

LUXURY TRACKING SURVEY METHODOLOGY

QUARTERLY TRACKING OF LUXURY CONSUMER PURCHASING

This report summarizes the results of the Luxury Tracking Survey recording luxury purchases from January through March 2010, based upon a survey fielded in the first week of April 2010. These results are compared with those from the fourth quarter 2009, as well as from the first quarter 2009. The next survey will cover April through June 2010 luxury purchases and will be fielded in early July 2010.

Unity Marketing's luxury tracking study is intended to keep luxury brand marketers' and retailers' fingers on the changing pulse of the luxury market. Through regular surveys conducted every three months, companies will better understand the shopping and buying habits of their affluent customers and anticipate how they will be spending their luxury budgets in the coming months.

New Income Sampling Implemented in 1Q2010

Beginning 1Q2010 the survey sample will including 1,200+ affluents – One-third of whom are ultra-affluents

Beginning in the first quarter 2010 the survey sample of luxury consumers has be adjusted to reflect a higher income group of people. Throughout 2009 we observed that the ultra-affluent consumers (incomes \$250,000 and above) were playing a much more active role in the luxury market, as the lower-income affluents, often called aspirationals, dropped out of the luxury market. As a result, we have adjusted our sampling methodology to include a higher proportion of ultra-affluents. Previously the ultra-affluent segment represented between 10-20 percent of the sample, or a total of 16 percent in 2009. Throughout 2010 the ultra-affluents will account for a full 33 percent of the sample. In addition to increasing the level of sampling of ultra-affluents the Luxury Tracking Study has also increased its guaranteed survey sample from 1,000 to 1,200 respondents. These shifts will help marketers better track the

changing trends in luxury product and service choices, brand preferences, spending trends and shopping choices in the future which in turn will help luxury marketers be more proactive in their marketing and branding strategies.

To provide meaningful comparisons of 1Q2010 data to previous quarters, the historic 2009 survey results have been weighted to reflect the 1Q2010 income distribution

Due to the changing of the income sample this quarter, data from the previous quarters needed to be adjusted to align with the higher levels of participation of ultra-affluents in the survey. In order to provide "apple-to-apple" comparisons between reporting quarters, we weighted the four 2009 samples to precisely match the income distribution in the 1Q2010. Weighting is a statistical tool that simply puts more emphasis (i.e. weight) on one segment in the survey (ultra-affluents) and less emphasis in calculations from the lower-income aspirational consumers. Here is the income distribution that was used to weight the four 2009 survey samples by income:

<i>Income</i>	<i>1Q2010</i>
\$100,000 to \$149,999 (Aspirational)	32%
\$150,000 to \$199,999 (Aspirational)	23%
\$200,000 to \$249,999 (Aspirational)	12%
\$250K+ (Net) (Ultra-Affluents)	33%
\$250,000 to \$499,999	18%
\$500,000 to \$999,999	6%
\$1,000,000 or more	9%
Average	331.5k

Figure 153: Survey Sample Income Distribution

The real reported income distribution for 2009 survey samples are as follows:

<i>Income</i>	<i>1Q2010</i>	<i>2009 Weighted</i>	<i>2009 Actual</i>	<i>4Q09</i>	<i>3Q09</i>	<i>2Q09</i>	<i>1Q09</i>
\$100,000 to \$149,999 (Aspirational)	32%	32%	49%	46%	40%	56%	54%
\$150,000 to \$199,999 (Aspirational)	23%	23%	26%	26%	28%	24%	25%
\$200,000 to \$249,999 (Aspirational)	12%	12%	11%	12%	14%	9%	9%
\$250K+ (Net) (Ultra-Affluents)	33%	33%	15%	16%	19%	11%	12%
\$250,000 to \$499,999	18%	18%	9%	9%	12%	6%	8%
\$500,000 to \$999,999	6%	6%	3%	4%	3%	2%	2%
\$1,000,000 or more	9%	9%	3%	4%	4%	3%	2%
Average	331.5k	331.5k	220.2k	239.3k	\$228.8k	\$207.8k	\$204.9k

Figure 154: Actual and weighted Income Sample 2009-1Q2010

Going forward in the 2010 sales year, no additional adjustments will be done to the survey sample. The survey sample will be reported exactly as it is delivered in the survey based upon the overall criteria that 33 percent or more of the final sample is made up of ultra-affluents (income \$250,000 and above).

Survey tracks trends in the luxury consumer market in 22 product and service categories

This survey 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 this tracking service, luxury marketers will remain up to date and in direct “contact” with their affluent customers.

