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## Why luxury marketers should double-down on Monaco

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By MICKEY ALAM KHAN

It is time to focus on a territory that is smaller than New York's Central Park but punches way above its weight on the super-wealthy scale. For that we turn to someone extremely familiar with this glitzy dot on the Mediterranean.

An expert on all things ultra-high-net-worth, Lorre White talks about the magnetism of Monaco and some of the lesser-known realities of doing business in the principality known for its scandalously expensive housing, Grand Prix, playboy lifestyle, tax exiles, yachts and boat shows, casino and the late Princess Grace.

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Ms. White is a luxury marketing, media and business development specialist whose Virginia-based White Light Consulting clients include private jet, yacht, banking and media brands that need to reach the global UHNW.

First some color on Monaco.

Punt on pint

Monaco is a principality, and so therefore there are no kings, only princes. It is surrounded on three sides by France.

The principality has a special relationship to the United States, with the current reigning Prince Albert being the son of late American actress Grace Kelly one of 12 American women who became princesses and her husband, Prince Rainier III, the previous Prince of Monaco. Prince Albert is, in his own right, one of the richest royals worldwide.

At 499 acres, or 0.78 square miles, the nation of Monaco is only about three-fifths the size of New York's Central Park.

Monaco has a land border of 3.40 miles, a coastline of 2.38 miles and a width that varies between 5,577 feet and 1,145 feet. The U.S. is about 4,916,758 times bigger than Monaco.

Monaco is sandwiched between the Mediterranean Sea and the mountains. It is about a 45-minute drive to the Italian boarder.

Two city-states, Monaco and Singapore, as well as Geneva, Switzerland, claimed the top three spots in a ranking of the world's most wealthy inhabitants.

People native to Monaco are called Monegasque. A person born in a foreign country but resident in Monaco is a Monacoian.

The city of Monaco has neighborhoods, and Monte-Carlo is one of these. It is the district on the hill, overlooking the main harbor Port Hercules, with the casino and many luxury hotels.

Monaco's red and white flag is the same as the flag of Indonesia.

Shiny object

Since 1870, Monaco has not levied a personal income tax on its residents and that is the ultimate reason why Monaco is so popular with the super-rich.

Monaco has about 38,000 people, and one in three are millionaires, according to WealthInsight. It has the highest per

capita GDP in the world. Monaco does not have an income tax, capital gains tax or wealth tax.

Monaco is not a place for the understated. It is not the sun that creates the need for dark glasses, but the glare from the jewels.

Especially during the season from April through October, jewelers Graff, Cartier, Van Cleef & Arpels, Piaget, Harry Winston and Tiffany ship in their most impressive baubles to the yachter's cruising grounds along the Cote d'Azur, to entice vacationers.

Monaco is a place where the fist-sized gems outside the store on residents are equally as impressive as the ones showcased in the windows. There is a reason why the Grace Kelly movie, *To Catch a Thief*, was filmed on the Riviera.

Monaco has been compared to Disneyland for adults.

This tiny little country that you can literally walk is just crammed full of exotic cars such as Lamborghinis, Ferraris, Paganis, Aston-Martins and Bugatti Veyrons, as well as luxury rides including Rolls-Royces and Bentleys.

There are so many cars in Monaco that parking is difficult and parking garages expensive.

Consumers take their car from the garage to eat at the restaurant next door just to pull up and hand their diamond-encrusted keys to the valet.

Standing outside a local hotspot can be more interesting than being in it. It is opulence on steroids. The parking on the square in front of the casino and the Hotel De Paris on an average day is like an international car show. Tourists stand a gawk at the spectacle.

Everyone is fashionable. Your window washer is decked out in designer clothes. The people-watching is unprecedented. Sitting in a local caf you are surrounded and outnumbered by recognized and notable individuals.

In other words, Monaco is surreal.

In this extensive interview, Ms. White shares her insights on Monaco and why it should matter to luxury brands and marketers targeting the wealthiest of the wealthy.

If one does not speak the national language of French, can they still work and do business there?

Monaco is made up of foreigners. Most residents are transplants.

