The Wealth Report
Leading Edge Insights into the World of the Wealthy
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Wealth and Luxury Trends: 2010 & Beyond

By Milton Pedraza, CEO, The Luxury Institute

The Renaissance Begins In Earnest

As the luxury industry ends a disappointing 2009 and prepares for 2010, there are strong signals that many top-tier luxury brands are gearing up for a renaissance. CEOs of major luxury brands are embracing the challenge to reinvent themselves, even as they fight to survive the remainder of 2009. We expect to see a dramatic redesign in key components of the luxury business model, resulting in a truly customer-centric luxury industry worthy of the name. There is hard evidence that the luxury industry is rising to the occasion, and we look forward to the innovations that will emerge in the coming year. The following are predicted forthcoming trends:

1.) Social Media Becomes Plain Ol' Luxury Media

The Luxury Institute's latest **WealthSurvey on "Social Networking Habits and Practices of the Wealthy"** shows that seven out of 10 wealthy consumers are now members of online social networks. The wide participation of the wealthy customer is rapidly persuading luxury brands to join in the online conversation. Whether it is fan pages, contests, exclusive offers, or simple banner ads, most major luxury brands will have accepted and embraced social media participation as mainstream in 2010. Print media will always have a role in luxury, and will innovate to stay relevant. However, social media may dominate the future, and may morph into unforeseen vehicles to help promote a refined and effective luxury conversation that is unmatched by any other marketing or communication channel. States Mathew L. Evins, CEO of Evins Communications, Ltd., "The real value of social media to the luxury consumer is that it is neither 'push' nor 'pull' in nature. Traditional media has overly solicited luxury consumers and bombarded them with a surfeit of messages. Social media gives the luxury consumer the opportunity to decide what brands they engage with and on what terms. It's this element of control that really is the ultimate luxury." A major economic crisis truly is a terrible thing to waste and luxury will prove it's up to the innovation task.

2.) Impatient Luxury Beginners Exit the Industry

During the boom times, many merchants, designers, investors, private equity firms, service providers, consultants and others with no experience in luxury goods or services jumped on to the luxury bandwagon looking for immediate wealth opportunities. The newcomers were mesmerized by the beauty and awe of luxury, but they underestimated the skill, investment, dedication and time required to create and deliver at the highest levels of design, quality, craftsmanship and service. A historic truism of the luxury industry is that those who serve the ultra-wealthy can achieve great success, but luxury's slow and surgical scalability rarely allows providers to become instantly successful. Some wealthy entrepreneurs who entered the game during the boom have unfortunately learned that being rich and consuming luxury does not make you a luxury purveyor, especially if your orientation is not customer-centric. Luxury takes special talent, skill and sacrosanct devotion to serving customers that very few brands are able to deliver consistently. Many newcomers have discovered that luxury also takes a long time to bring to fruition and very few beginners have the patience. This exit will prove to be a blessing for the luxury industry as truly devoted luxury purveyors take back leadership and control of the industry for the benefit of all.

3.) Customer Data is Valued as a Vital Asset Rather than as a By-product

In good times, luxury brands thought they could afford to ignore the quality and accessibility of their customer databases. Surprisingly, even the top-tier luxury brands were negligent when it came to customer intelligence and its enhancement of the customer experience. Demographic data such as email addresses, home addresses and cell phone numbers remained uncollected, disorganized and outdated. Transactional data, the heart and soul of customer intelligence, remained trapped in operational systems that were diligently used by accountants, but marginally valued by sales and marketing teams. The days of customer data mismanagement will end as luxury brands begin to embrace excellence in customer data management and analytics to generate real-time, actionable customer insights.

