
INSIGHTS INTO LUXURY, AFFLUENCE AND WEALTH

*Luxury Purchasers:
Who Are They and What Are Their Interests? Part 2*

June 2015



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Introduction

The **Shullman Luxury, Affluence and Wealth Pulse** reports on the expectations, behaviors, and plans of adults among *all* U.S. household-income segments, with a focus on upscale consumers — the primary drivers of the luxury, affluence, and wealth-related markets — based on their reported household incomes or on their wealth as measured by net worth or investable assets.

In a U.S. economy that continues to improve as indicated by a number of factors (e.g., falling unemployment, very low interest rates, rising stock markets, a materially higher level of consumer confidence, and especially the recent dramatic drop in oil and gasoline prices that have deposited billions of dollars of incremental disposable income into consumers' wallets), we envision more consumers (especially the affluent) increasing their shopping and spending on luxury products and services. This expectation comes with one caveat: that during the year no negative economic news or other substantive adverse event occurs that materially impacts affluent consumers' confidence levels.

Following Bob Shullman's article in the April issue of *Admap*, "Insight into US luxury consumers," readers of that article asked for more insights about the purchasers of the seven luxury "super-categories" highlighted in that article. Who are those purchasers? What are their interests? What makes them different from the average American consumer? Last month's brief provided insights into all purchasers of specific luxury categories. This brief — the second part of "Luxury Purchasers: Who Are They and What Are Their Interests?" — continues to address those questions, this time based on the following three household-income segments that tend to be of interest to luxury marketers, their agencies, and consultants, as well as retailers that sell luxuries:

- Mass-market consumers (household incomes of less than \$75,000: 59 percent of all adults);
- Affluent consumers (household incomes of \$75,000 or more: 41 percent of all adults); and
- Very affluent consumers (household incomes of \$250,000 or more: 3 percent of all adults).

Executive Summary

Don't ignore the less-than-affluent! Consider how your organization might offer them your more affordable luxuries, as all consumers — including mass market consumers — like to splurge from time to time. Also, some of the younger mass-market consumers of today will undoubtedly do well in their careers and become the affluent and very affluent consumers of the future who will really matter to the luxury marketing world at that time. In this latest *Insights* brief, that's the advice for marketers of luxury goods and services and their agencies, as well as luxury retailers.

Yes, the dollars spent for luxury purchases by the affluent and very affluent outweigh those from the mass-market (less-than-\$75,000 household income) segment but, at a time when the overall luxury market could be stronger, every potential dollar counts.

In terms of scope, there are 20 million mass-market adults who have bought one or more luxuries (often more affordable luxuries) in the past 12 months, compared with 26 million affluent consumers who bought luxuries. So those marketers and retailers who may exclude that mass market as not being prospects should think hard about how to include them, while not damaging their reputations with the affluent market segments.

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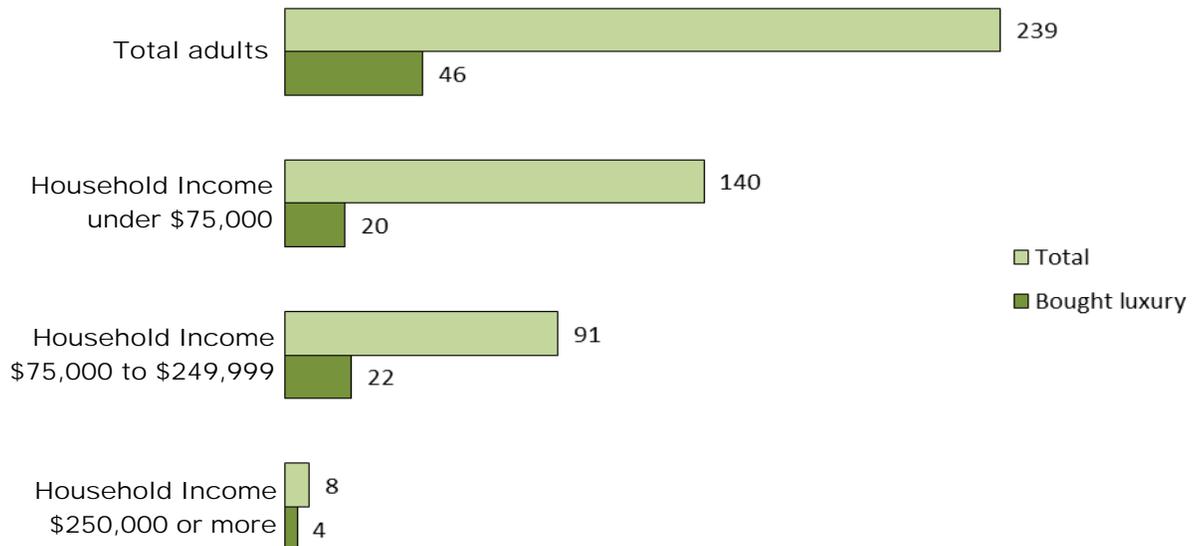
The following insights about luxury purchasers are highlighted in this brief — Part 2 of "Luxury Purchasers: Who Are They and What Are Their Interests?":