If a German and a Japanese are doing business, they are doing it in English.

English is the international language of business and those that have the success to live in Monaco know business.

I have known many people that have lived in Monaco and were not fluent in French.

Prince Albert is a smart man and knows that English is important to the country to stay relevant. There are many English-speaking news sources, magazines, radio.

Everyone that works in hotels, shops, cab drivers, they all speak English.

The prince himself is half-American.

Not too far from Monaco in Cannes, for more than 50 years, The American Club of the Riviera has offered Americans living, working and visiting the South of France the opportunity to meet in a friendly social environment. It even embraces nonnative Americans that share their interests.

The club is very active in the Riviera community. Even one of the most famous Monaco bars, housed in the Hotel De Paris, is The American Bar.

The club's activities also attract non-Americans, and perhaps half of its members are not U.S. citizens.

The club welcomes those who may have worked for U.S. companies, or married Americans, or lived in the U.S., or just wish to share experiences with Americans.

Why is it important for luxury companies to be represented in, if not based in, Monaco?

Many investors are based in Monaco. Many startups find capital in Monaco, and investors like to be near to monitor progress in new businesses.

Why so many investors are in Monaco? Simple, there are a lot of rich people that have idle time and money and

often put both to work on new enterprises.

For luxury brands having the affiliation with Monaco is important, as one is judged by the company you keep.

Another benefit is simply that there are so many wealthy people packed into a small space, it is easier to get the word out about a product or service to a relevant audience.

Monaco has become synonymous with ultra-wealthy.

Much like the word "Hamptons," but even more so "Monaco" has come to symbolize the UHNW lifestyle.

Even among people that have never traveled to Monaco, it has super powers of attraction.

The #Monaco, or the use of the word, will garner more followers in social media.

The Monaco government became aware of this and now companies and brands that want to use the name Monaco in their title or brand must apply for government approval, and can be sued if they do not adhere.

Monaco had become a brand that is bigger than its reality, although that is not shabby either.

The Monaco Government Web sites list these 10 reasons that business should be in Monaco:

- A sovereign state that is neutral and independent, a role-model country with stable institutions
- An accessible location and exceptional quality of life in the heart of Europe, bordering the Mediterranean basin
- A united, welcoming and multicultural community more than 120 nationalities living in harmony in which English is widely spoken
- A leisure destination with hotel and nautical infrastructures in the best traditions
- A unique economic and social model where the absence of debt and structural budgetary balance is a long-term guarantee for the future
- Sports, culture and festivities as part of everyday life, as well as numerous international events
- Exemplary domestic security, both for residents and visitors, which forms one of the government's priorities, together with outstanding schools, social services and health care
- A diversified and forward-looking economy, with a well-adapted taxation policy, and with a dynamic employment and consumer market that also impacts neighboring French and Italian areas
- An accessible, open and attentive administration for both businesses and the public
- A longstanding commitment to eco-responsible and sustainable development

What are some of the more prominent internationally recognized events held in Monaco?

Monaco is packed full of international events.

This small little country of Monaco hosts the world-renowned Monaco Grand Prix; The Monte-Carlo Masters, also known as the Rolex Monte-Carlo Masters; the most famous of all yacht shows, the Monaco Yacht Show (MYS); top marque luxury event, The Rose Ball, that was created by Princess Grace of Monaco in 1954; Monte-Carlo Red Cross Gala; [and] Monaco Jazz Festival, just to name a few.

These are all great for reaching the wealthier consumers, and have high visibility internationally. Cars, yachts, watches, jewels, sport everything decadent, at its most profound extreme is celebrated in Monaco.

Nothing is more symbolic of Monaco than yachts. Can you tell us a little about the Monaco Yacht Club and the Monaco Yacht Show?

[The] Monaco Yacht Club was established by Prince Rainier III in 1953 with around 2,000 members. A new facility was recently opened in June of 2014.

Getting a membership requires two sponsors, a proposer and a seconder, and approval by club president, Prince Albert II, who reviews requests twice a year and, of course, a membership fee.

