

Luxury Institute WealthSurvey™

The State of the Luxury Industry A Global Comparison of Consumers in Top Markets



Table of Contents

Topic	Slide #
▪ Research Notes and Methodology	3
▪ Summary of Key Findings	5
▪ Perceptions of the Luxury Industry	9
▪ Impacts of Discounting	34
▪ Impacts of the Economy on Perceptions	38
▪ Impacts of the Economy on Luxury Spending	43
▪ Anticipated Impacts of the Economy on Luxury Spending	49
▪ Appendix I: Respondent Profile	64
▪ Appendix II: Survey Questionnaire	66
▪ Attributions and Contact Information	70

Research Notes

- The Luxury Institute has conducted research on the state of the luxury industry between 2009 and 2011 among wealthy consumers with a minimum annual income of \$150,000 in the U.S.
- In 2011, this research was extended to the other top geographic markets where the Luxury Institute collects primary research in Europe and Asia. Specifically, the markets covered by this research include the United States, the United Kingdom, France, Germany, Italy, Japan and China.
- These results are intended to provide important insights that can guide decision-making and best practices implementation for companies and brands that cater to wealthy consumers.
- Please be advised that your use of a Luxury Institute or LuxuryBoard.com document constitutes your agreement to (i) use the content under a limited license only for your own internal purposes, and (ii) not disclose, publish or otherwise make public or provide the content, in whole or in part, to any third person or entity without the prior written consent of The Luxury Institute, LLC. The content is and remains at all times the exclusive intellectual property of The Luxury Institute, LLC. Copyright © 2011 The Luxury Institute, LLC.

Research Methodology

- In Q2 and Q3 2011, wealthy consumers in seven leading markets were surveyed in-depth online about the state of the luxury industry.
- Survey respondents were recruited and screened to only include those age 21 or older in the top 10% of households by household income. In the U.S., the minimum gross annual income to qualify is \$150,000. Outside of the U.S., minimum income criteria were set to screen for consumers in the top 10% of households in each local currency.
- The U.S. survey data have been weighted with respect to gender, age and income to match the profile of high income households according to the 2007 Federal Reserve Board Survey of Consumer Finances (SCF).
- No weighting was done to the data from the other six countries due to lack of reliable benchmark information about high income consumers.
- Readers should bear in mind the cultural, demographic and economic differences between countries which may influence how questions are answered by respondents in one country versus another. The Chinese market in particular is quite different than Western countries and Japan. (See Appendix I)

U.S. Sample Profile	2007 SCF Benchmark	2011 Survey Data (unweighted)	2011 Survey Data (weighted)
Gender ratio (M:F)	n/a	52%:48%	50%:50%
Age 21 to 44	28%	25%	28%
Age 45 to 54	32%	30%	32%
Age 55 to 64	26%	31%	26%
Age 65 or older	14%	14%	14%
Median age	51 years	53 years	52 years
Income \$150k-\$199k	40%	56%	40%
Income \$200k-\$299k	30%	28%	30%
Income \$300k-\$499k	14%	10%	14%
Income \$500k or more	16%	7%	16%
Mean income	\$421k	\$281k	\$378k
Median income	\$221k	\$194k	\$235k
Mean net worth	\$3.5 mil.	\$2.9 mil.	\$4.2 mil.
Median net worth	\$1.2 mil.	\$1.0 mil.	\$1.2 mil.

Key Findings

- A majority of wealthy consumers in the U.K., Italy and China believe that luxury brands are becoming a commodity and that there are far too many luxury brands competing in most luxury categories today.
- Wealthy consumers in China and Japan are the most likely to agree that luxury products have become too accessible and are no longer exclusive.
 - However, Japanese consumers are less likely than average to agree that luxury stores have shoppers who “aren’t like me.”
 - A majority of Chinese and British consumers agree that brands that sell products to mass consumers “are no longer luxury.”
- Worldwide, many wealthy consumers have noticed declines in the design value, quality and craftsmanship of luxury products.
 - Consumers in China and Italy are most likely to see the design value of luxury products as declining.
 - Italians also are the most likely to believe that quality has been decreasing.
 - Consumers in Italy, France and the U.K. are most likely to note declines in craftsmanship.
- The location where luxury products are manufactured (with the attendant issues of social and environmental responsibility) matter most to wealthy consumers in Europe, and are less important to consumers in the U.S., Japan or China.

Key Findings

- About half of wealthy Chinese consumers agree that luxury brands...
 - don't seem to listen to customer needs these days,
 - are providing a decreased level of customer service, and
 - are providing a diminished level of VIP service.
- U.S. and U.K. consumers are also more likely than average to find that the customer service and VIP services provided by luxury brands are in decline.
- Chinese consumers are the most likely to agree that brands that have discount outlets or that sell online are not truly luxury brands.
 - American and British consumers are less likely to agree that brands which sell online are not truly luxury, while Italian consumers are more likely to feel this way.
 - Chinese and Japanese consumers are most likely to agree that heavily discounted luxury brands are not truly luxury.
- Chinese and British consumers are most likely to agree that it is difficult to find luxury brands with original product designs. Chinese and Japanese consumers are most likely to agree that it is difficult to distinguish between luxury brands.
- A majority of consumers in all seven countries agree that luxury brand prices are too high relative to the value delivered. This attitude is strongest in Italy (69% agree) and somewhat lower in Asia (58% in Japan and 54% in China).

Key Findings

- Wealthy consumers in the U.K. and Italy are the most likely to be turned off by brands that place their own labels prominently on their products.
- French and Chinese consumers are most likely to agree that luxury brands can really only be experts in a single category or in a few closely related categories.
- Discounting of luxury goods and services tends to have a negative impact on perceptions of value in most countries but nonetheless tends to have increased expenditures and improved the appeal of luxury goods and services.
 - The notable exception here is Japan, where the net effect of discounting tends to be negative in consumer value perceptions, product appeal and expenditures.
 - In Italy and China, there is a net improvement in value perceptions, as well as a net increase in expenditures and product appeal.
- The state of the economy has a very different impact upon Chinese consumers than consumers in Japan, Europe or the U.S. Of course, the state of the Chinese economy, the youthful profile of the market and the inherent optimism of the culture is much different as well.
 - Unlike their Western and Japanese counterparts, most (at least three out of four) Chinese consumers feel that luxury goods and services are more important to the economy, are prudent expenditures, are good investments and are an important part of their lifestyle.

Key Findings

- A majority of Chinese consumers report that the economy has led them to spend more overall on luxury goods and services in general, on discounted luxury goods and services and on well-known luxury brands.
 - Meanwhile, in the U.S., Europe and Japan, a larger share of wealthy consumers indicate that they have been spending less on luxury goods and services rather than more.
 - Still, even in China, a majority of wealthy consumers report that the economy has led them to change their spending to become more practical and focused on needs rather than wants.
- The recent trends reported can be expected to continue, according to this survey.
 - At least half of Chinese consumers expect to spend more in the next 12 months on luxury goods and services overall, including spending on discounted products and spending on well-known brands.
 - Outside of China, less than 10% of wealthy consumers in all six other countries anticipate spending increases in the next 12 months, with 30%-40% anticipating spending reductions. German and U.S. consumers are somewhat less likely than those in the U.K., France, Italy or Japan to anticipate spending decreases.
- Product categories that should fare relatively well outside of China over the next 12 months include leisure travel, technology and health and fitness.
 - Spending on jewelry, antiques and art is most likely to decline significantly.

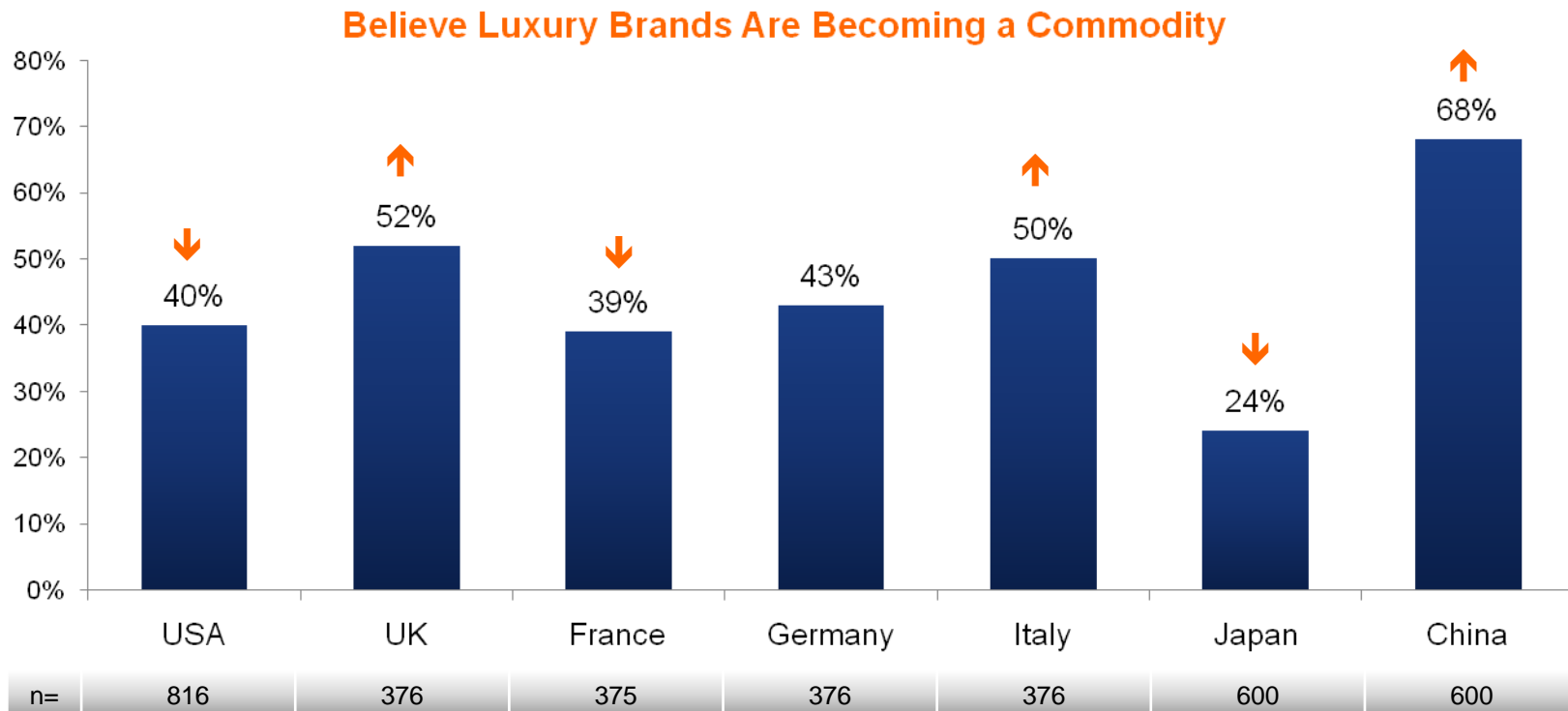
Luxury Institute WealthSurvey™

Perceptions of the Luxury Industry



Are luxury brands becoming a commodity?

- In the United States, 40% of wealthy consumers surveyed in 2011 believe that luxury brands are becoming a commodity.
- At least half of wealthy consumers in the U.K., Italy and China believe this, while only 24% of wealthy consumers in Japan believe this is true.



Q: Do you believe luxury brands are becoming a commodity? A: Yes

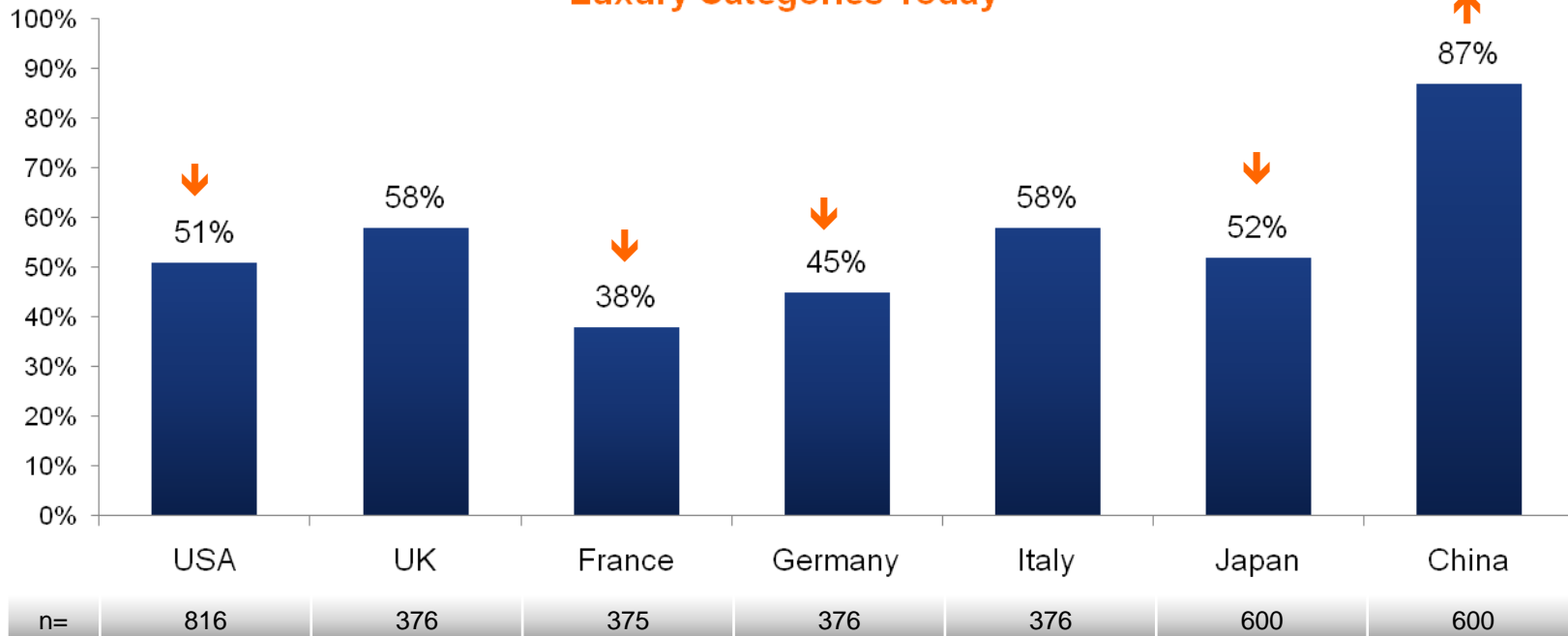
Base: All wealthy consumers surveyed

Arrows indicate statistically significant differences with 90% confidence.

Are there too many luxury brands?

- A slim majority of wealthy U.S. consumers continue to believe that there are far too many brands competing in most luxury categories today.
- French and German consumers are less likely to believe this, while wealthy consumers in the UK, Italy and especially China are more likely to believe there are too many luxury brands.

Believe There Are Far Too Many Luxury Brands Competing in Most Luxury Categories Today



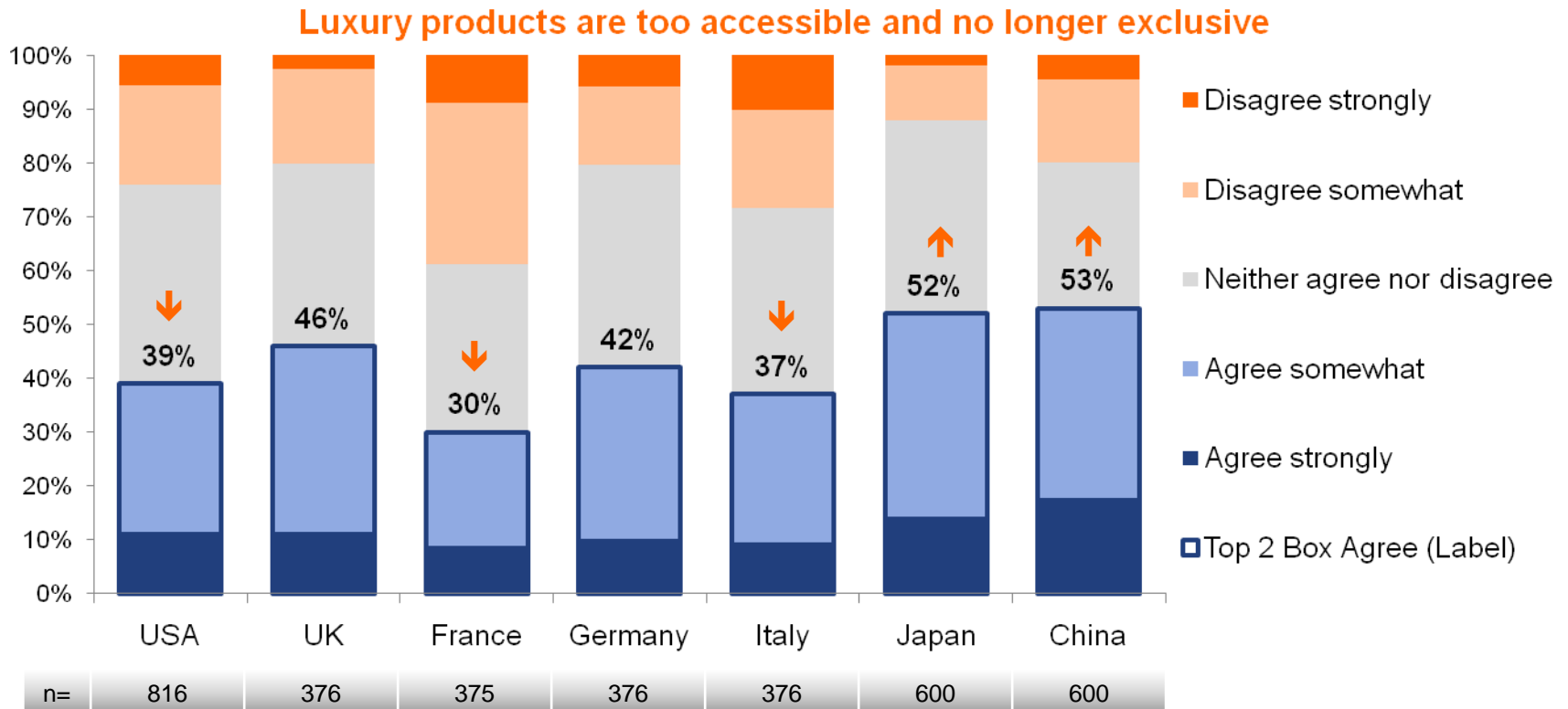
Do you believe there are far too many luxury brands competing in most luxury categories today? A: Yes

Base: All wealthy consumers surveyed

Arrows indicate statistically significant differences with 90% confidence.

Are luxury products too accessible?

- Nearly 40% of wealthy consumers in the United States agree that luxury products are too accessible and therefore no longer exclusive.
- A slim majority of consumers in both China and Japan agree that this is true.



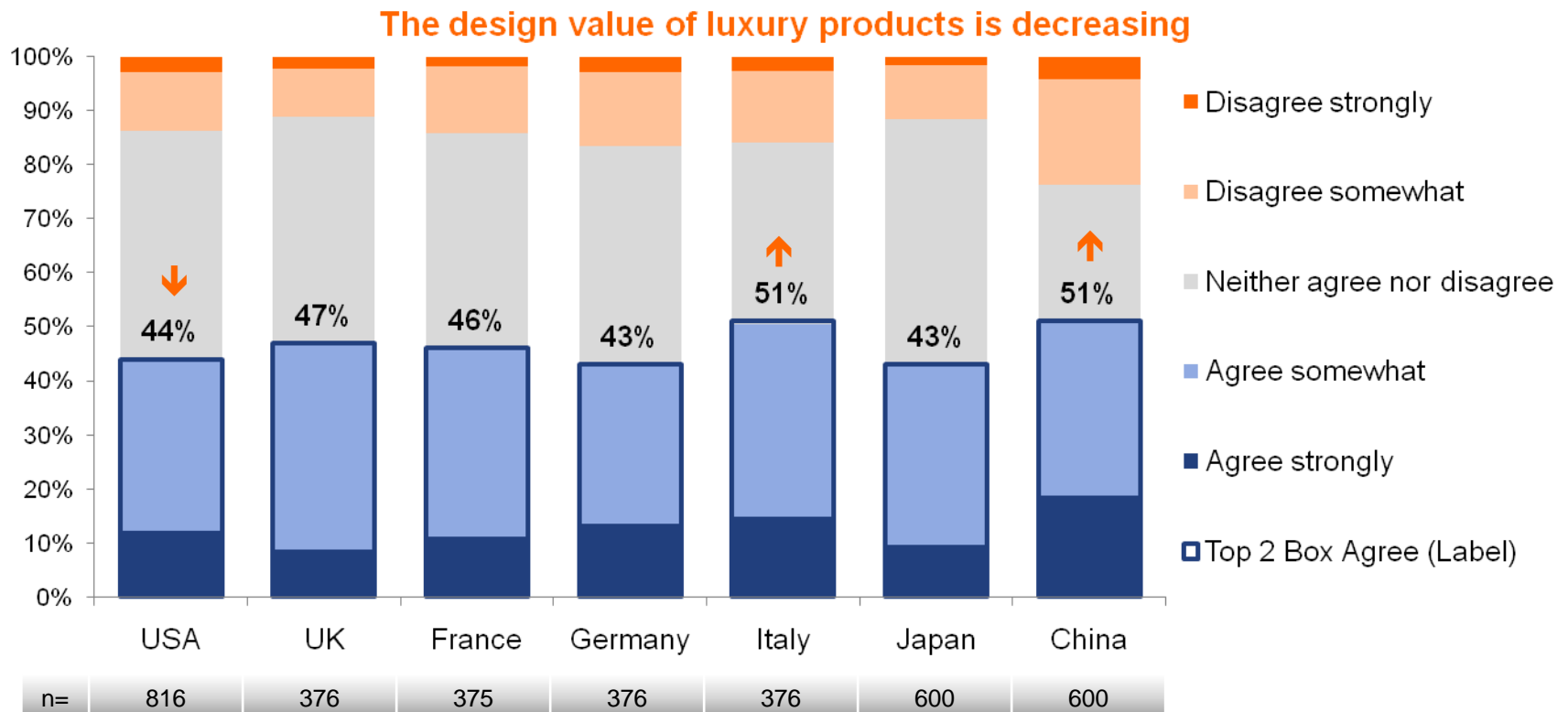
Q: How much do you agree or disagree with the following statements? - Luxury products are too accessible and no longer exclusive

Base: All wealthy consumers surveyed

Arrows indicate statistically significant differences with 90% confidence.

Is the design value of luxury in decline?

- In the U.S., 44% of wealthy consumers agree that the design value of luxury products is in decline.
- Just over half of consumers in Italy and China agree that the design value of luxury products is decreasing.



Q: How much do you agree or disagree with the following statements? - The design value of luxury products is decreasing

Base: All wealthy consumers surveyed

Arrows indicate statistically significant differences with 90% confidence.

Is quality decreasing?

- Nearly half of wealthy U.S. consumers feel that the quality of luxury products is decreasing.
- Italian consumers are more likely to agree that quality has fallen, while Japanese consumers are less likely to note declines in quality.



