

An Inside Look at the Affluent Market

JD Roumeliotis + Co. *affluence marketing*

www.affluencemarketing.ca

AFFLUENT DEMOGRAPHICS

Median age 47 (boomer)
3.25 people/household

Own their home

37% have other
residential real estate
(second home)

Fairly even geographic
distribution

Source: *Defining Luxury* by Laurie Moore-Moore



AFFLUENTS' HOBBIES

- Golfers (71%)
- Attend the theatre, ballet or opera (71%)
- Play tennis or racquet sports (40%)

Sample: Home value of \$2.5 million

Super Rich Still Spending Despite Less Than Robust Economy 11/6/03



AFFLUENTS' INTEREST

- Home electronics \$1000+ (84%)
- Gourmet restaurant dining (83%)
- Fine art, oriental carpets or antiques \$1000+ (81%)
- Jewelry \$1000+ (68%)
- Vacation travel abroad (65%)
- Paying a child or grandchild's private school tuition (62%)
- Wine/champagne by the case (54%)
- Car \$50,000+ (49%)

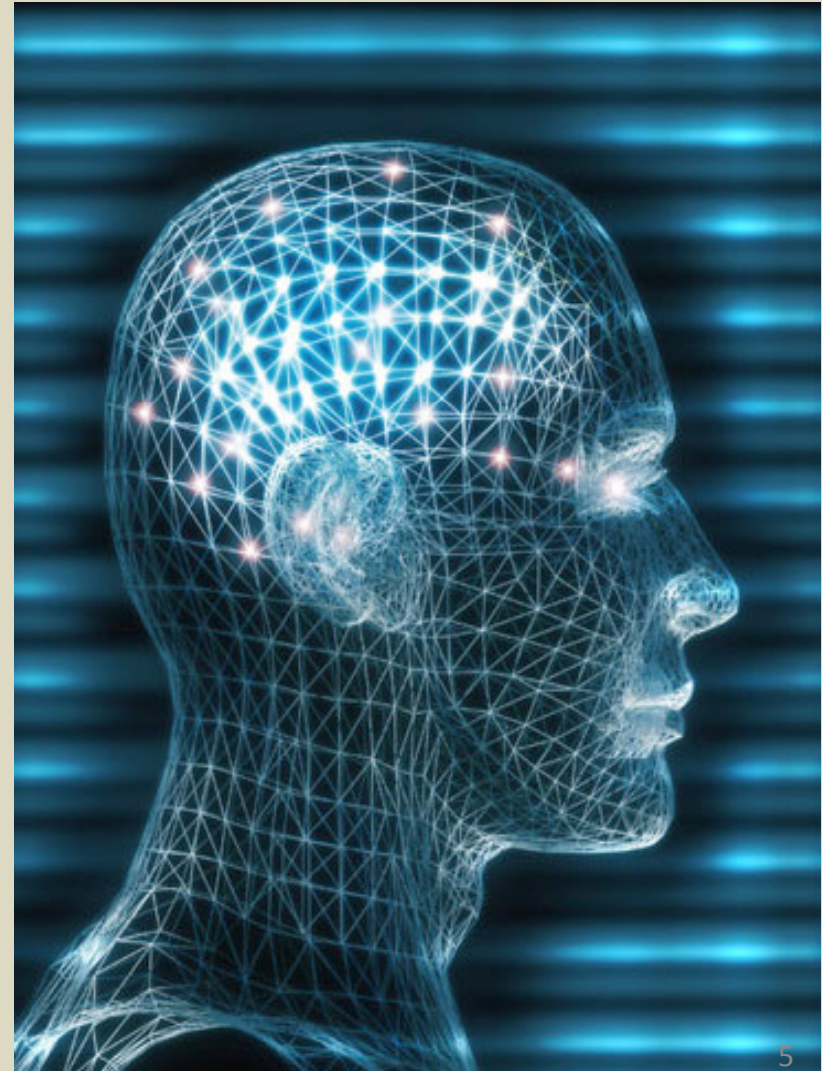
Sample: Home value of \$2.5 million

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DEFINING THE AFFLUENT MINDSET

- Can't rely only on demographics to describe the affluent
- Need to understand their common mindset



MINDSET DEFINITION

Comfort Class

When asked to describe their financial status, consumers said:

<i>Upper Middle Class</i>	38%
<i>Comfortable</i>	30%
<i>Middle Class</i>	15%
<i>Well off</i>	8%
<i>Affluent</i>	7%
<i>Wealthy</i>	3%

Source: Traditional Homes 6/04; \$150,000+ income

Frugal Elite

Self-made millionaires in their 30's, 40's and early 50's

"It's no longer chic to have paid too much." Today, consumers want more for their dollar.

