non-essential spending.

Nations of big savers, such as Mainland China, Indonesia and India, are also confident about their country's economic prospects – which is, in turn, most likely leading them to believe their household incomes will increase.

"People's expectations of the performance of their local economy appear to correlate with their expectations of the global economy."

MACRO ECONOMIC INDICATORS

Base		Country/Region's Economic Situation (% who say it will improve)	Global Economic Situation (% who say it will improve)	Inflation (% who say it will increase)	Employment Opportunities (% who say it will improve)
4846	**All**	47	41	64	36
504	**Mainland China**	67	54	71	44
503	**Hong Kong**	31	27	76	27
510	**Japan**	24	17	32	14
502	**Korea**	33	29	79	15
501	**Singapore**	39	33	78	32
505	**Indonesia**	64	66	52	52
501	**Australia**	36	32	53	21
509	**India**	71	71	72	68
308	**UAE**	72	52	70	60
503	**Russia**	42	33	62	35

MICRO ECONOMIC INDICATORS

Base		Household Income (% who say it will increase)	Personal Income (% who say it will increase)	Discretionary Spending (% who say it will increase)	Household Saving (% who say it will increase)
4846	**All**	60	63	47	54
504	**Mainland China**	79	80	69	75
503	**Hong Kong**	56	60	52	47
510	**Japan**	21	21	14	33
502	**Korea**	45	54	43	43
501	**Singapore**	50	53	41	47
505	**Indonesia**	93	93	58	83
501	**Australia**	54	56	32	45
509	**India**	83	85	66	67
308	**UAE**	64	65	53	51
503	**Russia**	60	64	46	48

DISCRETIONARY SPENDING

We asked the affluent whether they would spend more, less or the same on their discretionary spending categories – the higher the figure, the more they are likely to spend more in next year.

Overall, the top five were surprisingly similar. A family holiday was the favourite or second favourite choice in all markets. In the UAE and Indonesia, a donation to charity topped the bill, probably for cultural reasons. Other nationalities are also generous – a donation to charity featured in the top five in all markets except Mainland China. Every market also put an evening out among their top five.

Every market other than Indonesia placed a luxury weekend holiday among their top choices. Uniquely, Indonesia rated a new car and jewellery among the top five discretionary spending categories that were likely to increase.