Candidates need to fill in an admission form, which is then signed by the applicant and the two sponsors, and must be accompanied by a letter of introduction from the proposer.

The letter of introduction will explain the applicant's motives for joining the club.

One in four super-yacht owners globally are members of this elite establishment.

The Monaco Yacht Show is held in Port Hercules, and is Europe's biggest in-water display of large yachts.

The largest boating show in the world is the Ft. Lauderdale Boat Show, but it has everything from canoes to yachts. It is so big and mass-market that the super-rich do not really go to it. If they are selling a yacht they may well have her attend, but they themselves usually opt out.

What is unique about the Monaco Yacht Show is that it specializes only in the bigger yachts, and unlike most yacht shows that really target industry professionals, MYS actually attracts the UHNWI.

This event targets and reaches this elusive group. The show is usually held at the end of September, closing out "the season" on the Mediterranean.

Any film or picture of Monaco, if not a yacht, is of the world famous casino. What of that?

The beautiful Casino de Monte-Carlo is owned and operated by the Societ des bains de mer de Monaco (SBM), a public company in which the Monaco government and the ruling royal family have a majority interest.

Despite housing such a grand casino, Monaco's citizens not allowed to gamble. They can't even set foot inside a casino unless they work there.

Although, this law excludes the foreign nationals residing on Monaco, which makes up 80 percent of the population.

SBM also owns the principal hotels, sports clubs, foodservice establishments and nightclubs throughout Monaco. It employs 4,436 people and was founded in 1863, over 150 years ago.

The Societ des Bains de Mer is one of the leading players in the gambling and casino business in Europe and No. 1 on the luxury tourism market in Monaco.

The company has exclusive casino rights in Monaco and owns and runs the Casino de Monte-Carlo, Casino Caf de Paris, Sun Casino and Monte-Carlo Bay Casino.

In the hotel industry, Societ des Bains de Mer owns and runs prestigious luxury hotels including the Htel de Paris Monte-Carlo, Htel Hermitage Monte-Carlo, Monte-Carlo Beach, Monte-Carlo Bay Hotel & Resort and the Mridien Beach Plaza, and over 30 restaurants and bars including four Michelin-starred restaurants: Le Louis XV- Alain Ducasse l'Htel de Paris, Elsa, Blue Bay and Vistamar.

Societ des Bains de Mer's activities also include the wellness sector with Thermes Marins Monte-Carlo, the company's flagship facility for its wellness offerings, and the entertainment sector with Sporting Monte-Carlo and the Salle des Etoiles, the nightclub Jimmy'z and La Rascasse.

Having a company based in Monaco, or even a satellite office, means housing for management and office. What is the apartment rental market like in Monaco?

The super-high prices in Monaco's real estate is simply the result of supply and demand.

Rent Prices in New York are about 61 percent lower than in Monaco.

The principality is small and their space is limited. They have twice now expanded out into the sea.

The only other option is up, which they are also doing at a rapid rate.

In fact many locals are being chased away by the constant disruption of construction.

The principality has only about 38,000 residents, but has over a hundred registered agents in a market where there may only be four- or five-dozen available apartments for rent or sale at any one time.

It is common for properties to be listed with multiple agencies. It would be an understatement to say that real estate is competitive in Monaco. Buyers must act with haste.

Renting an apartment in Monaco can be challenging.

What comes as a surprise to many foreigners that take an apartment in Monaco is that the exorbitant prices do not yield an equally high standard of living.

Many have old pipes and electrical wiring, not newly renovated bathrooms and kitchens that one might expect for

the price.

Some people feel that Monaco has not done a good job in maintaining a consistent look, and its old historical buildings are scarred by the strong mid-1900s constructions that mar its once classical coastline.

One perk for businesses is that some apartments are government-approved as "mixed usage" [usage mixte], which allows you to run your business from your apartment for two years.

The super-high rents are not the only deterrent to renting in Monaco.

Rent is not paid monthly, as it is in most places, but instead quarterly, three months at a time.

