

# APPENDIX A: LUXURY TRACKING SURVEY METHODOLOGY

## QUARTERLY TRACKING OF LUXURY CONSUMER PURCHASING

This report summarizes the results of the Luxury Tracking Survey recording luxury purchases from October through December 2009, based upon a survey fielded in early January 2010. These results are compared with those from the third quarter 2009, as well as from the fourth quarter 2008. The next survey will cover January through March 2010 luxury purchases and will be fielded in early April 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.

*In the second half of 2009, the demographic makeup of the luxury market shifted toward higher income affluents, as lower-income affluents – what some call the trading up or aspirational consumers – dropped out of the market*

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. These segments correspond to the top 20 percent of U.S. households based upon income. Historically the Unity Marketing income segments have reflected the actual distribution of households in the top 20 percent, i.e. households within incomes between \$100,000-\$149,999 represented about 50 percent of the survey sample; households with incomes \$150,000-\$249,999 represented about 40 percent and households with incomes over \$250,000 have represented about 10 percent. The survey sample naturally fell out at the appropriate income levels.

However, in the middle of 2009 the survey sample shifted markedly upwards as a result of significantly reduced participation of affluents in the lowest income segment in the survey. This reduction in the comfortable affluent segment fell out naturally, rather than

being the result of artificially programmed quotas, which we interpret as a decline in actual participation of lower-income affluents in the luxury market. It is worth noting that Unity Marketing has two criteria for participation in its luxury tracking survey: First, the participants must be an adult member (not a child) of an affluent household with income of \$100,000 or more and second, they must have purchased one or more luxury goods and/or services in the study period. Thus both demographic and behavioral criteria are used to qualify survey participants. In other words, fewer lower-income affluents reported purchasing any high-end or luxury goods or services in the quarter which accounts for their lower participation in the luxury tracking survey. It would appear that many affluent consumers with incomes in the \$100,000-\$150,000 ranges simply dropped out of the luxury market in the third and fourth quarter 2009. The key question for marketers is whether these consumers can be coaxed back into the luxury market after the recession resides.

This quarter's survey sample was distributed as follows:

- Comfortable affluent, with household incomes between \$100,000 and \$149,999 (46 percent of the sample in 4Q2009 and 40 percent of the sample in 3Q2009, as compared with 56 percent of the sample 2Q2009);
- Super- affluent, household incomes between \$150,000 and \$249,999 (38 percent of the sample in 4Q2009 and 42 percent of sample in 3Q2009, as compared with 33 percent 2Q2009);
- Ultra-affluent, with incomes \$250,000 and above (17 percent of sample in 4Q2009 and 18 percent of sample in 3Q2009, as compared with 11 percent 2Q2009).

Overall the average income of the 4Q2009 sample was \$239.3k and 3Q2009 sample was \$228.8k, both of which skew considerably higher than in previous quarters; 2Q2009 sample was \$207.8k; 1Q2009 sample was \$204.9; the 4Q2008 sample was \$199.2k; 3Q2008 sample was \$210.7k; the 2Q2008 sample was \$204.8k; 1Q2008 was \$173.3k; 4Q2007 sample was \$167.4, which compares with \$168.4k in 3Q2007; which compares with the 2Q2007 sample average or \$172.3k and \$157.2 for the 1Q2007 sample.

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.

## **INTERNET SHOPPING AND SOCIAL MEDIA 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. In the fourth quarter 2009 Unity Marketing's Luxury Tracking Study investigated luxury consumers' use of Internet and social media in support of their luxury lifestyles. The report of this special investigation is prepared in a separate trend report. The result of this survey are compared with findings from a similar study conducted in third quarter 2005 so that trends in luxury consumers use of the Internet can be measured and tracked. The special investigation questions designed to help luxury marketers and brands better use their websites to attract and retain the affluent shoppers, included:

