

Appendix

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Research Objectives

This research attempts to study the luxury market in even greater depth to understand why consumers buy luxury, what they believe luxury is and how their emotions and feelings related to luxury impact their buying behavior. This 2008 edition marks the sixth year Unity Marketing has published the Luxury Report. For the 2002 and 2003 annual studies a single quantitative survey was conducted among 1,000 luxury consumers (incomes of \$75,000 and above who purchased luxury). However, for the 2004, 2005, 2006 and 2007 years Unity Marketing has conducted a quarterly Luxury Tracking study which provides detail purchase and spending data among 1,000+ luxury consumers on a quarterly basis. Due to changes in methodology in the luxury tracking study, this edition of the report includes details for the 2005-2007 sales years only.

This report summarizes key findings and luxury spending and purchase incidence derived from Unity Marketing's Luxury Tracking study fielded quarterly during the 2006 and 2007 sales years. Unity Marketing's premier survey of the luxury market was conducted in 2002 in association with *House & Garden* magazine. By understanding the "why" that drives luxury purchases, luxury marketers will gain new understandings about how to build their brands, pinpoint the emotional needs of their target market and sell more products. Today as the consumers' approach to buying luxury goods has changed, it is critically important for luxury marketers to understand the new, emerging dynamic of the luxury market.

Specific objectives of this research study:

- **Luxury buying behavior:** To conduct a national survey of affluent consumers to discover what luxuries they buy, including luxury home products bought specifically for the home; personal luxuries, such as automobiles, apparel and jewelry; and experiential luxuries, or luxury services that provide experiential pleasures. To track changes in luxury purchases from year to year.

- **Spending on luxury:** To benchmark their spending on luxuries (e.g., luxury home, personal luxuries and experiential luxuries) and track changes over time.
- **Demographics of the luxury market:** To determine the primary demographics of the luxury households, what types of luxuries they buy, how much they spend, where they shop for luxuries and key demographic segments within the luxury market (e.g., HHI, size, composition, ethnicity/race, education, etc.)
- **Luxury market psychographics (e.g., why people buy luxuries):** To understand the influences on their luxury purchasing, what they look for in luxuries they buy, and how they shop for luxuries. To understand how the luxury consumers' attitudes about luxury impact their purchases and spending on luxuries. To discover why they buy luxuries and the key motivators and drivers for luxury consumption.

Research Methodology

This report is compiled from the results of quarterly tracking study conducted among 1,000-1,200 luxury consumers each throughout all four quarters in 2005 through 2007. Unity Marketing's luxury tracking study is intended to keep luxury brand marketers' and retailers' fingers on the changing pulse of the luxury market.

At the close of each quarter, a survey is conducted among high-income consumers that represent the top 25 percent of U.S. households based upon income about their purchases of luxury goods and services in that quarter. Luxury categories included in each quarterly survey are:

- **Home Luxuries:** Art & Antiques; Electronics & Photography; Fabrics, Wall & Window Coverings; Furniture, Lamps & Floor Coverings; Garden & Garden Products; Kitchenware, Cookware and Cooks' Tools & Housewares; Kitchen Appliances, Bath & Building Products; Linens & Bedding; Tabletop.
- **Personal Luxuries:** Automobiles; Clothes & Apparel; Cosmetics, Beauty & Fragrance Products; Fashion Accessories; Jewelry; Watches; and Wine & Spirits.