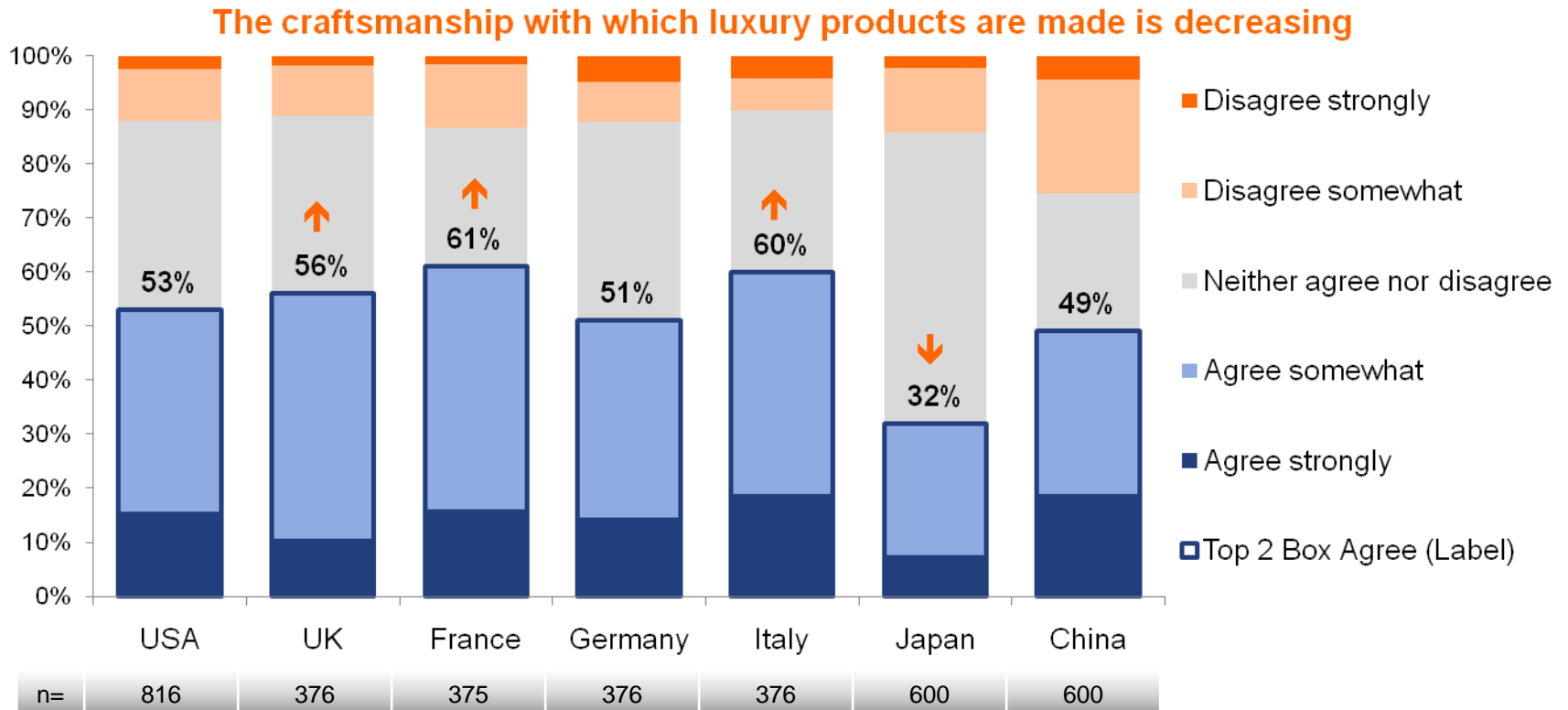
Q: How much do you agree or disagree with the following statements? - The quality of luxury products is decreasing

Base: All wealthy consumers surveyed

Arrows indicate statistically significant differences with 90% confidence.

Is craftsmanship decreasing?

- Just over half of wealthy U.S. consumers agree that craftsmanship is decreasing in luxury products, rising to 60% of wealthy consumers in France and Italy.
- Japanese consumers are less likely to feel that craftsmanship is decreasing.



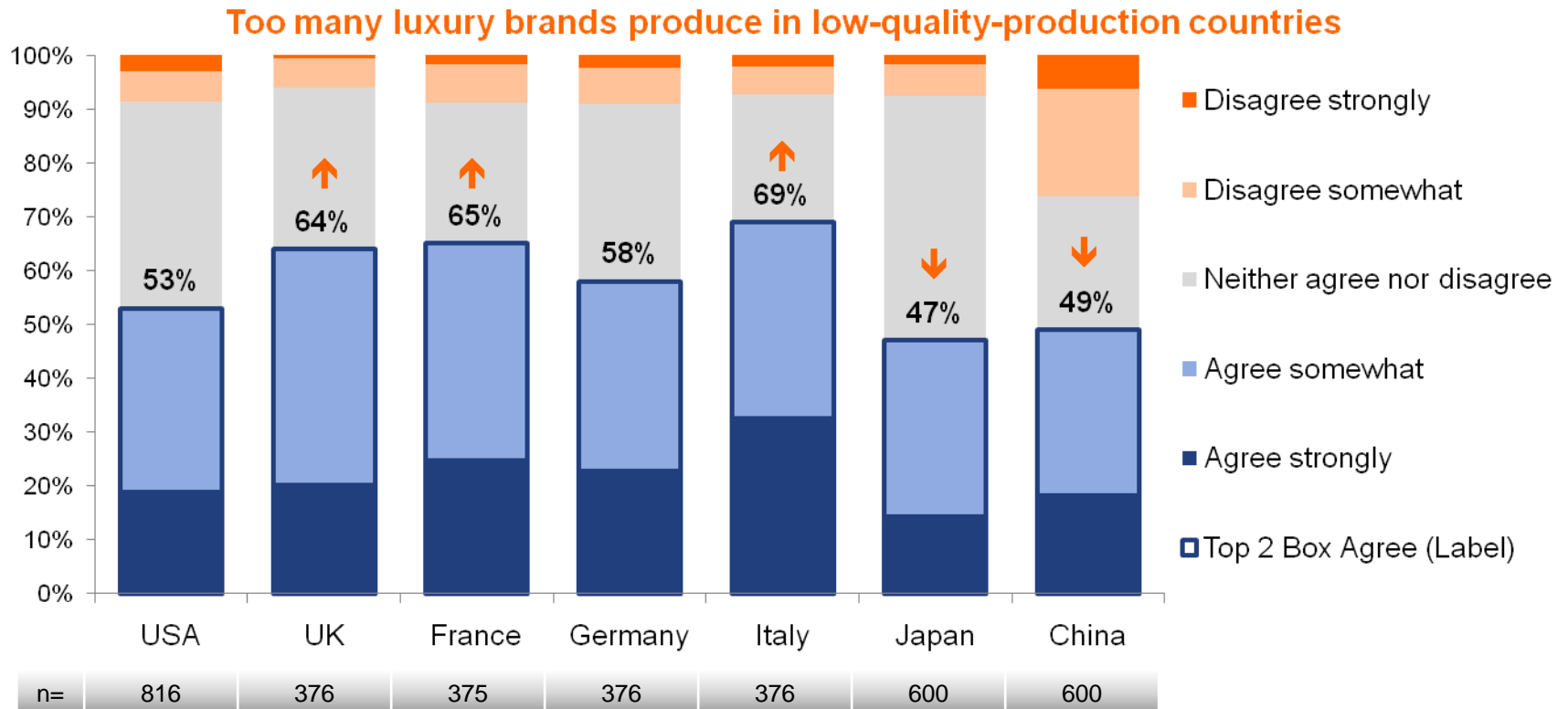
Q: How much do you agree or disagree with the following statements? - The craftsmanship with which luxury products are made is decreasing

Base: All wealthy consumers surveyed

Arrows indicate statistically significant differences with 90% confidence.

Is production location an issue?

- A slim majority of wealthy U.S. consumers agree that too many luxury brands have their production facilities in “low-quality-production” countries. European consumers are more likely to agree that this is true, while those in Japan and China are less likely to agree.



Q: How much do you agree or disagree with the following statements? - Too many luxury brands produce in low-quality-production countries

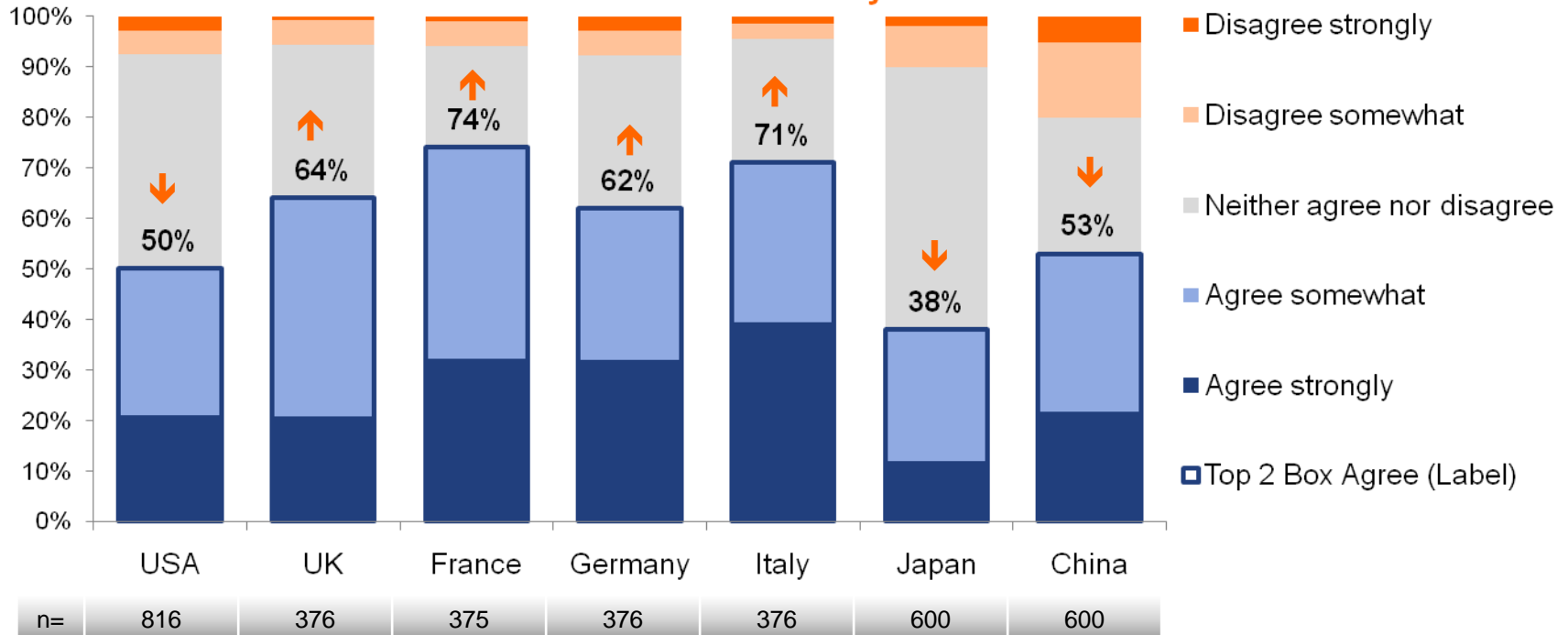
Base: All wealthy consumers surveyed

Arrows indicate statistically significant differences with 90% confidence.

Is social responsibility an issue?

- Half of wealthy consumers in the U.S. agree that too many luxury brands have production facilities in countries where workers are not treated fairly.
- A solid majority of European consumers agree that this is true, while Japanese consumers are more hesitant to express an opinion on this issue.

Too many luxury brands now produce in countries where workers are not treated fairly



Q: How much do you agree or disagree with the following statements? - Too many luxury brands now produce in countries where workers are not treated fairly

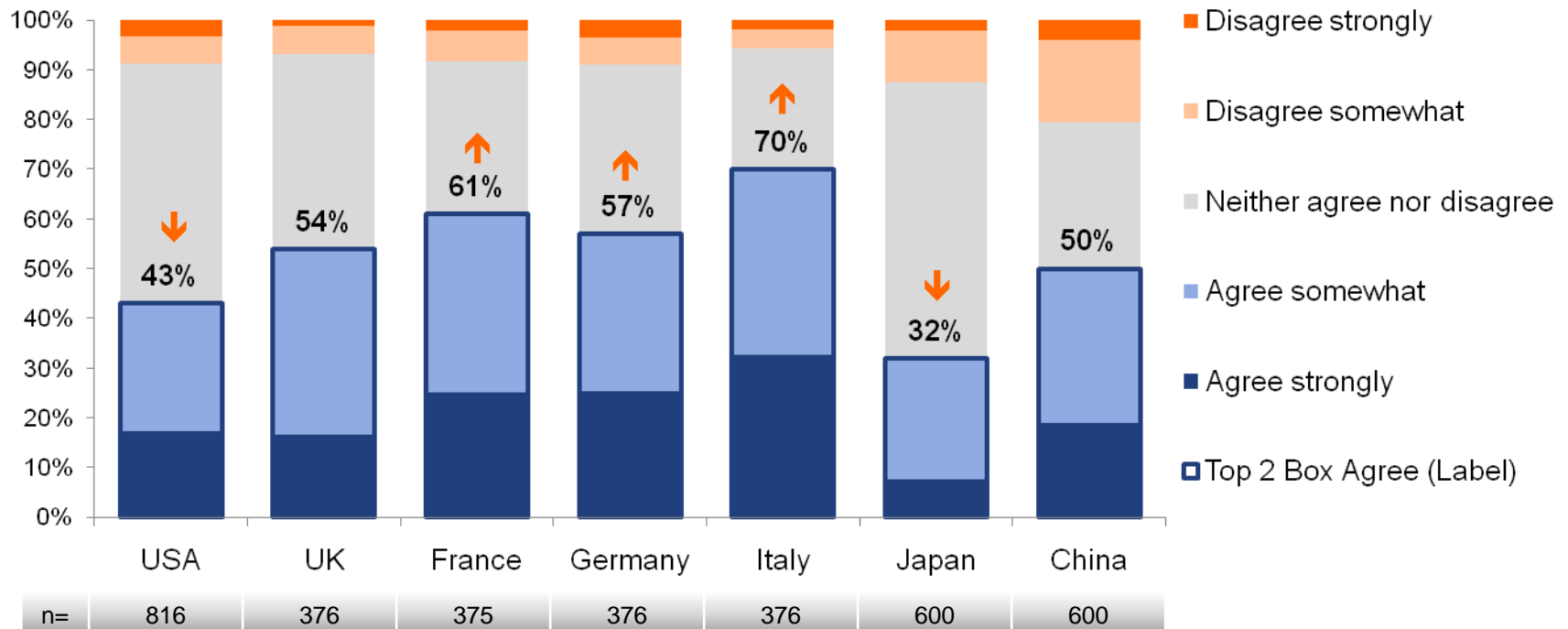
Base: All wealthy consumers surveyed

Arrows indicate statistically significant differences with 90% confidence.

Is environmental responsibility an issue?

- Just over 40% of wealthy U.S. consumers agree that too many luxury brands produce in countries where manufacturing pollutes the environment.
- Here again, a majority of Europeans agree. Interestingly, wealthy Chinese consumers are more likely than their U.S. counterparts to agree with this statement.

Too many luxury brands produce in countries where manufacturing pollutes the environment



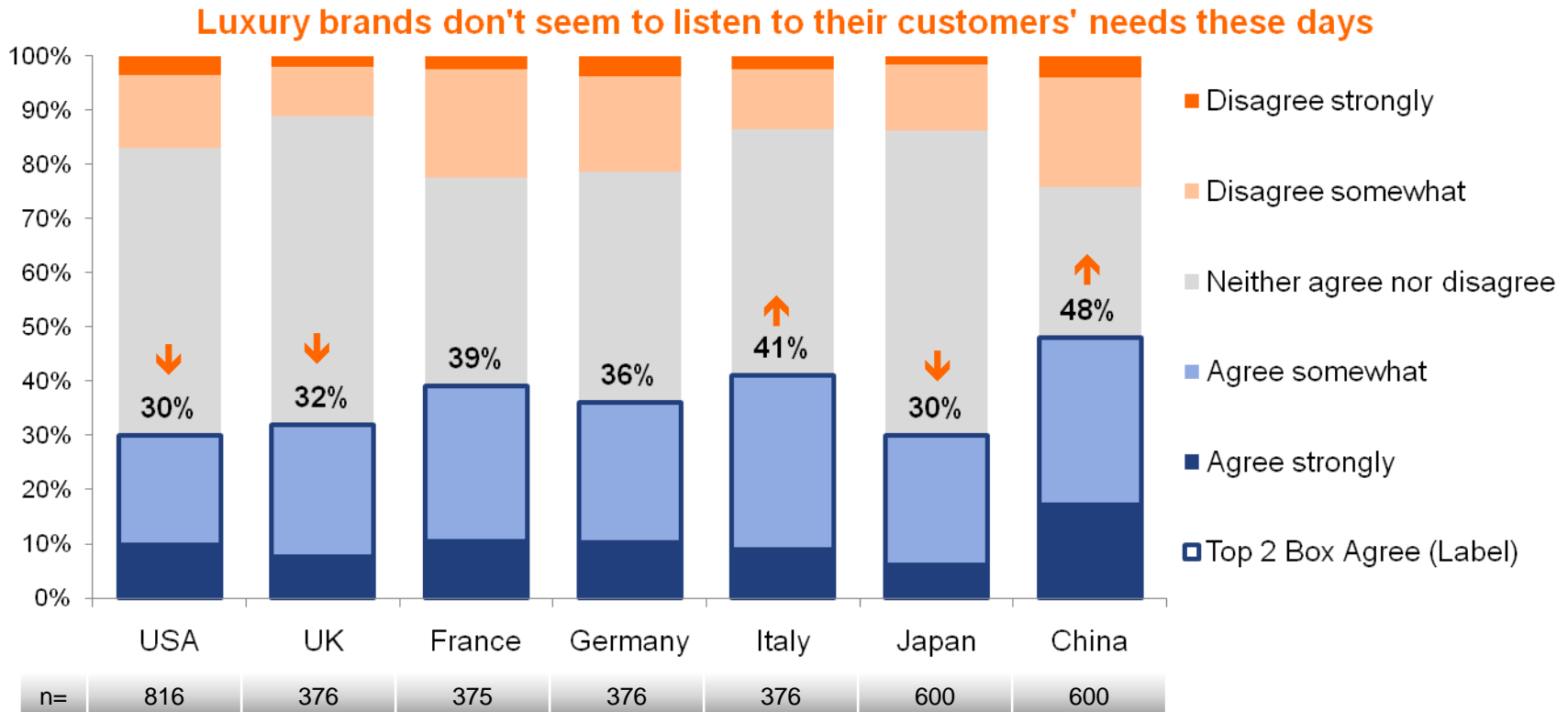
Q: How much do you agree or disagree with the following statements? - Too many luxury brands produce in countries where manufacturing pollutes the environment

Base: All wealthy consumers surveyed

Arrows indicate statistically significant differences with 90% confidence.

Do luxury brands listen to customer needs?

- Three out of ten wealthy U.S. consumers agree that luxury brands don't seem to listen to customer needs these days, comparable to the level of agreement found in the U.K. and Japan. Elsewhere, consumers are more likely to agree that luxury brands are not listening to their customers' needs.



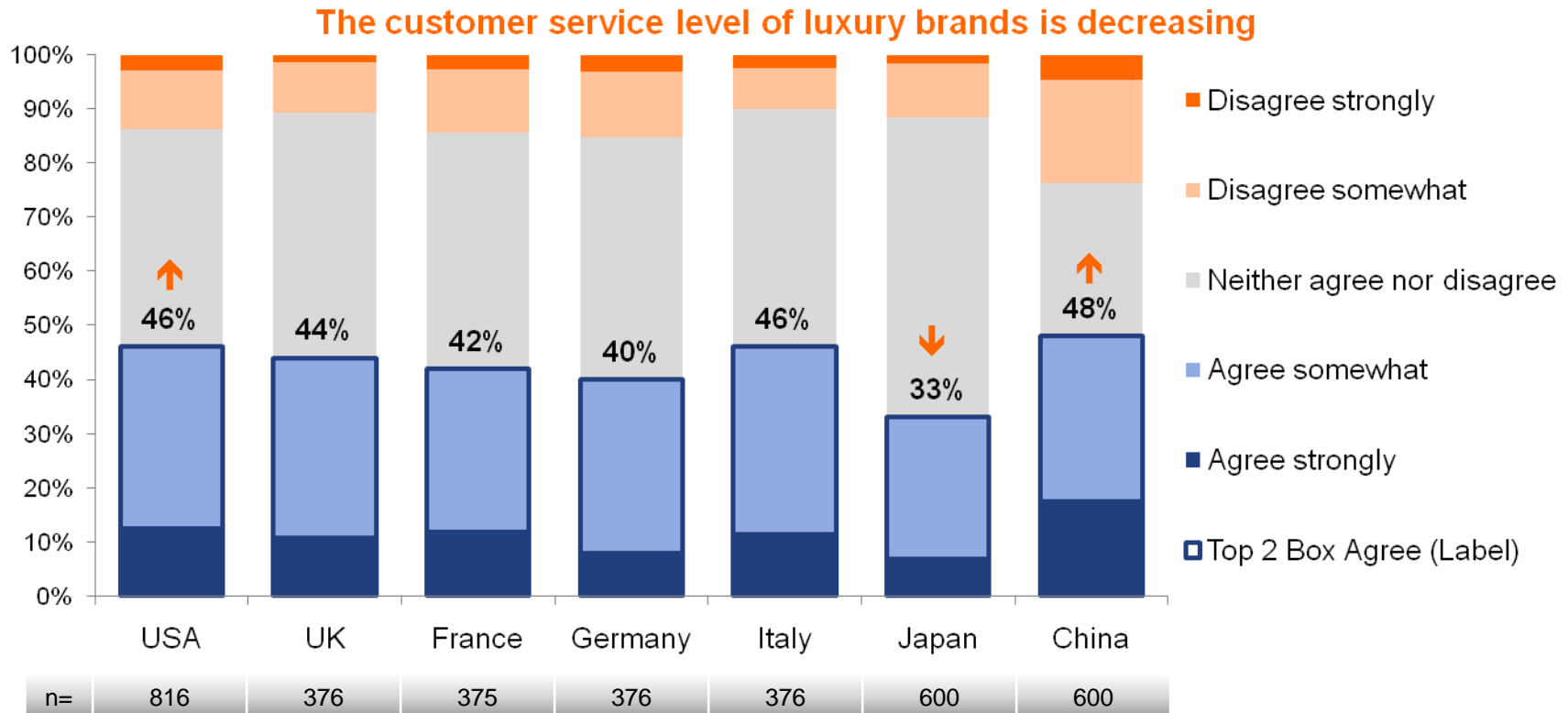
Q: How much do you agree or disagree with the following statements? - Luxury brands don't seem to listen to their customers' needs these days

Base: All wealthy consumers surveyed

Arrows indicate statistically significant differences with 90% confidence.

Is the level of customer service decreasing?

- Nearly half of wealthy consumers in both China and the U.S. agree that the level of customer service provided by luxury brands is decreasing.
- Consumers in Japan are less likely to agree that this is true.



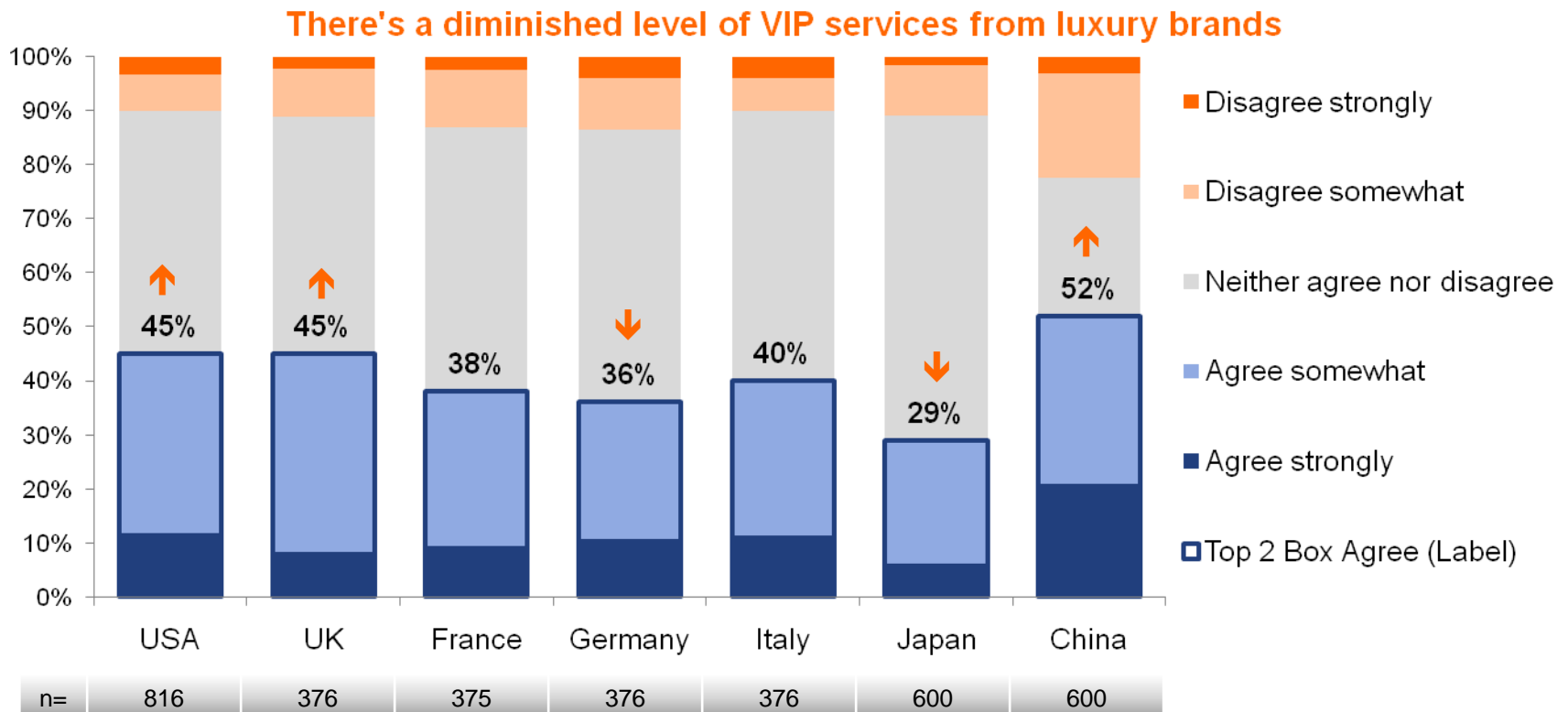
Q: How much do you agree or disagree with the following statements? - The customer service level of luxury brands is decreasing

Base: All wealthy consumers surveyed

Arrows indicate statistically significant differences with 90% confidence.