4.) Luxury Sales Compensation Gets a Redesign

One of the most destructive conflicts in the luxury industry is the battle as to who really "owns" the customer: the sales executive or the company. Luxury salespeople refuse to provide their customer information to the company, believing that doing so will undermine the salesperson's control of the customers, their independence, and ability to earn commissions. Many salespeople think of their customer information as job security. The company rarely provides the salesperson with real-time insights and marketing support that can be beneficial to the salesperson as well as to the company in retaining, cross-selling, up-selling and reactivating the customer profitably. Salespeople typically are not rewarded or given recognition for collecting or using customer data intelligently. In the current severe downturn the lack of cooperation on customer data has proven disastrous for salespeople and for luxury brands. In the upcoming year, expect the smart luxury companies to redesign their sales selection, training, reward and recognition systems to drive teamwork and accurate data collection in order to have a beneficial source of insights for continuously reinventing the customer experience.

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5.) European Luxury Launches a Redesign of Its Service Culture

Unfortunately, European luxury brands are not world-renowned for delivering extraordinary customer experiences, albeit Europe is the birthplace of luxury. The quality of customer interaction and customer service of European luxury brands globally is nowhere near as great as their products and venues. European luxury executives are beginning to recognize that the time has come to not only rival the non-European luxury brands such as Ritz-Carlton, Four Seasons, Lexus, Nordstrom and Apple in customer experience, but to dramatically surpass them in 21st century style . This task will require cultural transformations of massive proportions for the product-centric Europeans and will take several years. Look for top-tier European luxury brands to take on the challenge passionately as they begin to reinvent themselves in 2010.

6.) Many Well-Intentioned CRM Projects Will Fail to Deliver Results

Several major luxury brands have decided to undertake customer relationship management (CRM) projects. But Luxury CRM is vastly different from mainstream CRM. The challenge is that many of these luxury brands' leaders believe success lies within the parameters of data, analytics and technology. It is critical for luxury brands to first embrace the right culture, values, people, skills, metrics and compensation systems in order to redesign the customer experience and internal business processes in ways that are extraordinary, relevant and lasting. The data, analytics and technology are merely tools that should be used only after the customer-centric culture is embedded in the enterprise. Luxury brands also need to beware that CRM technology vendors know nothing about luxury, and surely do not practice CRM with their own clients; they only sell CRM. Luxury CRM is a virtuous endeavor, but one that can only thrive in the context of a devout customer-centric culture and a cautious approach to CRM vendors. Look for brands to finally discover this after some false starts in 2010.

7.) Trusted and Authenticated Peer Ratings and Reviews Surpass Friends and Family Recommendations as Influencers on Luxury Purchase

In the recent **Luxury Institute WealthSurvey: The Current State of the Luxury Industry**, 42% of wealthy consumers chose "ratings and reviews from a trusted source" as the most influential factor in purchasing luxury goods and services. This marks a discerning shift from "friends and family" as the most trusted source. Wealthy consumers are becoming comfortable with using the expertise of trusted peer groups to help make luxury-purchasing decisions. The aggregated experiences of the larger peer group become a more reliable and expert source for making luxury-purchasing decisions as long as the source is trusted. Research shows that under the right circumstances, the aggregated insight from legitimate peer groups is far more reliable than an individual, albeit trusted, source of knowledge. Look for major luxury brands to begin to embrace this trend and begin to engage in this rich and profitable ratings and reviews conversation, especially with their own customer communities, in 2010.

As 2010 approaches, there is much in the luxury industry for which to be grateful. It will take a significant amount of time to recover and surpass the economic success levels of 2007, yet luxury is cyclical, and the category will benefit from the growth of the world economy over time. Asia remains a very bright spot and will drive dramatic growth in the 21st century. The top-tier brands of luxury have already embarked on a reinvention and renaissance that will make luxury wonderfully unrecognizable several years from now. Look for those famous green shoots in 2010. They are definitely there, but hard to see with the naked eye.