For example, luxury consumers are shopping at Target as well as Saks and Neiman Marcus

Source: New York Times 1/03

CONSUMER DEFINITION OF LUXURY

They define luxury on their own terms:

Luxury = Freedom

Freedom = Comfort + Confidence

THE AFFLUENT REJECT THE LUXURY LABEL...

- Affluent Americans like the luxury lifestyle but reject the luxury label
- *Only 2% described lifestyle as luxurious and only 5% said luxury goods make them feel elite*
- *Instead, they commonly described themselves as family-oriented (71%), casual (41%), and traditional (36%)*

Source: San Diego Union-Tribune Nov, 03

...BECAUSE, THEY CLAIM, IT DOESN'T REFLECT THEM

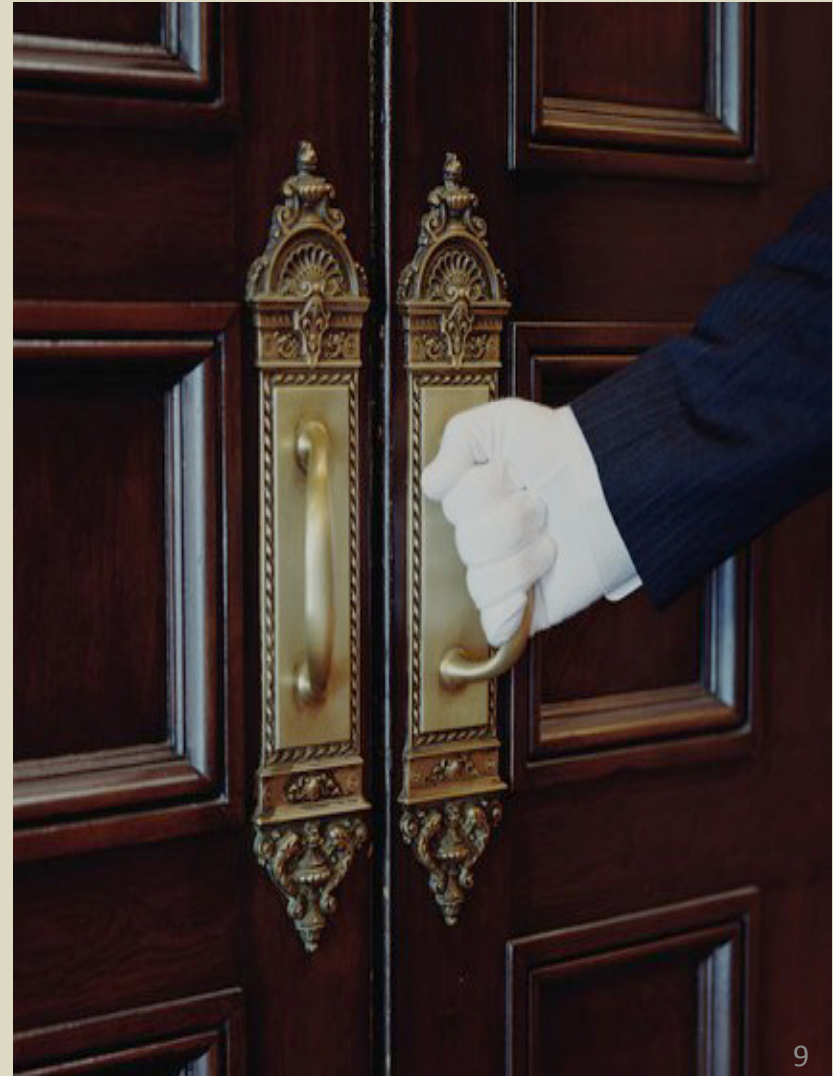
For many, luxury conjures up images of just the type of behavior they want to avoid

- ✓ Elitism
- ✓ Stuffiness
- ✓ Snobbery

Instead, they feel money affords –

- ✓ Independence
- ✓ Security
- ✓ Comfort

Source: San Diego Union-Tribune Nov, 03



...AND THEY DON'T VIEW LIFE AS LUXURIOUS

Percentage saying luxurious describes home or lifestyle:

- Home 23%
- Lifestyle 16%

“They do not view luxurious as a descriptor of their home or lifestyle. Instead, they view purchases and tastes as important building blocks in their lives and expressions of priorities, not as frivolous luxuries.”