Is the level of VIP services diminishing?

- Nearly half of wealthy consumers in the U.S. and U.K. agree that there is a diminished level of VIP services from luxury brands, rising to 52% in China.
- Wealthy consumers in Germany and Japan are less likely to agree that this is true.



Q: How much do you agree or disagree with the following statements? - There's a diminished level of VIP services from luxury brands

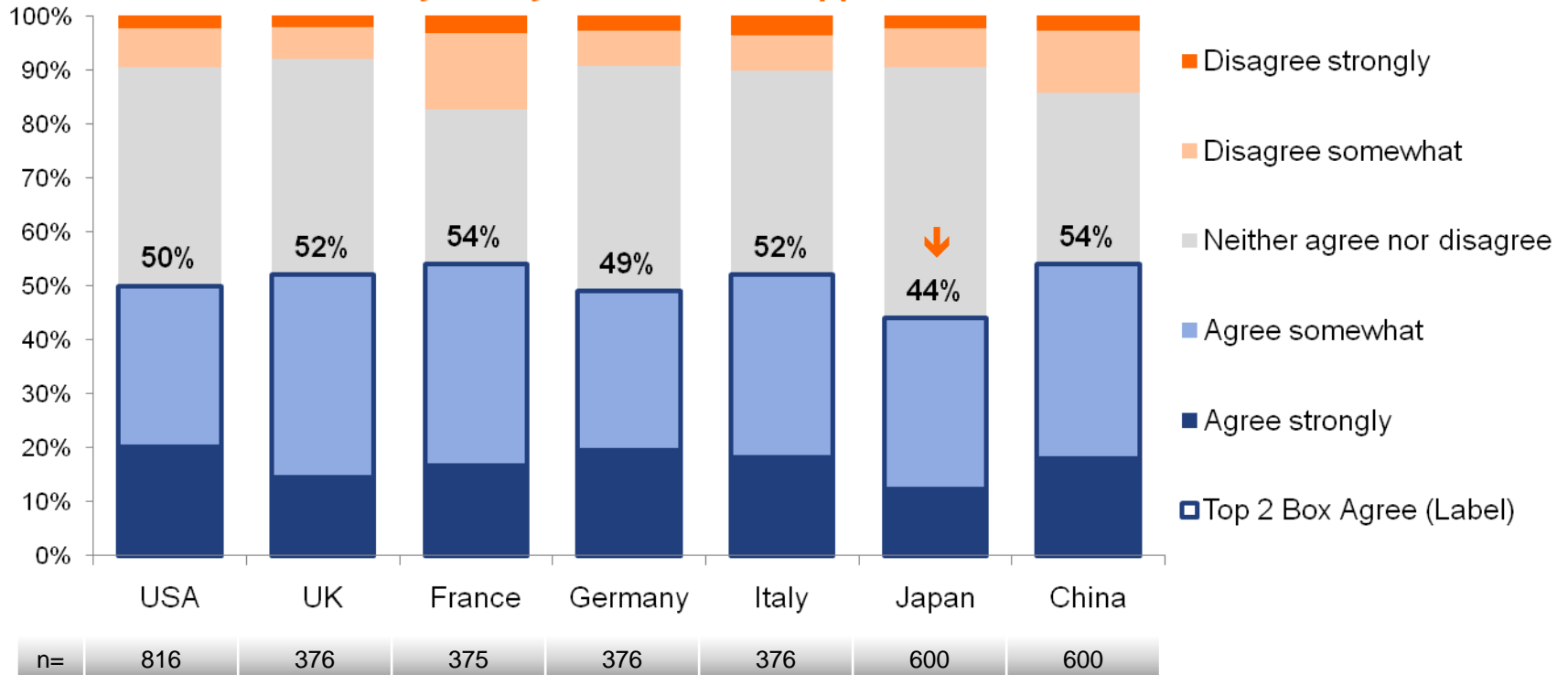
Base: All wealthy consumers surveyed

Arrows indicate statistically significant differences with 90% confidence.

Do luxury stores have people “like me?”

- Half of wealthy consumers surveyed agree that luxury stores tend to have other shoppers who “aren’t like me.”
- This ratio is fairly consistent across each of the countries where the Luxury Institute conducts research with wealthy consumers.

Many luxury stores have shoppers who aren't like me



Q: How much do you agree or disagree with the following statements? - Many luxury stores have shoppers who aren't like me

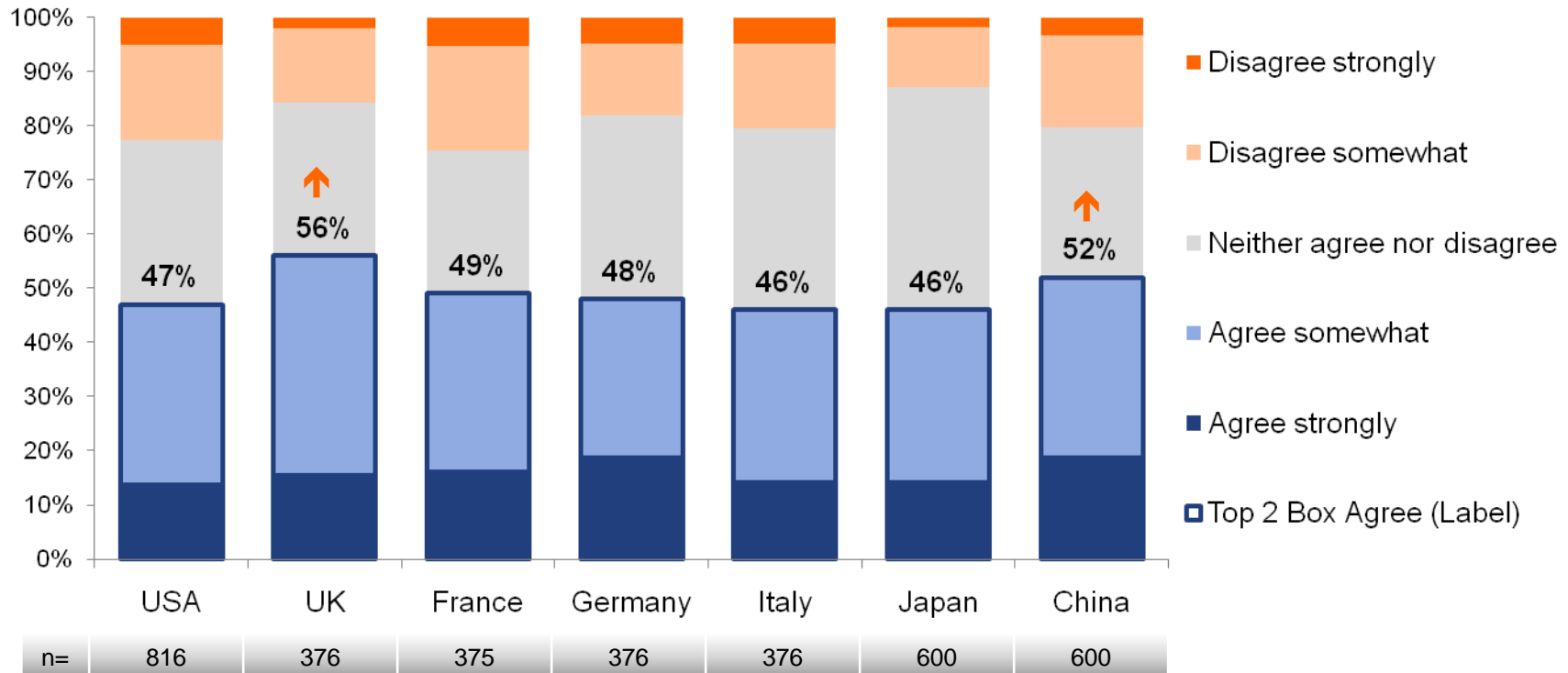
Base: All wealthy consumers surveyed

Arrows indicate statistically significant differences with 90% confidence.

Can luxury brands also sell mass market?

- Nearly half of wealthy U.S. consumers agree that brands that sell products to the mass market of consumers can no longer be considered “luxury.”
- This share rises above 50% in the U.K. and China.

Brands that also sell products for mass consumers are no longer luxury



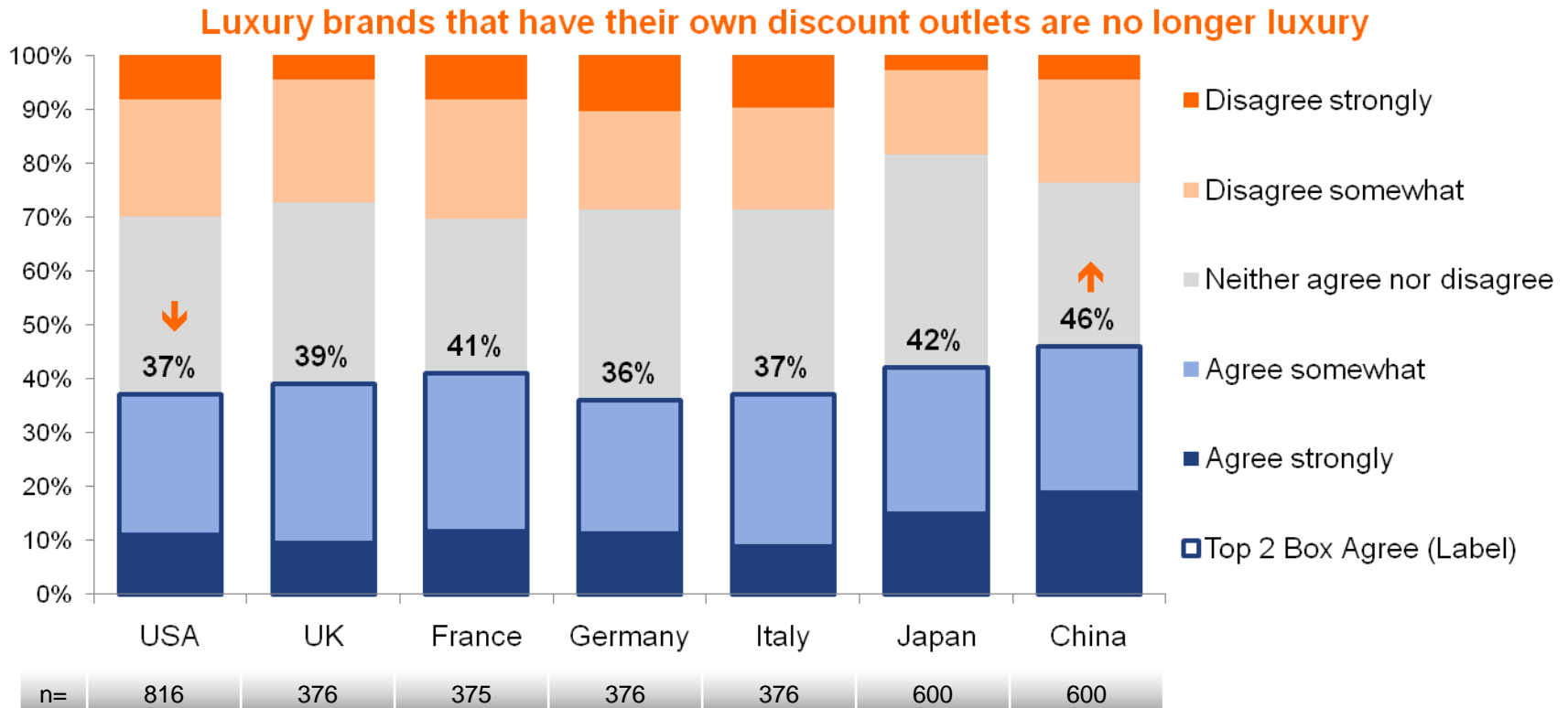
Q: How much do you agree or disagree with the following statements? - Luxury brands that also sell products for mass consumers are no longer luxury

Base: All wealthy consumers surveyed

Arrows indicate statistically significant differences with 90% confidence.

Can luxury brands have discount outlets?

- Over one-third of wealthy consumers in the U.S. agree that brands that have discount outlets are no longer truly luxury brands.
- Wealthy consumers in China are significantly more likely to feel that brands with discount outlets are no longer luxury brands.



Q: How much do you agree or disagree with the following statements? - Luxury brands that have their own discount outlets are no longer luxury

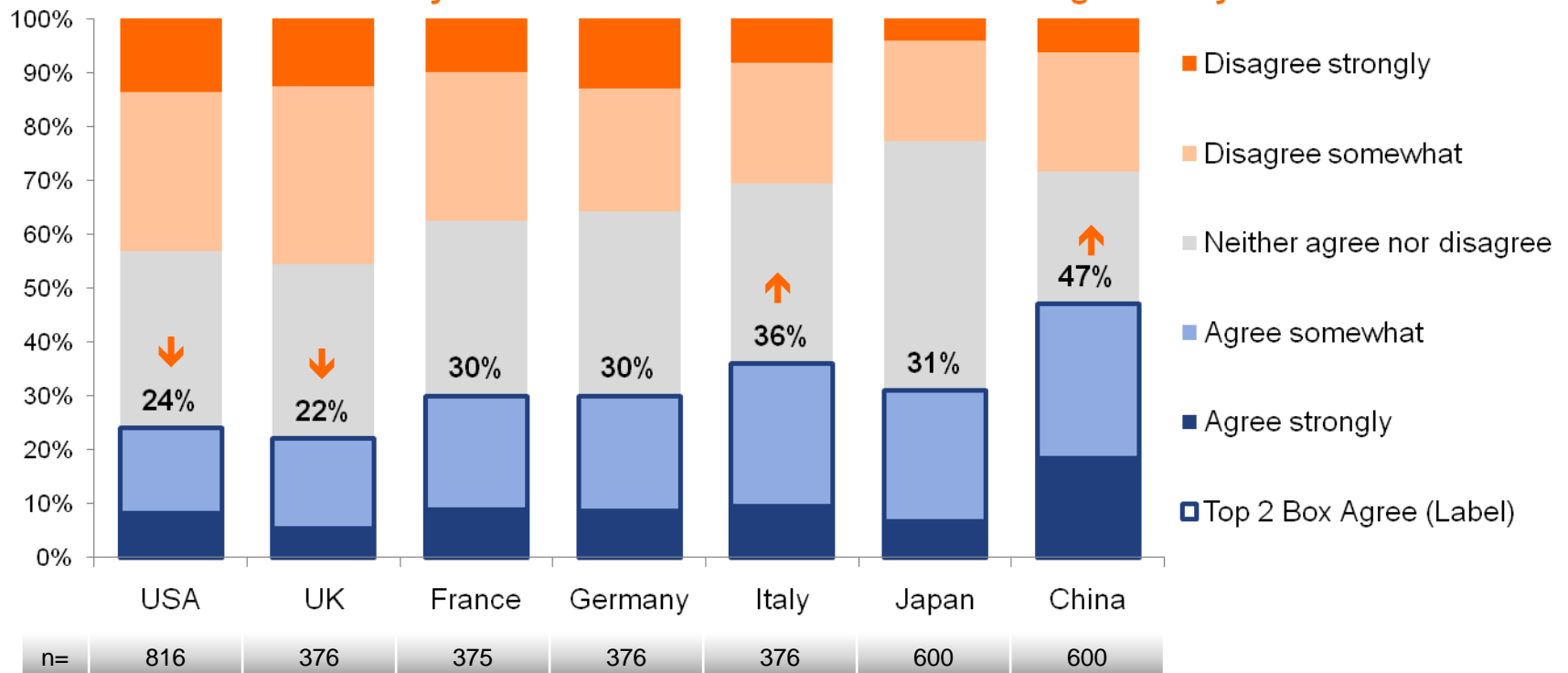
Base: All wealthy consumers surveyed

Arrows indicate statistically significant differences with 90% confidence.

Can luxury brands sell online?

- Less than one-fourth of wealthy consumers in the U.S. or U.K. agree that brands that sell products online can no longer be considered “luxury.”
- This ratio is much higher in markets where English is not the primary language, and in Italy and China in particular.

Luxury brands that also sell online are no longer luxury



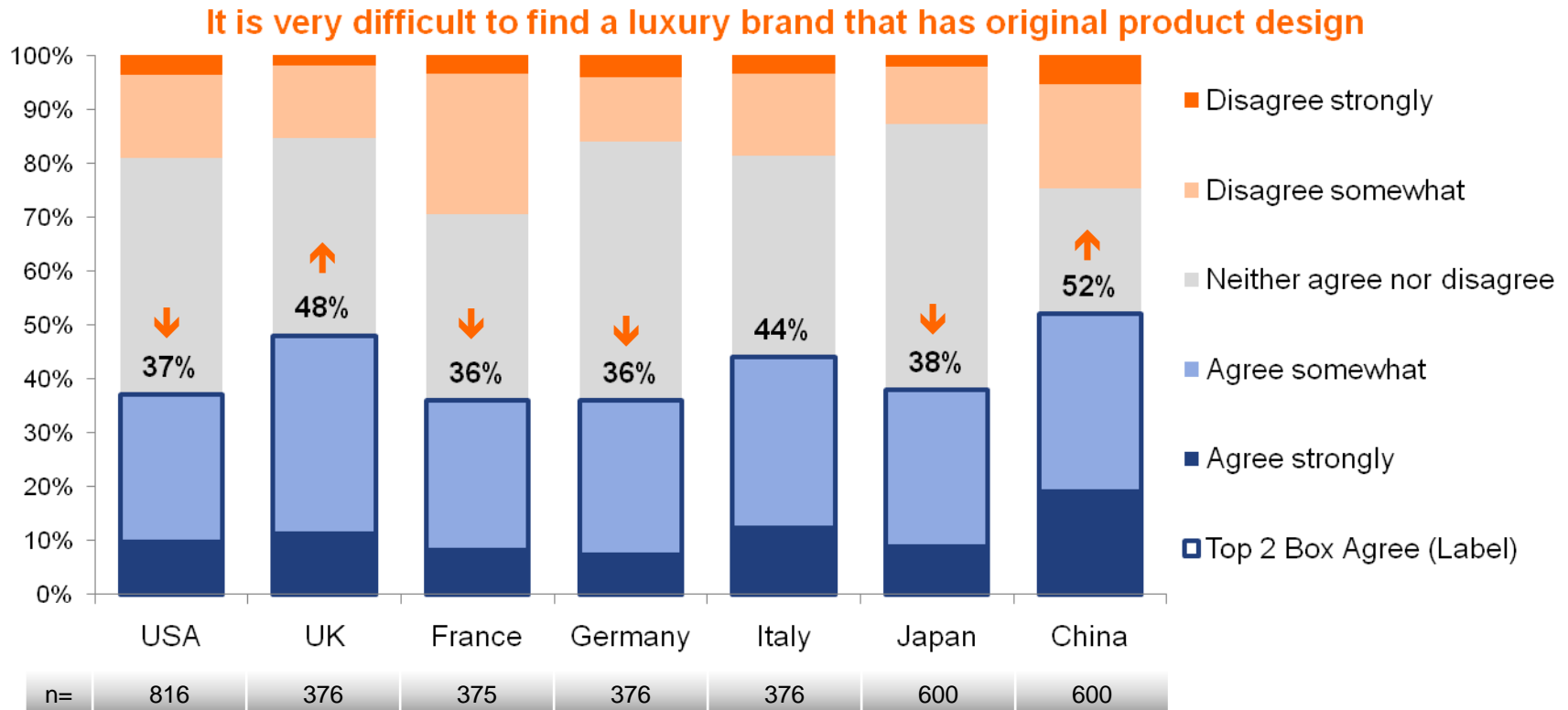
Q: How much do you agree or disagree with the following statements? - Luxury brands that also sell online are no longer luxury

Base: All wealthy consumers surveyed

Arrows indicate statistically significant differences with 90% confidence.

Is it difficult to find originality?

- Wealthy consumers in the U.K. and China are significantly more likely to agree that it is very difficult to find luxury brands with original product designs.



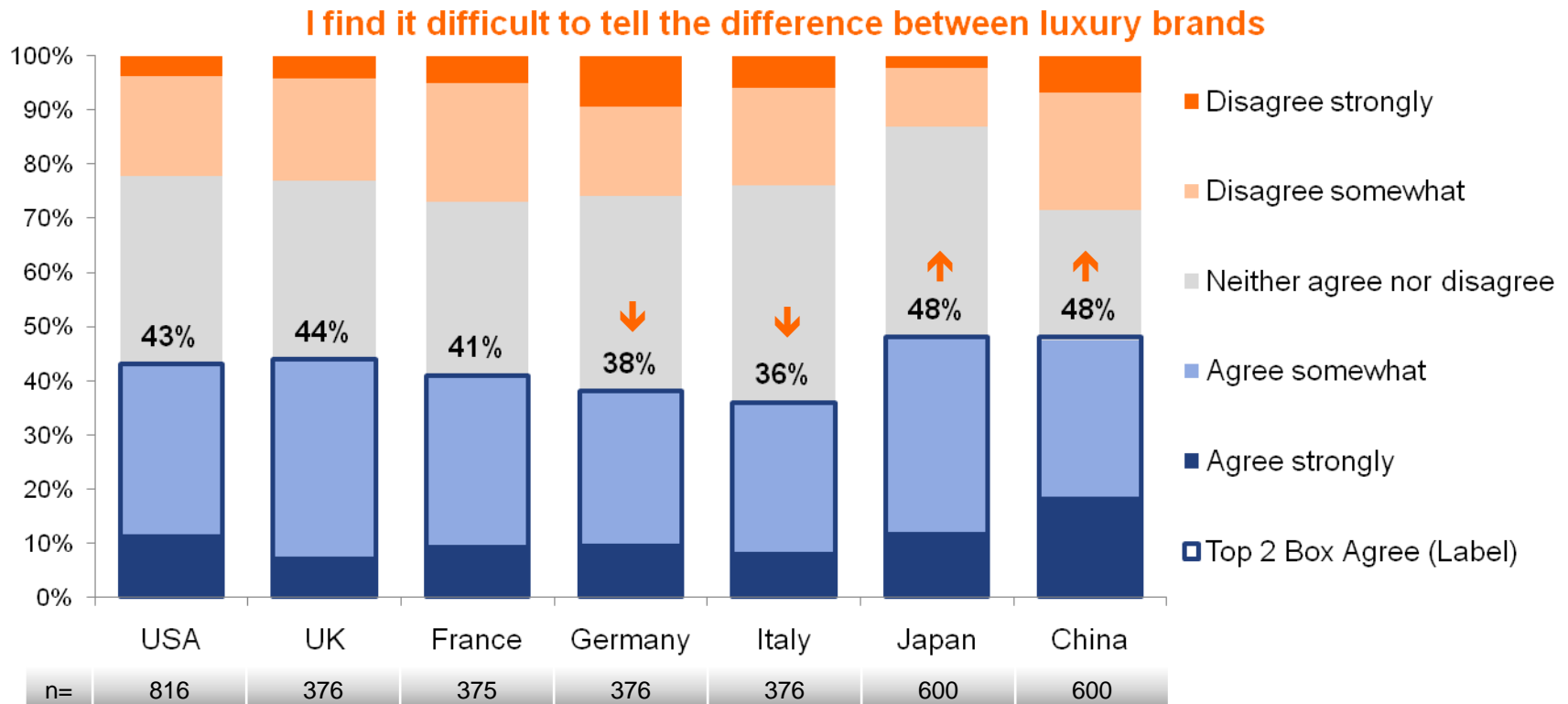
Q: How much do you agree or disagree with the following statements? - It is very difficult to find a luxury brand that has original product design

Base: All wealthy consumers surveyed

Arrows indicate statistically significant differences with 90% confidence.

Is it difficult to distinguish between brands?

- Wealthy consumers in Japan and China find it more difficult to distinguish between luxury brands.
- Italian and German consumers are less likely agree that this is difficult.