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Luxury Institute WealthSurvey

The Current State of the Luxury Industry

Luxury spending outlook looks subdued for balance of 2009. The latest self-reported spending plans of wealthy consumers strongly suggest that luxury firms should experience soft sales for the rest of the year, the byproduct of both a still sluggish economy and massive discounting. Despite the raging bull market in stocks since March and a rebound in consumer confidence to its best levels since January 2008, luxury spending is still under severe pressure. Almost half (45%) of wealthy American shoppers say that they plan to spend less on luxury goods and services for the remainder of 2009; only seven percent plan to spend more. Marked-down merchandise will move more quickly: 21% of wealthy consumers earning at least $150,000 a year ($415,000 average household income, $4.9 million average net worth) tell the Luxury Institute that they plan to boost spending on discounted luxury items before yearend.

The biggest brands in luxury and the lesser-known names alike should both be bracing for the continued effects of consumer retrenchment and a sharpened focus on "practical" spending that meets basic needs. More than three-fourths of the wealthy (77%) say that luxury goods and services are less important in today's economy; 74% call luxury spending an "extravagance" and 60% say it's irresponsible behavior. Fifty-eight percent of wealthy shoppers plan to spend more on what they need rather than what they want in the next few months, while 56% say that they are going to be spending "more practically." The preponderance of both attitudes is similar to levels that were observed when wealthy respondents were queried on luxury spending plans for the January 2009 WealthSurvey.

Practical spending translates into a tough time for full-price luxury retailers. Forty percent of wealthy consumers plan to decrease spending on "well-known" luxury brands in the closing months of 2009; 10% plan to spend more on the most celebrated brands. Forty-three percent indicate that they will cut back on purchases of not-so-famous luxury brands; eight percent say they will be spending more. The appeal of boutique brands is on the ebb overall; 28% of wealthy consumers say they "prefer unknown luxury labels" but that is down sharply from 38% who favored the unknowns in January. Some well-heeled shoppers are swearing off luxury altogether: 30% say that luxury goods and services are no longer an important part of their lives; 44% say that they never were.

Jewelry purchases and spending on home furnishings should feel the greatest impact of the continuing spirit of thrift. Forty-two percent of wealthy shoppers say that they will be spending less or "much less" on jewelry, and 35% are cutting back on purchases of home furnishings. Watches (34%), gifts (34%), handbags (33%) and shoes (32%) are also in the cross hairs of consumers looking to trim spending. Categories that are the most likely to experience some customers spending more or much more include travel (15%), dining (12%) and health & fitness (11%).

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There are glimmers of hope for purveyors of uniqueness and exclusivity. For example, back in January 22% said that a luxury good's status as a one-of-a-kind item was a top-three factor that positively influenced their decision to buy it. That percentage has jumped to 35%, indicating that wealthy consumers still place great value on what they perceive to be "true luxury." Unfortunately, high-end brands continue to fail to deliver on what consumers define as "luxury." Sixty-one percent of wealthy shoppers say that the value offered by luxury brands does not justify the prices they charge.

Superior quality (83%) and superior craftsmanship (78%) form the foundation of what it means to be a luxury brand, according to the opinions of the people who buy those brands. Other top requirements for the status of "true luxury" are superior design (69%), exclusive products (58%), brand heritage and history (54%), and superior service (53%). Managers of luxury brands need to find out why quality, craftsmanship and service are the top three benefits that the luxury industry is still failing to deliver, with 40% of wealthy consumers saying that these on these criteria luxury firms are not making the grade.

The recent and ongoing discounting of luxury goods and services, although it has been driven by economic necessity, has taken a toll on brand prestige and overall perceptions about luxury. For 29% of wealthy consumers, discounting has lowered their perceptions of the value of luxury goods and services. Men have been most severe in their views of discounting, with 22% saying that discounting has caused them to discount the value of luxury goods and services. For 27% of wealthy women, however, discounting has led to improvements in their perceptions of luxury value. Despite the hit to perceived value, discounting has prompted 28% of wealthy consumers to step up spending on luxury and caused 38% of the wealthy to view high-end goods and services as more appealing.

