Appendix

A

Luxury Tracking Survey Methodology

Quarterly Tracking of Luxury Consumer Purchasing

This report summarizes the third wave of the Luxury Tracking Survey, field during October 2004, recording luxury purchases from July-September 2004. The results of this survey are compared with the second quarter (March-June 2004 fielded in July) and the first wave of Luxury Tracking Study, fielded March 2004 and covering the January-February period. The next luxury tracking survey will be fielded right after the new year in January 2005, covering luxury purchases from October, November and December. 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 are gathered, based on household income: $75,000-$99,999 (near-affluents or 27 percent of 3Q sample); $100,000-$150,000 (affluents or 45 percent of 3Q sample); $150,000+ (super-affluents or 27 percent of 3Q sample). A total of 717 luxury consumers were surveyed in the third quarter, down from 1,047 luxury consumers who were surveyed in the second quarter. The affluent sample to be surveyed will typically range around 500 consumers, though the luxury survey sample was larger than anticipated due to unexpectedly high survey response rates.

This survey gives 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 provides 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.

Discount Purchases Researched in More Depth

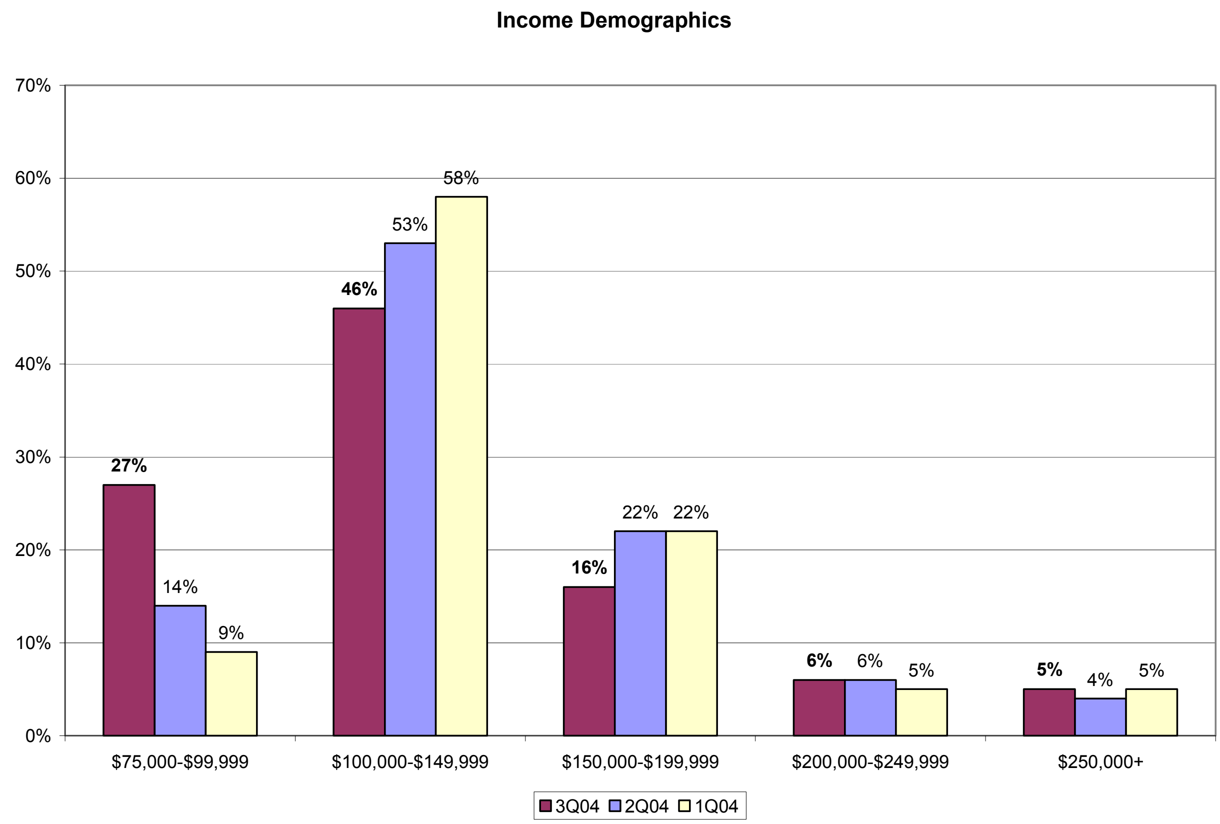
As each wave of tracking studies are fielded, it is planned that special topics of interest to luxury marketers will be researched in more depth. During the third wave luxury tracking study, the role of price and value and finding discounts and bargains when luxury consumers shop was explored more fully. Detail questions about purchases on sale or at a discount within each luxury category was included, as was a battery of attitude questions seeking to find out more about the bargain-shopping, value-motivated luxury shopper. The topic for special study in the fourth wave luxury tracking will be the selection of luxury as gifts.

Sample Demographics

A total of 717affluent consumers with household incomes of $75,000 or more and who purchased at least one luxury in the third quarter of 2004 (July-September) were included in the survey. This compares to the 1047 affluent consumers who were surveyed in the second quarter and 976 affluent consumers who were surveyed in the first quarter.