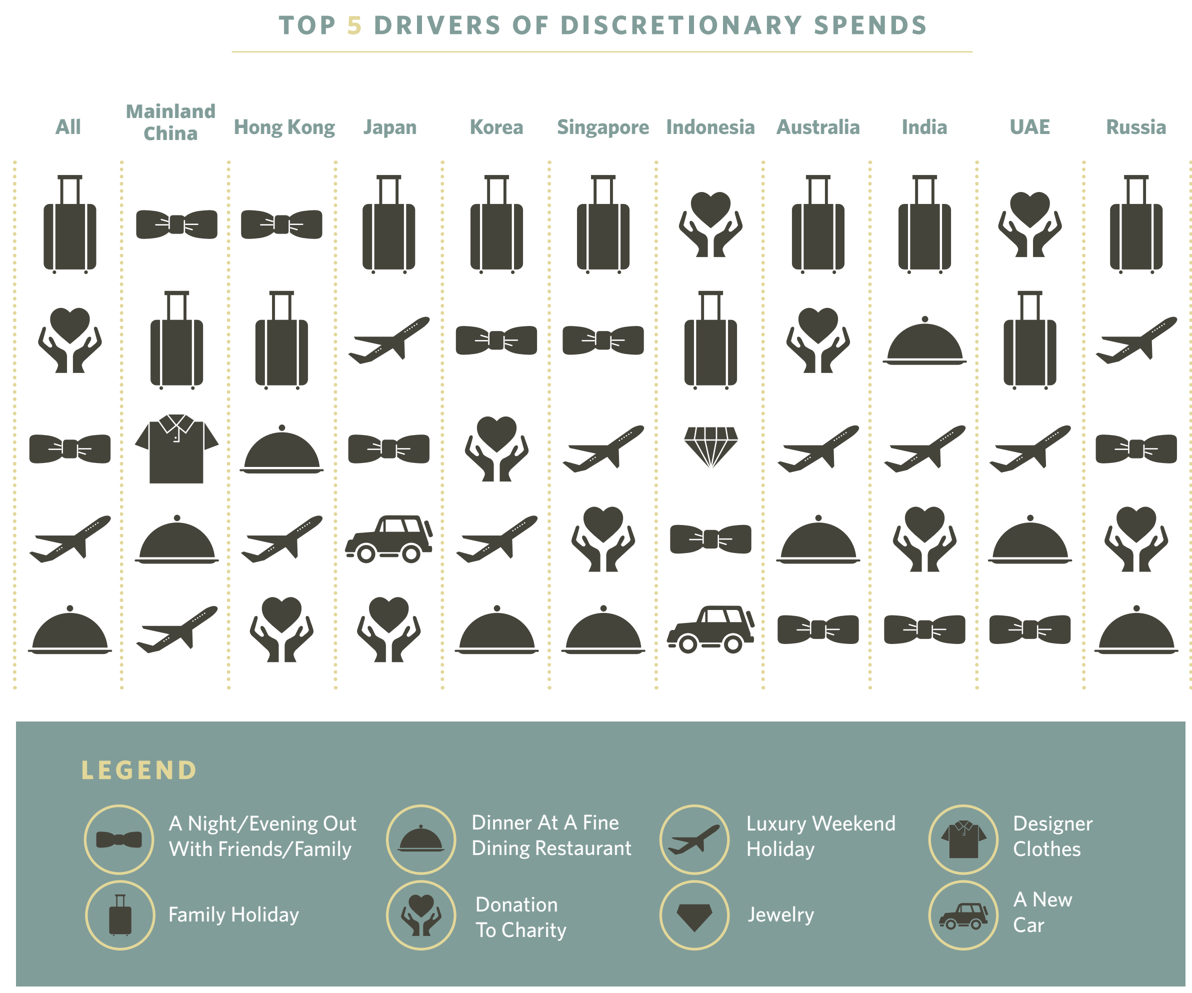
The affluent in Indonesia and India were the only ones to express a strong desire to increase their spending on their top five luxury items.

Most save for their discretionary spending – 75% overall – with the 94% of the well-off in Mainland China saving to spend on luxuries. Only in Japan and Indonesia does that figure drop below 60%. Even there, a majority save to spend and, in Indonesia's case, a lot of luxury spending appears to be on impulse, probably backed by an expectation that their incomes will increase.

We also asked the affluent what top three luxuries they bought the most over the last year. A night out was the overwhelming favourite, coming first in every country/region except India and the UAE, where fine dining was first and a night out came second.

Fine dining made the top three in all countries/regions other than Indonesia and Russia. A family holiday was also in everyone's top three, apart from Australia, although holidays are their main interest outside work and the one they most want to spend more on.

Altruism through charitable giving made the top three in Indonesia and Australia and Aussies joined Russians in their love of fine wines. The average affluent person also made almost five charitable donations in the past year, ranging from three in China to more than six in Korea.



A family holiday was the favourite or second favourite choice in all markets.

THE MEANING OF AFFLUENCE AND LUXURY

Affluence

We asked our groups of affluent people if they agreed what affluence brings them – in other words, what does it mean?

Overall, people agreeing or strongly agreeing with statements about what affluence brings were in a narrow band of 66% to 73%, with one exception – that affluence creates influence. Only 65% overall believed this, though this rises to 81% in Mainland China and falls to a low of 40% in Japan.

At the top of the list is affluence as certainty in an uncertain world – it gives you insurance, say 73%. This is most strongly felt in Mainland China (89%) and Hong Kong (85%) with even the lowest agreement figure reaching 61%, in Japan.