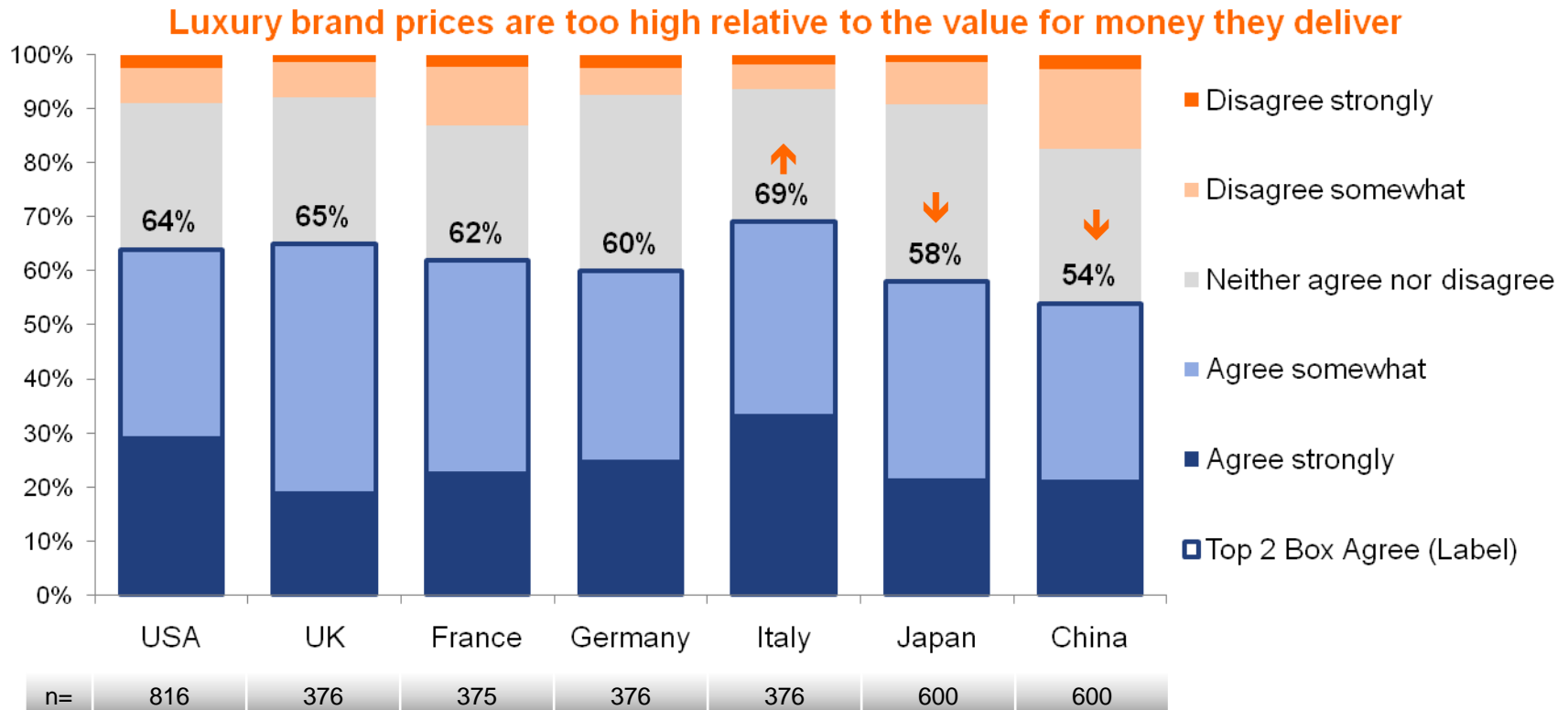
Q: How much do you agree or disagree with the following statements? - I find it difficult to tell the difference between luxury brands

Base: All wealthy consumers surveyed

Arrows indicate statistically significant differences with 90% confidence.

Are prices too high relative to value?

- A solid majority of wealthy consumers surveyed from the U.S. and Europe agree that luxury brand prices are too high relative to the “value for money” delivered.
- While still a majority, wealthy consumers in China and Japan are less likely to agree that prices are too high relative to value delivered.



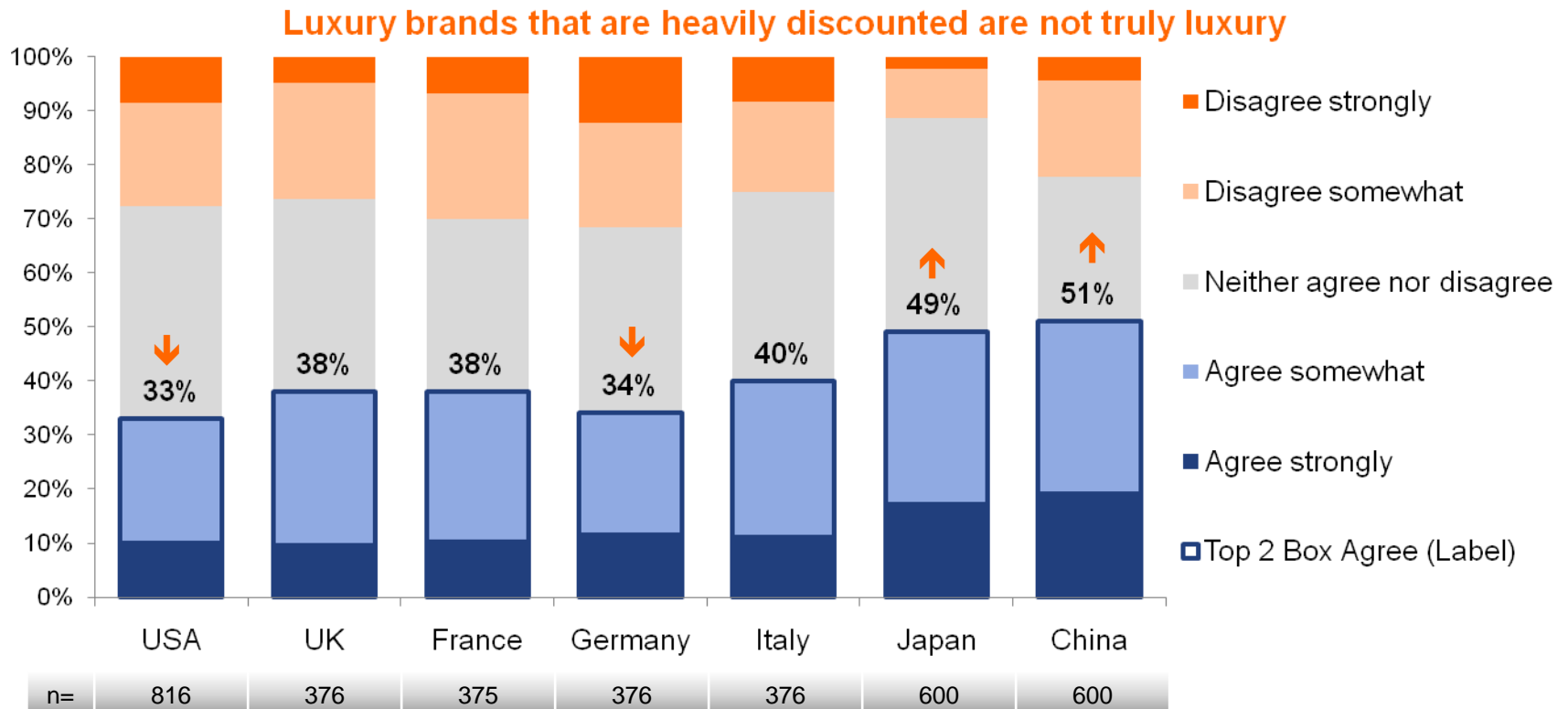
Q: How much do you agree or disagree with the following statements? - Luxury brand prices are too high relative to the value for money they deliver

Base: All wealthy consumers surveyed

Arrows indicate statistically significant differences with 90% confidence.

Can discounted products be luxury?

- Wealthy consumers in Japan and China are significantly more likely to feel that heavily discounted brands are not truly luxury.



Q: How much do you agree or disagree with the following statements? - Luxury brands that are heavily discounted are not truly luxury

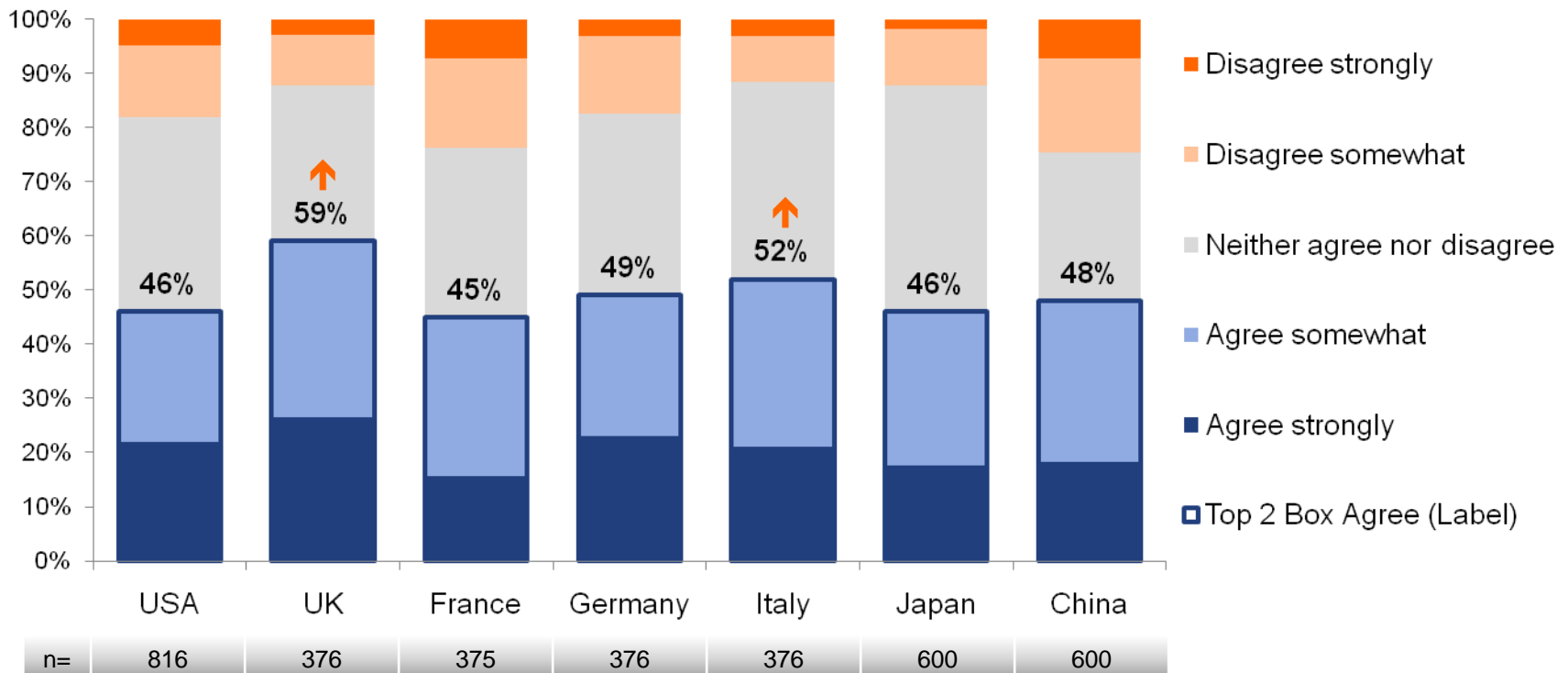
Base: All wealthy consumers surveyed

Arrows indicate statistically significant differences with 90% confidence.

Are prominent labels a turn off?

- A majority of wealthy consumers surveyed in the U.K. and Italy feel that prominent labels on luxury products are a turn off.

Brands that place their own labels prominently on their products turn me off



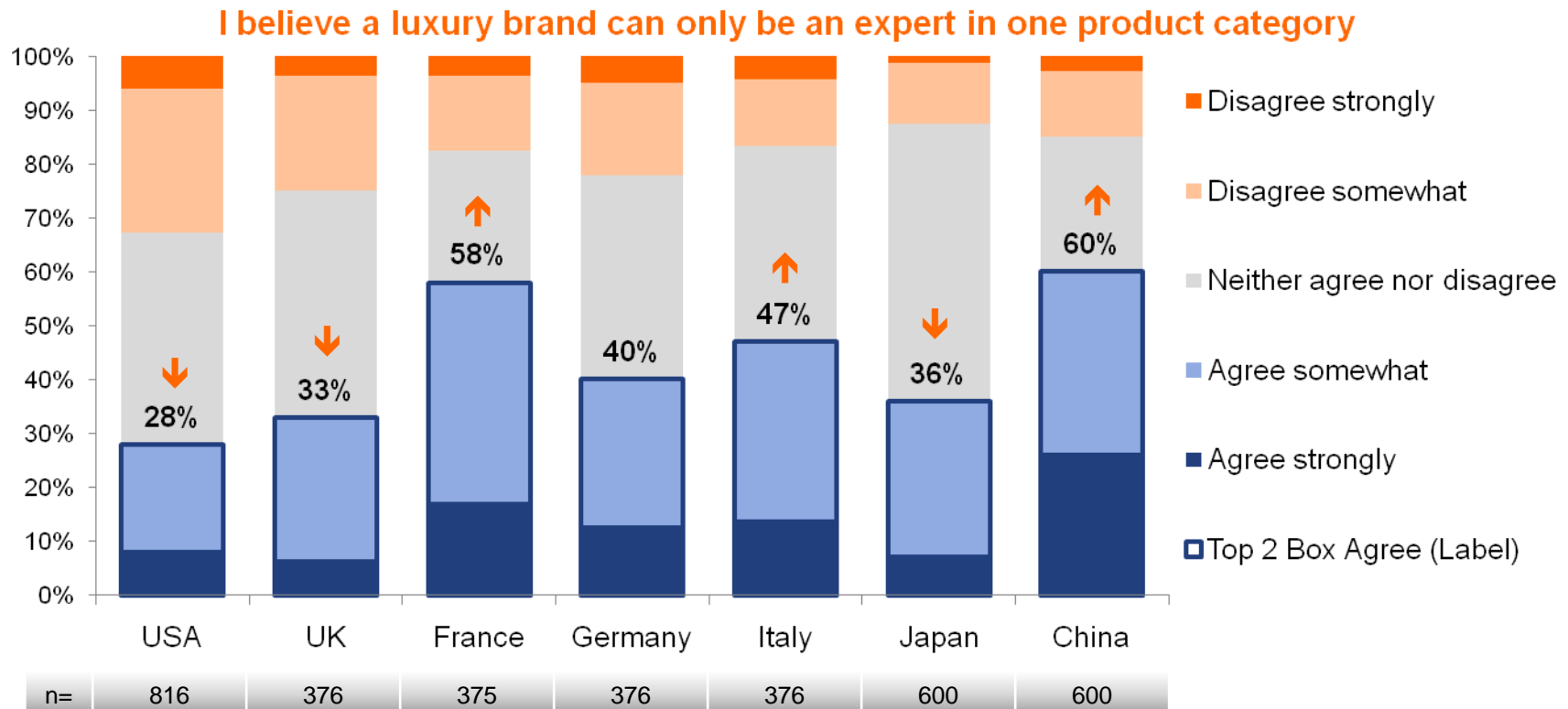
Q: How much do you agree or disagree with the following statements? - Luxury brands that place their own labels prominently on their products turn me off

Base: All wealthy consumers surveyed

Arrows indicate statistically significant differences with 90% confidence.

Can a brand be expert in only one category?

- Outside of the U.S., but in France and China in particular, there is a stronger belief that luxury brands can really only be experts in a single product category.



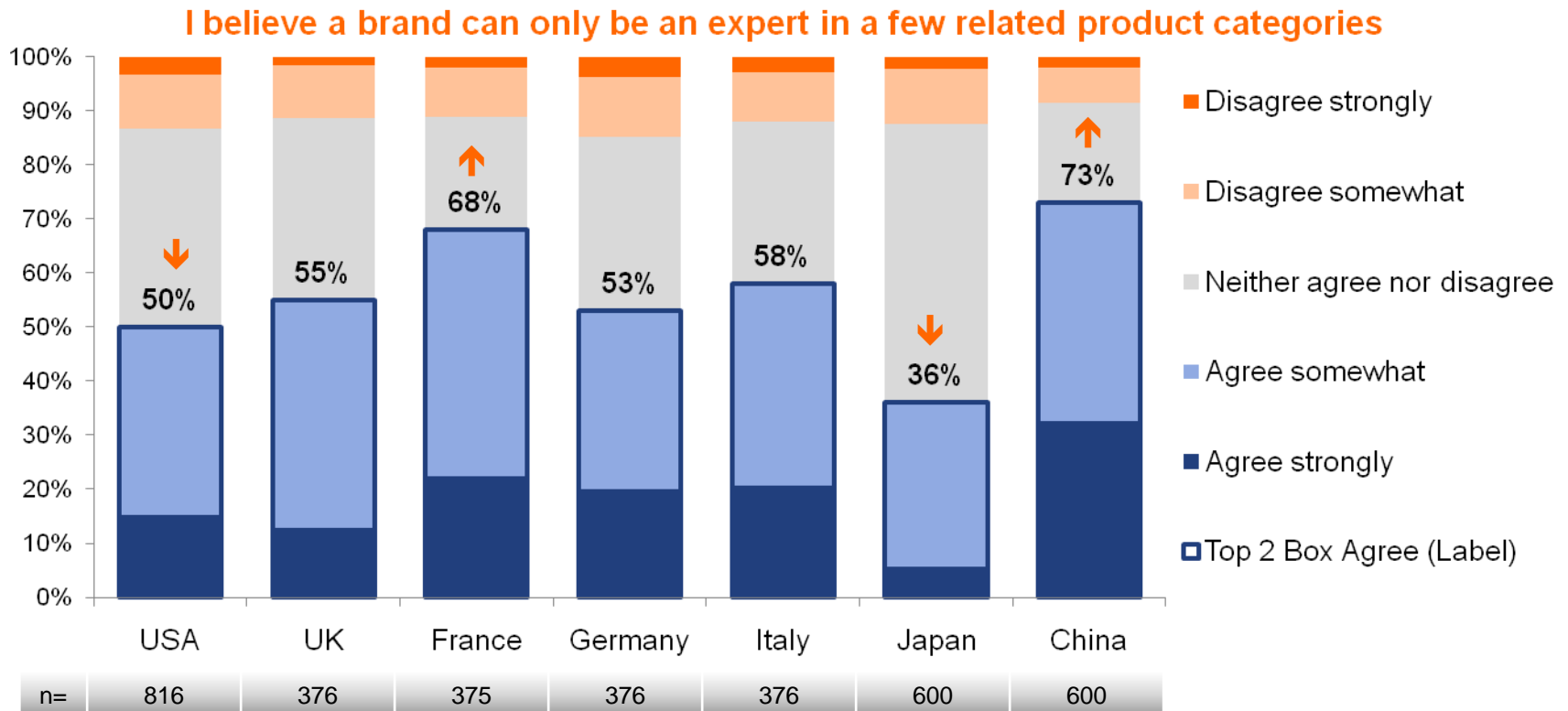
Q: How much do you agree or disagree with the following statements? - I believe a luxury brand can only be an expert in one product category

Base: All wealthy consumers surveyed

Arrows indicate statistically significant differences with 90% confidence.

Can a brand only be expert in a few categories?

- Half of wealthy U.S. consumers agree that luxury brands can be considered experts in a few related product categories.
 - This ratio rises significantly among consumers in France and China, but is lower in Japan.



Q: How much do you agree or disagree with the following statements? - I believe a luxury brand can only be an expert in a few truly related product categories

Base: All wealthy consumers surveyed

Arrows indicate statistically significant differences with 90% confidence.

Can a brand be expert in a variety of categories?

- Outside of the U.S. and U.K., there is a stronger belief that a luxury brand can be an expert in every luxury product category.
- Note: The cultural distinctions of China are evident in this slide and the two previous slides. Note that a majority of Chinese consumers agree with all three statements – an apparent contradiction.



Q: How much do you agree or disagree with the following statements? - I believe one luxury brand can be an expert in all luxury product categories

Base: All wealthy consumers surveyed

Arrows indicate statistically significant differences with 90% confidence.

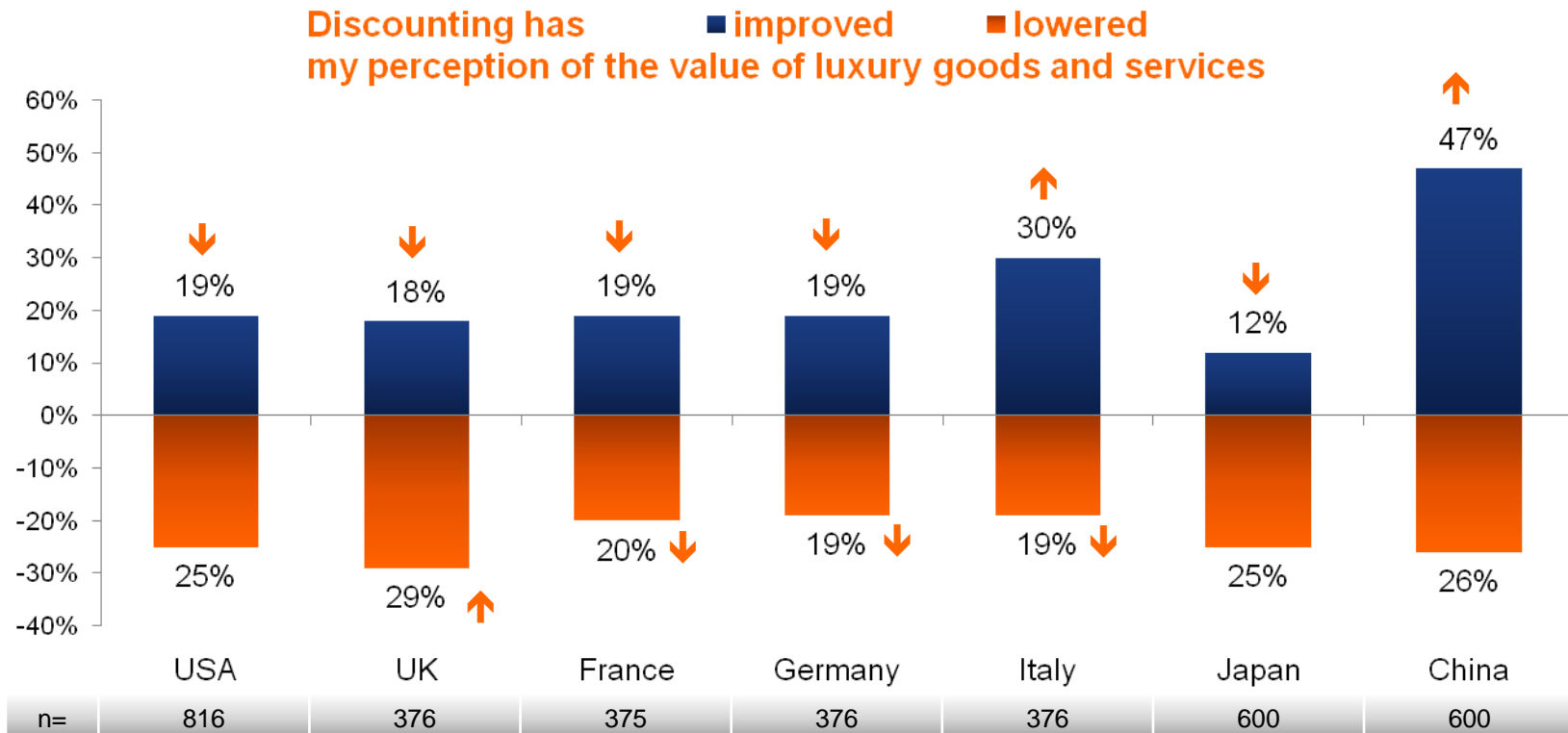
Luxury Institute WealthSurvey™

Impacts of Discounting



Discounting Impacts on Perceptions of Value

- In China and Italy, the share of consumers who indicate that discounting has improved their perceptions of the value of luxury goods and services is larger than the share who say that discounting has lowered their perceptions.



Q: How has the recent discounting of luxury goods and services by luxury brands changed your perceptions or purchases of luxury goods and services?