New renters must also pay three months' security deposit, along with the first quarter's rent, and pay all agency/broker fees, which are usually 10 percent of a year's rent.

So, essentially, pay seven months upfront requires a sizable chunk of cash.

Rental agreements in Monaco can be very tricky.

Rents can increase dramatically at the conclusion of a contract. No rent stabilization laws, so people opt for longer contracts of three to six years.

If the contract does not state a fixed rent, then the owner can arbitrarily increase it whenever, and by as much as they are so inspired.

Also, contracts can have clauses that require the renter to move out during big events like the Monaco Grand Prix or the Monaco Yacht Show, either so the owners can use it themselves, or event rent at a super-premium to others needing a place to stay during these events.

What about buying property?

According to Mansion Global, in 2019 Monaco remains the world's most expensive prime residential market, with a typical home costing 48,800 per square meter [\$5,000 per square foot], a price that's double that of Paris and London.

Please note these are just the average prices, not the luxury prices.

The average sales price increased 31 percent year-over-year to 5.2 million in 2018, at a time when many of the residential hotspots around the world are seeing prices slowing or falling.

The average prime residential values in Monaco are now 237 percent higher than Paris, 194 percent higher than London, and 10 percent higher than Hong Kong, the second-most expensive city in the world, according to Savills.

In terms of transaction volumes, the number of luxury sales in Monaco rose 15 percent year-over-year in 2018.

Sales of new builds increased 44 percent to 77 percent. The higher-end market saw a noticeable increase, with sales over 5 million soaring 42 percent annually.

Are Monaco's luxury high-rises full of special amenities?

The amenities are far fewer in Monaco residential buildings despite the much higher prices.

I have been to parties at billionaires' apartments in Monaco and been most underwhelmed. Some don't even have a concierge.

The French are not service-oriented people.

It is not like a luxury apartment in the U.S. where there is a 24/7 concierge, an in-building mail room that mails packages for you, a shoeshine and shoe repair option, laundry service that is picked up and delivered, dog walker, person to water your plants, etc. Although that has really started to improve over the last 10 years.

I had once commented on these spare amenities and was told that the UHNW often picked places where there was no lobby personnel, because at one time they were being bribed to learn the comings and goings of residents.

If one is a legal resident then they must spend a certain amount of time in country. People with multiple mansions around the world don't like to count days.

Is everything in Monaco that much more expensive than New York?

The average meal out is about 18 percent higher than New York. However, the other costs of living are about the

The average mean value appears to be somewhat higher than in France, but the cost of living is about the same.

Talk about Monaco building out into the sea.

Monaco's newest offshore urban expansion is at a cost of about \$2.3 billion.

Instead of going up, they are going out. This is the second time Monaco has done this.

The city-state on the French Riviera has a population of about 38,000 in 499 acres just under one square mile and its real estate is the most expensive in the world, with buyers paying an average of \$4,536 per square foot, according to Savills in 2018.

The new land development is called Portier Cove, and will add an additional 15 acres to Monaco. The project is to be completed in 2025. It will have both residential and commercial space giving homes to 1,000 residents.

I have had UHNWI friends of mine ask about information on purchasing one of the new places.

In typical French fashion they do not accommodate the customer, but will not yield even the most benign information, like can you have his and her master bathrooms, until after a client has supplied their financial net worth.

This very French lack of customer service has left potential consumers frustrated about purchasing.

Purchasers may only have interest if certain things are available, but one cannot find this out unless they expose all their personal financials.

Locals claim it is a way for them to discriminate in their selection of residents.

Many locals feel that they have been overrun with Chinese and very new Russian mafia money.

The scuttlebutt is that Monaco, wanting to preserve a more polished image, will make careful selection of those allowed to purchase.

In other words, wealth is but one of the criteria for residency at Portier Cove, and there is no fair housing act.

Discrimination is expected and accepted in the principality.

Although Prince Albert II is a constitutional monarch, he wields immense political power. The House of Grimaldi has ruled Monaco, with brief interruptions, since 1297.

With all the high rents, how do all the people like receptionists, secretaries, porters, waiters and staff that serve at these luxury places afford to live there?