Source: Traditional Homes 6/04
\$150,000+ annual income

ENJOYING THE EXPERIENCE

- Luxury is no longer about rampant materialism or getting that new gadget or thing to display
- Instead it is the enjoyment and experiences that money can buy.

Source: Chain Store Age Feb, 04



THEY FEEL THAT VALUES ARE IMPORTANT

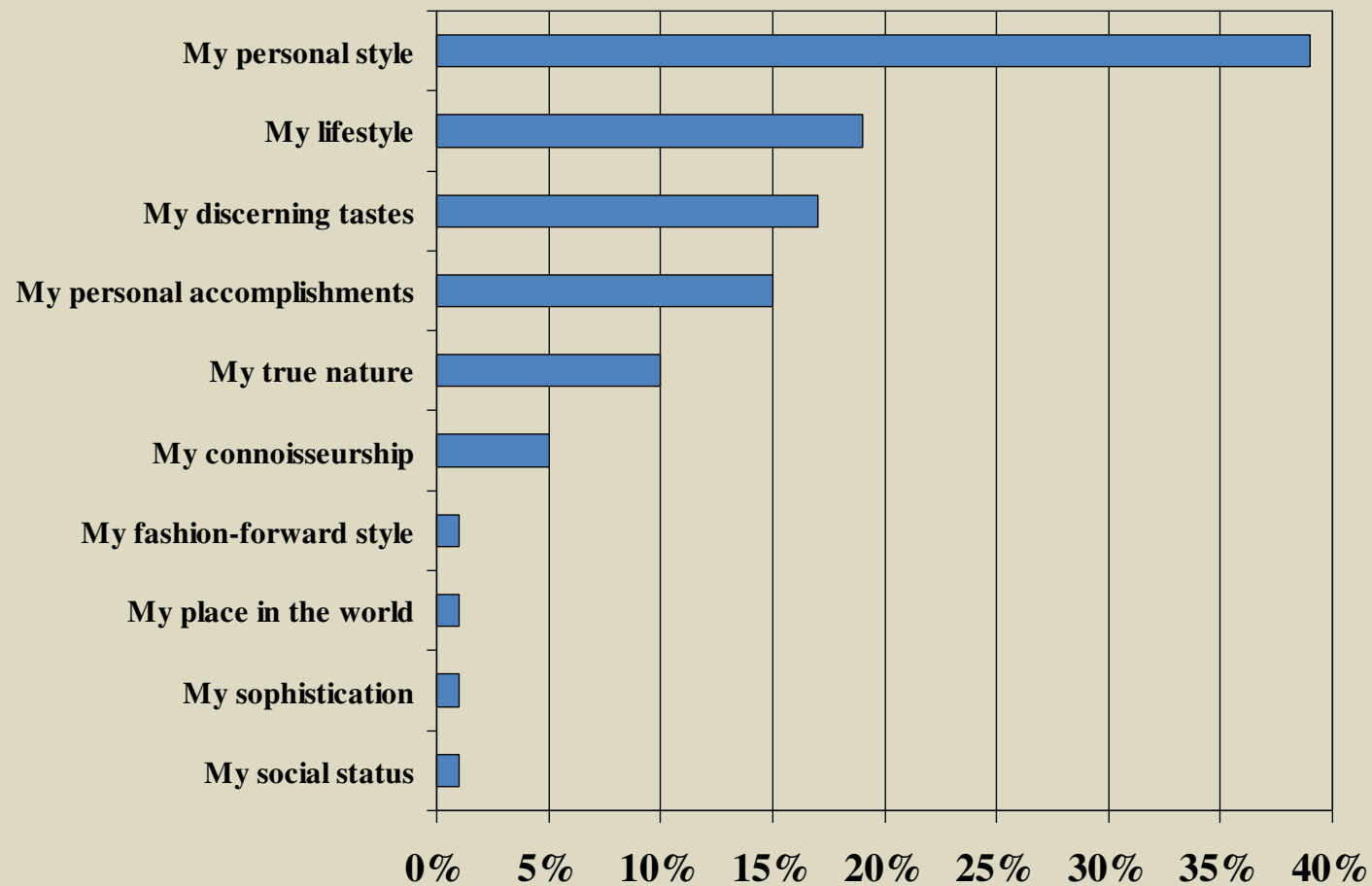
- The current view of the affluent is that they're rooted in values rather than badges.
- They are more enlightened, less materialistic luxury consumers

Sources: Ad Week Sept, 04
Luxury Brands, 2004



THEIR PURCHASES REPRESENT THEMSELVES

What do your luxury purchases reflect about you?