Ratings and reviews from a trusted source have become the most powerful drivers of luxury purchase decisions by wealthy consumers, surpassing for the first time opinions of family and friends as the most influential force that leads to a purchase. Forty-three percent of the wealthy surveyed in August cite "ratings and reviews from a trusted source" as the strongest influence on their purchase decisions. One in three say that opinions of family members have the most impact, 31% turn to friends. Character counts, too. Of highest importance for 27% of wealthy consumers is a company's reputation for being ethical with its employees and customers.

The challenging economy calls for nothing short of a reinvention by the global luxury industry. Leaders with vision have begun the process. Brand stewards must realize that wealthy consumers will be the true judges of whether they continue to be relevant. Consumers differentiate brands by the benefits that they think are important, and this will expose 'me-too' players who cannot differentiate themselves from competitors when labels are removed. It's a brave new world of transparency and customer-centric focus. The luxury industry overall will survive and thrive, even if a number of individual brands may not.

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Keeping Up With The Rockefellers: Affluent Spending In A Recession
By Steven J. Laitmon, President, The Calendar Group

Last December, after landing in Florida for a weekend with my family, the first thing I did, as a matter of course, was check my voicemail. I had more than thirty messages from friends, colleagues, clients and candidates asking me if "it" was true. What had happened in the two and a half hour flight that caused such alarm? Two of the most respected publications, *The New York Times* and *The Wall Street Journal,* ran stories on the same day, the gist being that as fallout from the recession, the high net worth consumer was significantly cutting back their spending on domestic services. It appeared our clients were going to be handling more domestic chores themselves. My heart sank.

My wife and I own the Calendar Group, a Connecticut firm that finds domestic, personal and support staff for the high net worth community. We also provide consulting services on a variety of aspects of their lifestyle. We are called upon to find chiefs of staffs for our clients in their offices, housekeepers in their homes and anything in between that allows their lives to function more enjoyably, with less stress and greater efficiency.

While we had always thought of our client base as recession-proof; surely, if *The Wall Street Journal* and *The New York Times* were telling me our business might be impacted, perhaps our client base was not as insulated as we (and they) imagined. I had known that the *Times* piece was on the horizon (the writer had called us for a quote) and when I read her article and saw that my quote did not make the cut, I wasn't surprised. She had asked me how the recession was affecting our business and pushed me for "riches to rags" anecdotes about how our clients were letting their nannies and housekeepers go and scrubbing their own toilets. I assured her that things had changed but were in no way as dire as predicted.

Fortunately for us, our business wasn't the least bit over. Our model hinges on premium client service and like critical care doctors, we're relied upon during high-need moments in our client's lives. Changes in the affluent mindset have made a big impact on us, their vendor, over the past year. We know that they still care to spend, but they also care about how they spend and how their spending is perceived. The mythically wealthy, unlike that *Times* article suggested, were still calling. Only, they were saying different things to us this time around.

We Spend How Much on What?
Day in and day out, we are on the phone with some of the most dynamic CEO's, entertainers, executives and hedge fund managers as well as their wives, husbands, partners and business representatives. We are constantly reminded that having achieved tremendous success in business does not necessarily translate to having one's personal finances in order.

Time is a valuable resource and in fact a precious one, and historically many of our clients want to spend their time focusing on what they do best in order to insure financial security and their raison d'être. While they know they don't have to worry about expenditures like most everyone, sometimes this can work to their own detriment and

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lead to coasting or taking a lot for granted. How many heads of industry do you think know what their monthly cable bill amounts to? The current state of the economy, coupled with the rampant stories of extraordinary fraud has been a major wake up call to the high net worth community at large. The era of blind spending is over.

We recently received a call from a family office specialist who had been retained by one of our clients to streamline their domestic lives. We learned that despite having over ten in staff and one of the most extraordinary homes in New York, our client was unaware of their monthly residential expenditures. When a formal assessment began, they found out that their chef was shopping for the household supplies; not at Costco or even Whole Foods; but was instead having everything delivered at a premium price from a local bodega!