Narrowly behind is giving back to society with 71% agreeing that it means they can help others and their community. This is a strongly held view in Indonesia (81%), Mainland China and India (80%), the UAE (78%) and Russia (76%). The overall figure is dragged down a little by Japan (43%), where there may be a culture of self-reliance.

The wealthy also believe that affluence brings both greater responsibility and means they can build a legacy (70% overall for both). Feelings of responsibility are felt most strongly in Indonesia (92%), India (81%) and Mainland China (80%) and least in Japan (48%) and Hong Kong (50%). Legacy is most important in Russia (81%).

Many believe their affluence is of no value unless it gives them a better quality of life (69% agreeing overall), within a band ranging from 52% in Korea to 80% in Indonesia.

But affluence does enable them to demand personalized products and services – 68% agreed that this was valuable. Most keen on personalization are Chinese (85%) Koreans (83%) and Russians (82%). Australians are least bothered, with just 35% agreeing.

A majority – 66% – also agree that affluence carries with it the expectation that you will build more wealth. The statement chimed most closely in Mainland China, where 79% agreed, to a less convinced 53% in Australia and just 48% in Japan.

MEANING OF AFFLUENCE

% strongly agree

	Total	Australia	Mainland China	Hong Kong	India	Indonesia	Japan	Korea	Russia	Singapore	UAE
Base	*4846*	*501*	*504*	*503*	*509*	*505*	*510*	*502*	*503*	*501*	*308*
Creates influence	64.6	57.5	81	51.9	74.7	72.7	40.4	73.1	66	65.7	63
Means I can build a legacy for my family	69.5	67.9	70.4	63.6	77.2	78	56.7	65.1	80.9	66.7	67.5
Has no value unless it provides a better quality of life	68.6	73.3	63.3	60.8	78.4	80	67.1	52.2	72.8	69.3	68.5
Allows me to demand things for products and service that are personalized	67.3	35.1	85.1	70.4	73.9	74.1	45.5	82.7	82.1	63.3	56.5
Is insurance against life's uncertainties	72.7	74.5	89.1	84.9	73.9	65.7	61.2	68.5	66.6	70.9	71.8
Means I can help others/ my community	71.3	69.5	79.4	67.2	80.4	81.2	43.3	68.5	75.9	73.1	77.6
Brings with it greater responsibility	69.7	65.3	80.2	50.3	81.1	91.7	48.2	65.1	72.4	72.5	70.8
Increases the expectation to build more wealth	66.1	53.1	79.4	71	71.3	73.3	48.4	62.7	71.4	65.7	64

WHAT DOES LUXURY MEAN

% strongly agree

	Total	Australia	Mainland China	Hong Kong	India	Indonesia	Japan	Korea	Russia	Singapore	UAE
Base	*4846*	*501*	*504*	*503*	*509*	*505*	*510*	*502*	*503*	*501*	*308*
Having more time to do what I want is a luxury	75.1	85.8	68.7	60.8	76.6	85.1	80.4	70.7	73.6	81.4	62.7
Luxury means having access to the best of what the world has to offer	63	72.5	58.1	55.3	84.5	81.4	25.9	48.2	68.8	71.5	65.6
Owning the best brands is a luxury	52.5	51.3	57.1	59.2	69	67.5	22.9	30.1	59	53.9	56.5
Luxury means having items that are specially designed for me	55.2	46.9	63.7	54.9	71.9	63.6	36.7	49.8	54.7	54.3	55.2
Enjoying once in a lifetime experiences is luxury to me	65.2	80.6	56.9	56.7	69.2	82.4	54.7	41	73.2	73.1	64.6
Luxury means being able to get services and experiences that are catered to my preference	74	68.9	79.6	75	83.1	78.6	63.5	73.9	75.5	72.9	65.9

Luxury

We then asked what they thought was true luxury. Two things stood out – time (75% of all our affluent agreed time to do what they wanted was a luxury) and being able to get services and experiences tailored to them (74%).