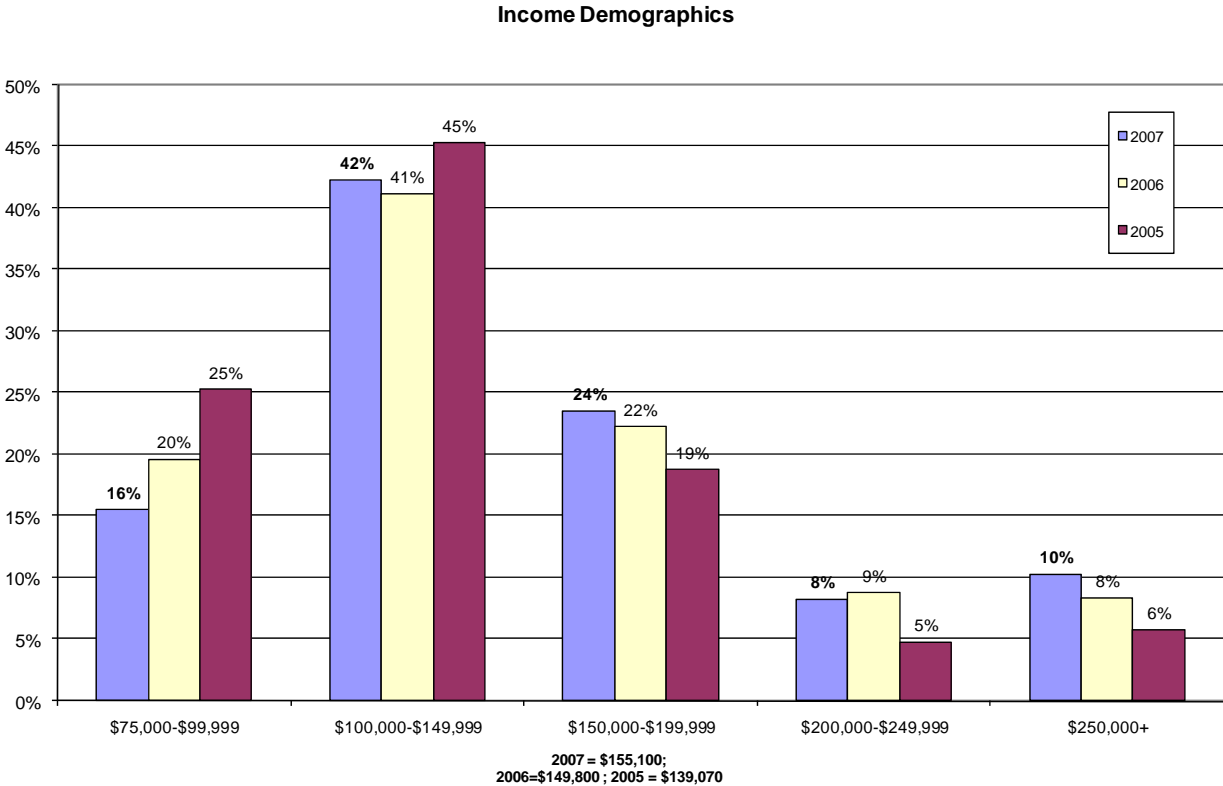
- **Experiential Luxuries:** Luxury Dining; Entertainment; Travel; Spa, Massage & Beauty Services; and Home Services, such housecleaning/maid service, landscaping, garden/lawn maintenance, party planning/catering, home decorating, etc.

To enable luxury marketers to understand variations within the affluent market, perspectives of three different segments of the luxury market were gathered, based on household income: \$75,000-\$99,999 ('trading up' or 16 percent of the 2007 sample; 20 percent of 2006 sample; 25 percent in 2005); \$100,000-\$149,999 (affluents or 42 percent of the 2007 sample; 41 percent of 2006 sample; 45 percent in 2005); \$150,000+ (super-affluents or 42 percent of the 2007 sample; 40 percent of 2006 sample; 30 percent in 2005). The average income of the 2007 sample was \$155,100; 2006 sample was \$149,800 and in 2005 the average income was \$139,070.

A total of 4,284 luxury consumers were surveyed in 2007; 4,322 in 2006 and about 4,300 were surveyed in 2005.

A tracking study gives luxury marketers early warning of changes and shifts in their marketplace. It helps them monitor brand awareness and purchase so that they can measure the success of new marketing communications programs. It provides a view 'over the horizon' of what trends are coming and how they will affect the luxury consumer. Through the tracking service, luxury marketers will remain up to date and in direct "contact" with their affluent customers.