Though the high net worth community's disposable income may not be significantly impacted, clearly there is a new level of awareness, and price sensitivity is the residue that remains. Moreover, our clients are now asking for accountability all around, including details of what their vendors do, and how exactly they charge. These days, there is much less embarrassment when asking for those nettlesome details. It is less gauche, and frankly considered almost socially responsible to do so. Let's just say that it's chic to care.

Find Me My "Alice"

As the high net worth consumer has shifted from a "pay whatever it costs" mentality on the consumer goods front, they have also started to look at their spending on domestic staff as well. While we have not seen any client dismiss their entire household staff, they are more demanding in their expectations of current staff and are much less apt, or kind, about segregating household functions.

Does everyone remember Alice, the nurturing homemaker that rounded out the Brady Bunch clan? Well, it seems that everyone wants an "Alice" these days; someone who does it all with a smile on their face. Recently, we were called by a client who had both a chef and butler on their payroll, each making in excess of $200,000 annually. Though the client has the means to pay both employees, our client described an "emotional cost" to feeling like one is efficient with business expenditures but is unnecessarily redundant in spending on the domestic front. We are also seeing clients who do not have extraordinary staffing needs and are working to combine three positions into one: Nanny, Cook and Executive Housekeeper. We refer to this as the rise of the domestic "Assistant" and a decline of the need for the purely administrative Household "Manager."

But My Friends Are Only Paying…?

Historically, our clients have not been very price sensitive when hiring staff. Our mandate is generally to find the best person for the position, present their verified salary history and if it's aligned with the market rate, the candidate receives an offer in line with their background and experience. Over time we have developed a good sense of what different levels of help cost in different parts of the country.

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Since the recession began, we've been observing more clients sharing their cocktail party expertise about how much "they should have to pay" for a given staff member. All of this information, in years past, may have been considered too private to share and now it's being shared, regurgitated to us, and fueled by a sense that everything, including domestic staff salaries, is up for negotiation. Sharing information more openly has added a new layer of complexity to salary negotiations as none of our clients want to look like they are paying more for the same services than their friends are paying. (Who knows how honest their friends are being in discussing their domestic payroll?)

Clients call to "let us know" that their friends told them the market is flooded with qualified candidates so costs should be significantly less. The truth of the matter is that although there have been layoffs, most of the salaries have remained CONSTANT; and anyone who is an experienced professional in a domestic setting should be able to achieve a comparable compensation package in this market. The high net worth community at large is not firing their nannies or housekeepers and as a result, experienced candidates with great pedigrees can get what they are worth. After trying to get much more for far less, many of our high-negotiator clients recognize that while mediocre help no longer thrives in this economy, there's never going to be a fire sale on great help.

No Chefs Here…Perception As a Motivating Factor In Purchases

Wealth is a relative concept and it never ceases to amaze us when clients perceive of themselves as "less fortunate" than their peers when calling us from their penthouse overlooking Central Park or their ski chalet in Aspen. They have a sense of being less fortunate because they have a fractional ownership in a G-5 and don't own the plane itself. In this recessionary climate, being more conservative and less ostentatious supports the "less is more" perception and appears more attractive.

One client in particular called us recently and indicated that her family needed to get rid of their chef. When I learned his salary was significantly below market, I was particularly inquisitive. Was the food terrible? Not a nice guy? Mean to her kids? None of the above. In this economy it just didn't feel right for her to have a chef. My client simply did not want to be known as "the family with the chef." Instead, she charged us with finding a housekeeper with exceptional cooking skills. I told her that the salary for such a housekeeper was going to be almost identical to that of her chef. That was not the issue. Perception was the key ingredient.

Maintaining Perceived Values For Service Providers

In our business we always refer to candidates we work with as those who possess a service heart. This is a core value of any candidate that we'll agree to work with and it is value that we pride ourselves on when working with our clients. It means putting the client's needs and expectations first and always. While our colleagues call us to complain that their businesses have dropped off considerably, we've been fortunate to have had a better year than last, even though we are positioned at a higher price point than many of our competitors.