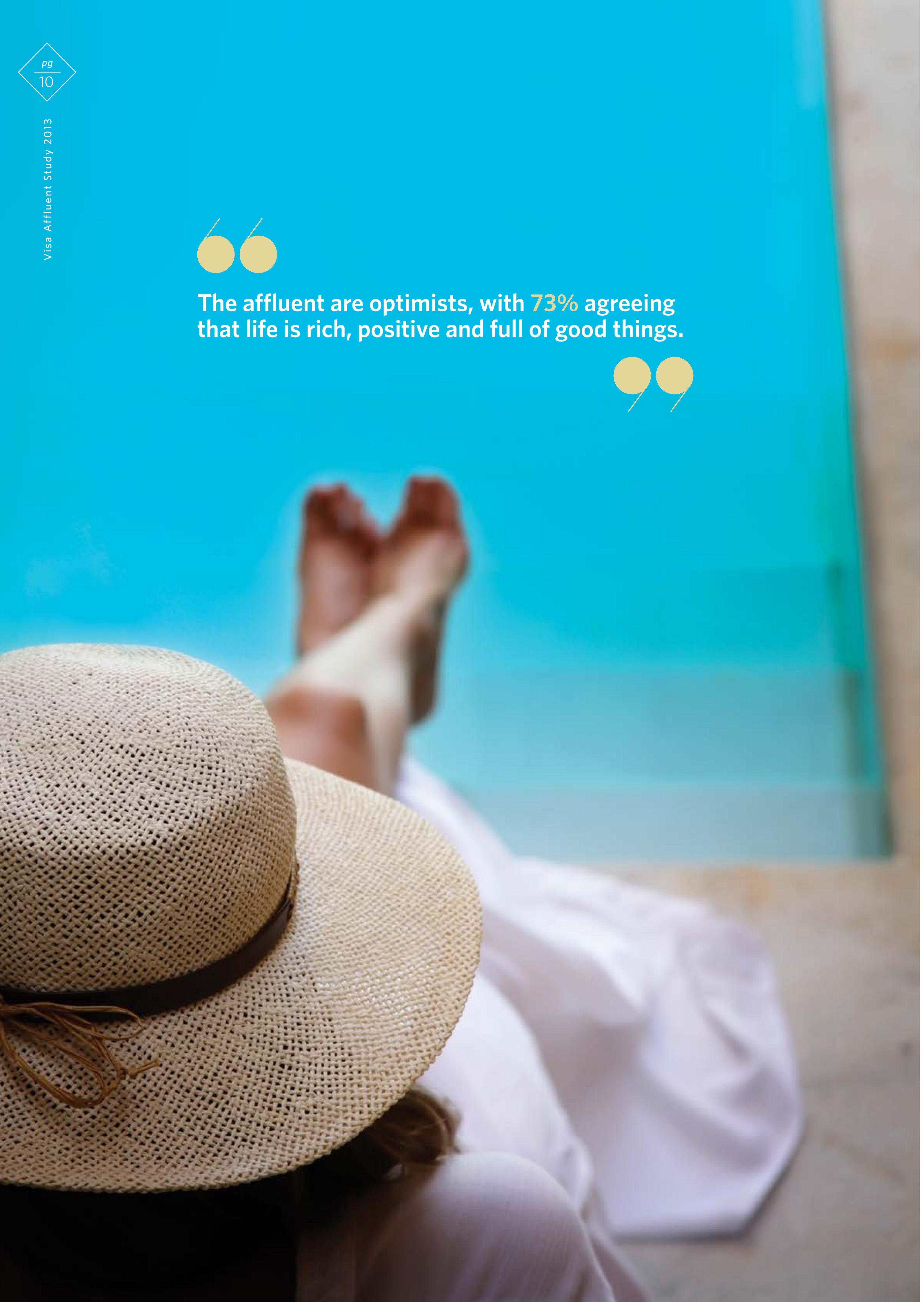
Time was top of the list for Australians (86%), Indonesians (85%), Singaporeans (81%) and Japanese (80%), while personalized services and experiences were top rated by the affluent in India (83%), followed by the Chinese (80%).