THEY DON'T BUY BASED ON BRAND ALONE

Luxury consumers also look for outstanding quality, high performance, being well worth the price, etc.

“Don't tell me it's status, don't tell me it's a label, tell me how it's better.”

So who is buying luxury goods today?

Source: Ad Week Sept, 04



LUXURY CONSUMERS ARE EVERYWHERE

Luxury consumers are very diverse and are coming in from all points of entry.



THEY SHOP 'MASS' & 'CLASS'

“Affluent consumers are just as likely to shop with the ‘masses’ at *Wal-Mart* or *Target/Zellers* as they are to frequent Madison Avenue/Sherbrooke W. boutiques with the ‘classes’.”

“Discounters like *Costco* and *Wal-Mart's* low prices allow customers to save money on some items so they can spend more money on others.”

OCCASIONALLY, THEY 'TRADE DOWN'

In categories that aren't emotionally important, consumers 'trade down' or become bargain hunters.

A passionate **Mercedes** driver will shop at **Costco** every weekend

A construction worker who splurges on a \$3,000 set of **Callaway** golf clubs will buy store-brand groceries

Source: Pacific Business News May, 04

THEY ALSO 'TRADE UP'

In categories that are emotionally important, consumers 'trade up' and buy luxury versions of the products that matter most to them.



Source: Financial Times June, 04

THE AFFLUENT WILL RATIONALIZE WHEN THEY DO SPEND

“Consumers will spend a lot on their home, but they don’t see it as consumption, they see it as savings. They consider luxury cars safer and worth the investment.”

Source: Luxury Marketing, Sept. 2004

IN SUMMATION

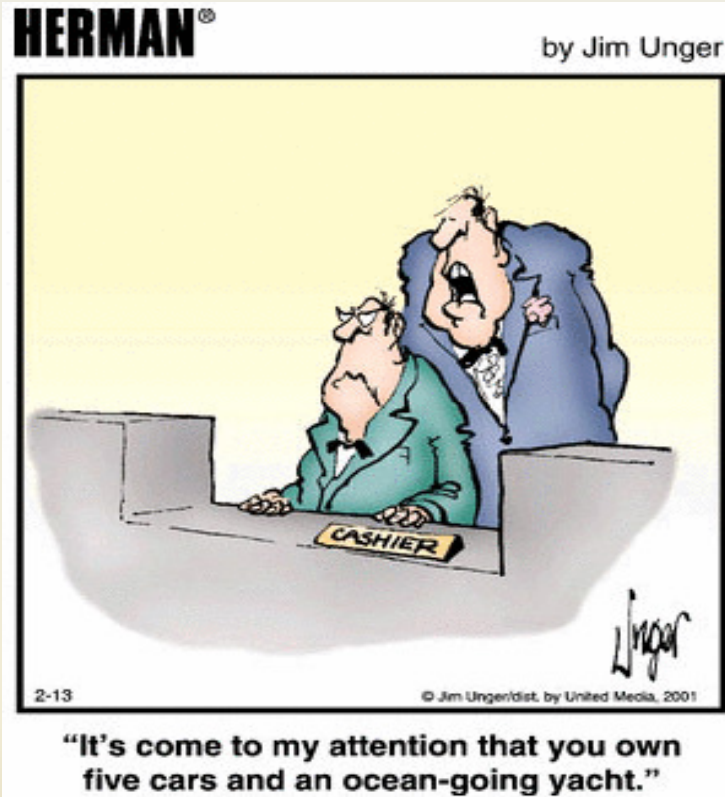
Consumers want a luxury lifestyle without a luxury label

Continued interest in quality and purpose, not just badge

Luxury experience = comfort with self, family, community

Today's luxury consumers come from all over

THANK YOU – MERCI – GRACIAS – OBRIGADO – GRAZIE - По-русски



James D. Roumeliotis
T: 514.715.7785 Email: jdrazure@gmail.com
www.affluencemarketing.ca