

Chapter 1 — About the Luxury Market	8
• <i>Figure 1: Leading Luxury Marketers Revenues, 2003-2006</i>	8
Some 32.5 million Households Rank among the Nation's Top 25 percent	9
• <i>Figure 2: Number of Households by Income, 2004 & 2005</i>	10
Number of Households at the Highest Income Levels Are Growing Fastest	11
• <i>Figure 3: Total number of affluent households</i>	11
Demographics of the Top 25 Percent of Americans	12
• <i>Figure 4: Household income by age, 2005</i>	14
Affluents Make More, Spend More and Save More	14
• <i>Figure 5: Annual expenditures, 2005: Average U.S. households compared with affluent</i>	15
Trends in Affluence	15
• <i>Figure 6: Ages of Affluence, number of affluent households 40 and under and over 40 years old</i>	17
Lifestage Changes Impacts the Luxury Market	18
• <i>Figure 7: Triggers for luxury purchases, 2006 & proj. 2007 (Source: Luxury Tracking, 4Q06)</i>	18
Luxury Consumers' Plans for Home Changes Reduced from 2005	20
• <i>Figure 8: Home Changes 2005 (2Q2005 Luxury Tracking), 2006 and proj. 2007</i>	20
Luxury Consumers Rose from Middle-class Backgrounds	20
• <i>Figure 9: Financial status of family of origin (Luxury Tracking, 2Q04)</i>	21
New Luxury Market Paradigm — From Things to Experiences	21
Experiences Provide the Greatest Luxury Satisfaction	22
• <i>Figure 10: Source of Greatest Luxury Satisfaction (1Q2006 Luxury Tracking)</i>	22
• <i>Figure 11: Sources of Greatest Luxury Satisfaction by income</i>	23
Chapter 2 — Luxury Market Topline Findings. 2005 & 2006	24
Luxury consumer spending declines in 4Q2006	24
• <i>Figure 12: Luxury Consumption Index thru 4Q2006</i>	24
Luxury Consumers' Feelings of Financial Well-Being	26
• <i>Figure 13: Financial Well Being</i>	26
Luxury Consumers and Reported Spending Trends	27
• <i>Figure 14: Luxury Spending Trends Past Twelve Months</i>	27
Luxury Consumers and Their Spending Expectations	28
• <i>Figure 15: Expected Spending on Luxury Next 12 Months</i>	28
Luxury Consumers' Confidence in Financial Health of the Country	29
• <i>Figure 16: Overall Financial Health of Country</i>	29
Luxury Consumers Confident of Their Personal Ability to Handle Economic Turmoil	30
• <i>Figure 17: Financial Prospects Next Twelve Months</i>	30
Total Luxury Purchase Incidence	31
• <i>Figure 18: Overall Luuxury Purchase Incidence (All Affluent Consumers)</i>	31
Luxury Purchase Incidence, 2006 & 2005	32

- *Figure 19: Luxury Purchase Incidence* 32
- Luxury Consumers’ Average Spending Increases in 2006..... 33
 - *Figure 20: Average Spending on Luxury, 2004-2006* 33
- Luxury Spending by Income Segments in 2006..... 35
 - *Figure 21: Luxury Spending by Income Segment* 35
- Luxury Spending by Income Segments 2005 and Comparison 2006..... 36
 - *Figure 22: Luxury Spending by Income Segment 2005 and comparison 2005 to 2006*..... 36
- In 2006, Young Affluents Out Spent Older Luxury Consumers 38
 - *Figure 23: Luxury Spending by Age – 40 and Under and Over 40*..... 38
- Men Spent More than Women in 2006..... 39
 - *Figure 24: Luxury Spending by Gender* 39
- Luxury Consumers Remain Value-Oriented 40
 - *Figure 25: Most Recent Luxury Purchase Bought on Sale or at a Discount (4Q2006 Luxury Tracking)*..... 40
- Luxury Market Reached \$834.9 Billion in 2006..... 42
 - *Figure 26: Luxury Market Potential*..... 42
- Non-Store Retailers Continue Their Vital Role in Luxury Shopping while Department Stores Stay the Favorite 43
 - *Figure 27: Where People Shopped for Home and Personal Luxuries* 44
- Nordstrom Takes Lead as Luxury Shoppers’ Favorite Luxury Department Store and Target Is Tops for Mass and Discount Stores..... 45
 - *Figure 28: Store Brand Usage for Any Luxury Shopping* 45
- Luxury Consumers’ Favorite Magazines..... 47
 - *Figure 29: Luxury Consumers Favorite Magazines*..... 47
- Chapter 3 — Experiential Luxuries..... 48**
- Purchase Incidence of Experiential Luxuries Remains about the Same 48
 - *Figure 30: Experiential Luxury Purchase Incidence, 2005 & 2006* 48
- Average Spending on Experiential Luxuries Dropped nearly 5 percent in 2006 49
 - *Figure 31: Experiential Luxury Spending* 49
- Luxury Dining — Purchase Details 49
- Amount Spent on Luxury Dining..... 49
- Key Influencers for Dining Purchases 50
 - *Figure 32: Fine Dining Key Influencers for Purchase (2Q2006 Luxury Tracking)*..... 50
- Luxury Entertainment — Purchase Details 51
- Amount Spent on Luxury Entertainment..... 51
- Key Influencers for Entertainment Purchases..... 51
 - *Figure 33: Entertainment Key Influencers for Purchase (2Q2006 Luxury Tracking)*..... 51
- Luxury Home Services — Purchase Details..... 52
- Type of Home Services..... 53
 - *Figure 34: Type of Home Services Bought*..... 53
- Amount Spent on Luxury Home Services 53