That luxury means being able to afford once-in-a-lifetime experiences was agreed by 65% overall, including 82% of Indonesians and 81% of Australians.

Having access to the best the world can offer was rated by 63% overall, rising to 85% in India and 81% in Indonesia. It was least important to the Japanese (26%).

Personalization is important to some, with 55% overall agreeing that luxury means items designed just for them. Personalization is most important to affluent Indians (72%) and least to the Japanese (37%).

But what many might have expected would top the rankings of what is true luxury – the best brands – comes last, at 53%. Luxury brands mean the most to Indians (69%) and are the least favourite form of pleasure for affluent Japanese (23%)



> The affluent are optimists, with 73% agreeing that life is rich, positive and full of good things.

PERCEPTIONS OF LIFE: WHAT REALLY MATTERS

The movie view of the well-off is that they want power and influence (rather than that their affluence gives them power and influence) – but the study belies this. In fact, power and influence are bottom of the list of what's really important.

At the top is sharing the good and the bad with friends and families, with 82% agreeing or strongly agreeing. In Mainland China, that figure rises to 95%.

Next is learning something new every day – agreed or strongly agreed by 81% of respondents overall. In Mainland China and India, more than 90% agree.

They act on what they learn – the affluent are very goal orientated. More than 80% of the affluent agree or strongly agree that life is about setting goals and achieving them. This attitude is particularly prevalent in Indonesia (93%) and India (89%).

Next, the well-off want great experiences – agreed by 74%. Indians (89%) and Australians (88%) are particularly keen on great experiences. But the affluent also think of others – they see meaning in helping others, also agreed by 74%. That attitude is particularly prevalent in Indonesia (92%), India (90%) and the UAE (84%). The Japanese appear to place more faith in self-reliance, with less than half (41%) wanting to help others.

Daily challenges come next in importance, at 73%. This rates especially highly among Indians (88%), Indonesians (86%), Chinese and those from the UAE (83%). Russians are least bothered about challenges (43%), with the Japanese not far behind (52%)

The affluent are optimists, with 73% agreeing that life is rich, positive and full of good things. This happy state of mind is enjoyed by 94% of well-off Chinese, 79% of Russians and 78% of Australians. Koreans, at 52% and Japanese, at 55%, are the least optimistic, possibly because of cultural attitudes or economic concerns.

There is then quite a jump downwards to 67% agreeing that life is about living in the moment, with just 37% of Russians agreeing. And in firm last place is power and influence, with just 42% agreeing that it's one of the things that life is about. The figure falls to just 23% in Australia.

PERCEPTION TOWARDS LIFE

% strongly agree

	Total	Australia	Mainland China	Hong Kong	India	Indonesia	Japan	Korea	Russia	Singapore	UAE
Base	*4846*	*501*	*504*	*503*	*509*	*505*	*510*	*502*	*503*	*501*	*308*
Life is to be enjoyed to the fullest extent one can	79.6	86.6	69.2	68.6	87.8	90.7	81.2	78.1	75.1	80.4	77.3
Life is rich, positive and full of good things	72.8	78.2	94.4	73	79.2	74.3	54.7	51.8	79.3	68.7	75
In reality, life is about dealing with challenges everyday	73.3	76	83.3	73.2	88.2	86.1	51.8	71.7	43.3	79.6	83.4
A meaningful life is about helping other people	73.9	78.8	82.1	74	90	91.9	41.4	69.9	54.7	76.4	84.1
Life is about learning something new everyday	80.8	73.3	91.5	76.7	92.7	87.5	75.5	72.5	73.6	81	85.7
Life is about having great experiences	74.3	87.6	74.8	53.9	88.6	78.4	75.5	70.1	56.5	80.2	79.5
Life is about having power and influence	41.5	23	43.1	47.5	61.3	61.6	20.2	43.8	36	38.7	39.3
Life is about setting goals and achieving them	80.4	79.8	85.5	77.5	89.4	92.7	66.5	76.3	79.5	74.7	82.8
Life is about living in the moment	67.2	59.7	79	79.7	79.2	61	65.7	83.7	37.4	64.1	59.4
Life is about sharing the good and the bad with friends and families	81.6	85	95	83.7	87.6	85.5	71.2	82.3	64.6	78.6	82.8

OUTLOOK ON LIFE

Personal

We asked the affluent to think about themselves and what's important or very important to them. In personal terms, increasing their income was important to 84% overall and to 95% of Indonesians and 91% of Chinese, possibly because the affluent are a new force in both countries and they need the security of more money.