Income Demographics

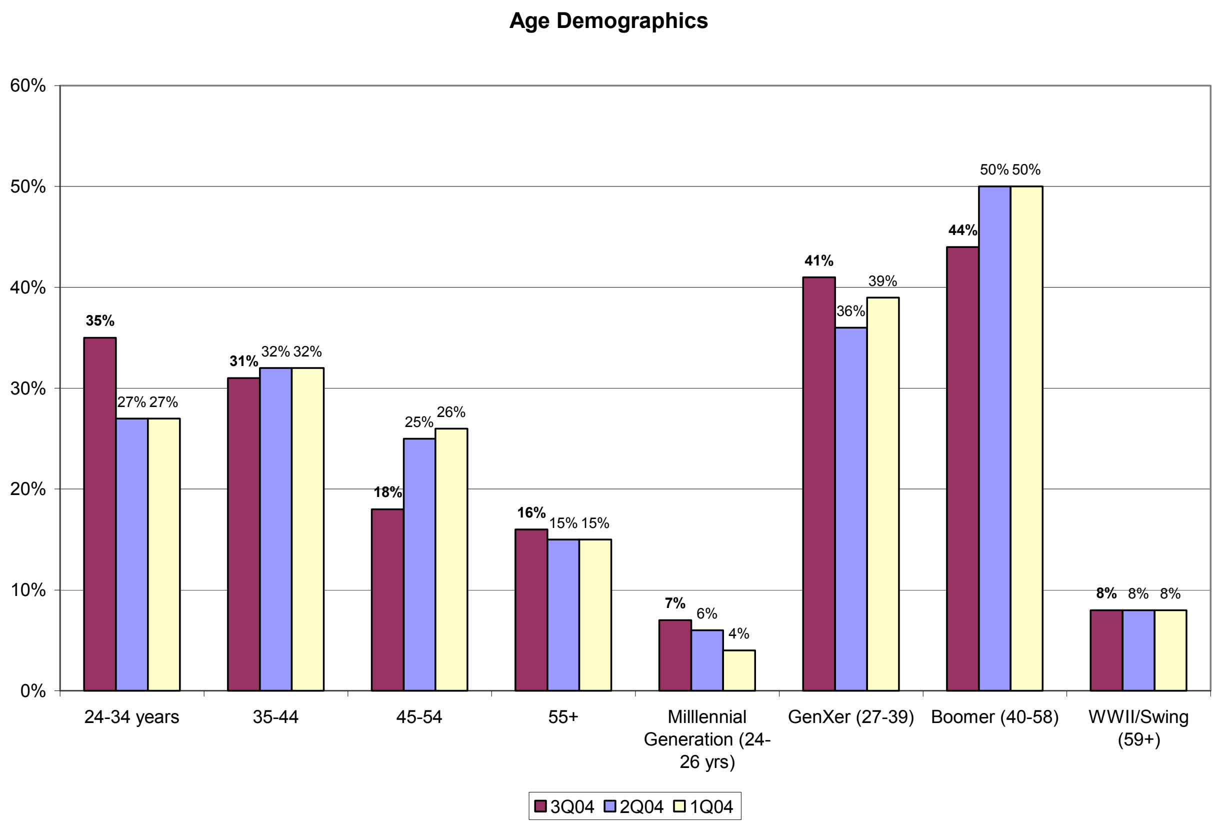
The median income of the survey sample included in the third wave of luxury tracking was $125,000, comparable to the $124,500 median in the second quarter and the $125,000 median in the first quarter. Some 45 percent of the survey sample had a household income in the range of $100,000 to $149,999, which is defined as the 'affluent' segment. Some 27 percent had income in the range of $75,000 to $99,999, the near-affluent segment and the same percentage, or 27 percent, had income of $150,000 and above, the super-affluent segment.



Gender

The second wave of the luxury tracking study skewed toward a more female sample. Some 60 percent of the sample surveyed was female (compared with 67 percent in the second quarter and 62 percent in the first quarter) and 40 percent were male (compared with 33 percent in the second quarter and 38 percent in the previous period).

Age Distribution



In terms of age ranges, the sample surveyed in the third quarter luxury tracking study skewed slightly younger than in previous surveys. More luxury consumers aged 24-34 years were included in the survey, or 36 percent, while the participation rate among 45-to-54 year olds declined somewhat (18 percent). Distributions among the other age groups were about equal to previous tracking. Average age of this sample was 40.4 years, as compared with 42.6 years in the second quarter.

From a generational perspective the sample is skewed toward baby boomers, now in the age range of 40 to 58 years old, who represent 44 percent of the total sample and generation Xers, ages 27 to 39 years old, who make up 41 percent of the total sample.

Other Demographic Variables

The survey sample skews strongly toward married households, with 74 percent of the total made up of married people. Singles comprise 14 percent of the sample and couples living together represent 8 percent of the total. Separated (less than 1 percent), divorced (4 percent) and widowed (less than 1 percent) make up the rest of the sample.

The affluent consumers sampled are highly educated. About one third (34 percent) have completed a four-year college degree and 20 percent have masters degrees. Some 20 percent have some college experience and 5 percent of the sample have either a doctorate degree or are a medical doctor. In total about 70 percent have completed a four-year college degree or more educational attainment.

Nearly 90 percent of this affluent sample is white Caucasian (87 percent). Some 9 percent are Asian or Pacific islanders and about 6 percent are Spanish/Hispanic/Latino. Some 3 percent are black/African-American and 2 percent is American Indian, Eskimo or Aleut.