In a retail setting, sometimes it is out of one's control if a garment loses color, or a thread comes undone. Yet the manner in which the retailer handles the misstep leaves an

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indelible impression of the service quality in the consumers' eyes. In a service business, there may not be a tangible product one is selling but there must be an unwavering desire to put your client first and support them consistently.

Our clients are still paying for their staff, their vendors and their lives. They're just more conscious of it, more engaged in the process and hopefully, much more appreciative of the small miracle behind a clean home, a tidy desk, and warm meal.

Steven Laitmon is co-founder and president of the Calendar Group, a Westport, Conn., boutique consultancy focused on the staffing and lifestyle needs of the high net worth individuals. He has practiced entertainment law and has worked for United Talent Agency and Sony Music.

The ROI Of Hiring Right In The Luxury Business

By Kimberly Rath, President and Managing Director, Talent Plus

What does it cost your brand when the rules of customer engagement change? Before making sweeping decisions to reduce services, eliminate amenities, sacrifice quality, and then require customers to adapt to your new business processes, calculate the impact your intended changes will have on the customer experience. More importantly, if those changes cause a customer to leave, what will it cost you to lose that lifetime customer?

Don't think that the luxury customer won't notice what you might consider subtle changes. No one is more discerning than the luxury consumer. In *BusinessWeek* (August 3, 2009) Tiffany & Co. CEO Michael Kowalski said, "It's about maintaining the long-term value of the enterprise. If we were to abandon that, the consequences would be significant."

Horst Schulze, president and CEO of the West Paces Hotel Group, and former president and COO of The Ritz-Carlton Hotel Company, explains, "If you take away too much, you risk losing a loyal customer. Over the course of a guest's relationship with our hotels, a loyal customer will spend or influence others to spend, on average, $150,000. Are we willing to risk their loyalty by removing the flowers from the hotel lobby? No way!"

If your business decisions are based on reacting to the results your accountants give you every month, you may want to begin measuring not only your ROI but your ROR—return on relationship.

The winners coming out of this recession will be the ones who maintain the integrity of their brands while creating processes around increased customer engagement. Today we're asking a smaller work force to do more with less, to multitask while responding to the demands that layoffs have created. Customer relationship management (CRM) must be even stronger. If you conducted a productivity study, where are your employees spending most of their time? Are they organizing the store or contacting their best customers? Are they taking care of paperwork behind the front desk or anticipating the

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needs of a guest to create a memorable experience? As leaders, are we engaged in developing our most valued employees or are our top performers left unrecognized?

I've learned some lessons that can make your talent management and acquisition decisions today the springboard to a sustainable competitive advantage for you and your company.

What is absolutely critical is that you i**dentify top performers** through a clearly defined, objective performance rating scale. Reposition or provide "compassionate bus stops" for those who do not have the talent for the positions they are in.

Every day we hear of companies eliminating total job categories such as directors of training or quality managers, perhaps marketing vice presidents. Rather than measuring the effectiveness of each employee and deciding who will lead a division toward excellence in the future, this "hatchet mentality" cuts off the lifeblood of entire company divisions. These highly specialized areas are often what set your brand apart from the competition and can be an enormous detriment to your human capital if eliminated, reducing moral and employee engagement.

Instead, implement a strategy that ensures every employee is given clearly defined expectations, which they must meet if they anticipate growing within the company. Make sure there are no surprises. You should try employing a "human capital balance sheet" that measures the overall talent of an employee against their particular skills and knowledge. Managers should keep an ongoing record of employee performance, their potential for success, or their likelihood of failure.

If you are aligning your organization's work force to meet present and future needs, keep these questions and concepts in mind:

- Does your customer expect to find a particular service or product when they engage with your brand? If the service or product is an expectation, who are the best individuals to maintain and enhance this service or product as you move forward?

- Return on investment? Even during lean times, customers continue to engage with your brand based on their expectations being met or exceeded.

- Satisfying brand anticipation through memorable experiences develops customer loyalty. Loyal customers market your brand, return to your products and/or services, and spend more money each time they return.

