

# LUXURY TRACKING REPORT & ANALYSIS — TABLE OF CONTENTS

3Q2004 Luxury Consumer Tracking Service Fielded October 2004  
Special Report: The Frugal Luxury Shopper and the Implications for Pricing Luxuries

<b>Chapter 1: The Frugal Luxury Shopper and the Implications for Pricing Luxuries .....</b>	<b>2</b>
Introduction.....	2
Buying Luxury on Sale Predominates.....	3
• <i>Figure: Last Luxury Purchased on Sale/Discount</i> .....	3
Greatest Level of Discounting Is from 11-to-25 Percent Off List.....	4
• <i>Figure: Level of Discount on Last Luxury Purchase</i> .....	4
Discount Price Was Important in Influencing Last Luxury Purchase.....	5
• <i>Figure: Price's Influence on Last Luxury Purchase</i> .....	5
Luxury Consumers Love to Shop for Bargains.....	6
• <i>Figure: Financial Status: Which best describes your financial situation?</i> .....	7
Lower Income Luxury Consumers Search Out Bargains, While More Affluent Are Opportunistic to Buy When They See a Good Deal.....	8
• <i>Figure: Attitude Statements About Price and Discounting of Luxury Goods by Income Segment</i> .....	8
Luxury Consumers Want to Preserve Their Luxury Lifestyles .....	9
Getting a Bargain Is How Luxury Consumers Measure their Winnings in the Shopping Game .....	10
The Luxury Pricing Equation: How Much Does a Feeling Cost .....	13
Luxury Pricing Challenge: Triple the Value, but only Double the Price.....	14
How Reidel Crystal Delivers an Enhanced Luxury Experience and Maximizes the Price/Value Equation.....	16
The Price Communicates on Many Different Levels .....	17
• <i>Figure: Luxury Pricing Paradigm</i> .....	19
<b>Chapter 2: Luxury Tracking Study Topline Findings: Luxury Consumer Confidence Drops in 3Q04 .....</b>	<b>20</b>
Luxury Consumption Index Drops 6.7 Points to 96.0 .....	20
Luxury Spending Drops in 3Q2004 But Is Predicted to Bounce Back in 4Q2004.....	20
• <i>Figure: Luxury Consumption Index</i> .....	21
Luxury Consumers Are Back to First Quarter in Financial Feeling.....	22
• <i>Figure: Financial Well-Being</i> .....	22
Luxury Spending Drops in 3Q2004.....	23
• <i>Figure: Luxury Spending Trends</i> .....	23
About Half Expect to Spend Same on Luxuries in Coming Twelve Months .....	25
• <i>Figure: Expected Luxury Spending Next Twelve Months</i> .....	25
Everybody Buys Home Luxuries in Third Quarter, but Fewer Buy Experiential Luxuries.....	26

- *Figure: Luxury Purchase Incidence, 2003 & 1Q04-3Q04 & Next Quarter Expect to Buy* 26
- Total Spending on Luxuries Declined 35 Percent in Study Period..... 28
  - *Figure: Total Luxury Spending, 2003 & 1Q04-3Q04, % Chg Q2-Q3*..... 28
- Super-Affluents Spend Twice as Much on Luxury as Affluents and 2.4 Time More than Near-Affluents ..... 29
  - *Figure: Luxury Spending by Income Segments; Near-Affluents, Affluents and Super-Affluents* ..... 29
- Where Luxury Consumers Shop for Luxury Goods..... 30
  - *Figure: Where Luxury Consumers Shop for Luxury Goods, by product category*..... 30
- Brand Awareness in Luxury Department Stores..... 30
  - *Figure: Luxury Department Store Brand Awareness; Nordstroms, Neiman Marcus, Saks Fifth Ave, Marshall Fields* ..... 31
- Chapter 3: Home Luxury Purchases: Detail Finding on Home Luxury Purchases ..... 32**
- All Luxury Consumers Bought for the Home — Major Increase in Purchase Incidence . 32
  - *Figure: Home Luxuries Purchase Incidence & Expected Purchases, 1Q04-3Q04 & projected 4Q04*..... 32
- Did Decline in Consumer Confidence Result in More Home-Focused Luxury Consumers in 3Q2004? ..... 33
- More Modest Purchase of Home Luxuries Expected in 4Q2004 ..... 33
  - *Figure: Variation in 2Q Planned Home Purchase vs. Actual 3Q Purchases*..... 34
- Average Home Luxury Spending Was About Same — Net/Net: Home Luxury Market Grew 3Q2004..... 35
  - *Figure: Total Home Spending 1Q-3Q and Q2-Q3 Percentage Change*..... 35
- Super-Affluents Spent 61 Percent More than Average on Home Luxuries ..... 36
  - *Figure: 3Q2004 Home Luxury Spending by Income Segment* ..... 36
- Where People Buy Home Luxuries ..... 36
  - *Figure: Where Luxury Consumers Shop for Home Luxuries* ..... 36
- Majority of All Home Purchases in 3Q2004 Were Bought on Sale ..... 37
  - *Figure: Percentage of Home Purchases Made on Sale or at a Discount; Art and Antiques; Electronics; Furniture, Lamps and Floor Coverings; Garden; Home Decorating Fabrics, Wall and Window Coverings; Kitchen Appliances; Kitchenware, Cookware, Housewares; Linens and Bedding; Tabletop*..... 37
- Art & Antiques—Purchase Details..... 38**
- Where People Shop for Luxury Art & Antiques..... 39
  - *Figure: Art & Antiques Shopping Choices* ..... 39
- Art & Antiques Brand Awareness & Brand Usage ..... 39
  - *Figure: Art & Antiques Brand Awareness & Usage: EBay, Sotheby's, Christies* ..... 40