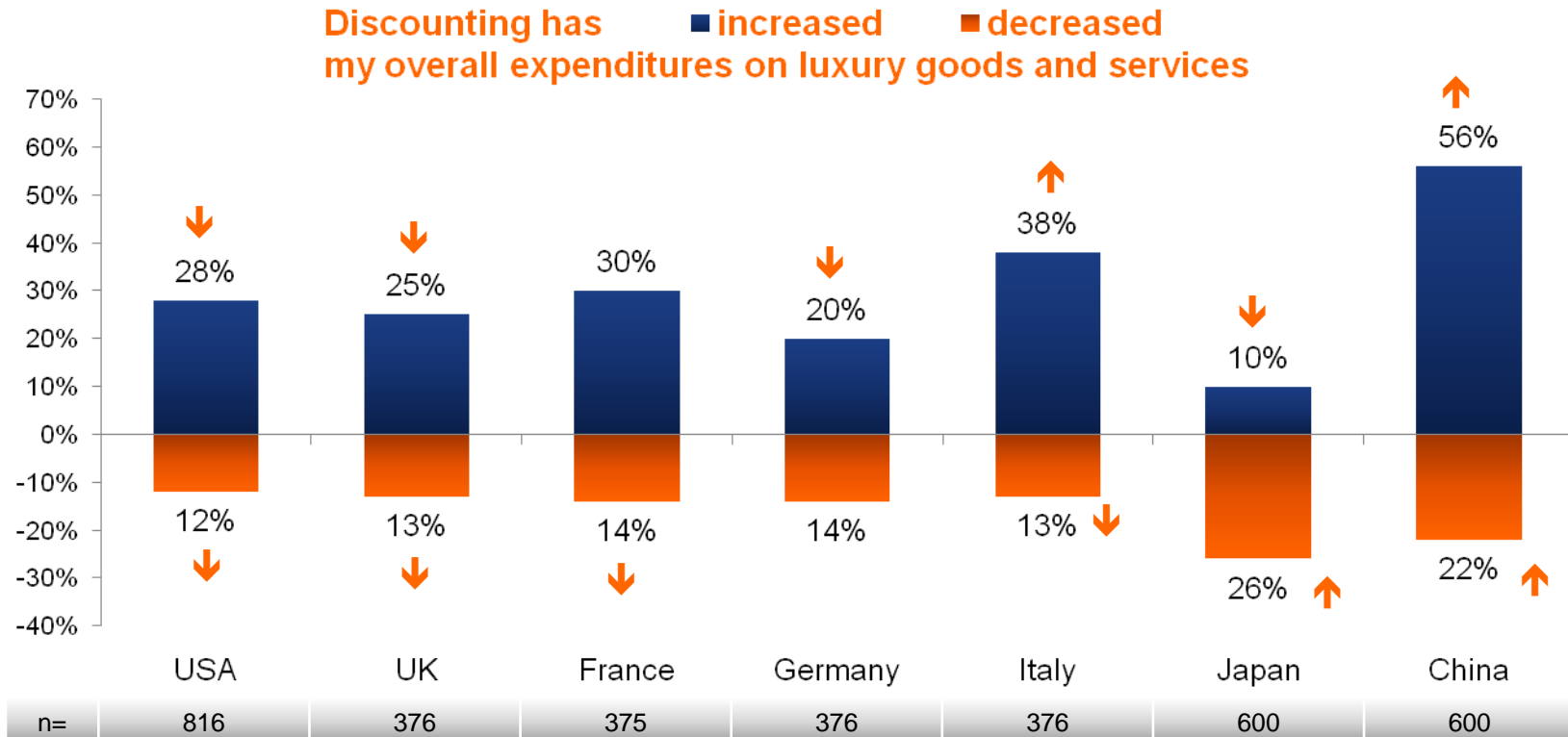
Percent indicating that discounting has "not changed" perceptions not shown in chart.

Base: All wealthy consumers surveyed

Arrows indicate statistically significant differences with 90% confidence.

Discounting Impacts on Overall Expenditures

- In most countries, with Japan being the notable exception, discounting has been more likely to yield increases in expenditures on luxury goods and services.



Q: How has the recent discounting of luxury goods and services by luxury brands changed your perceptions or purchases of luxury goods and services?

Percent indicating that discounting has “not changed” expenditures not shown in chart.

Base: All wealthy consumers surveyed

Arrows indicate statistically significant differences with 90% confidence.

Discounting Impacts on Appeal of Luxury

- Likewise, outside of Japan, discounting is generally more likely to improve the appeal of luxury goods and services rather than make these luxury goods and services less appealing.



Q: How has the recent discounting of luxury goods and services by luxury brands changed your perceptions or purchases of luxury goods and services?
 Percent indicating that discounting makes luxury goods and services “no more and no less” appealing not shown in chart.

Base: All wealthy consumers surveyed

Arrows indicate statistically significant differences with 90% confidence.

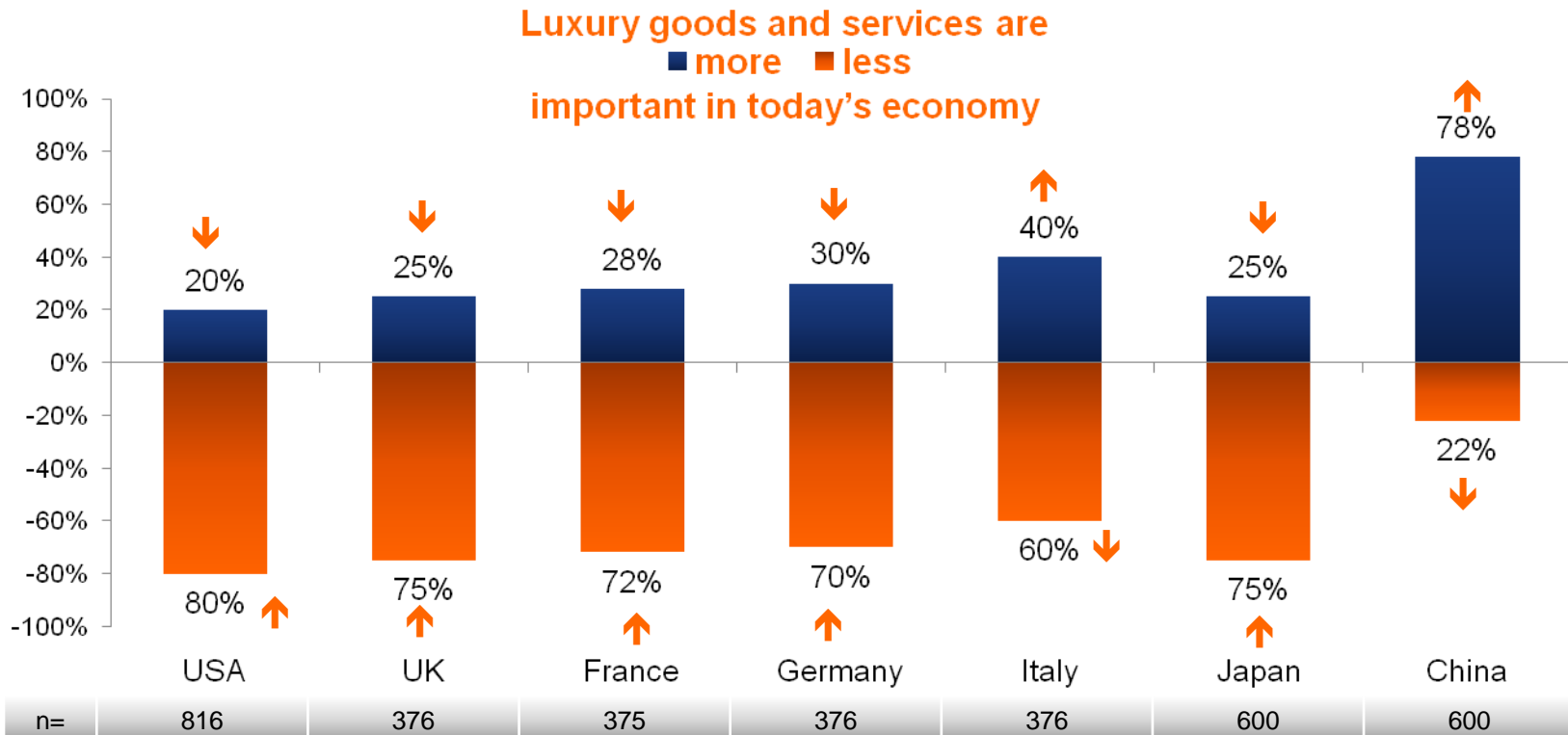
Luxury Institute WealthSurvey™

Impacts of the Economy on Perceptions



Relative Importance of Luxury Goods/Services

- Outside of the U.S. generally, but in China especially, luxury goods and services are seen as relatively more important to the overall economy.



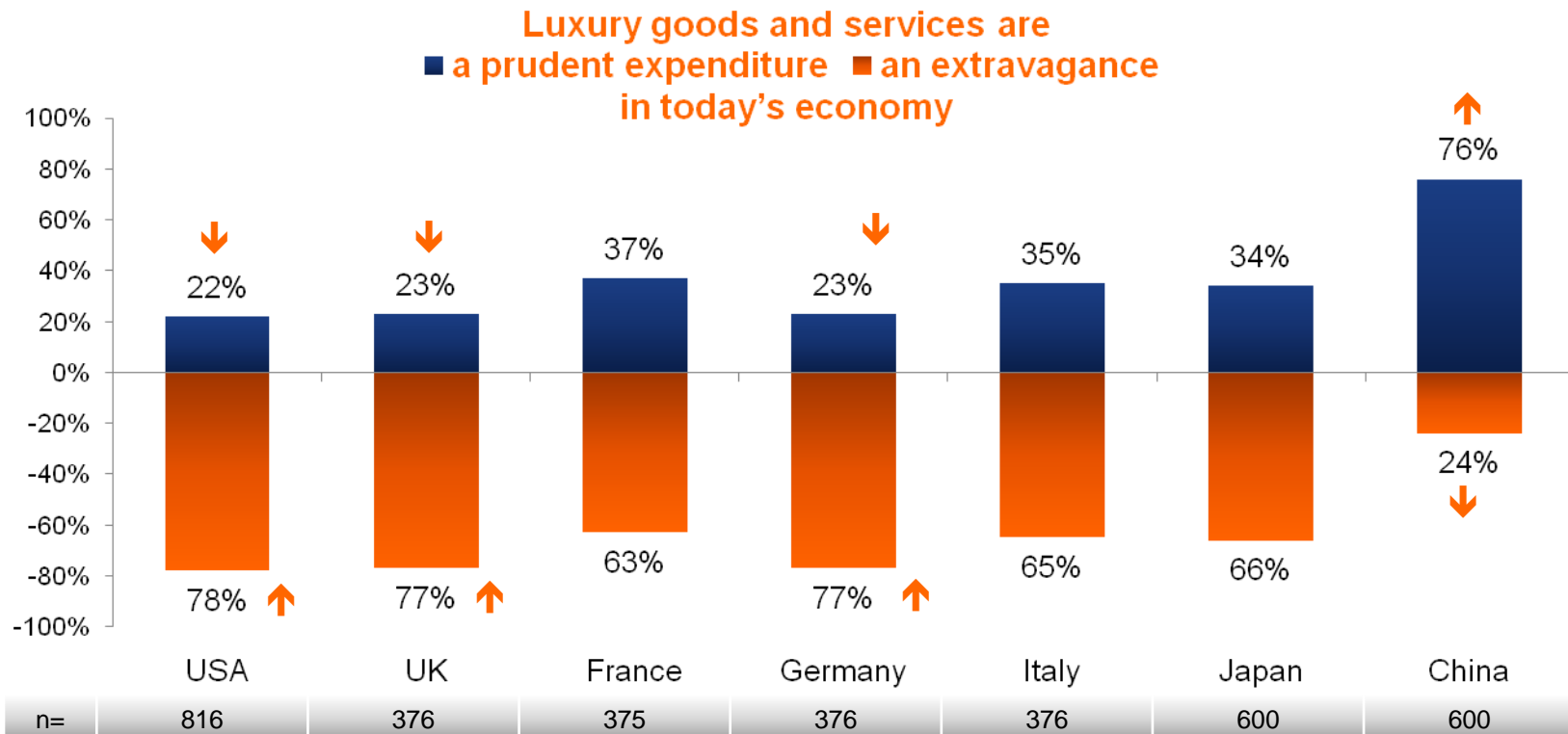
Q: How has the current state of the economy changed your perceptions of luxury goods and services?

Base: All wealthy consumers surveyed

Arrows indicate statistically significant differences with 90% confidence.

An extravagance or prudent expenditure?

- Most wealthy consumers in the U.S, Europe and Japan view luxury goods and services as an extravagance in today's economy, while the majority of wealthy Chinese view luxury goods and services as a prudent expenditure.



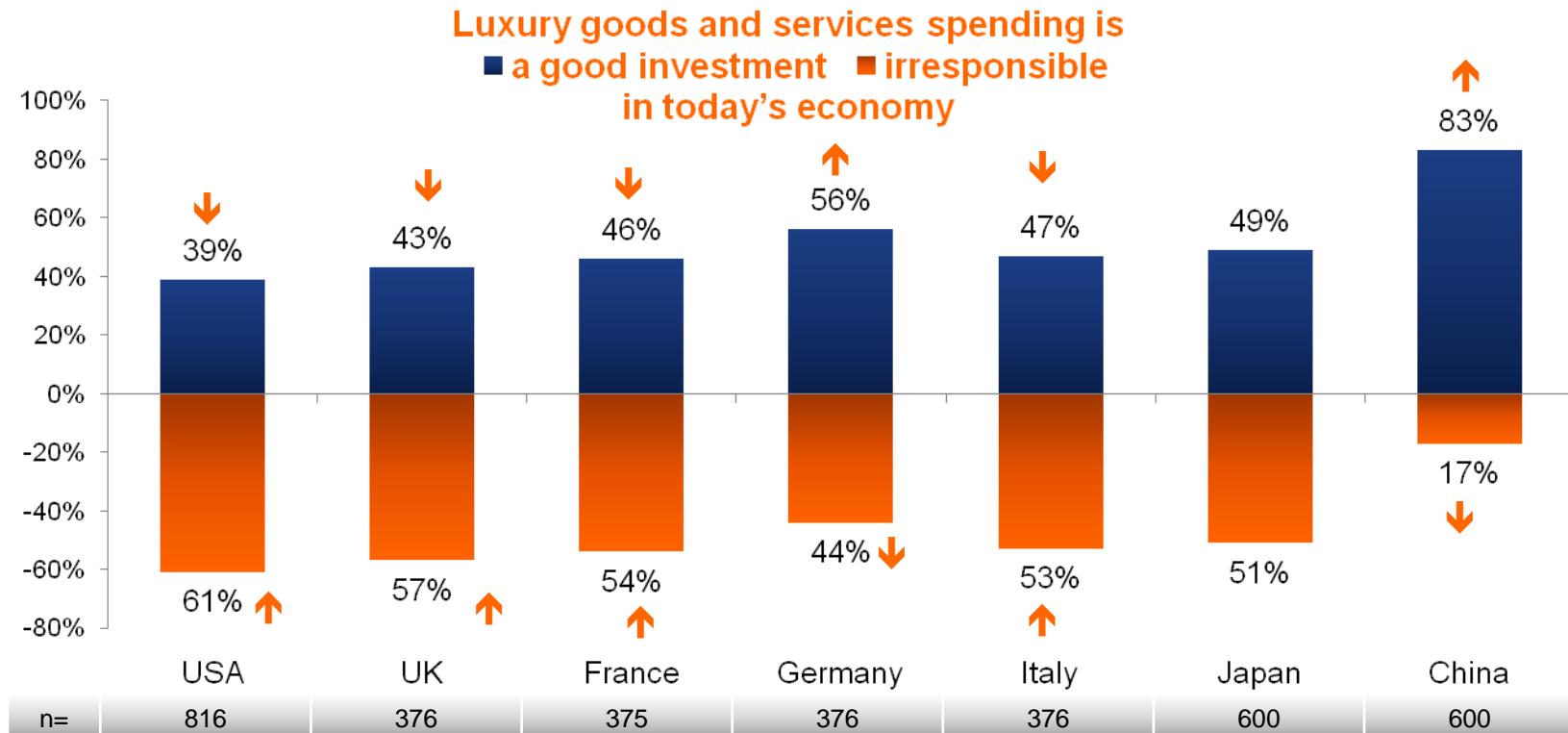
Q: How has the current state of the economy changed your perceptions of luxury goods and services?

Base: All wealthy consumers surveyed

Arrows indicate statistically significant differences with 90% confidence.

Irresponsible or a good investment?

- Here again, the viewpoint of wealthy consumers in China is vastly different than the viewpoints of wealthy consumers in Japan, Europe or the U.S.



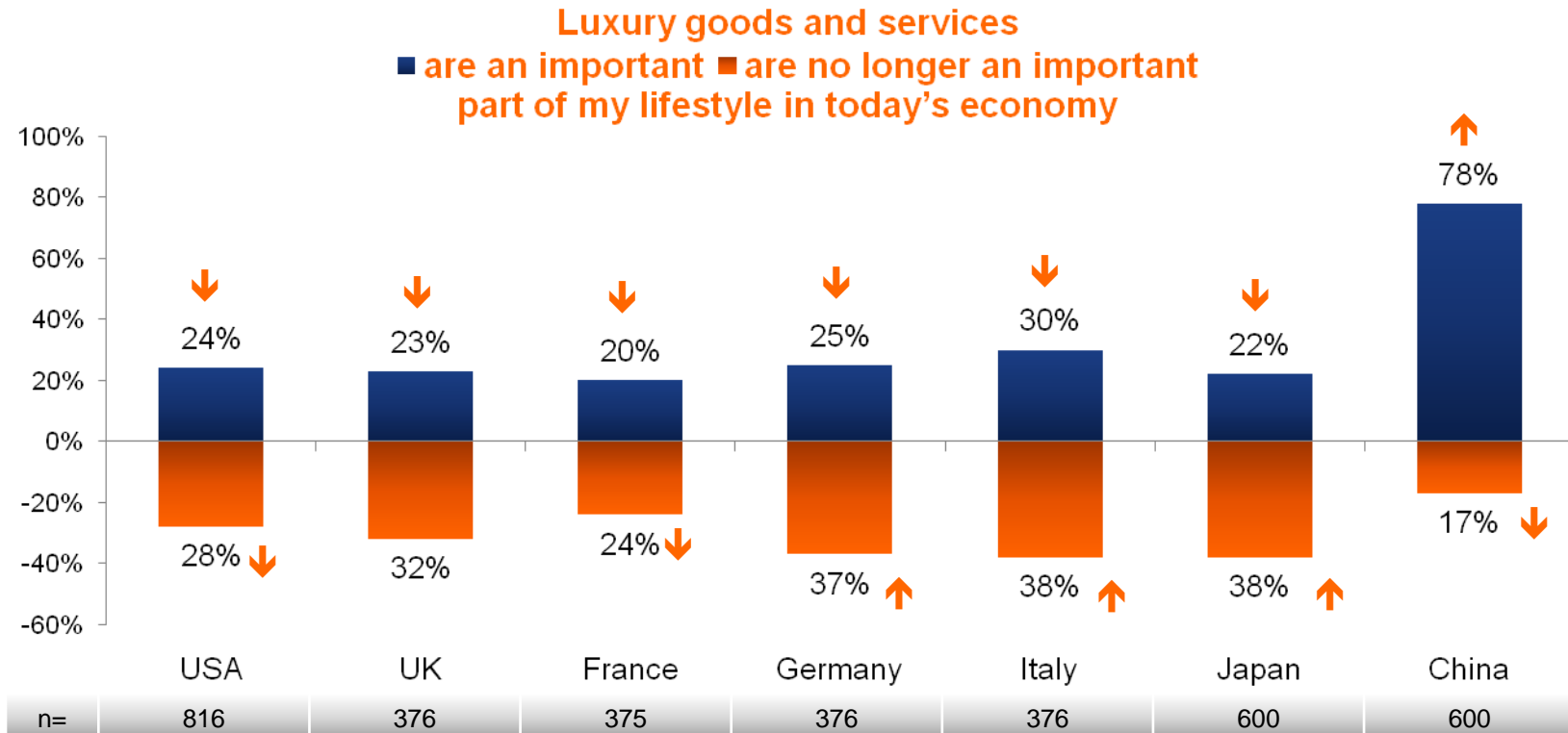
Q: How has the current state of the economy changed your perceptions of luxury goods and services?

Base: All wealthy consumers surveyed

Arrows indicate statistically significant differences with 90% confidence.

Is luxury an important part of lifestyle?

- The share of wealthy Chinese consumers who say that luxury goods and services are an important part of their lifestyle in today's economy is more than three times as high as it is in the rest of the countries surveyed.



Q: How has the current state of the economy changed your perceptions of luxury goods and services?
 Percent indicating that luxury goods and services “never were an important” part of lifestyle not shown in chart.
 Base: All wealthy consumers surveyed
 Arrows indicate statistically significant differences with 90% confidence.

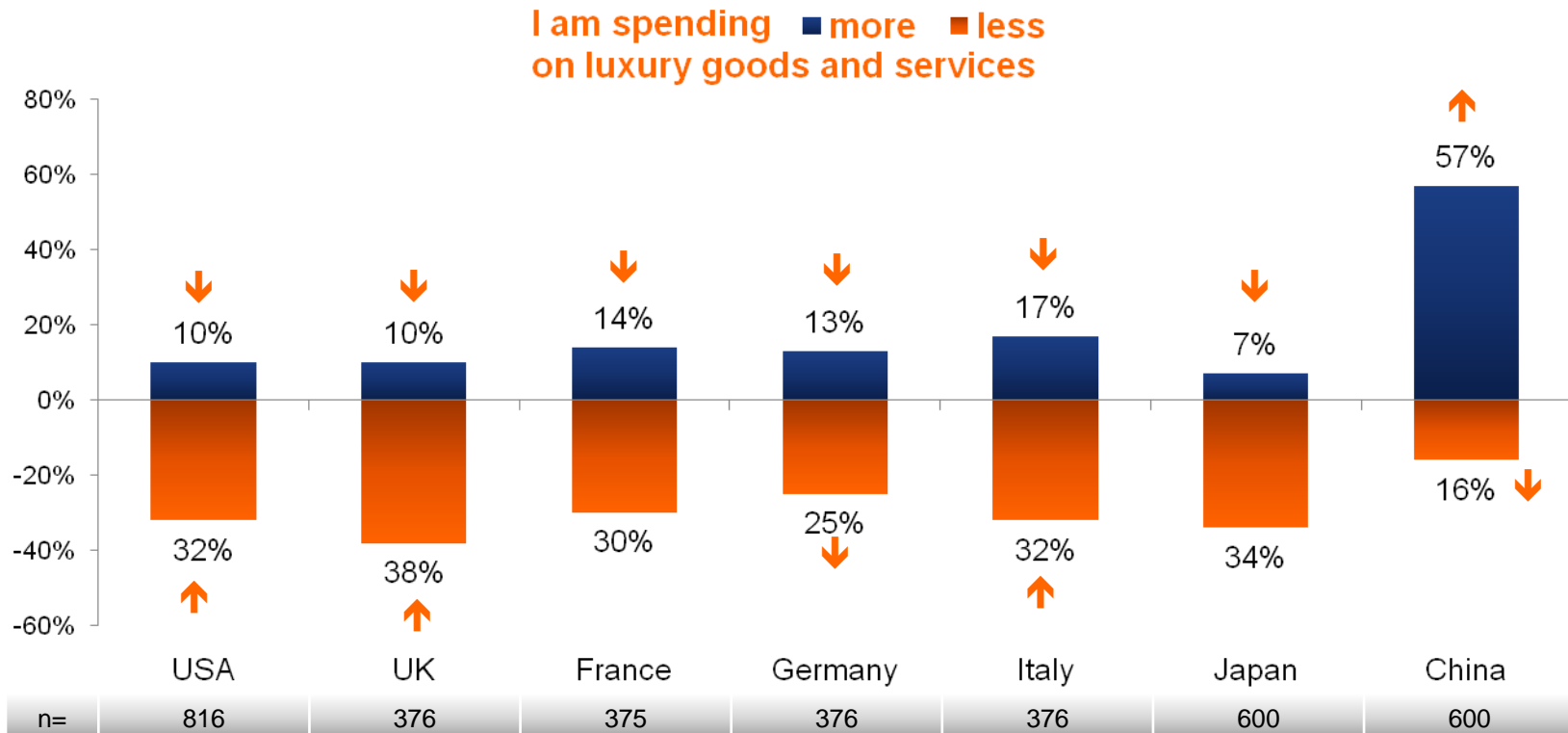
Luxury Institute WealthSurvey™

Impacts of Economy on Spending



Recent Trend in Overall Spending

- Outside of China, more wealthy consumers report having cut back on spending on luxury goods and services than are reporting increases in overall spending.



Q: How has the current economic environment changed your spending on luxury goods and services?