Many want to build respect among their peers, with 68% agreeing overall but only 49% in Japan.

Climbing the corporate ladder was least important in these terms, with 59% agreeing overall – the figure falls to just 31% in Australia, possibly reflecting a national characteristic of individualism.

Financial

The Number One priority here is their children's education, at 82% overall – and 97% in Indonesia. In no country/region did the percentage fall below 70%.

Saving money was also important to a significant majority overall (80%) – but not to the affluent in Mainland China (37%). This contrasts strongly with Indonesia, Singapore and India (99%, 91% and 90% respectively).

Retirement planning was also seen as important by 78% in a relatively narrow band ranging from 66% in Russia to 90% in Japan.

Lifestyle

Health was the one factor uniting all our affluent – 93% overall said staying fit and healthy was important or very important to them – and 70% said it was very important. Only in Russia and the UAE did the importance of health fall below 90%.

88% also agreed that they wanted more time for themselves and with their family. That figure topped 90% in Australia, Mainland China, Indonesia. Nowhere except Japan does the figure fall below 80%.

A large majority also stressed the importance of maintaining a work life balance, with 84% agreeing that this is crucial. That balance is particularly important to Indonesians (96%) but in no country/region does the figure fall below 70%.

OUTLOOK ON LIFE

% saying very important

	Total	Australia	Mainland China	Hong Kong	India	Indonesia	Japan	Korea	Russia	Singapore	UAE
Base	*4846*	*501*	*504*	*503*	*509*	*505*	*510*	*502*	*503*	*501*	*308*
Increasing my personal income	84.3	78.4	90.5	82.9	85.7	95.2	74.9	86.5	86.3	81.6	79.5
Climbing the corporate ladder	59.1	31.1	73.2	57.7	70.5	91.5	42	53.6	68.8	44.1	58.4
Building respect among my peers	67.8	71.7	82.5	58.8	79.2	91.3	49.4	53.2	60.8	62.9	69.2
Saving money	79.6	86.6	36.5	62	90.4	98.6	86.1	84.7	79.1	91	82.1
Planning for retirement	78	82	74.4	74.8	81.7	72.1	89.8	79.3	66	87	70.1
Providing my children with the best education	82.1	72.7	90.9	78.5	91.6	97.2	74.1	71.5	84.9	78.6	79.9
Buying property	65.1	61.9	75.2	67.8	74.7	86.1	33.5	42.2	80.3	63.1	67.9
Creating a better work/life balance	83.8	83	89.9	82.7	88.6	95.8	73.7	84.1	81.1	80.6	74.7
Staying fit and healthy	92.7	93.4	96.2	96	90	98.8	96.3	95.4	83.5	91.8	80.5
Developing myself in areas other than work, e.g. personal development such as learning a new skill, etc.	75.4	74.7	84.3	60.2	83.5	88.9	64.7	68.3	79.5	75.4	73.1
Connecting with my cultural heritage	44.8	25.9	57.9	25.8	59.5	59	41.8	37.3	68.2	31.7	37
Using my wealth to buy more things I desire	55.2	46.1	65.9	49.7	58	70.3	50.2	48.8	72	48.1	35.7
Improving my standing in my community	47.9	27.1	52.4	35.6	67.4	78.4	25.5	54.8	53.7	33.9	51
More time for myself and my family	87.8	91	93.1	89.3	89.4	95.4	78.6	84.7	81.9	89.8	83.4

For more information on the Visa Affluent Study 2013,
please visit http://www.visa.com.sg/aboutvisa/research/affluent/affluent.shtml