The selection you make today for any management or executive position should include an assessment of the broad leadership capabilities of the individual being considered. As an example, what potential talent does a boutique manager candidate possess in developing a region in the future? How would they increase market share in the highly competitive luxury retail market? Would their strategy apply to a larger area of responsibility?

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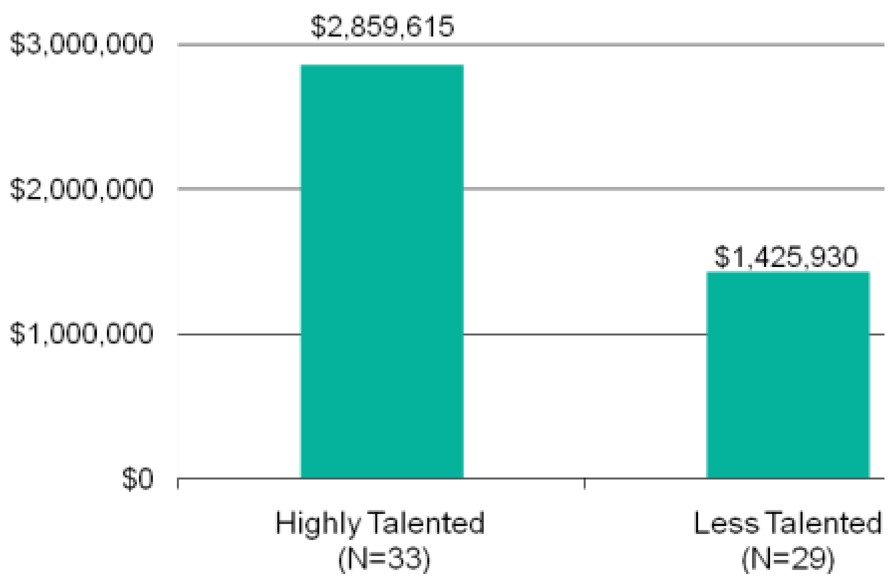
Does a U.S. vice president of operations candidate for an international automobile brand have the potential to lead the company in their joint-venture plant in South America in addition to their domestic work responsibilities? Would you consider a successful general manager of an international hotel company for a position as the president and CEO of a new $300 million hospital?

Examine the following graph where highly talented, top-performing sales associates in a hospitality setting outperformed less talented sales associates by 100 percent. Consider the ROI of keeping less talented salespeople who repeatedly impact the customer experience as well as their high-performance team. For this company, top performers meant a difference of $1.4 million per sales associate, yielding $94.4 million in annual sales versus $41.4 million in annual sales. Top performers simply outperform.

Annual Sales



Kimberly Rath, a graduate of the University of Nebraska-Lincoln and Nebraska native, has nearly 25 years of experience in human resources and a recognized leader in executive training and development. Prior to founding Talent Plus, Rath worked with the Gallup Organization. Talent Plus is a premier global human resources consulting firm with over 200 world-class clients. Their long-standing client relationships date back to the 1960s when they first began utilizing scientific studies of success to build high-performing talent-based organizations (TBO).

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Rebooting Luxury Expectations with Tomorrow's Stewards of Wealth

By Joline Godfrey, CEO, Independent Means

The Great Recession has brought the potential for a great resetting of our values. As we rethink the structure of our financial lives, so too will we rethink the structure of our moral lives. At Independent Means, we're already feeling the first tremors of this shift in how our most affluent family clients describe what they want and what they need.

Independent Means works with young people 5-18 and 19-25. We specialize in helping affluent families prepare the next generation for the responsibilities of wealth, including everything from introducing 'tweens to cash flow plans, providing beneficiary development for teens and helping twenty-somethings 'launch' and/or become more sophisticated philanthropists.

The market drops of September 2008 marked a sea change for a lot of our family clients, and in spite of the resurgence of the stock market, the impact of the new economic climate on the lives, aspirations and expectations of our clients' children seems both significant and perhaps slightly longer lasting than previous economic shifts. As a result, we're adapting our programs and products and can offer some broad observations that may be relevant to companies striving to serve clients who still seek the best, even as they 'reboot' their economic priorities.

