

Luxury Tracking Survey Methodology

Quarterly Tracking of Luxury Consumer Purchasing

This report summarizes the first Luxury Tracking Survey, field during March 2004 and tracking luxury purchases and expenditures for the first two months of 2004. Thereafter, the Luxury Tracking Survey will be fielded on a quarterly basis with the next survey to be fielded June 2004 covering March-May 2004 purchases.

The overall objective of the survey is to help luxury brand marketers and retailers better understand the shopping and buying habits of their customers and anticipate how they will be spending their luxury budgets in the coming months.

To enable luxury marketers to understand variations within the affluent market, perspectives of three different segments of the luxury market will be gathered, based on household income: \$75,000-\$99,999 (near affluent); \$100,000-\$150,000 (affluent); \$150,000+ (super-affluent). The affluent sample to be surveyed will range around 500 consumers, though initial luxury survey sample was nearly twice as large as anticipated due to unexpectedly high survey response rates.

This survey will give luxury marketers early warning of changes and shifts in their marketplace. It will help them monitor brand awareness and purchase so that they can measure the success of new marketing communications programs. It will provide a view ‘over the horizon’ of what trends are coming and how they will affect the luxury consumer. Through this service, luxury marketers will keep their finger on the pulse of their affluent customers.

Luxury product categories included in the quarterly survey:

- **Home Luxuries:** Art & Antiques; Electronics & Photography; Fabrics, Wall & Window Coverings; Furniture, Lamps & Floor Coverings; Garden & Garden Products; Kitchenware, Cookware & Housewares; Kitchen Appliances, Bath & Building Products; Linens & Bedding; Tabletop.
- **Personal Luxuries:** Automobiles; Clothing & Apparel; Cosmetics, Beauty & Fragrance Products; Fashion Accessories; Jewelry; Watches.
- **Experiential Luxuries:** Luxury Dining; Entertainment; Travel; Spa, Massage & Beauty Services.

Role of Branding Researched in More Depth

As each wave of tracking studies are fielded, it is planned that special topics of interest to luxury marketers will be researched in more depth. During the first tracking study, the role of brands and branding were the subject of more intense investigation. Going forward additional topics will be pursued with self-actualization and its role as a motivator for luxury purchases the topic for the next luxury tracking study to be fielded in June 2004.

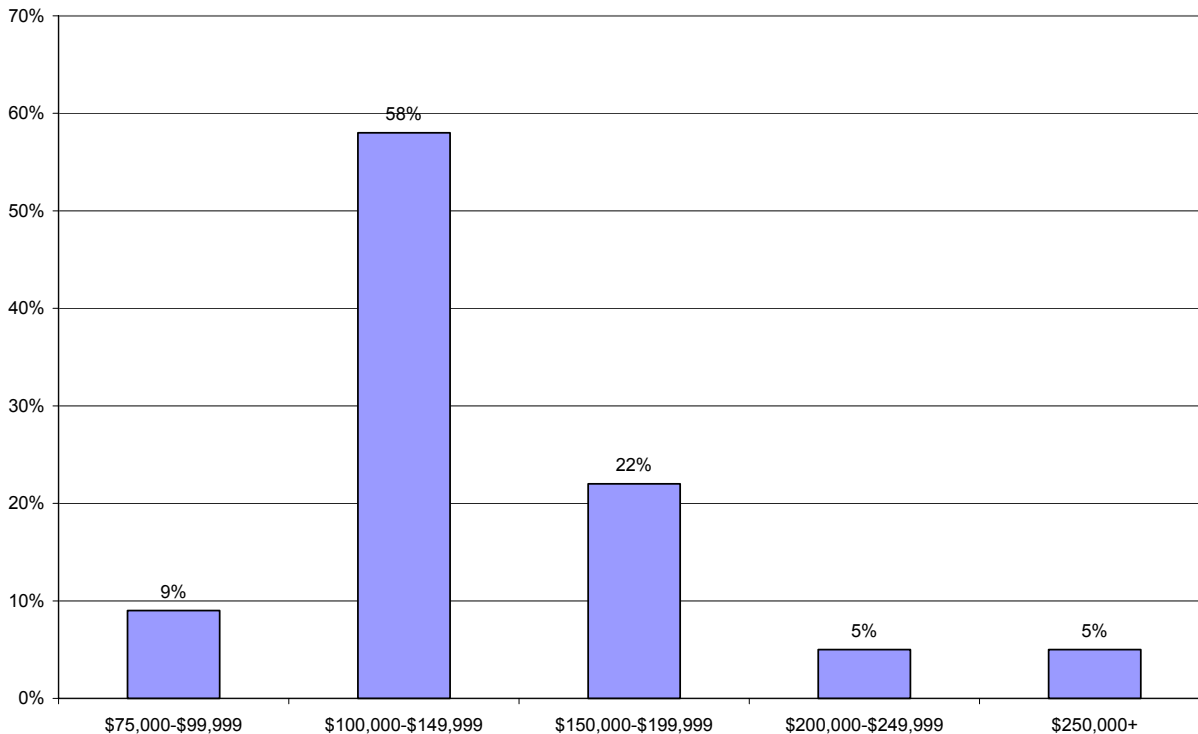
Sample Demographics

A total of 976 affluent consumers with household incomes of \$75,000 or more and who purchased at least one luxury in the first two months of 2004 were included in the survey.