Luxury product categories included in the quarterly survey:

- **Home Luxuries:** Art & Antiques; Home Electronics; 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; Personal Electronics; 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.

THE LUXURY FASHION MARKET WAS INVESTIGATED IN MORE DEPTH

As each wave of tracking studies is fielded, special topics of interest to luxury marketers are researched in more depth and published in a separate trend report. In the first quarter 2010 Unity Marketing's Luxury Tracking Study investigated the luxury fashion market.

The special investigation questions designed to help luxury marketers and brands understand their affluent customers better, included:

- Total spending in past year on women's and men's clothing and women's and men's fashion accessories
- Frequency of purchase of clothing and fashion accessories
- Shopping destinations for fashion shoppers, including their 'go-to' sources, stores appropriate sometimes for fashion purchases and destinations they rarely or ever think of for fashion purchases
- Choices of luxury or accessible brands in key men's and women's fashion purchases
- Brand ranking and attributes of the 11 top fashion brands from 2009 luxury tracking, specifically Anne Klein, Ann Taylor, Armani, Brooks Brothers, Calvin Klein, Coach, Gucci, Liz Claiborne, Michael Kors, Ralph Lauren, Talbots.

Sample Demographics

A total of 1,245 affluent consumers with incomes of \$100,000 or more and who bought luxury goods or services in the first quarter were surveyed. This compares with 1,614 affluent consumers surveyed in the fourth quarter 2009; 1,067 affluent luxury consumers

surveyed in the third quarter; 1, 017 affluent luxury consumers surveyed in the second quarter and with 1,041 affluent consumers surveyed in the first quarter. This compares with 1,161 in the fourth quarter; 1,161 affluent consumers in the third quarter; 1,026 in the second quarter; 1,256 in the first quarter 2008.

Net Worth

<i>How much are your personal investible assets, including investments, cash value insurance policies, retirement accounts, etc.?</i>	<i>1Q2010</i>	<i>Aspirationals</i>	<i>Ultra-Affluents</i>
\$100,000 or less	9%	12%	3%
\$100,000 to less than \$250,000	11%	14%	4%
\$250,000 to less than \$500,000	14%	18%	7%
\$500,000 to less than \$1 million	15%	17%	10%
\$1 million to less than \$2.5 million	12%	13%	11%
\$2.5 million to less than \$5 million	5%	5%	7%
\$5 million to less than \$10 million	4%	1%	9%
\$10 million to less than \$25 million	3%	1%	5%
\$25 million to less than \$50 million	3%	1%	7%
\$50 million to less than \$100 million	2%	0%	5%
\$100 million or more	6%	0%	17%
Refused/Don't Know	16%	17%	13%
Average (in 000's)	13,566	2,471	35,193

Figure 155: Net Worth

In a new question added to luxury tracking, luxury consumers were asked to report their net worth defined as personal investible assets. The average net worth of those survey was \$13.6 million, or \$2.5 million among aspirational affluents and \$35.2 million among ultra-affluents. The median net worth reported (median is the value in the middle if you ranked all entries from lowest to highest; this is a value far less influenced by extreme highs and lows) was \$883,000 in total (aspirationals \$468,000 and ultra-affluents \$5,542,000).

Gender

In keeping with the female-skew found consistently in Unity’s luxury consumer surveys, the first quarter 2010 sample was 58 percent female and 42 percent male which compares with the fourth quarter 2009 sample which was 59 percent female and 41 percent male; the third quarter sample which was 66 percent women and 35 percent male. This compared with the second quarter sample which was 60 percent female and 40 percent male. This compares with the first quarter sample at 61 percent female and 39 percent male. This compares with the gender distribution in the fourth quarter sample of 61 percent female and 39 percent male; the third quarter sample of 66 percent female and 34 percent male; second quarter sample was 64 percent female and 36 percent male; and the first quarter 2008 sample, which was 66 percent female and 34 percent male.

Age Distribution

The luxury consumers in the fourth quarter averaged 45.6 years, which compares with the fourth quarter 2009 average of 45.9 years and the third quarter sample of 46.4 years. Those consumers surveyed in the second half of 2009 were approximately two years older than the average age for the second quarter 2009 which was 44.3 years.