Five trends emerged over the last year:

1. An Intense Search for Value

It's not just wanting more for less. We see it manifest as a new seriousness about what is worthwhile. Clients are more discerning about value, less inclined to chaff. They are seeking and choosing tangible and intangible goods and services that represent a new level of quality, even at lower prices. This is just as true for their kids. Though cultural and commercial fads are still a vibrant part of the economy, kids are picking up their parents' new economic caution and a lot of very wealthy teen women cruise the aisles of Top Shop instead of just frequenting über elite boutiques.

2. Demand for Authenticity

In the vernacular of the young, the quest for things and experiences that 'don't suck' is powerful. In part, this is another dimension of the search for value. But it is also the result of the ever-increasing sophistication of the young. Age compression that began years ago (today's 12 year old is yesterday's 16 year old), has created a consumer class less naive and more tuned in than ever before. Scripts and standardized protocols no longer measure up to the smart relationship manager who can actually 'relate' and communicate, who can respond with a new adaptability that transcends rules and structured formats.

3. Impact of the 'Delayed Launch'

Even before the downturn in the economy we were watching twenty-somethings prolong college, enter the workforce later, and delay marriage and kids. Among the very affluent, this was in part because they could. Without the imperative to 'make a living' and with parents able and eager to subsidize their children's happiness, young people took their

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time adopting self-sufficient lifestyles. Now, what was previously a life choice with tacit family approval has become a generational dilemma. High unemployment, even among the well educated and privileged has resulted in a new anxiety about how to get the next generation 'on track.' Families are more concerned about sustaining assets for longer life spans and anxious for their kids to identify a life purpose or direction. While subsidizing adult children is still a common family practice, it's not happening with the abandon we saw a few years ago.

4. Instant Critics

It's not just Hollywood who can see a new movie tank in 20 minutes if the twittering public doesn't like it. All of us who put out a product or service have to be fast on our feet to respond to the collective judgment of the tech enabled social networks making choices at warp speed. *Organic* is the practice we are refining at Independent Means to help us be constantly and continuously responsive to the affluent client who can and will choose the best from the vast global bazaar. Whether it is a program for an individual family, a product for our private school audience, or a web program for parents, we are in a constant ‘beta state.’ This is tough for car companies and clothing manufacturers who need significant lead time to go to market, but companies who can invent ways to be constantly ‘in development’ can take advantage of the instant feedback to which we’re now subjected.

5. Rebooting Family Values.

Relief is the odd quiet partner to the anxiety felt by families who watched the value of their assets plummet last year. While they've scrambled to reduce risk and recoup losses, many families have used the downturn as a chance to rethink family priorities and values. “It's not just about the stuff," clients tell us. “This is a legitimate opportunity for us to say 'no' to kids' constant wants, to rethink our own values.” At family meetings and conferences all over the world there is a continuing and vibrant conversation about the nature of family philanthropic work; community engagement, and family activities. Even kids accustomed to flying private can say with somewhat less self-consciousness, “I'm not going to Aspen this year, we're staying home, or we're visiting family, or I'm joining a mission in Africa for a couple of weeks.” The financial bullying that was so easy between wealthy kids a couple of years ago (as in, "My family has more money than yours,") is much less acceptable now.

The luxury market is different today, smarter and more interesting than ever before. Clients who spark our most creative solutions to their ever-changing needs help us sustain our own future. Forced to be adaptive, responsive and sympathetic to the changes in our clients' circumstances, we've been inspired in ways we might not have imagined a few years ago.

Joline Godfrey is CEO of Santa Barbara, Calif., based Independent Means, Inc. She is also the author of Raising Financially Fit Kids, No More Frogs to Kiss: 99 Ways to Give Economic Power to Girls, and the forthcoming No More Dragons to Slay: Raising Financially Fit Boys.

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