<b>Electronics &amp; Photography Equipment—Purchase Details.....</b>	<b>40</b>
Where People Shop for Electronics & Photography Equipment .....	41
• <i>Figure: Electronics &amp; Photography Equipment Shopping Choices .....</i>	<i>41</i>
Electronics Brand Awareness & Brand Usage.....	41
• <i>Figure: Electronics &amp; Photography Equipment Brand Awareness &amp; Usage: Best Buy; Circuit City; Sony; Bose; Gateway; Panasonic; Samsung .....</i>	<i>42</i>
<b>Home Decorating Fabrics, Window &amp; Wall Coverings —Purchase Details .....</b>	<b>42</b>
Where People Shop for Home Decorating Fabrics, Window and Wall Coverings .....	43
• <i>Figure: Home Fabrics, Windows &amp; Wall Covering Shopping Choices .....</i>	<i>43</i>
<b>Furniture, Lamps &amp; Floor Coverings—Purchase Details .....</b>	<b>43</b>
Where People Shop for Furniture, Lamps & Floor Coverings.....	44
• <i>Figure: Furniture, Lamps &amp; Floor Coverings Shopping Choices .....</i>	<i>44</i>
<b>Garden, Outdoor, Lawn &amp; Patio Products—Purchase Details .....</b>	<b>45</b>
Where People Shop for Garden, Outdoor, Lawn & Patio .....	45
• <i>Figure: Garden, Patio, Outdoor Shopping Choices .....</i>	<i>45</i>
<b>Kitchenware, Cookware &amp; Housewares—Purchase Details.....</b>	<b>46</b>
Where People Shop for Kitchenware, Cookware .....	47
• <i>Figure: Kitchenware, Cookware, Housewares Shopping Choices .....</i>	<i>47</i>
<b>Kitchen Appliances, Bath &amp; Building Products—Purchase Details .....</b>	<b>47</b>
Where People Shop for Kitchen Appliances, Bath & Building Products.....	48
• <i>Figure: Kitchen Appliance, Bath &amp; Building Products Shopping Choice.....</i>	<i>48</i>
<b>Linens &amp; Bedding Products—Purchase Details .....</b>	<b>49</b>
Where People Shop for Linens & Bedding Products .....	50
• <i>Figure: Linens &amp; Bedding Shopping Choices.....</i>	<i>50</i>
<b>Tabletop, Dinnerware, Flatware, Servingware—Purchase Details.....</b>	<b>50</b>
What Types of Tabletop Were Purchased.....	51
• <i>Figure: Type of Tabletop Products Purchased, 1Q04-3Q04: Any Glassware or Crystal; Any Dinnerware; Any Silverware .....</i>	<i>51</i>
Where People Shop for Tabletop Products .....	52
• <i>Figure: Tabletop Shopping Choices .....</i>	<i>52</i>
Why People Buy Luxury Tabletop, Dinnerware, Crystal, Flatware .....	53
• <i>Figure: Motivators to Buy Luxury Tabletop.....</i>	<i>53</i>
Tabletop Brand Awareness & Brand Usage .....	54

- *Figure Tabletop Brand Awareness & Brand Usage: Lenox, Waterford, Swarovski, Wedgwood, Baccarat, Lladro, Lalique, Haviland, Christofle, Reidel, Anna Weatherly, Moser, Herend, Bernardaud, Daum* ..... 54