Income Demographics



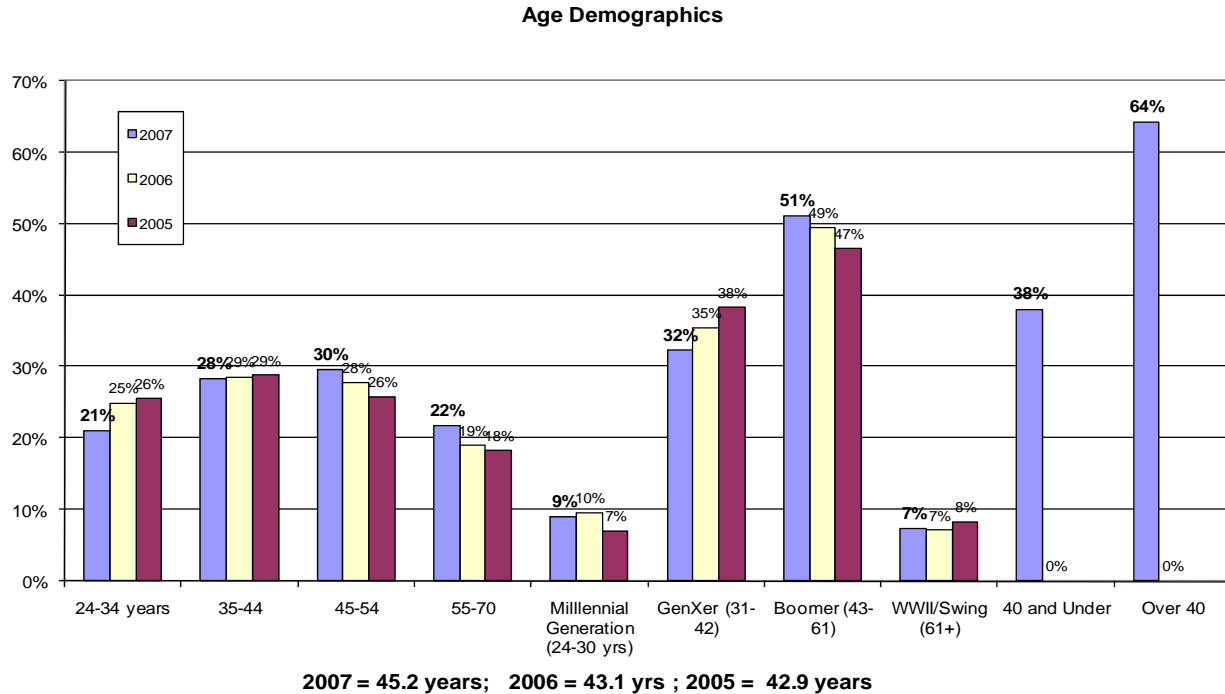
• Figure 111: Income Demographics

The average income of the 2007 sample was \$155,100 which was 3.5 percent more than the 2006 survey sample (\$149,800), and 11.5 percent higher than in 2005, or \$139,070. Unity Marketing continues to focus on increasing the average income of the luxury tracking survey sample. As a result, the 'trading up' sample (HHI \$75,000-\$99,999) is limited to fewer than 20 percent of the total survey sample.

Gender

In keeping with the female-skew found consistently in Unity’s luxury consumer surveys, the 2007 sample was 64 percent female and 36 percent male; in 2006 the sample was 62 percent female and 38 percent male; in 2005 the survey sample was 65 percent female and 35 percent male.

Age Distribution



• Figure 112: Age Distribution

The luxury consumers averaged 45.2 years in 2007; 43.1 years in 2006; and 42.9 years in 2005. In all three survey years, members of the Baby Boom generation accounted for the largest share of consumers surveyed, 51 percent in 2007; 50 percent in 2006 and 47 percent in 2005.

For those interested in learning more about the young affluents, representing consumers aged 40 and younger, Unity Marketing has published a separate study entitled Generations of Luxury.

For more information visit this webpage

http://www.unitymarketingonline.com/cms_luxury/luxury/insights_study.php

Other Demographic Variables

Some 81 percent of luxury consumers surveyed in 2007 were married, which was consistent with 80 percent of luxury consumers surveyed in 2006 and 2005 as well. Fewer than 10 percent of the 2007 and 2006 sample was single and some 8 percent were living as a couple. On average 3.1 people made up the luxury consumers' household in 2007, 2006 and 2005.

In all survey years, over 80 percent (83 percent) owned their home, while 9 percent rented and 8 percent owned an apartment or condominium. Young affluent consumers, 24-to-34, have a higher incidence of renting their residence and owning an apartment or condominium, while home ownership incidence rises with age.

Luxury consumers are highly educated, so we find that over two-thirds (71 percent) have completed a four-year college degree or higher educational attainment, including 29 percent who have a masters degree or higher education in 2007.

In 2007 some 90 percent of those surveyed were White/Caucasian, which was roughly the same as the 87 percent of the sample in 2006 and 2005 (88 percent). In 2007, some 7 percent were Asian or Pacific Islanders, about 6 percent were Spanish/Hispanic/Latino, about 4 percent were Black/African-American and 1 percent were American Indian, Eskimo or Aleut. Three percent described themselves as 'other.' The ethnic breakdown is virtually the same in the 2006 and 2006 sample.

Survey Questionnaires

Because each quarter of the luxury tracking survey differs slightly, copies of each quarterly survey can be reviewed online at

http://www.unitymarketingonline.com/cms_luxury/luxury/luxury3.php