- How affluents use the internet in the past three months, such as shopping, researching purchases, getting gift ideas, connecting with friend, travel plans, watching video content, local news etc.
- How many hours on a weekly basis they typically use the internet for personal interests and activities, as well as for shopping-related activities.
- About internet shopping, how they find a website for shopping, such as internet search, experience with website from a store that they know, experience with online-only etail site, promotional link, etc.
- Spending in the past three months on purchases made through internet shopping.
- Features of importance that attract affluents to internet shopping, such as convenience, price comparisons, product research, finding brands can't easily find in a store, etc.
- Whether seen product in the store, then ordered it online, or found product online then gone to the store to see it.
- Websites devoted to luxury brands and the features of most importance to attract the affluent shopper, such as product descriptions, pictures, return policy, customer ratings, etc.
- How online shopping compares to in-store, whether the affluents surveyed like online better than in-store or vice versa. The results will surprise you!
- On social media, the following details about affluents use of social media were gathered:
- Whether they have profiles on any social media sites, such as Facebook, LinkedIn, and Twitter, and on which of their social media sites are they most active.
- How frequently they log onto their most active social networking site.

- How many people they are connected with.
- Why they use social media, such as to share photos, to reconnect with old friends and classmates, to get news, professional networking, to learn about brands/companies/products, etc.
- Specific ways they have used social media, for example whether they have become or currently are a fan or follower of a brand, used social networks to learn about products or brands, etc.
- For those affluents who are connected or have been connected with a brand, what influenced them most to connect to the brand, such as insider news, interact with community of people who like the brand, get coupons, etc.
- Specific uses of Facebook and Twitter and for those not connected with a brand, their likelihood to do so in the next year.
- Use of advertising on social media sites, such as clicking through.
- Whether ever bought a product because of social media interaction, such as customer review, receipt of an email, blog post, etc.
- On social shopping sites, whether visited any of the 19 social shopping websites included in the survey, including Gilt.com, Hautelook, Rue LaLa, etc.

## **Sample Demographics**

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

## Income Demographics

The average income of the survey sample included in 4Q2009 was \$239,300; which compares with 3Q2009 average of \$228,800, significantly higher than the average income of \$207,800 in the 2Q2009. This compares with the average in 1Q2009 at \$204,900; this compares to \$197,000 in fourth quarter 2008. The higher average income in the third quarter sample reflects lower levels of participation of comfortable affluents in the luxury tracking service.

<i>Income</i>	<i>4Q09</i>	<i>3Q09</i>	<i>2Q09</i>	<i>1Q08</i>	<i>2008</i>	<i>4Q08</i>	<i>3Q08</i>	<i>2Q08</i>	<i>1Q08</i>
\$100,000-\$149,999 (Comfortable Affluent)	46%	40%	56%	54%	50%	57%	46%	51%	47%
\$150,000-\$249,999 (Super-Affluent)	39%	42%	33%	25%	38%	33%	40%	37%	40%
\$250,000+ (Ultra-Affluent)	17%	18%	11%	19%	12%	10%	13%	12%	13%
<b>Average</b>	<b>239.3k</b>	<b>\$228.8k</b>	<b>\$207.8k</b>	<b>\$204.9k</b>	<b>\$197.0k</b>	<b>\$199.2k</b>	<b>\$210.7k</b>	<b>\$204.8k</b>	<b>\$173.3k</b>

*Figure 149: Income Demographics*

## Gender

In keeping with the female-skew found consistently in Unity's luxury consumer surveys, the fourth quarter sample was 59 percent female and 41 percent males. This compares with 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 45.9 years, which compares with 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. Given the shift in the survey sample this quarter toward a more affluent demographic and the fact that affluence increases with age, we can conclude that younger affluents made up a large portion of the lower-income affluents that dropped out of the luxury market this quarter. In drawing that conclusion, note the lower share of the 3&4Q2009 sample aged 24-to-34 years and the greater share of those 55 and older.