Age	1Q10	2009	4Q09	3Q09	2Q09	1Q08	2008
24-34 years	25%	22%	22%	21%	24%	19%	22%
35-44	26%	28%	29%	27%	27%	29%	27%
45-54	27%	29%	26%	29%	29%	30%	28%
55-70	22%	22%	23%	23%	20%	23%	23%
Average Age	45.6 yrs.	45.3 yrs.	45.9 yrs.	46.4 yrs.	44.3 yrs	45.8 yrs	45.3 yrs

Figure 156: Age Distribution

Young and Mature Affluents

Young affluents make up half of the survey sample in 1Q2010

Perhaps due to the changes in income sampling, the proportion of young to more mature affluents in the 1Q2010 survey was higher than throughout 2009. In the first quarter virtually half of the sample was comprised of young affluents (44 years and under) and the other half of more mature affluents (45 years and older). This shift toward a younger luxury consumer also may reflect that older affluent consumers are simply dropping out of the luxury market all together. Throughout 2009 the survey sample was made up of a higher percentage of older affluents.

<i>Generation</i>	<i>1Q10</i>	<i>2009</i>	<i>4Q09</i>	<i>3Q09</i>	<i>2Q09</i>	<i>1Q08</i>	<i>2008</i>
44 and Under	51%	38%	39%	36%	40%	36%	38%
45 and Older	49%	62%	61%	64%	60%	64%	62%

Figure 157: Generations

Occupation & Employment

The largest percentage are employed in professional or managerial/executive occupations

<i>What is your occupation?</i>	<i>1Q2010</i>	<i>4Q09</i>
Professional (medicine, law, etc.)	22%	20%
Managerial, executive	22%	20%
Engineering, technical	8%	8%
Entrepreneurial, Self-Employed	8%	5%
Teaching, educational	7%	9%
Administrative, clerical	5%	7%
Marketing, sales	4%	4%
Skilled craft or trade	1%	1%
Not currently employed	16%	18%
Other	7%	8%

Figure 158: Occupation

The largest percentage of luxury consumers are employed in either professional or managerial/executive occupations. Some 16 percent of those surveyed in 1Q2010 are not currently employed, with the largest share of those being women (23 percent of whom are not employed as compares with only 7 percent of men).

Largest share are employed – More business owners are included in the 1Q2010 sample

<i>Which of the following best describes your current involvement in business? Are you ...</i>	1Q2010	4Q09	3Q09
An employee with no ownership in the company you work	41%	46%	43%
The sole owner of your business	16%	11%	10%
A co-owner of a business	8%	6%	6%
Self employed	5%	6%	7%
A partner in a business	5%	4%	5%
None of the above	24%	27%	30%

Figure 159: Employment

In the first quarter 2010 the largest share of luxury consumers are employees with no ownership in the company where they work. However, due to the shift toward a higher income sample, more owners and co-owners of businesses were included in the sample this quarter as compared with last.

Other Demographic Variables

Over 80 percent of the luxury consumers are married

In the current quarter some 81 percent of the sample were married and 7 percent were living as a couple, with 9 percent single and the remaining 4 percent divorced, separated or widowed. This compares closely with previous quarters, for example 82 percent of the sample were married in fourth quarter 2009, which compares with 84 percent in 3Q2009 and a rate consistent with previous quarters with 2Q2008 where 85 percent of affluents married; 1Q2009 when some 83 percent of the 1Q2009 sample was married, which

compares with 84 percent of luxury consumers in 4Q2008 and 81 percent of luxury consumers in 3Q2008; 83 percent in 2Q2008, and 83 percent in 1Q2008. Note: Affluence, i.e. higher levels of household income, are statistically associated with married households. Only 9 percent of the 1Q2010 sample and 7 percent of the 4Q2009 sample was single and 7 percent both quarters living as a couple. On average 3.2 people live in the luxury consumer household in the current quarter, about the same as found in previous tracking studies.

Most own their own home

Home ownership is another characteristic that describes the affluent luxury consumers. In the first quarter 81 percent owned their own homes, 7 percent rented and 11 percent owned an apartment or condominium. This compared with 82 percent in 4Q2009 who owned their own home, 6 percent rented and 10 percent owned an apartment or condominium. This was roughly the same as found in the previous quarters since 2007. Young affluent consumers, those 44 and under, have a higher incidence of renting their residence or owning a condo, while home ownership incidence rises with age (89 percent among 45 and older consumers in 1Q2010).

Affluents surveyed are mostly white

Some 89 percent of the 1Q2010 sample was White/Caucasian, virtually the same as previous samples. In terms of diversity, some 6 percent were Asian or Pacific Islanders; about 9 percent were Spanish/Hispanic/Latino; about 3 percent were Black/African-American and 2 percent were American Indian, Eskimo or Aleut. Two percent described themselves as 'other.'