Key Influencers for Home Services Purchases.....	54
• <i>Figure 35: Home Services Key Influencers for Purchase (2Q2006 Luxury Tracking)</i>	54
Luxury Spa, Massage and Beauty Treatment — Purchase Details	55
Amount Spent on Luxury Spa, Massage and Beauty Treatment.....	55
Key Influencers for Spa & Beauty Treatments Purchases	56
• <i>Figure 36: Spa and Beauty Services Key Influencers for Purchase (2Q2006 Luxury Tracking)</i>	56
Luxury Travel — Purchase Details	57
Amount Spent on Luxury Travel.....	57
Foreign Travel Choices.....	58
• <i>Figure 37: Type of Foreign Travel Bought</i>	58
Domestic Travel Choices.....	59
• <i>Figure 38: Type of Domestic Travel Bought</i>	59
Key Influencers for Travel Purchases	60
• <i>Figure 39: Travel Key Influencers for Purchase (2Q2006 Luxury Tracking)</i> ..	60
Chapter 4 — About Butterflies & Other Segments in Luxury Market	61
• <i>Figure 40: Attitudes about Luxury</i>	63
Segmentation Analysis of Luxury Market — Four Segments Identified in Luxury Market	63
• <i>Figure 41: Luxury segmentation analysis mean values</i>	65
Butterflies Emerge as Largest Luxury Consumer Segment.....	66
• <i>Figure 42: Field Guide to the Luxury Personalities</i>	68
Luxury Cocooners are Still Enveloped in Their Luxury Cocoons	69
Cocooners Spend More on Home and Home-Focused Experiential Luxuries	69
Butterflies Have Emerged from Their Luxurious Cocoons	70
Butterflies Spend Freely on Luxury	71
Luxury Aspirers Have not yet Reached the Level of Luxury to Which They Aspire	71
Aspirers Don't Spend as much on Luxury	72
X-Fluents Live the Lifestyle of the 'Rich and Famous'	72
X-Fluents Spend More on Luxury	72
Chapter 5 — About Luxury Consumers and Their Likelihood to Purchase Luxury vs. Ordinary Goods and Services	73
Majority of Luxury Consumers Trade Down Not Up to Luxury	73
Majority of luxury consumers trade down most often	74
• <i>Figure 43: Purchase Luxury Regularly, Occasionally, Rarely by Product/Service Category</i>	74
Ability to Spend for Luxury Doesn't Translate into Willingness to Spend	75
• <i>Figure 44: How Often Super-Affluent Luxury Consumers Indulge in Luxury</i>	75
Chapter 6 — Luxury Consumers & the Internet.....	78
Luxury Internet Shoppers	78
Internet Widely Used to Research and Purchase	79
• <i>Figure 45: Luxury Consumers' Use of the Internet</i>	79
Entertainment and Recreation Lead Internet Purchases.....	80
• <i>Figure 46: Kinds of Products and Services Bought on the Internet</i>	80