- Number of luxury purchasers in millions
- Luxury products and services bought in past 12 months
- Luxury products and services bought in past 12 months: millions of buyers
- Luxury products and services bought in past 12 months: household-income segments' proportion of buyers of each luxury category
- Number of times luxury products or services bought in past 12 months
- Amount paid for most recent luxury product or service bought
- How the most recent luxury was bought

Number of Luxury Purchasers in Millions

Luxury purchasers — adult consumers who bought one or more luxury goods or services in the prior twelve months — constitute almost 20 percent, or about 46 million, of the 239 million adults in the US according to the **Shullman Pulse**. As household income increases, the proportion of luxury purchasers rises within each household income segment. Notably, though, luxuries were bought by almost as many consumers whose household income is less than \$75,000 (20 million mass-market adults) as by those with household incomes of \$75,000 or more (26 million affluent consumers). Rather than concentrating solely on affluent adults in the higher income market segments, this brief will focus on luxury buying behaviors of mass-market, affluent, and very affluent consumers.

Luxury Purchasers in Millions



Source: Bureau of the Census Current Population Survey and Shullman Pulse

Luxury Products and Services Bought in Past 12 Months

Affluent consumers (those with household incomes of \$75,000 or more) are more likely than mass-market consumers (those with household incomes of less than \$75,000) to have purchased most of the luxury categories listed. Among purchasers of luxuries, the very affluent (those with household incomes of \$250,000 or more) are notable for their greater propensity to spend on luxury vacations (41 percent), premium home furnishings or fine art and antiques (33 percent), fine jewelry (27 percent), and luxury cars, SUVs, or trucks (27 percent), compared with much lower proportions among mass-market luxury purchasers. About half of the affluent luxury purchasers bought premium alcoholic drinks in the past year, and almost the same proportion bought premium fragrances or cosmetics. The "Other luxuries" bought by 15 percent of mass-market luxury purchasers include such items as fresh flowers, luxury chocolates, and smartphones, and confirm our point of view that "luxury" is in the eye of the beholder.

Luxuries bought in past 12 months	All Adults	Bought Any Luxury			
		Total	Household Income		
			Under \$75,000	\$75,000 or More	\$250,000 or More
%	%	%	%	%	
Bought one or more luxuries in past 12 months	19	100	100	100	100
Any fine wine/beer/spirits	10	49	46	52	44
Fine/premium liquors	5	26	22	28	19
Fine/premium wines	4	21	20	22	27
Fine/premium beers or ales	4	19	17	20	15
Fine/premium liqueurs	2	11	11	11	15
Fine/premium champagnes/sparkling wines	2	10	9	11	13
Any premium fragrances or cosmetics	8	44	39	48	41
Premium fragrances	6	31	30	33	33
Premium cosmetics	5	24	18	28	27
Any luxury cruise or vacation	5	28	22	33	49
Luxury vacation	4	21	17	24	41
Luxury cruise	3	14	14	14	20
Any fine watch or jewelry	5	25	20	29	35
A fine watch costing \$500 or more	3	14	16	12	19
A piece of fine jewelry costing \$500 or more	3	18	13	21	27
Designer clothing/accessories/evening apparel	4	23	22	23	27
Any home furnishings/art/antiques	4	23	20	25	33
Premium home furnishings	3	15	10	19	23
Fine art or antiques	2	10	11	10	17
Luxury car, SUV, or truck	3	15	10	19	27
Other luxuries	2	10	15	6	7