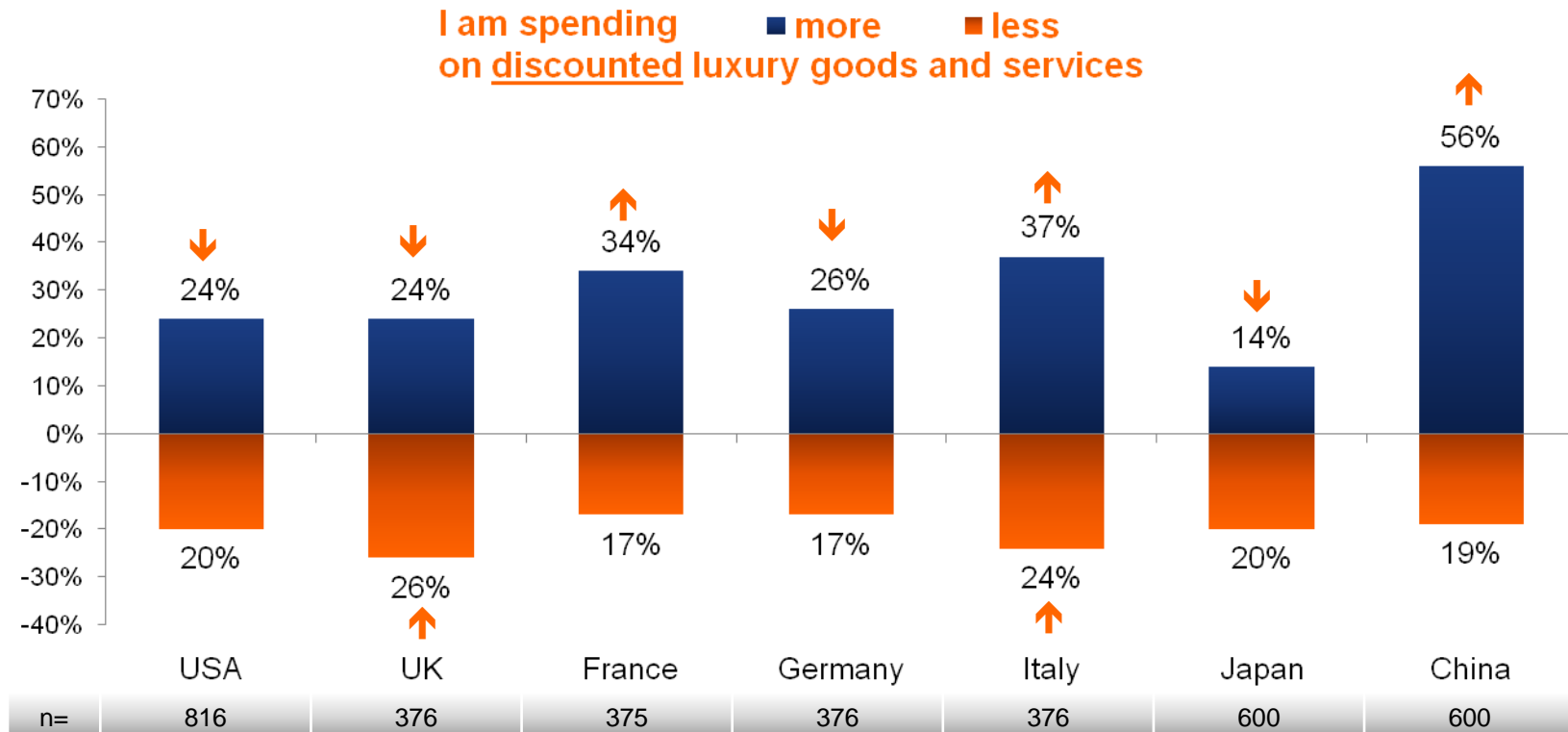
Percent indicating no change in spending is not shown in chart.

Base: All wealthy consumers surveyed

Arrows indicate statistically significant differences with 90% confidence.

Spending on Discounted Goods and Services

- Consumers in France, Italy and especially China report spending more money on discounted luxury goods and services in the present economic environment.



Q: How has the current economic environment changed your spending on luxury goods and services?

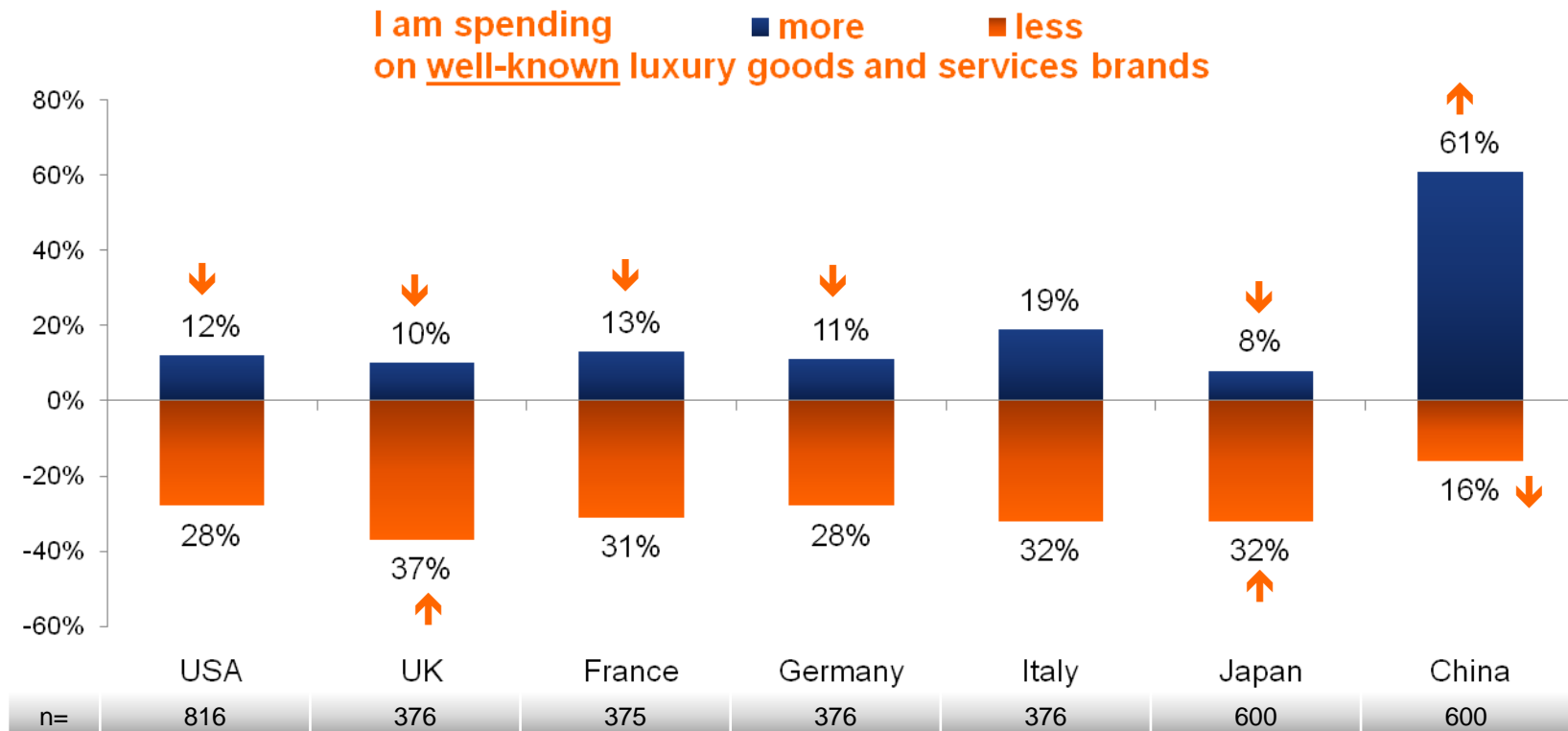
Percent indicating no change in spending is not shown in chart.

Base: All wealthy consumers surveyed

Arrows indicate statistically significant differences with 90% confidence.

Spending on Well-Known Brands

- As with overall spending, outside of China consumers are generally more likely to report cutting back on spending on well-known brands of luxury goods and services.



Q: How has the current economic environment changed your spending on luxury goods and services?

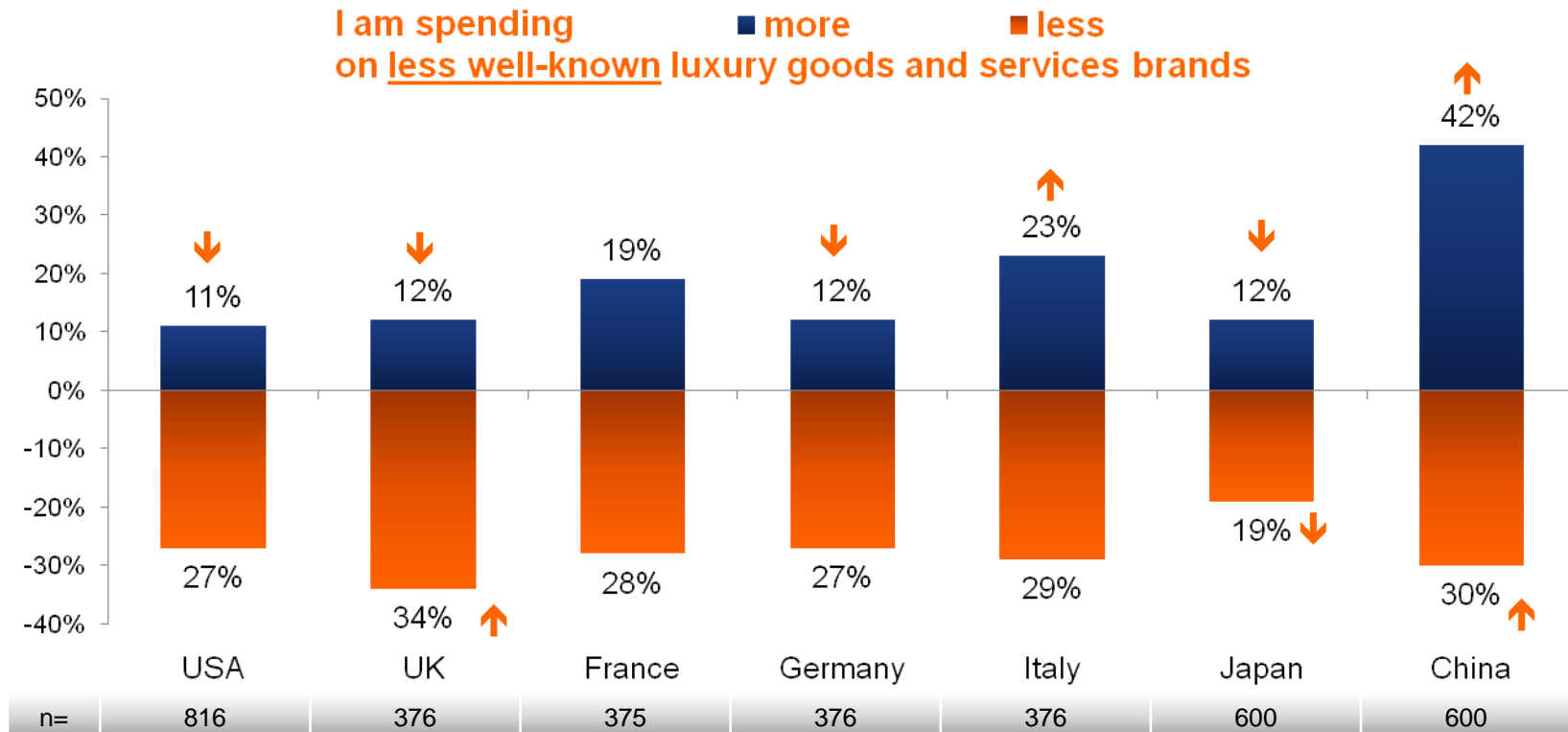
Percent indicating no change in spending is not shown in chart.

Base: All wealthy consumers surveyed

Arrows indicate statistically significant differences with 90% confidence.

Spending on Less Well-Known Brands

- As with spending on well-known luxury brands, outside of China consumers are more likely to report spending cuts rather than spending increases.



Q: How has the current economic environment changed your spending on luxury goods and services?

Percent indicating no change in spending is not shown in chart.

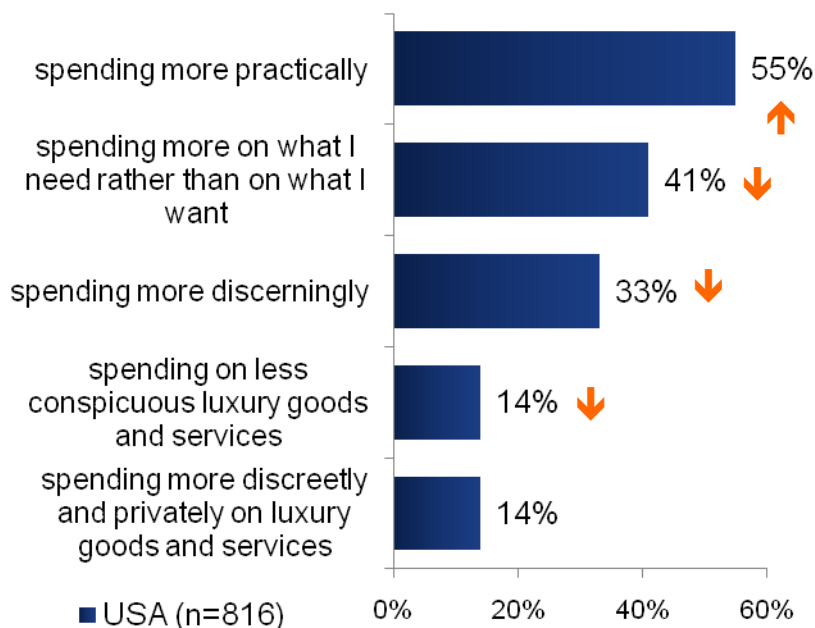
Base: All wealthy consumers surveyed

Arrows indicate statistically significant differences with 90% confidence.

Ways in Which Spending Has Changed

- A majority of wealthy U.S., U.K. and Chinese consumers report that the current economic environment has led them to spend more practically on luxury goods and services.
- In France and Japan, wealthy consumers are more likely to report that they are spending more discerningly.

In what other ways has the current economic environment changed your spending on luxury goods and services?



	UK	France	Germany	Italy	Japan	China
spending more practically	52%↑	34%↓	31%↓	44%	19%↓	60%↑
spending more on what I need rather than on what I want	53%↑	45%	45%	41%↓	54%↑	56%↑
spending more discerningly	39%↓	56%↑	44%	39%↓	56%↑	45%
spending on less conspicuous luxury goods and services	14%	8%↓	15%	12%↓	12%↓	29%↑
spending more discreetly and privately on luxury goods and services	15%↓	10%↓	19%	25%	19%↓	48%↑
	n=376	375	376	376	600	600

Q: In what other ways has the current economic environment changed your spending on luxury goods and services?

Base: All wealthy consumers surveyed

Arrows indicate statistically significant differences with 90% confidence.

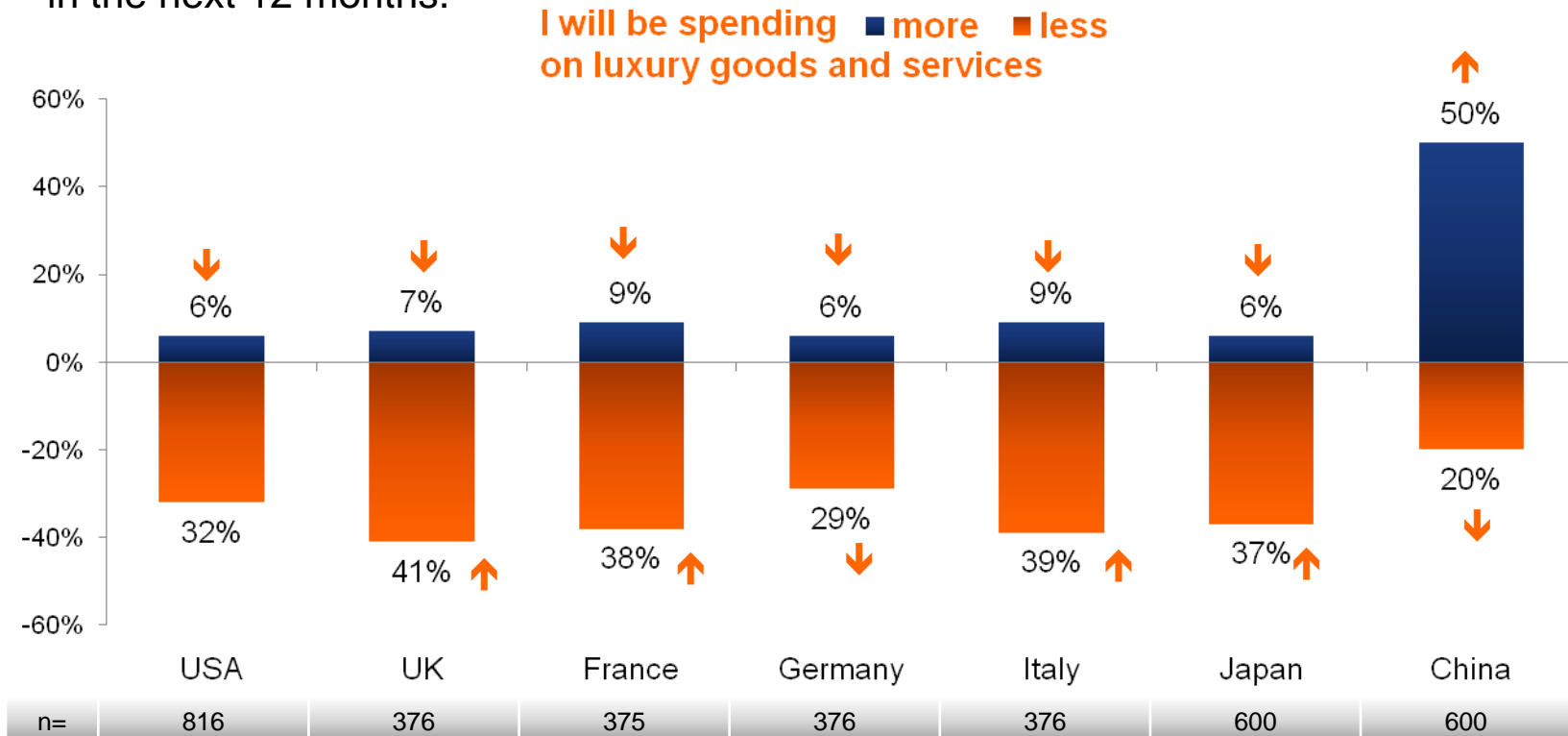
Luxury Institute WealthSurvey™

Anticipated Impacts of Economy on Spending



Anticipated Trend in Overall Spending

- Wealthy consumers in the U.S., Europe and Japan are generally more likely to say they will be spending less on luxury goods and services in the next 12 months rather than spending more. The outlook in China is once again very different, as half of wealthy Chinese consumers indicate that they plan to spend more on luxury goods and services in the next 12 months.



Q: How will the current economic environment affect your spending on luxury goods and services in the next 12 months?

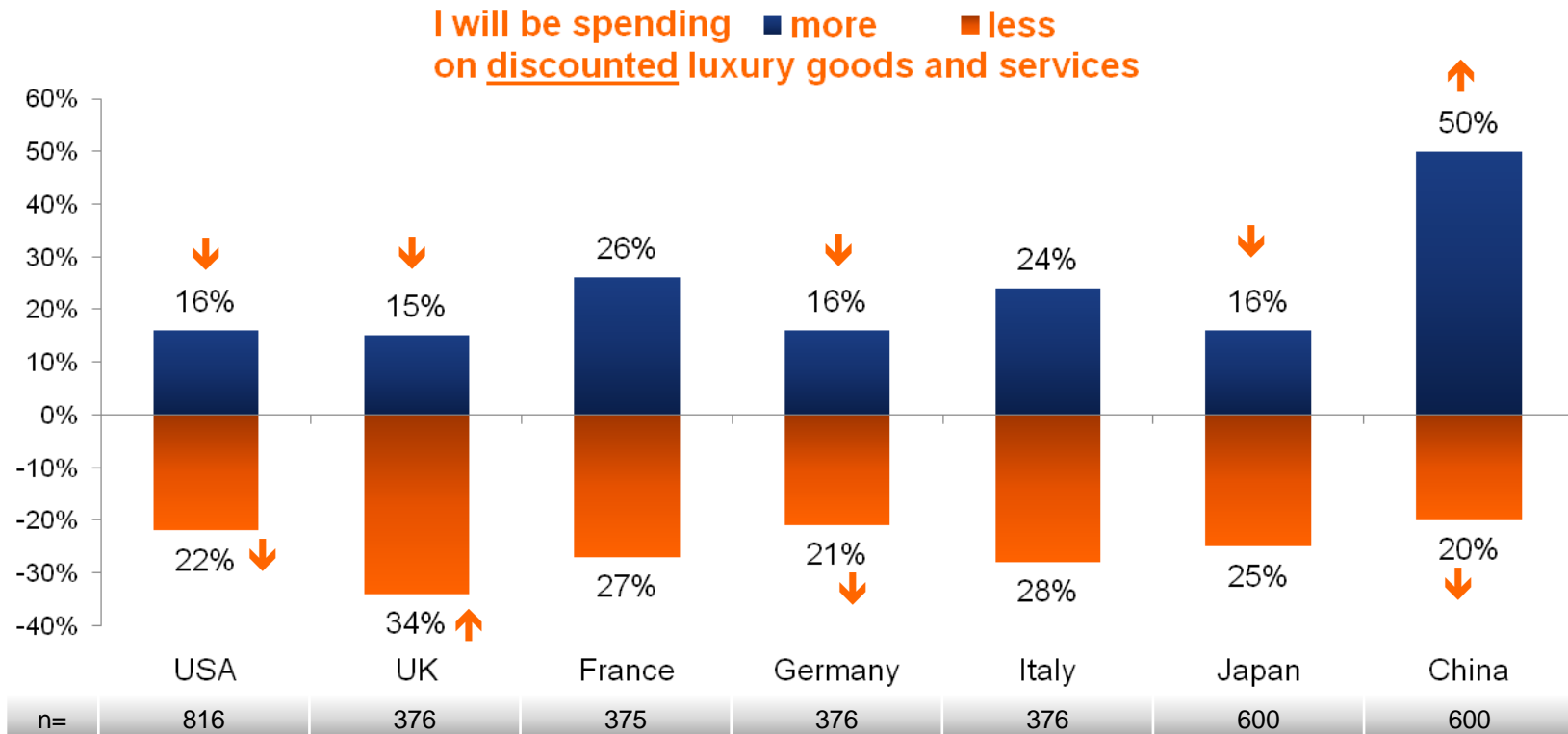
Percent indicating no change in spending is not shown in chart.

Base: All wealthy consumers surveyed

Arrows indicate statistically significant differences with 90% confidence.

Anticipated Spending on Discounted Goods

- With regard to spending on discounted luxury goods and services, Chinese consumers anticipate spending more in the next 12 months, while wealthy consumers in the U.K. are the most likely to anticipate spending less.



Q: How will the current economic environment affect your spending on luxury goods and services in the next 12 months?

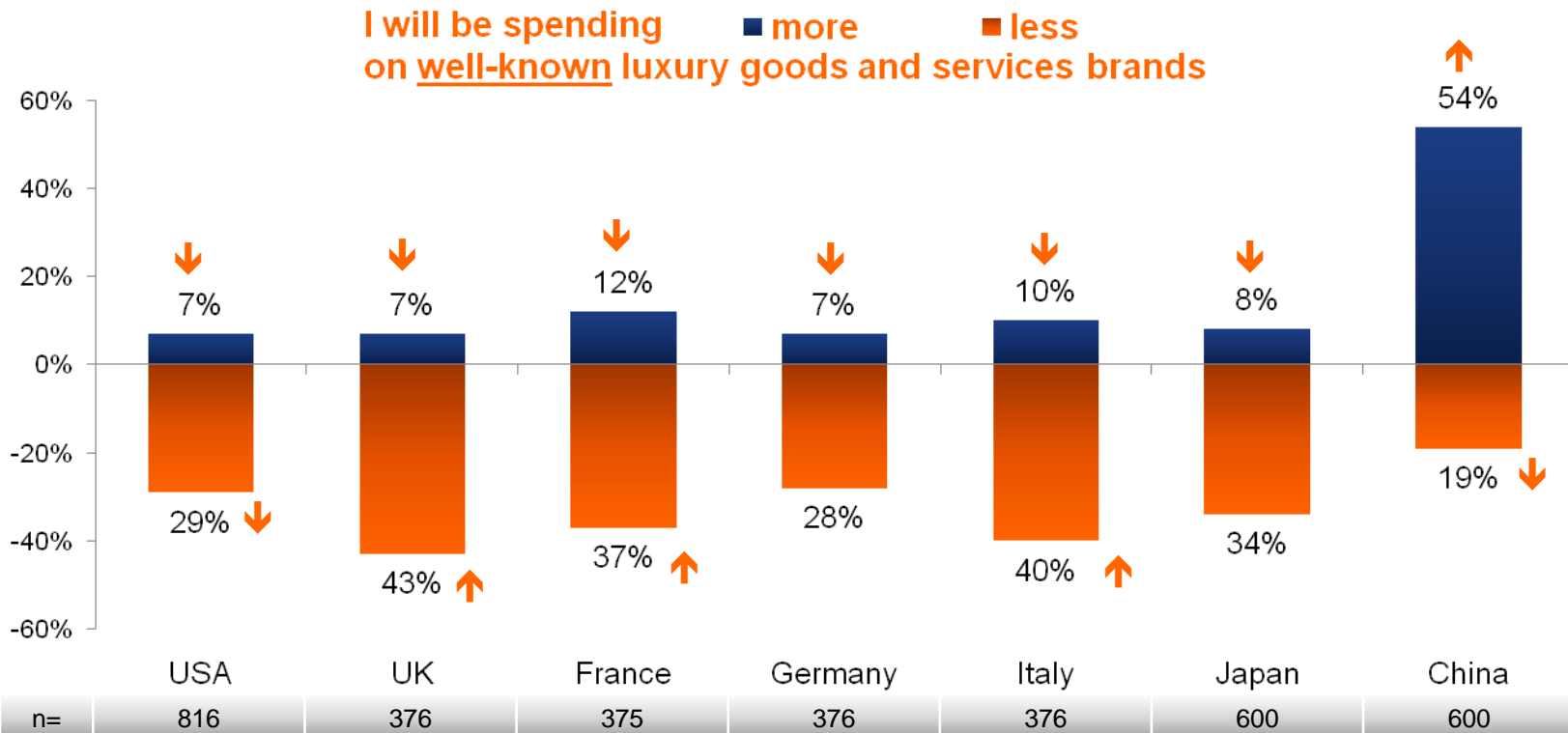
Percent indicating no change in spending is not shown in chart.