Income Demographics

The average income of the survey sample included in the first luxury tracking survey was \$125,000. Some 58 percent of the survey sample had a household income in the range of \$100,000 to \$149,999, which is defined as the 'affluent' segment. Only 9 percent had income in the range of \$75,000 to \$99,999, the near-affluent segment. Nearly one-third of the sample (32 percent) had income of \$150,000 and above, the super-affluent segment.

Income Demographics



▪ Figure A-1: Income Demographics

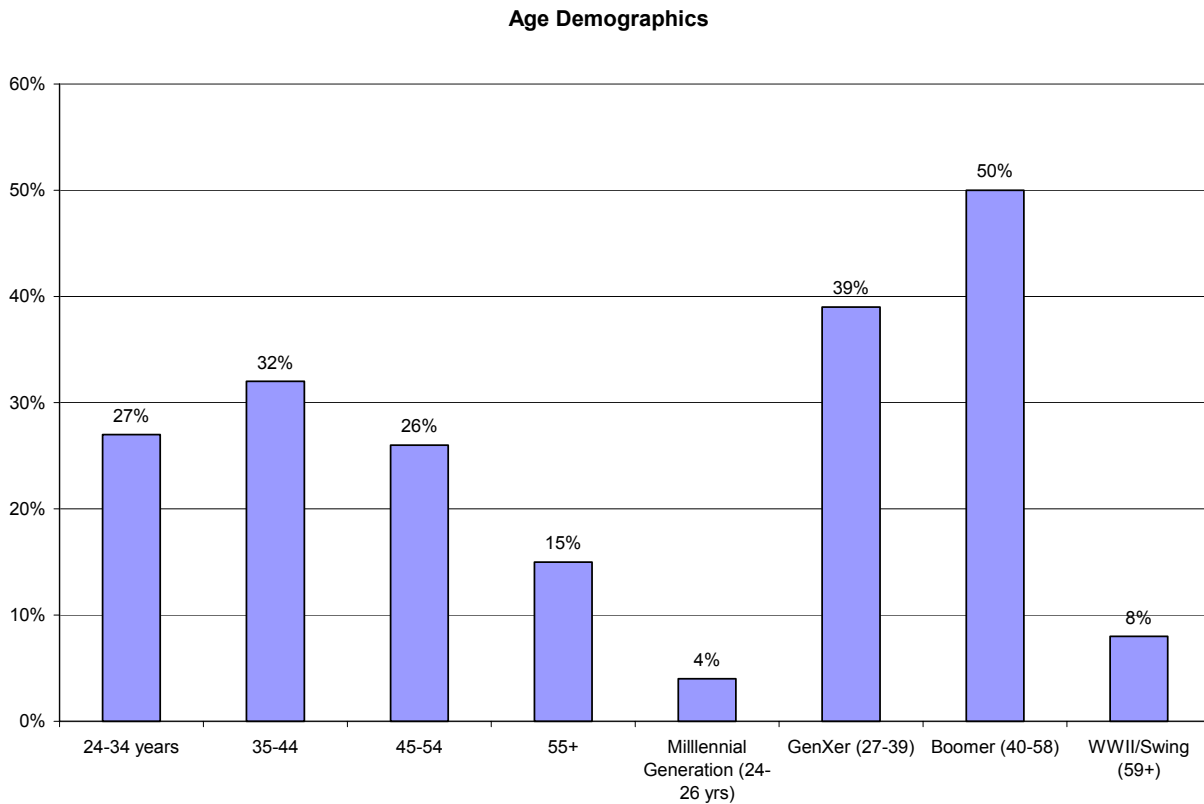
Gender

The first luxury tracking study skewed toward a more female sample. Some 62 percent of the sample was female, and 38 percent was male.

Age Distribution

In terms of age ranges, the sample surveyed in the first luxury tracking study is fairly evenly divided. Some 27 percent are in the range of 24-to-34 years; 32 percent are 35-to-44 years; 26 percent are 45-to-54 years; and 15 percent are 55 years and above. From a generational perspective, however, the sample is significantly more skewed toward baby boomers, now in the age range of 40 to 58 years old, that represent half of the total sample and generation Xers, ages 27 to 39 years old, which are 39

percent of the total sample.



▪ *Figure A-2: Age & Generational Demographics*

Other Demographic Variables

The survey sample skews strongly toward married households, with 75 percent of the total made up of married people. Singles comprise 12 percent of the sample and couples living together represent 9 percent of the total. Separated (1 percent), divorced (3 percent) and widowed (less than 1 percent) make up the rest of the sample.

The affluent consumers sampled are highly educated. About one third (32 percent) have completed a four-year college degree and 22 percent have masters degree. Some 19 percent have some college experience and 8 percent of the sample have either a doctorate degree or are a medical doctor. In total 70 percent have completed a four-year college degree or more educational attainment.

Ninety-percent of this affluent sample is white Caucasian. Some 6 percent are Asian or Pacific islanders and 3 percent each are black/African-American or Spanish/Hispanic/Latino.