Luxury Products and Services Bought in Past 12 Months: Millions of Buyers

Although it is clear that a larger proportion of affluent consumers bought items in most of the luxury categories, when the actual number of purchasers is considered, the picture changes considerably, given that 20 million adults with household incomes of less than \$75,000 bought one or more luxuries in the past year. For example, the 41 percent of very affluent purchasers of luxury vacations represents two million purchasers whereas the 17 percent of mass-market purchasers of luxury vacations represents 3 million purchasers.

Luxuries bought in past 12 months	Bought Any Luxury			
	Total	Household Income		
		Under \$75,000	\$75,000 or More	\$250,000 or More
	Millions	Millions	Millions	Millions
Bought one or more luxuries in past 12 months	46	20	27	5
Any fine wine/beer/spirits	23	9	14	2
Fine/premium liquors	12	4	7	1
Fine/premium wines	10	4	6	1
Fine/premium beers or ales	9	3	5	1
Fine/premium liqueurs	5	2	3	1
Fine/premium champagnes/sparkling wines	5	2	3	1
Any premium fragrances or cosmetics	20	8	13	2
Premium fragrances	15	6	9	2
Premium cosmetics	11	4	7	1
Any luxury cruise or vacation	13	4	9	2
Luxury vacation	10	3	6	2
Luxury cruise	6	3	4	1
Any fine watch or jewelry	11	4	8	2
A fine watch costing \$500 or more	6	3	3	1
A piece of fine jewelry costing \$500 or more	8	3	6	1
Designer clothing/accessories/evening apparel	11	4	6	1
Any home furnishings/art/antiques	11	4	7	2
Premium home furnishings	7	2	5	1
Fine art or antiques	5	2	3	1
Luxury car, SUV, or truck	7	2	5	1
Other luxuries	5	3	2	0

Source: Bureau of the Census Current Population Survey and Shullman Pulse

Luxury Products and Services Bought in Past 12 Months: Household-Income Segments' Proportion of Buyers of Each Category

When the millions of buyers detailed in the previous exhibit are expressed as a proportion of total buyers in each category, it is notable that mass-market purchasers (with household incomes under \$75,000) constitute in all cases a larger proportion of category purchasers than do the very affluent (with household incomes of \$250,000 or more). For many of the categories (highlighted below), they represent at least four out of ten of that category's total purchasers.

Luxuries bought in past 12 months	Bought Any Luxury			
	Total	Household Income		
		Under \$75,000	\$75,000 or More	\$250,000 or More
	Millions	Percent of category	Percent of category	Percent of category
Bought one or more luxuries in past 12 months	46	43	57	10
Any fine wine/beer/spirits	23	40	60	9
Fine/premium liquors	12	37	63	7
Fine/premium wines	10	40	60	13
Fine/premium beers or ales	9	40	60	8
Fine/premium liqueurs	5	43	58	14
Fine/premium champagnes/sparkling wines	5	37	63	13
Any premium fragrances or cosmetics	20	39	62	9
Premium fragrances	15	41	59	11
Premium cosmetics	11	33	68	12
Any luxury cruise or vacation	13	33	67	17
Luxury vacation	10	35	66	20
Luxury cruise	6	44	57	14
Any fine watch or jewelry	11	35	66	14
A fine watch costing \$500 or more	6	51	49	14
A piece of fine jewelry costing \$500 or more	8	31	70	16
Designer clothing/accessories/evening apparel	11	42	59	12
Any home furnishings/art/antiques	11	38	62	15
Premium home furnishings	7	29	72	16
Fine art or antiques	5	45	55	16
Luxury car, SUV, or truck	7	28	73	18
Other luxuries	5	63	37	7

Source: Bureau of the Census Current Population Survey and Shullman Pulse

Number of Times Luxury Products or Services Bought in Past 12 Months

As might be expected, a relatively large proportion — one in five (21 percent) — of mass-market luxury purchasers bought luxuries just once in the past 12 months. In contrast, more than one third of very affluent luxury purchasers bought luxuries six or more times.