Base: All wealthy consumers surveyed

Arrows indicate statistically significant differences with 90% confidence.

Anticipated Spending on Well-Known Brands

- More than a third of wealthy consumers in the U.K., France, Italy and Japan anticipate spending less on well-known luxury goods and services in the next 12 months.



Q: How will the current economic environment affect your spending on luxury goods and services in the next 12 months?

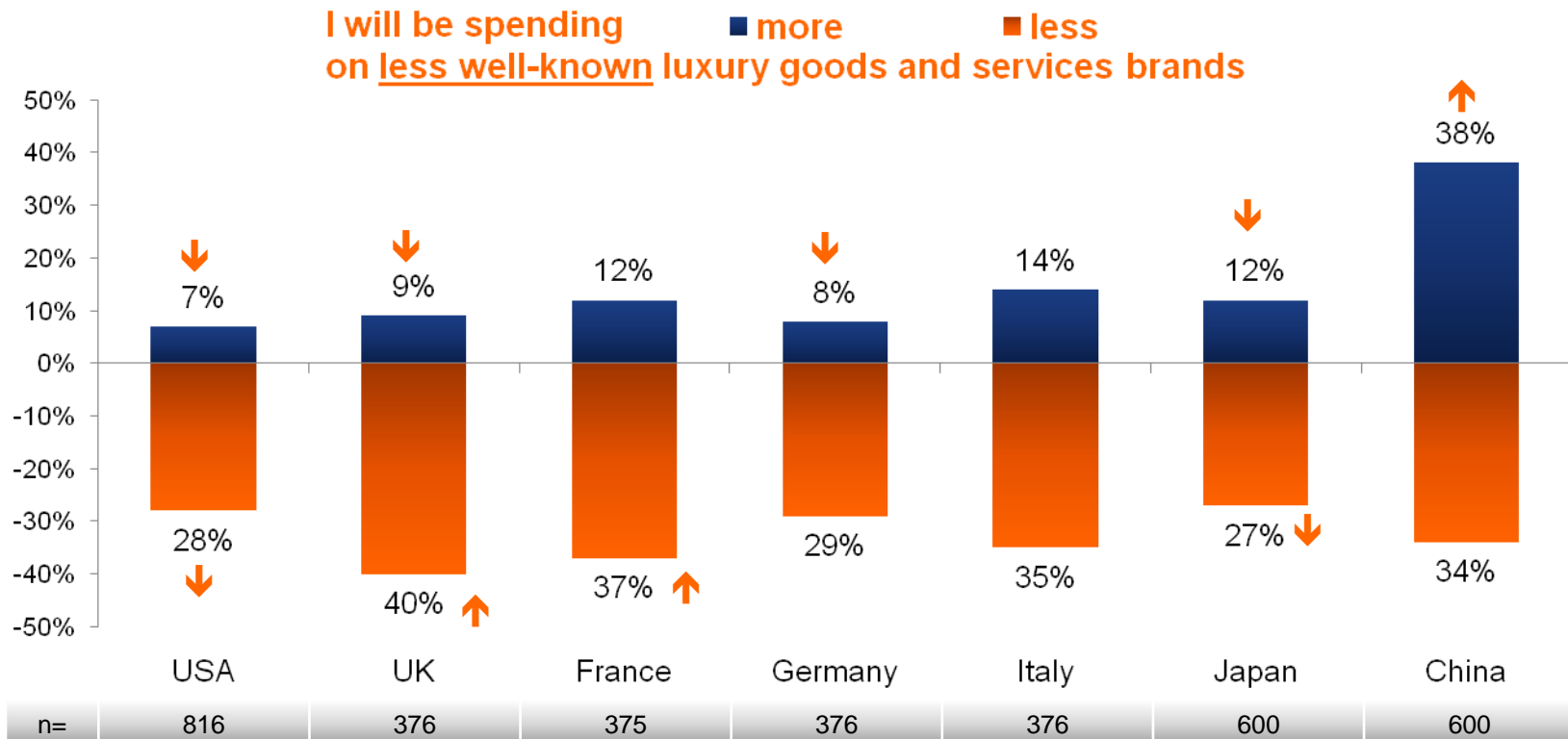
Percent indicating no change in spending is not shown in chart.

Base: All wealthy consumers surveyed

Arrows indicate statistically significant differences with 90% confidence.

Anticipated Spending on Lesser-Known Brands

- At least one-third of wealthy consumers surveyed in the U.K., France, Italy and China anticipate spending less in the next 12 months on less well-known luxury brands.



Q: How will the current economic environment affect your spending on luxury goods and services in the next 12 months?

Percent indicating no change in spending is not shown in chart.

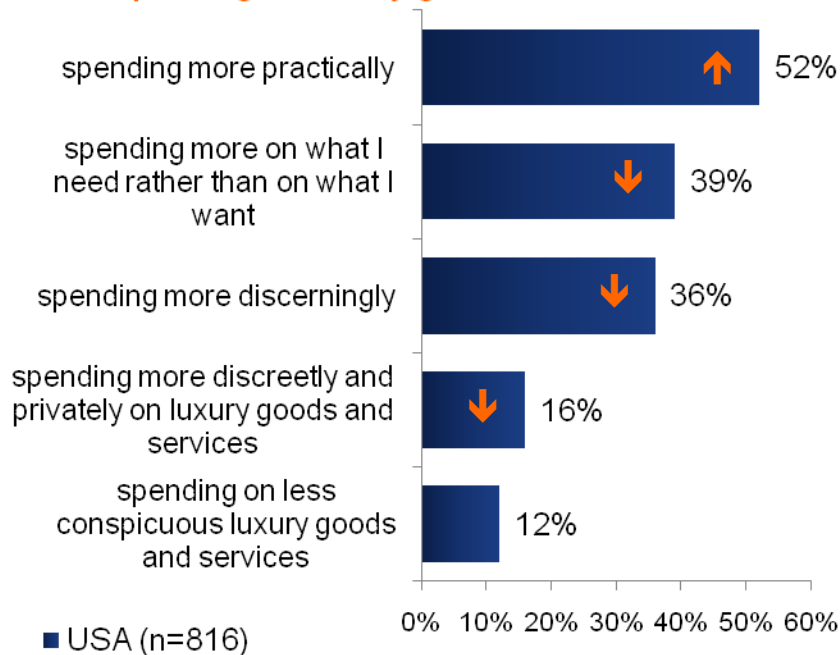
Base: All wealthy consumers surveyed

Arrows indicate statistically significant differences with 90% confidence.

Ways in Which Expect Spending to Change

- Over half of wealthy consumers surveyed in the U.S., U.K. and China say the economy will lead them to spend more practically on luxury goods and services.
- Wealthy consumers in France and Japan are most likely to say that the economy will cause them to spend more discerningly on luxury goods and services.

In what other ways will the current economic environment affect your spending on luxury goods and services?



	UK	France	Germany	Italy	Japan	China
spending more practically	57%↑	35%↓	30%↓	44%	20%↓	61%↑
spending more on what I need rather than on what I want	51%↑	41%↓	45%	40%↓	53%↑	52%↑
spending more discerningly	39%↓	58%↑	40%↓	39%↓	56%↑	45%
spending more discreetly and privately on luxury goods and services	12%↓	6%↓	16%↓	23%	18%	46%↑
spending on less conspicuous luxury goods and services	11%	7%↓	13%	12%	10%↓	24%↑
n	n=376	375	376	376	600	600

Q: In what other ways will the current economic environment affect your spending on luxury goods and services in the next 12 months?

Base: All wealthy consumers surveyed

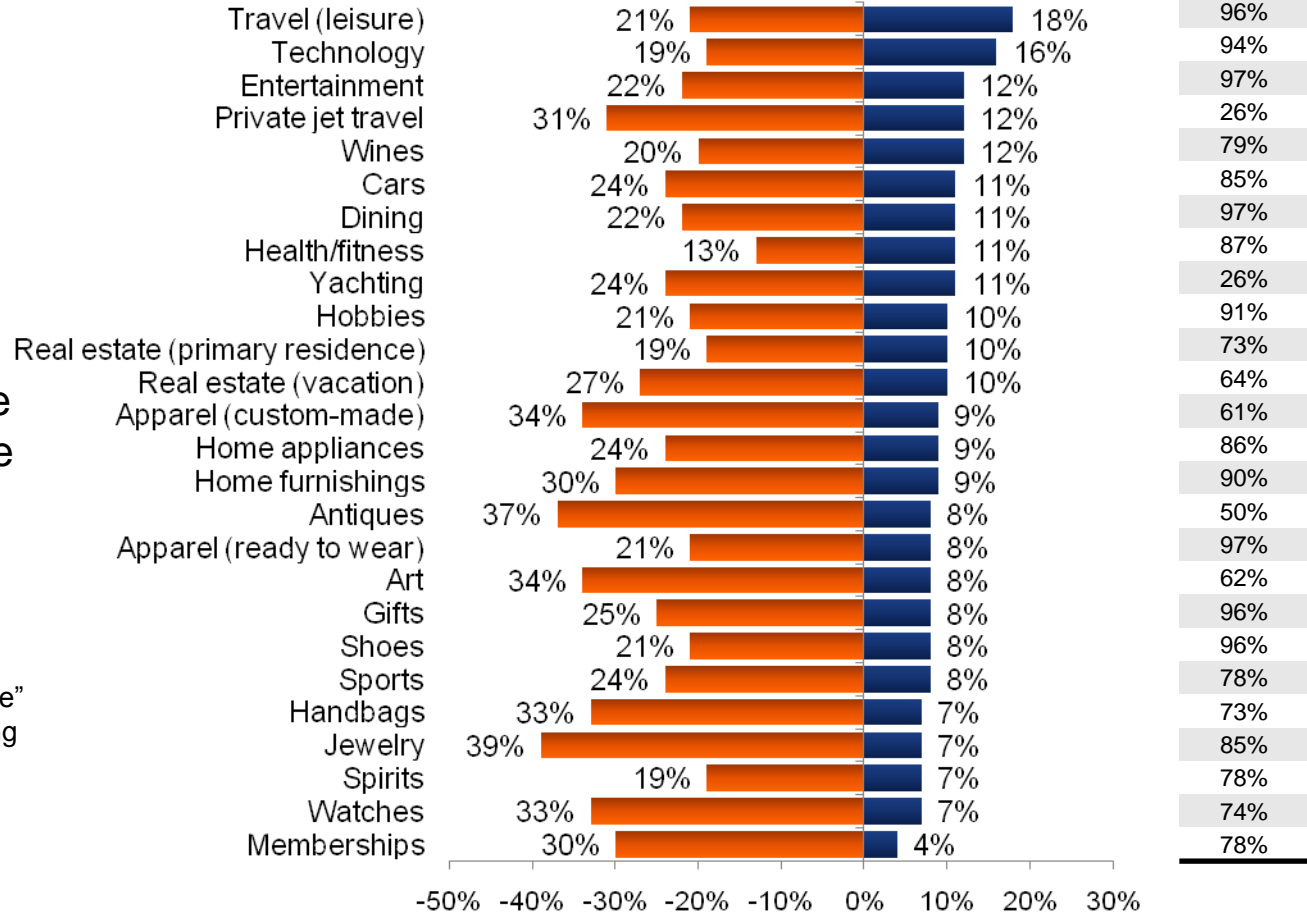
Arrows indicate statistically significant differences with 90% confidence.

Anticipated Spending by Category: U.S.

- In the U.S., travel and technology are the categories of spending where wealthy consumers are most likely to anticipate increases in spending.
- Jewelry and antiques are the areas where wealthy consumers are most likely to anticipate spending less, when applicable.
- Note: Respondents had the opportunity to select "not applicable" for each category. Those checking "not applicable" are excluded from the data.

How will economy influence spending in the next 12 months in these luxury categories?

■ Spend more
■ Spend less



Q: How will the current economic environment affect your spending on luxury goods and services in the next 12 months?

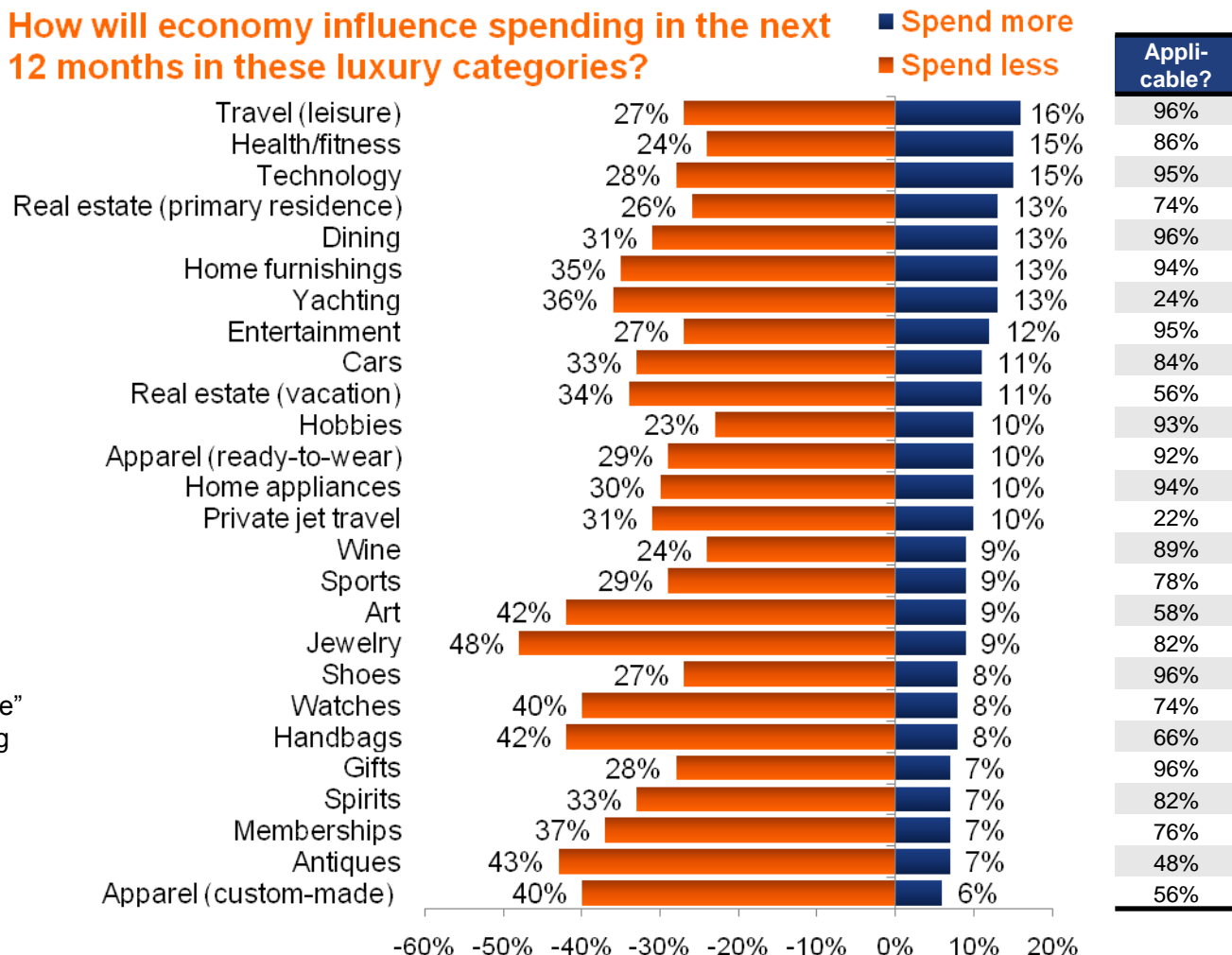
Percent indicating no change in applicable spending is not shown in chart.

Base: Wealthy U.S. consumers with applicable spending habits in each category (n=816)

Anticipated Spending by Category: U.K.

- In the U.K., leisure travel, health and fitness and technology are the categories where wealthy consumers are most likely to anticipate spending increases.
- Nearly half of U.K. consumers expect to reduce spending on jewelry.
- Note: Respondents had the opportunity to select “not applicable” for each category. Those checking “not applicable” are excluded from the data.

How will economy influence spending in the next 12 months in these luxury categories?



Q: How will the current economic environment affect your spending on luxury goods and services in the next 12 months?

Percent indicating no change in applicable spending is not shown in chart.

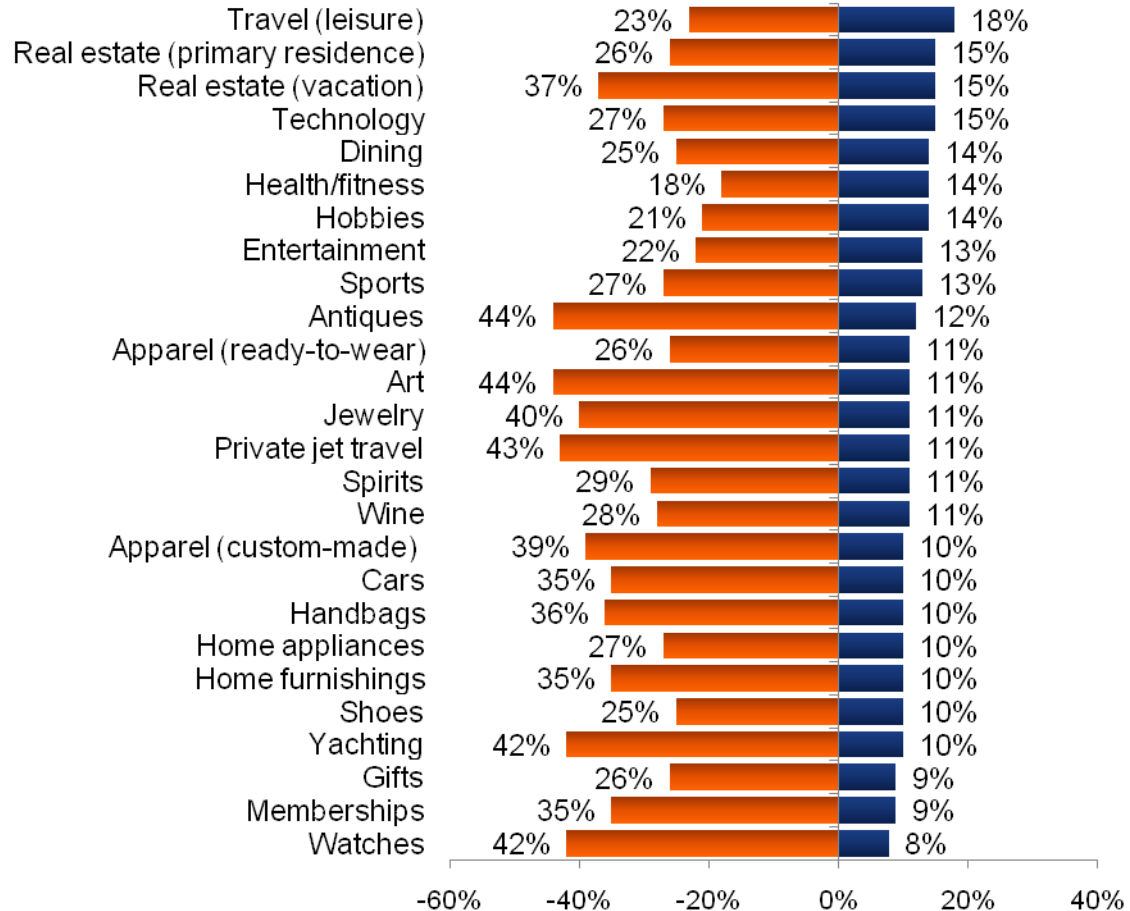
Base: Wealthy U.K. consumers with applicable spending habits in each category (n=376)

Anticipated Spending by Category: France

- In France, leisure travel is the category wealthy consumers are most likely to expect to spend more money in over the next 12 months, followed by real estate and technology.
- Antiques, art, private jet travel, yachting and watches are the categories most likely to see spending cuts made.
- Note: Respondents had the opportunity to select “not applicable” for each category. Those checking “not applicable” are excluded from the data.

How will economy influence spending in the next 12 months in these luxury categories?

■ Spend more
■ Spend less



Q: How will the current economic environment affect your spending on luxury goods and services in the next 12 months?

Percent indicating no change in applicable spending is not shown in chart.

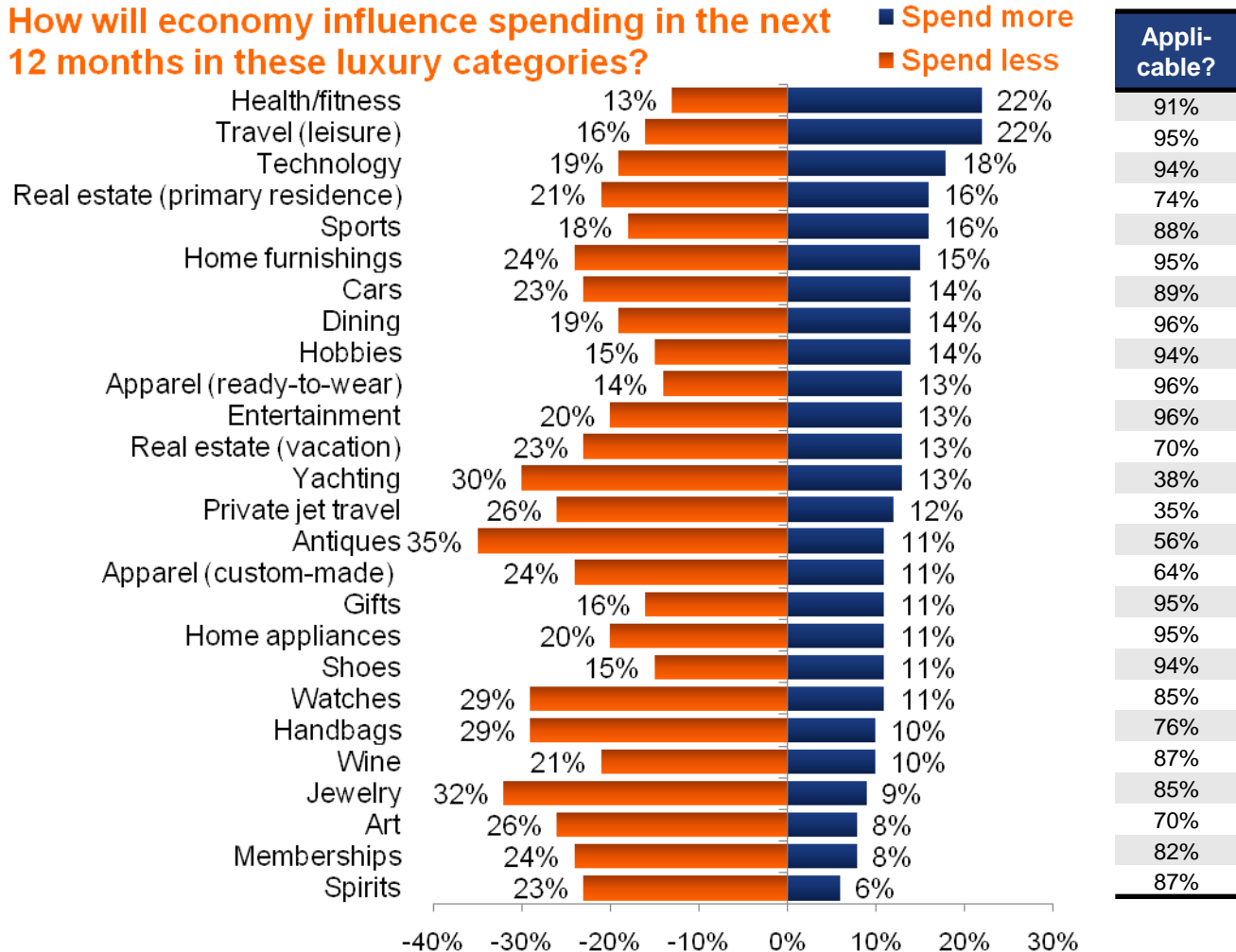
Base: Wealthy French consumers with applicable spending habits in each category (n=375)

Anticipated Spending by Category: Germany

- In Germany, health and fitness and leisure travel are the luxury categories that are most likely to experience spending increases, with a net gain in spending expected in each of these categories.*
- Antiques and jewelry are the categories most likely to see spending reductions.
- Note: Respondents had the opportunity to select “not applicable” for each category. Those checking “not applicable” are excluded from the data.

* Net gain = a larger share of consumers expecting to spend more than expecting to spend less.

How will economy influence spending in the next 12 months in these luxury categories?