Super-Affluents Lead the Internet Spending Pack	82
• <i>Figure 47: Average Spending on All Goods & Services over the Internet.....</i>	82
Typical Luxury Consumers Spends about 5 Hours a Week Shopping Online	84
• <i>Figure 48: Average Number of Hours Used for Internet Shopping/Research on a Weekly Basis</i>	84
Typical Luxury Consumers Spends about 13 Hours Per Week Online for Non-Shopping Purposes	85
• <i>Figure 49: Luxury Average Number of Hours Used on Internet for All Other Purposes Besides Shopping Weekly.....</i>	85
Convenience and Comparison Key to Internet Shopping.....	86
• <i>Figure 50: Features Luxury Shoppers Consider Very Important for Using the Internet for Shopping</i>	86
Shipping and Handling Charges Discourage Luxury Internet Shoppers	88
Luxury Consumers' Attitudes about Internet Shopping	89
• <i>Figure 52: Attitudes of Luxury Shoppers about Internet Shopping.....</i>	89
Chapter 7 — Luxury Gifting	91
Introduction	91
Luxury Gift Spending	92
• <i>Figure 53: Luxury Consumers' Gift Giving Spending by Demographic Segment, 4Q2005.....</i>	92
Holiday Gift Lists Number 12 People.....	93
• <i>Figure 54: Number of People on Christmas Gift List.....</i>	93
Entertainment & Recreational Items and Clothing & Fashion Accessories Tops Luxury Gifters' Gift Lists	94
• <i>Figure 55: Types of Gifts Purchased.....</i>	94
Department Stores, both Discounters and Traditional, Were Their Favorite Place to Shop for Gifts, with Electronics Stores Very Close Second Choice.....	96
• <i>Figure 56: Where Luxury Consumers Shopped for Holiday Gifts 2005</i>	96
Luxury Gifters' Gifting Trends	99
• <i>Figure 57: Trends in Luxury Gifting</i>	99
Luxuries as Gifts Holiday 2005.....	100
• <i>Figure 58: Luxury Purchase Incidence & Percent Bought As Gifts</i>	100
Christmas Gift Plans 2006	102
Luxury Consumers Plan on Spending Just Under \$2,000 on Christmas Gifts This Year.....	103
• <i>Figure 59: Planned Christmas Gift Spending 2006</i>	103
Christmas Gift Spending by Demographic Segment	104
• <i>Figure 60: Planned Christmas 2006 Gift Spending by Demographic Segments</i>	104
When Luxury Consumers Started or Will Start Christmas Shopping for 2006.....	105
• <i>Figure 61: When Luxury Consumers Started or Will Start Christmas 2006 Shopping</i>	105
Number of People on Luxury Consumers' Gift Lists	106
• <i>Figure 62: Number of People on Luxury Consumers' Gift Lists compared with All Consumers.....</i>	106

Gift Categories Luxury Consumers Are Very Likely to Purchase for Christmas 2006	107
• <i>Figure 63: Gift Categories for Christmas 2006</i>	107
Likelihood to Purchase Luxury Versions of Gift Categories	108
• <i>Figure 64: Likelihood to Purchase More Luxurious Version vs. Ordinary, Everyday Version</i>	108
Where Luxury Consumers Will Shop for Christmas 2006 Gifts	109
• <i>Figure 65: Stores Where Luxury Consumers Are Very Likely to Shop for Christmas 2006 Gifts</i>	109
Trends in Luxury Consumers' Christmas Gifting 2006	110
• <i>Figure 66: Trends in Christmas 2006 Gifting</i>	110
Chapter 8 — About Luxury Travel	112
Nearly Four Trips Planned For April to December 2006	112
• <i>Figure 67: Travel Plans April-December 2006</i>	112
Luxury Resort and Foreign Travel Top List for Personal Vacation Plans	113
• <i>Figure 68: Type of Personal Trips Planned</i>	113
Travel Spending Trends, 2005 to 2006	114
• <i>Figure 69: Trends in Luxury Travel, 2005 to 2006</i>	114
Relaxation and Stress Relief Is Primary Experience Desired by Luxury Travelers	115
• <i>Figure 70: Travel Experiences Rated Very Important by Luxury Travelers</i> ..	115
Having Special Experiences that Make Memories Is Top Factor when Planning Travel	116
• <i>Figure 71: Factors Rated Very Important When Planning Luxury Travel</i> ...	116
Chapter 9 — About Influencers and Motivators for Luxury Purchases	118
Luxury Consumers Just Want to Have Fun	118
• <i>Figure 72: Motivators Rated Very Important When Purchasing Luxury</i>	118
Happiness Is the Ultimate Luxury	120
People have a happiness 'set point' that is resistant to change	121
Money doesn't buy happiness, in fact the pursuit of wealth may make people less, rather than more happy	121
Influencers of Most Importance When Buying Experiential Luxuries	124
• <i>Figure 73: Influencers Rated Very Important in Most Recent Experiential Luxury Purchases</i>	124
Chapter 10 — Status & the Luxury Consumers	126
Attitudes about Status	127
• <i>Figure 74: Attitudes about Status</i>	128
Personalities of Status	128
• <i>Figure 75: Personalities of Status</i>	129
• <i>Figure 76: Status Personalities Attitudes</i>	130
Consensus Connie Goes Along with the Status Quo	131
Sarah the Status Seeker Places a Priority on Prestige	131
Quality Magnet Martha Is Driven to Buy the Best	132
Anti-Status Andy Rejects the Trappings of Status	133
Lifecycle of Luxury Brands' Status Tied to Consumers' Age	133
• <i>Figure 77: Status Attitudes Most Closely Associated with Younger Consumers</i>	134

- *Figure 78: Anti-Status Attitudes Most Closely Associated with Older Luxury Consumers*..... 134
- Maintaining Luxury Consumers' Desire for Status Through the Acquisition of Luxury Is Good for Luxury Marketers.....135
- Counter Trend toward Anti-Status Is Taking Hold 136
- Appendix A.....138**
- Research Objectives 138
- Research Methodology 139
- Income Demographics 141
 - *Figure 79: Income Demographics*..... 141
- Gender 141
- Age Distribution 142
 - *Figure 80: Age Distribution*..... 142
- Other Demographic Variables 142
- Survey Questionnaires 143