Age	4Q09	3Q09	2Q09	1Q08	2008	4Q08	3Q08	2Q08	1Q08
24-34 years	22%	21%	24%	19%	22%	19%	27%	22%	18%
35-44	29%	27%	27%	29%	27%	27%	25%	27%	29%
45-54	26%	29%	29%	30%	28%	31%	24%	30%	28%
55-70	23%	23%	20%	23%	23%	22%	23%	21%	25%
<b>Average Age</b>	<b>45.9 yrs.</b>	<b>46.4 yrs.</b>	<b>44.3 yrs</b>	45.8 yrs	45.3 yrs	45.7 yrs	44.2 yrs	45 yrs	46.1 yrs

Figure 150: Age Distribution

## Generations

### *GenXers and Boomers account for the largest share of luxury consumers*

In the fourth quarter members of the Baby Boom generation accounted for a near majority of survey respondents (47 percent) while GenXers made up 36 percent of the sample. A smaller share of the sample for fourth quarter included young affluents (defined as those 40 year or younger) than were classified as more mature affluents (over 40 years).

<i>Generation</i>	<i>4Q09</i>	<i>3Q09</i>	<i>2Q09</i>	<i>1Q08</i>	<i>2008</i>	<i>4Q08</i>	<i>3Q08</i>	<i>2Q08</i>	<i>1Q08</i>
Millennial Generation (24-30 yrs)	10%	8%	11%	8%	8%	9%	9%	8%	7%
GenXer (31-42)	36%	34%	35%	34%	35%	33%	37%	35%	35%
Boomer (43-61)	47%	51%	48%	50%	50%	53%	46%	48%	51%
WWII/Swing (61+)	7%	7%	6%	7%	7%	6%	7%	8%	7%
40 and Under	39%	36%	40%	36%	38%	35%	42%	38%	37%
Over 40	61%	64%	60%	64%	62%	65%	58%	62%	63%

*Figure 151: Generations*

## Credit Card Ownership

*Visa and MasterCard are the most widely carried credit cards among affluents –*

*A statistically significant greater share of the ultra-affluents carry the American Express card and Diners Club*

<i>Which of the following personal credit cards, if any, do you own (by own we mean a card that is in your name and the bill comes to you)?</i>	<i>Total</i>	<i>Ultra-Affluents</i>
Visa	79%	75%
MasterCard	65%	64%
American Express	49%	<u>66%</u>
Discover	29%	33%
Diners Club International	5%	<u>20%</u>
Other	3%	2%
None of the above	4%	4%

*Figure 152: Credit Card Ownership, including Ultra-affluents*

New to luxury tracking is a question about affluents credit cards. Visa and MasterCard are the most widely carried credit cards among affluents, however, a statistically significant greater share of the ultra-affluents carry the American Express card and Diners Club.

## Other Demographic Variables

### *Over 80 percent of the luxury consumers are married*

In the current quarter some 82 percent of the sample were married, 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 7 percent of the 4Q2009 sample was single and 7 percent 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. Over 80 percent (82 percent) owned their own home, while 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 40 and under, have a higher incidence of renting their residence or owning a condo, while home ownership incidence rises with age (88 percent among over 40 year olds in 4Q2009).

### *Affluents surveyed are mostly white*

Some 89 percent of the 4Q2009 sample was White/Caucasian, virtually the same as previous samples. In terms of diversity, some 7 percent were Asian or Pacific Islanders; about 9 percent were Spanish/Hispanic/Latino; about 4 percent were Black/African-American and 2 percent were American Indian, Eskimo or Aleut. Three percent described themselves as 'other.'

*Over 40 percent are employed – over one-fourth are business owners*

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

*Figure 153: Employment*

In a new question added to luxury tracking, respondents were asked about their employment, including whether they are employed by a company with no ownership in the business or whether they were in part or in whole owners of a business. A significant share of affluent luxury consumers (27 percent) own some or all of a business, while 46 percent are employees with no ownership.

The primary occupations of affluent luxury consumers are:

- Professional (medicine, law) – 20 percent
- Managerial, executive – 20 percent
- Teaching, education – 9 percent
- Administration, clerical – 7 percent
- Entrepreneurial, self-employed – 5 percent
- Engineering, technical – 8 percent
- Marketing, sales – 4 percent

- Not currently employed – 18 percent
- Other – 8 percent