Q: How will the current economic environment affect your spending on luxury goods and services in the next 12 months?

Percent indicating no change in applicable spending is not shown in chart.

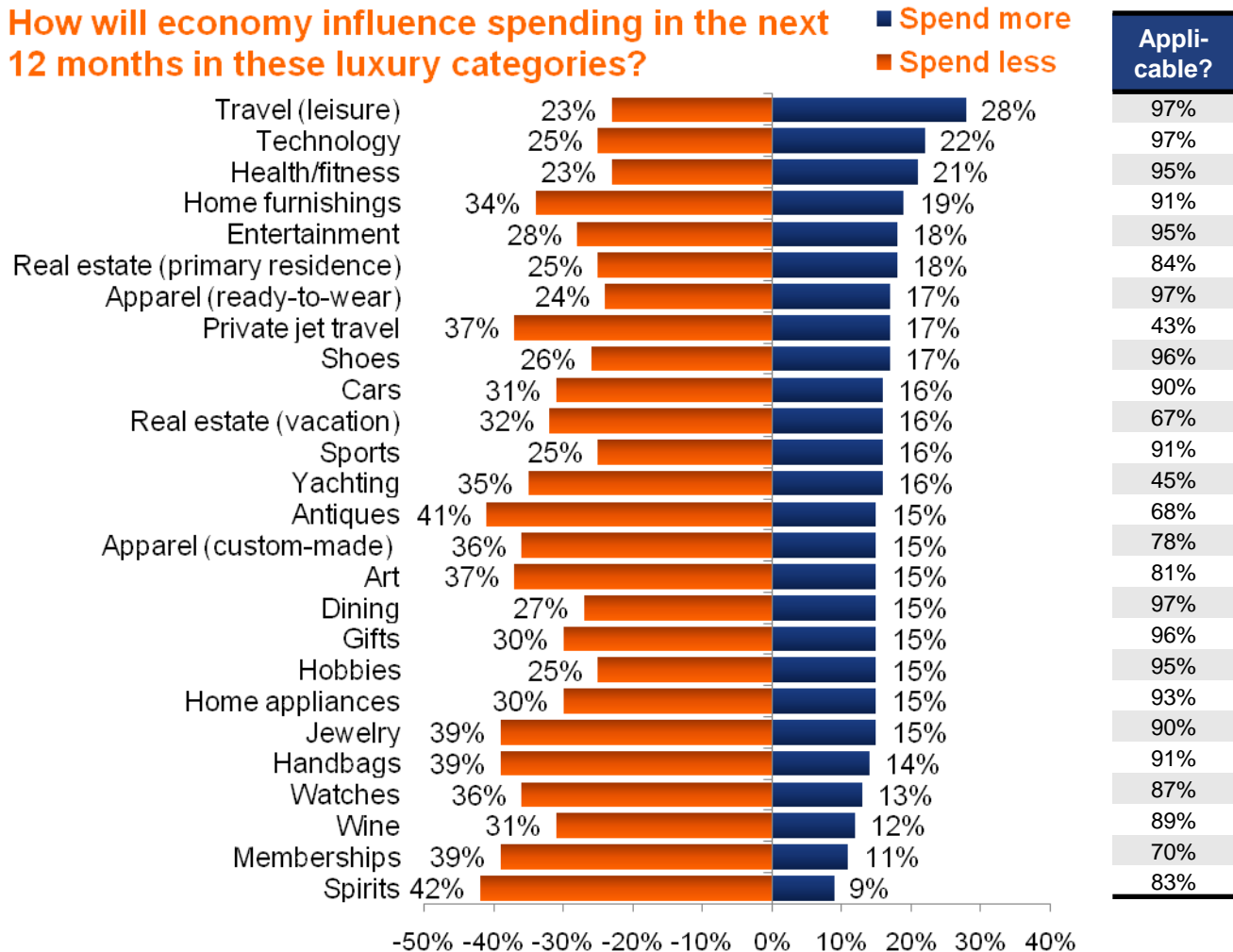
Base: Wealthy German consumers with applicable spending habits in each category (n=376)

Anticipated Spending by Category: Italy

- In Italy, travel and leisure is the only category in which a larger share of wealthy consumers expect to spend more money in the next 12 months than expect to spend less.
- Spirits and antiques are the categories that wealthy Italian consumers are most likely to cut back spending.

- Note: Respondents had the opportunity to select "not applicable" for each category. Those checking "not applicable" are excluded from the data.

How will economy influence spending in the next 12 months in these luxury categories?



Q: How will the current economic environment affect your spending on luxury goods and services in the next 12 months?

Percent indicating no change in applicable spending is not shown in chart.

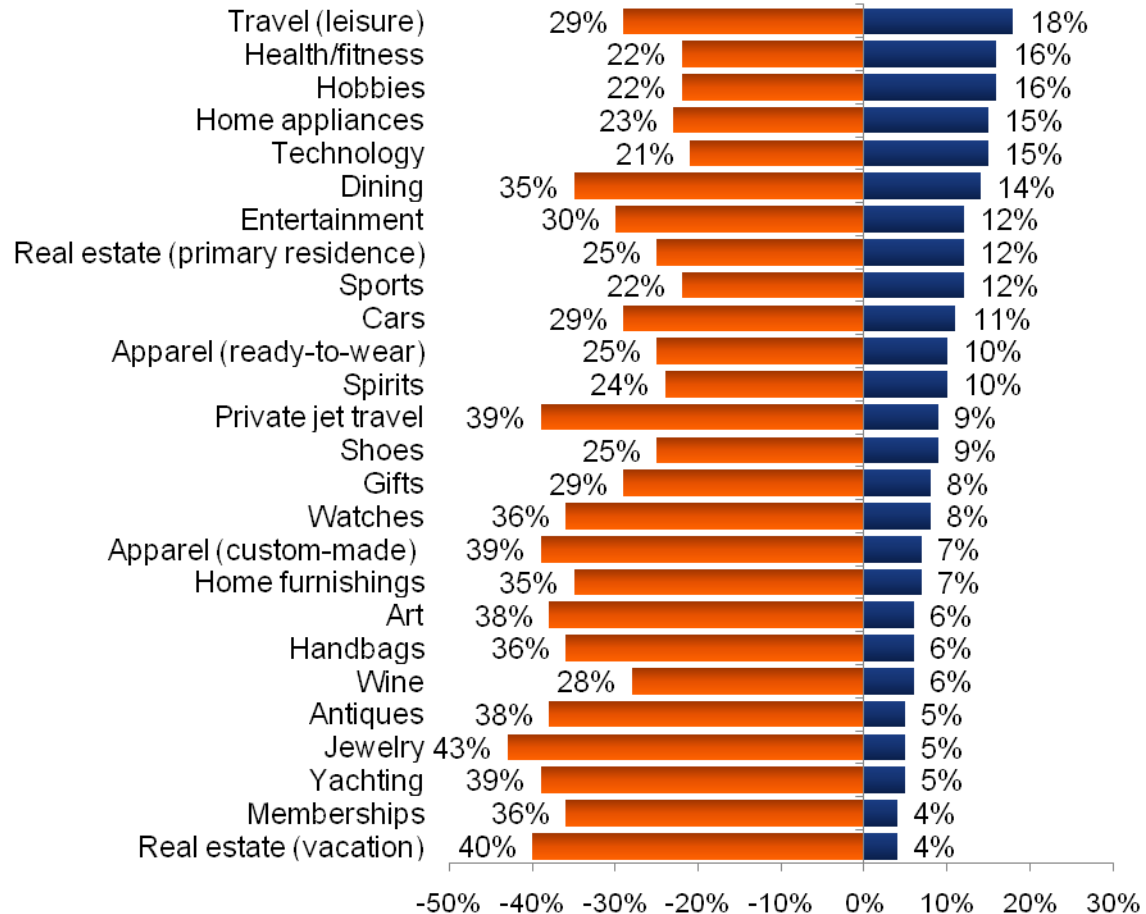
Base: Wealthy Italian consumers with applicable spending habits in each category (n=376)

Anticipated Spending by Category: Japan

- In Japan, leisure travel is the category of luxury spending where wealthy consumers are most likely to anticipate spending increases, followed by health and fitness, hobbies, home appliances and technology.
- Jewelry is the category most likely to experience spending reductions.
- Note: Respondents had the opportunity to select "not applicable" for each category. Those checking "not applicable" are excluded from the data.

How will economy influence spending in the next 12 months in these luxury categories?

■ Spend more
■ Spend less



Q: How will the current economic environment affect your spending on luxury goods and services in the next 12 months?

Percent indicating no change in applicable spending is not shown in chart.

Base: Wealthy Japanese consumers with applicable spending habits in each category (n=600)

Anticipated Spending by Category: China

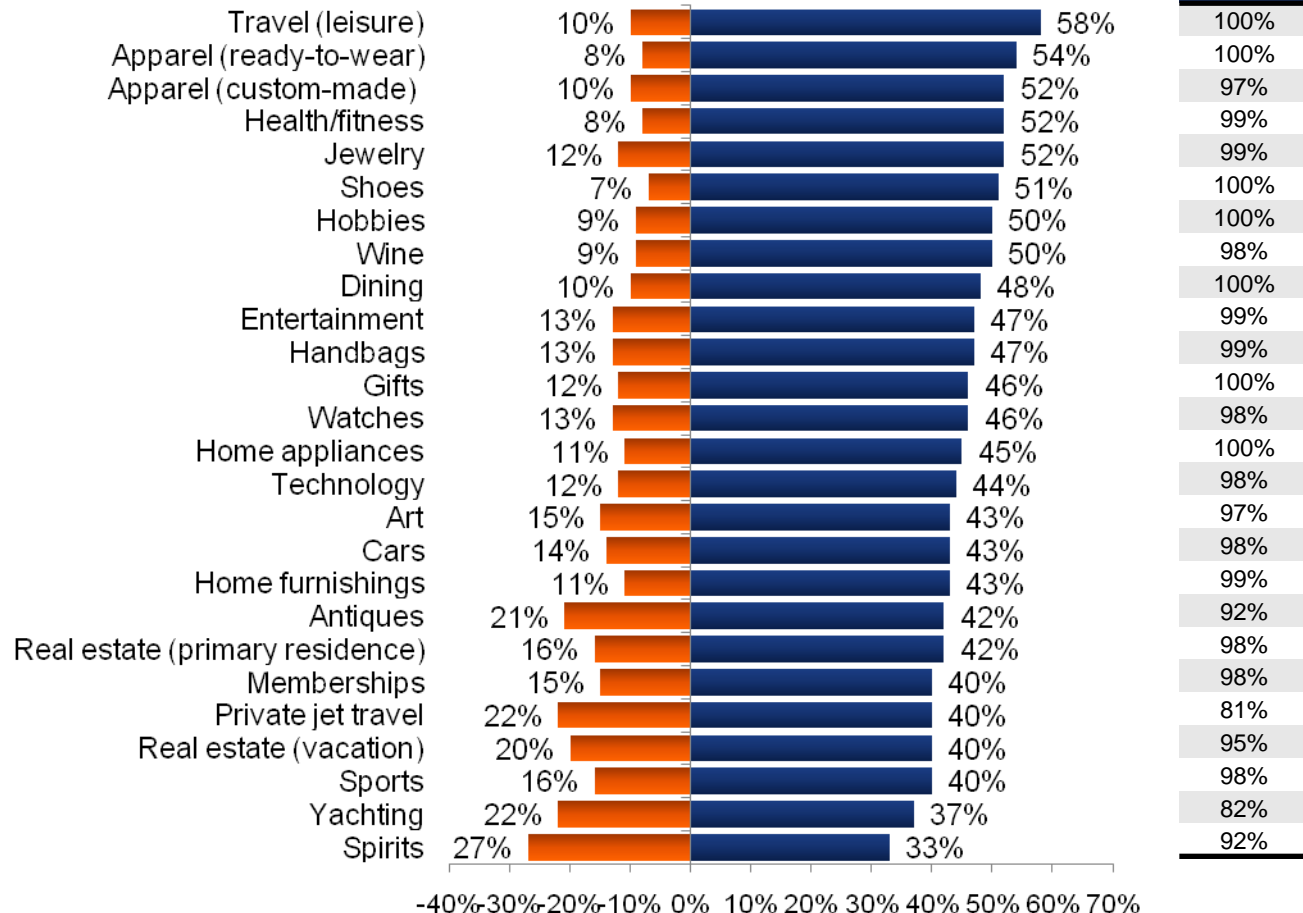
- In China, the picture is very different. At least half of wealthy consumers surveyed expect to spend more in the next 12 months on leisure travel, apparel, health and fitness, jewelry, shoes, hobbies and wine.

- Spirits is the category Chinese consumers are most likely to anticipate spending less in.

- Note: Respondents had the opportunity to select “not applicable” for each category. Those checking “not applicable” are excluded from the data.

How will economy influence spending in the next 12 months in these luxury categories?

■ Spend more
■ Spend less



Q: How will the current economic environment affect your spending on luxury goods and services in the next 12 months?

Percent indicating no change in applicable spending is not shown in chart.

Base: Wealthy Chinese consumers with applicable spending habits in each category (n=600)

Anticipated Spending by Category

- Compared to wealthy Chinese consumers, wealthy consumers in other countries are less likely to anticipate spending increases in most, if not all, luxury product categories.

Categories Anticipate Spending More	USA	UK	France	Germany	Italy	Japan	China
Travel (leisure)	18%↓	16%↓	18%↓	22%↓	28%	18%↓	58%↑
Technology	16%↓	15%↓	15%↓	18%↓	22%	15%↓	44%↑
Private jet travel	12%↓	10%↓	11%↓	12%↓	17%	9%↓	40%↑
Wine	12%↓	9%↓	11%↓	10%↓	12%↓	6%↓	50%↑
Entertainment	12%↓	12%↓	13%↓	13%↓	18%	12%↓	47%↑
Health/fitness	11%↓	15%↓	14%↓	22%	21%	16%↓	52%↑
Cars	11%↓	11%↓	10%↓	14%↓	16%	11%↓	43%↑
Dining	11%↓	13%↓	14%↓	14%↓	15%↓	14%↓	48%↑
Yachting	11%↓	13%↓	10%↓	13%↓	16%	5%↓	37%↑
Real estate (primary residence)	10%↓	13%↓	15%↓	16%	18%	12%↓	42%↑
Real estate (vacation)	10%↓	11%↓	15%	13%↓	16%	4%↓	40%↑
Hobbies	10%↓	10%↓	14%↓	14%↓	15%↓	16%↓	50%↑
Home furnishings	9%↓	13%↓	10%↓	15%	19%	7%↓	43%↑
Home appliances	9%↓	10%↓	10%↓	11%↓	15%	15%↓	45%↑
Apparel (custom-made)	9%↓	6%↓	10%↓	11%↓	15%↓	7%↓	52%↑
Apparel (ready-to-wear)	8%↓	10%↓	11%↓	13%↓	17%	10%↓	54%↑
Antiques	8%↓	7%↓	12%↓	11%↓	15%	5%↓	42%↑
Art	8%↓	9%↓	11%↓	8%↓	15%	6%↓	43%↑
Gifts	8%↓	7%↓	9%↓	11%↓	15%	8%↓	46%↑
Sports	8%↓	9%↓	13%↓	16%	16%	12%↓	40%↑
Shoes	8%↓	8%↓	10%↓	11%↓	17%	9%↓	51%↑
Spirits	7%↓	7%↓	11%↓	6%↓	9%	10%↓	33%↑
Watches	7%↓	8%↓	8%↓	11%↓	13%↓	8%↓	46%↑
Jewelry	7%↓	9%↓	11%↓	9%↓	15%	5%↓	52%↑
Handbags	7%↓	8%↓	10%↓	10%↓	14%	6%↓	47%↑
Memberships	4%↓	7%↓	9%↓	8%↓	11%	4%↓	40%↑

Q: How will the current economic environment affect your spending on luxury goods and services in the next 12 months?

Base: Wealthy U.S. consumers with applicable spending habits in each category

Arrows indicate statistically significant differences with 90% confidence.

Anticipated Spending by Category

- Chinese and German consumers are less likely than average to report spending cuts in most categories, while a relatively large share of consumers in the U.K., France, Italy and Japan anticipate spending cuts in several categories.

Categories Anticipate Spending Less	USA	UK	France	Germany	Italy	Japan	China
Jewelry	39%↑	48%↑	40%↑	32%	39%↑	43%↑	12%↓
Antiques	37%	43%↑	44%↑	35%	41%↑	38%	21%↓
Apparel (custom-made)	34%↑	40%↑	39%↑	24%↓	36%↑	39%↑	10%↓
Art	34%	42%↑	44%↑	26%↓	37%↑	38%↑	15%↓
Handbags	33%↑	42%↑	36%↑	29%	39%↑	36%↑	13%↓
Watches	33%	40%↑	42%↑	29%	36%↑	36%↑	13%↓
Private jet travel	31%	31%	43%↑	26%	37%	39%↑	22%↓
Memberships	30%	37%↑	35%↑	24%↓	39%↑	36%↑	15%↓
Home furnishings	30%	35%↑	35%↑	24%↓	34%↑	35%↑	11%↓
Real estate (vacation)	27%↓	34%	37%↑	23%↓	32%	40%↑	20%↓
Gifts	25%	28%↑	26%	16%↓	30%↑	29%↑	12%↓
Sports	24%↑	29%↑	27%↑	18%↓	25%	22%	16%↓
Cars	24%↓	33%↑	35%↑	23%	31%↑	29%	14%↓
Yachting	24%↓	36%	42%↑	30%	35%	39%↑	22%↓
Home appliances	24%	30%↑	27%↑	20%	30%↑	23%	11%↓
Dining	22%↓	31%↑	25%	19%↓	27%	35%↑	10%↓
Entertainment	22%	27%↑	22%	20%	28%↑	30%↑	13%↓
Hobbies	21%↑	23%	21%	15%↓	25%↑	22%↑	9%↓
Shoes	21%	27%↑	25%↑	15%↓	26%↑	25%↑	7%↓
Apparel (ready-to-wear)	21%	29%↑	26%↑	14%↓	24%	25%↑	8%↓
Travel (leisure)	21%	27%↑	23%	16%↓	23%	29%↑	10%↓
Wine	20%↓	24%	28%↑	21%	31%↑	28%↑	9%↓
Technology	19%↓	28%↑	27%↑	19%	25%↑	21%	12%↓
Spirits	19%↓	33%↑	29%	23%↓	42%↑	24%↓	27%
Real estate (primary residence)	19%↓	26%↑	26%↑	21%	25%	25%↑	16%↓
Health/fitness	13%↓	24%↑	18%	13%↓	23%↑	22%↑	8%↓

Q: How will the current economic environment affect your spending on luxury goods and services in the next 12 months?

Base: Wealthy U.S. consumers with applicable spending habits in each category

Arrows indicate statistically significant differences with 90% confidence.

Luxury Institute WealthSurvey™

Appendix I: Respondent Profile



Demographics of Survey Sample

Sample Profile	USA	UK	France	Germany	Italy	Japan	China
Sample size	816	376	375	376	376	600	600
Gender:							
Male	50%	50%	50%	50%	50%	50%	50%
Female	50%	50%	50%	50%	50%	50%	50%
Age:							
21-34	9%	25%	28%	22%	33%	23%	56%
35-44	19%	29%	32%	34%	28%	30%	34%
45-54	32%	23%	17%	24%	22%	30%	9%
55-64	26%	19%	17%	16%	13%	16%	1%
65 or older	14%	3%	6%	3%	3%	1%	-
Median age	52	43	41	43	41	44	34
Minimum household income:							
Median household income	215k USD	77k GBP	67k EUR	75k EUR	69k EUR	74m JPY	3m CNY
Median equivalent in USD	215k USD	125k USD	96k USD	107k USD	99k USD	960k USD	470k USD
Median net worth							
Median net worth	1.4m USD	348k GBP	89k EUR	277k EUR	419k EUR	39m JPY	39m CNY
Median equivalent in USD	1.4m USD	564k USD	127k USD	395k USD	598k USD	506k USD	6.1m USD
Married	83%	74%	64%	65%	55%	73%	82%
Any children under 18 at home	32%	36%	50%	40%	45%	43%	74%
Employed	73%	85%	79%	87%	84%	73%	98%

Luxury Institute WealthSurvey™

Appendix II: Survey Questionnaire



Research Methodology: Questionnaire

Wealthy consumers are asked the following series of questions:

1. Do you believe luxury brands are becoming a commodity?
2. Do you believe there are far too many luxury brands competing in most luxury categories today?
3. How much do you agree or disagree with the following statements?
 - Luxury products are too accessible and no longer exclusive
 - The design value of luxury products is decreasing
 - The quality of luxury products is decreasing
 - The craftsmanship with which luxury products are made is decreasing
 - Too many luxury brands produce in low-quality-production countries
 - Too many luxury brands now produce in countries where workers are not treated fairly
 - Too many luxury brands produce in countries where manufacturing pollutes the environment
 - Luxury brands don't seem to listen to their customers' needs these days
 - The customer service level of luxury brands is decreasing
 - There's a diminished level of VIP services from luxury brands
 - Many luxury stores have shoppers who aren't like me
 - Luxury brands that also sell products for mass consumers are no longer luxury
 - Luxury brands that have their own discount outlets are no longer luxury
 - Luxury brands that also sell online are no longer luxury
 - It is very difficult to find a luxury brand that has original product design
 - I find it difficult to tell the difference between luxury brands
 - Luxury brand prices are too high relative to the value for money they deliver
 - Luxury brands that are heavily discounted are not truly luxury
 - Luxury brands that place their own labels prominently on their products turn me off
 - I believe a luxury brand can only be an expert in one product category
 - I believe a luxury brand can only be an expert in a few truly related product categories
 - I believe one luxury brand can be an expert in all luxury product categories

Research Methodology: Questionnaire

Wealthy consumers are asked the following series of questions (continued):

4. How has the current state of the economy changed your perceptions of luxury goods and services?
 - Luxury goods/ services are **[more/less]** important in today's economy
 - Luxury goods/ services are **[an extravagance/a prudent expenditure]** in today's economy
 - Luxury goods/ services spending is **[irresponsible/a good investment]** in today's economy
 - Luxury goods/ services are **[an important/no longer an important/never were an important]** part of my lifestyle in today's economy
5. How has the recent discounting of luxury goods and services by luxury brands changed your perceptions or purchases of luxury goods and services?
 - Discounting has **[improved/lowered/not changed]** my perception of the value of luxury goods and services
 - Discounting has **[increased/decreased/not changed]** my overall expenditures on luxury goods and services
 - Discounting makes luxury goods and services **[more/less/no more or less]** appealing
6. How has the current economic environment changed your spending on luxury goods and services?
 - I am spending **[more/less/the same]** on luxury goods and services
 - I am spending **[more/less/the same]** on discounted luxury goods and services
 - I am spending **[more/less/the same]** on well-known luxury goods and services brands
 - I am spending **[more/less/the same]** on less well-known luxury goods and services brands
7. In what other ways has the current economic environment changed your spending on luxury goods and services?
 - spending more discerningly
 - spending more practically
 - spending more on what I need rather than on what I want
 - spending more discreetly and privately on luxury goods and services
 - spending on less conspicuous luxury goods and services
 - other

Research Methodology: Questionnaire

Wealthy consumers are asked the following series of questions (continued):

8. How will the current economic environment affect your spending on luxury goods and services in the next 12 months?
 - I will be spending **[more/less/the same]** on luxury goods and services
 - I will be spending **[more/less/the same]** on discounted luxury goods and services
 - I will be spending **[more/less/the same]** on well-known luxury goods and services brands
 - I will be spending **[more/less/the same]** on less well-known luxury goods and services brands
9. In what other ways will the current economic environment affect your spending on luxury goods and services in the next 12 months?
 - spending more discerningly
 - spending more practically
 - spending more on what I need rather than on what I want
 - spending more discreetly and privately on luxury goods and services
 - spending on less conspicuous luxury goods and services
 - other
10. In the next 12 months, how will the state of the economy influence your spending in the following luxury categories? (Spend much more, spend more, spend the same, spend less, spend much less, not applicable)
 - Antiques
 - Apparel (ready to wear)
 - Apparel (custom-made)
 - Art
 - Cars
 - Dining
 - Entertainment
 - Gifts
 - Handbags
 - Health/fitness
 - Hobbies
 - Home appliances
 - Home furnishings
 - Jewelry
 - Memberships
 - Private jet travel
 - Real estate (primary residence)
 - Real estate (vacation)
 - Shoes
 - Spirits
 - Sports
 - Technology
 - Travel (leisure)
 - Watches
 - Wines
 - Yachting

Contact Information:

115 East 57th Street, 11th Floor
New York, N.Y. 10022

www.LuxuryInstitute.com

Contact: Martin Swanson, Vice President

914 909 6350 (office)

914 715 3357 (cell)

mswanson@luxuryinstitute.com

LUXURY
INSTITUTE^{LLC}

The Knowledge of Luxury