**Chapter 4: Personal Luxury Purchases** ..... 55

Nearly 70 Percent of Luxury Consumers Made Personal Luxury Purchases..... 55

- *Figure: Personal Luxuries Purchase Incidence and Expected Purchases: 1Q04-3Q04 & Proj. 4Q04*..... 55

Personal Luxuries Spending Declined by One-Third in Third Quarter ..... 56

- *Figure: Personal Luxuries Spending* ..... 56

Super-Affluents Spent 50 Percent More on Average on Personal Luxuries ..... 56

- *Figure: 3Q04 Personal Luxuries Spending by Income Segments* ..... 56

Where People Buy Personal Luxuries ..... 57

- *Figure: Where Luxury Consumers Shop for Personal Luxuries* ..... 57

Majority of Personal Luxuries, with exception of Beauty Products, Were Bought on Sale ..... 58

- *Figure: Last Personal Luxuries Bought on Sale/Discount* ..... 58

**Automobiles & Recreational Vehicles—Purchase Details**..... 58

**Clothing & Apparel—Purchase Details** ..... 59

Where People Shop for Luxury Clothing & Apparel ..... 60

- *Figure: Clothing & Apparel Shopping Choices* ..... 60

**Fashion Accessories—Purchase Details** ..... 60

Where People Shop for Fashion Accessories..... 61

- *Figure: Fashion Accessories Shopping Choices* ..... 61

**Fragrance, Cosmetics, and/or Beauty Products—Purchase Details** ..... 62

Where People Shop for Luxury Fragrances, Beauty Products, Cosmetics..... 63

- *Figure: Fragrance, Cosmetics, Beauty Products Shopping Choices*..... 63

**Jewelry and Watches —Purchase Details**..... 63

Where People Shop for Jewelry and Watches ..... 64

- *Figure: Jewelry and Watches Shopping Choices* ..... 64

What Types of Jewelry Were Purchased..... 65

- *Figure: Type of Jewelry Bought* ..... 65

Material of Composition ..... 66

- *Figure: Material of Composition* ..... 66

Jewelry Brand Awareness & Brand Usage ..... 66

- *Figure: Jewelry Brand Awareness & Brand Usage: Tiffany, Cartier, Bulgari, Bailey, Banks and Biddle, Harry Winston, David Yurman, Scott Kay, Roberto Coin, Yvel, Robert Lee Morris, Fope* ..... 66
- Chapter 5: Experiential Luxury Purchases** ..... **68**
- Consumer Confidence Declined and so Did Purchases of Experiential Luxuries ..... 68
- *Figure: Experiential Luxuries Purchase Incidence & Expected Purchases: 1Q04-3Q04 and proj. 4Q04* ..... 69
- Luxury Consumers Spent 47 Percent Less on Average on Experiential Luxuries ..... 70
- *Figure: Experiential Luxuries Spending: 1Q04-3Q04 & Pct. Chg. 2Q-3Q* ..... 70
- Super-Affluents Spent More than Average on Experiential Luxuries ..... 70
- *Figure: 3Q04 Experiential Luxury Spending by Income Segments* ..... 70
- Only Travel Is Widely Discounted Experiential Luxury ..... 71
- *Figure: Experiential Luxuries Bought on Sale 3Q04*..... 71
- Luxury Dining—Purchase Details** ..... **71**
- Luxury Entertainment—Purchase Details** ..... **72**
- Luxury Spa, Beauty, Cosmetic Surgery—Purchase Details** ..... **73**
- Luxury Travel—Purchase Details** ..... **73**
- Foreign Travel Down While Domestic Travel Remains Vigorous ..... 74
- *Figure: Type of Luxury Travel* ..... 74
- Internet Is Favorite Way to Book Luxury Travel..... 75
- *Figure: How Booked Last Trip*..... 75
- Luxury Travel Brand Awareness & Brand Usage ..... 75
- *Figure: Luxury Travel Brand Awareness & Brand Usage: Disney World/Cruises, Ritz-Carlton, Four Seasons, Radisson Seven Seas, W Hotels, Crystal Cruises, Silverseas Cruises* ..... 76
- Appendix A: Luxury Tracking Survey Methodology** ..... **77**
- Quarterly Tracking of Luxury Consumer Purchasing ..... 77
- Discount Purchases Researched in More Depth ..... 78
- Sample Demographics..... 78
- Income Demographics..... 79
- *Figure: Income Demographics* ..... 79
- Gender Demographics Skews Female..... 79
- Age Distribution ..... 80
- *Figure: Age & Generational Variables* ..... 80
- Other Demographic Variables ..... 80