French nationals residing in Monaco are subject to French income taxes, unless they can prove at least five years of habitual residence in Monaco, so most French don't live in Monaco.

This is true for other nationalities, too, that are not in jobs affording them Monaco prices.

There are places in Monaco where the building across the street is actually in France. These French properties have very easy access to Monaco and many foreign companies often rent local French villas for senior management for far less than a Monaco apartment.

But there is one scarcity in Monaco, which your question hit on.

Good maids and quality childcare professionals are at a premium. There are not enough largely due to the cost of living in Monaco and even the surrounding areas.

Diamonds the size of baseballs they have, but trustworthy house staff is a scarcity.

What about the relationship between Monaco and France?

There are great jealousies from France of their wealthier principality neighbor.

Because of France's ever-changing political swings, France at times has exorbitant taxes that chase away the wealthy.

Monaco's tax-free, super wealthy, ultra-clean, very low crime and free of political swings from socialist to capitalist, is enviable.

Some Monacoians claim that when driving in France that they are targeted for tickets by the police.

To take advantage of the no income tax in Monaco, employees may want to become residents. Is this difficult?

If you are taxed on a worldwide basis, a residency in Monaco would be of little help to your tax situation.

Therefore, it is likely that American citizens would most likely not receive any benefit from a tax perspective from planting a flag in Monaco.

Also, they would need to renounce their citizenship to eliminate their worldwide tax burden. But if they are willing to become an expat, there is a rather bureaucratic process.

If applying for Monaco residency, the residency must have one bedroom per person or couple in order to apply for your residence permit.

A residence permit is only granted if everyone living in an apartment has the sufficient financial status, or they can present a supporter.

One can share a bedroom with a spouse, but children over the age of one, must have their own rooms.

To become a Monaco permanent resident and ultimately a citizen, the foreign national must meet multiple requirements.

For those seeking permanent residence, the foreign national must invest a minimum of 1 million, 500,000 of which must be deposited and kept in a Monaco bank. There are three levels of residency:

A list of what is needed to get a residency in Monaco:

- Monaco bank letter stating good standing the most important and difficult part
- Valid passport
- Birth certificate
- Marriage/divorce certificates if appropriate
- Certificate of no-criminal-record in the last place of residence for the preceding 5 years
- Education/professional background and proof of wealth. Must be in French
- Health insurance covering Monaco only one hospital in Monaco
- A lease for a minimum of one year of Monaco property rental or deed to property in Monaco
- Electricity contract for the rental apartment/purchased property
- Residency application forms from the Surete Publique
- Residency card, plus three months in Monaco

There are essentially three levels to receiving residency in Monaco:

"Carte de sejour temporaire," which is the lowest level card and only is good for one year. This does give you official residency status, but will expire if you do not renew it properly, as well as prove you were inside the principality for the minimum official time period of this residency provision.

After two renewals of the first-level residency pass, you can receive "carte de sejour ordinaire." This level pass is already much better and is what the majority of what most people have who stick around for more than one year. This pass is good for three years and renewable once.

"Carte de sjour privilegie" is the highest level of residency, and requires you spend half your time in the country. There are only approximately 30,000 people with any type of residency.

Dual citizenship is strictly forbidden, and not recognized by the Principality of Monaco. Therefore you would need to renounce any additional citizenship.

After looking at all of this, a company may get discouraged, but everything in the luxury sector is more expensive, from the media and events that reach the UHNW, to the talent to successfully interact, to the costs of being in places where they reside.

It is expensive to have a brush with this elite group, but it is far more expensive not too.

[The] cost of business in the luxury sector is much higher than the mass market. There are only **sheep and eagles in luxury**. You have to be an eagle to soar.

Monaco has become synonymous with luxury. The question may not be can you afford to be in Monaco, as much as can you afford not to?

*Lorre White is founder president/CEO of **White Light Consulting**, a luxury marketing consultancy focused on the ultra-high-net-worth market. Reach her at [lorre@whitelightconsulting.net](mailto:lorre@whitelightconsulting.net).*

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