Number of times luxuries bought in past 12 months	All Adults	Bought Any Luxury			
		Total	Household Income		
			Under \$75,000	\$75,000 or More	\$250,000 or More
	%	%	%	%	%
Bought one or more luxuries in past 12 months	19	100	100	100	100
One	3	18	21	15	11
Two	3	15	15	15	13
Three	4	21	28	16	17
Four	2	12	13	12	12
Five	2	10	9	11	11
Six or more	5	24	14	31	36
Median among purchasers	3.3	3.3	3.0	3.8	4.1

Amount Paid for Most Recent Luxury Product or Service Bought

The median dollar amount reported for the most recent luxury purchase ranges from \$440 among mass-market purchasers to \$2,500 among very affluent purchasers. Almost one half of the very affluent purchasers spent \$3,000 or more on their most recent purchase. But about 1 in 6 of the mass-market purchasers also spent \$3,000 or more, a finding that luxury marketers most likely will find surprising.

Amount paid for most recent luxury bought	All Adults	Bought Any Luxury				
		Total	Household Income			
			Under \$75,000	\$75,000 or More	\$250,000 or More	
	%	%	%	%	%	
Bought one or more luxuries in past 12 months	19	100	100	100	100	100
Less than \$50	2	10	13	6	1	
\$50 to \$99	3	17	18	17	7	
\$100 to \$249	2	10	9	12	12	
\$250 to \$499	2	9	12	7	11	
\$500 to \$999	3	15	19	12	7	
\$1,000 to \$1,999	2	9	8	10	9	
\$2,000 to \$2,999	1	7	3	9	5	
\$3,000 or more	4	22	16	28	49	
Median among purchasers	\$620	\$620	\$440	\$850	\$2,500	

How the Most Recent Luxury Was Bought

While a majority (59 percent) of affluent purchasers paid for their most recent luxury with available cash, almost one half (47 percent) of mass-market purchasers saved up the money to buy their luxury item. Credit was used by about the same proportion (more than one fifth to one quarter) of both household-income segments.

How most recent luxury was bought	All Adults	Bought Any Luxury			
		Total	Household Income		
			Under \$75,000	\$75,000 or More	\$250,000 or More
	%	%	%	%	%
Bought one or more luxuries in past 12 months	19	100	100	100	100
Saved up the money to buy it	7	34	47	24	21
Paid for it with available cash	10	51	40	59	62
Bought it on credit	5	24	22	25	24
Some other way	0	2	0	4	4

About This Survey

The insights and data presented in this report are based on the **Shullman Luxury, Affluence and Wealth Pulse**, fall 2014 wave, conducted online between August 22 and August 27, 2014, among adults age 18 or older. Five sample groups (a total of 1,665 respondents) were surveyed that included a representative national sample of adults (1,003 interviews), plus four household-income segments that were targeted to obtain the following number of completed interviews, resulting in a total of 1,056 interviews among upscale consumers with household incomes of at least \$75,000:

\$75,000 to \$149,999:	303 interviews
\$150,000 to \$249,999:	250 interviews
\$250,000 to \$499,999:	251 interviews
\$500,000 or more:	252 interviews

Additionally, 497 respondents in this survey wave reported that their personal net worth was \$1,000,000 or more and have been classified as millionaires.

Survey results were weighted on demographic characteristics to reflect estimates from the March 2014 Current Population Survey of the Bureau of the Census released in September 2014.

About *Insights Into Luxury, Affluence and Wealth*

Insights briefs are published 11 times per calendar year. An 11-issue subscription is \$1,500 per year. Single issues licensed for marketing purposes are available for \$200 each.

About the Shullman Research Center

The **Shullman Research Center** (www.shullman.net) is a full-service marketing research and consulting organization that focuses on luxury, affluent, and wealthy consumers. Among its offerings is the **Shullman Luxury, Affluence and Wealth Pulse**, the most comprehensive and authoritative source of insights about these key markets. This ongoing study focuses on the future purchasing plans and optimism levels of upscale America's consumers, their perspectives on current events, their shopping, buying, saving, and investing, and their media platform behaviors and attitudes.

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