
INSIGHTS INTO LUXURY, AFFLUENCE AND WEALTH

*Luxury Purchasers Part 3:
What Do Extremely High-Income and Wealthy Consumers Buy?*

July 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? The May and June briefs provided insights into purchasers of specific luxury categories. This brief continues to address those questions, this time based on the following three very affluent market segments that tend to be of interest to "top of the line" luxury marketers:

- Consumers with household incomes of \$500,000 or more (1 percent of all adults);
- Consumers with personal net worth of \$1 million or more (11 percent of all adults); and
- Consumers with personal liquid assets of \$1 million or more (6 percent of all adults).

Executive Summary

The good news for luxury marketers, their agencies, and the media alike is that consumers with really deep pockets are digging into those pockets with gusto, even more so than their merely affluent counterparts. These extremely high-income and wealthy luxury consumers are also purchasing with greater frequency, and this also bodes well for the entire luxury category. At the same time, challenges remain, as quality and service continue to be important for these deep-pocket consumers as well as for other luxury purchasers.

Contents

The following insights about very high-income and wealthy luxury purchasers are highlighted in this brief:

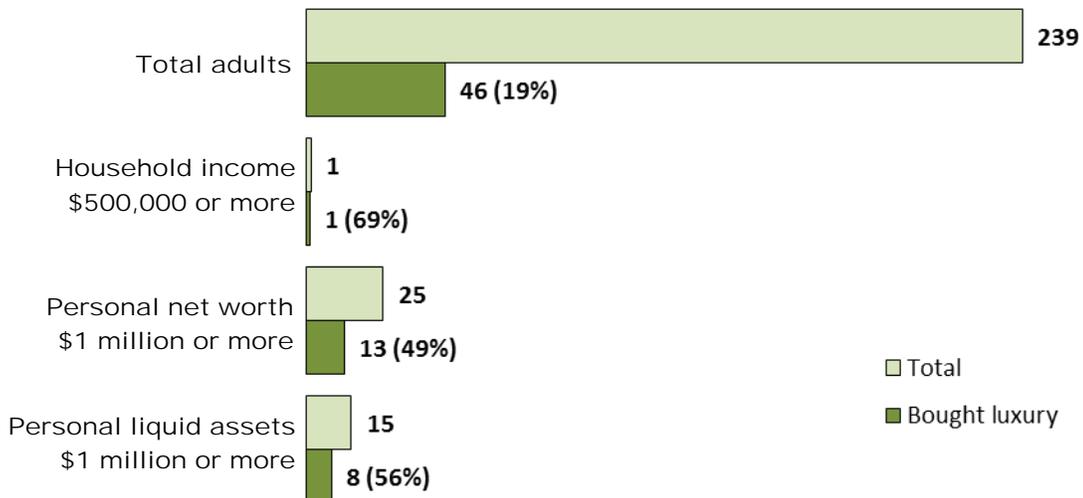
- Number of luxury purchasers in millions
- Luxury products and services bought in past 12 months
- Luxury products and services bought in past 12 months: millions of buyers
- Luxury products and services bought in past 12 months: household-income and wealth segments' proportion of buyers of each category
- 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

All 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 detailed in the following exhibit. As household income and wealth increase, the proportion of luxury purchasers rises dramatically, as shown by the 69 percent of consumers with household incomes of \$500,000 or more (the top 1 percent according to household income) who purchased luxuries. Also, 49 percent of those with personal net worth of \$1 million or more bought luxuries, as did 56 percent of those with personal liquid assets of \$1 million or more. Net worth is defined as the individual consumer's portion of total household assets minus the value of debts. Liquid assets are the individual consumer's portion of household assets that are held in savings or investment accounts that could be quickly converted to cash. Although there is overlap among these three target groups, this brief will treat them as individual target segments.

Previous briefs have focused on luxury buying behaviors of mass-market, affluent, and very affluent consumers, and the point was made that there is potential for a robust market for luxury goods and services in the mass market. This brief will concentrate on what many consider to be the "rich" based on their extremely high household incomes and their relative wealth.

Luxury Purchasers in Millions



Luxury Products and Services Bought in Past 12 Months

Luxury purchasers in the three extremely high-income/high wealth segments were more likely than the average luxury purchaser to have bought items in most of the categories listed. A notable exception is premium fragrances and cosmetics, which attracted a higher proportion of total luxury purchasers than of the rich and wealthy.

For some of the luxury categories — fine wines, luxury vacations, premium home furnishings and art, and luxury vehicles — purchasers with household incomes of \$500,000 or more were much more likely than those with high net worth or high liquid assets to have made such purchases in the past 12 months.

Luxuries bought in past 12 months	All Adults	Bought Any Luxury			
		Total	Household Income \$500,000+	Net Worth \$1 Million or More	Liquid Assets \$1 Million or More
	%	%	%	%	%
Bought one or more luxuries in past 12 months	19	100	100	100	100
Any fine wine/beer/spirits	10	49	57	58	59
Fine/premium liquors	5	26	23	29	32
Fine/premium wines	4	21	34	27	20
Fine/premium beers or ales	4	19	20	19	19
Fine/premium liqueurs	2	11	16	10	12
Fine/premium champagnes/sparkling wines	2	10	18	20	19
Any premium fragrances or cosmetics	8	44	35	40	36
Premium fragrances	6	31	24	27	25
Premium cosmetics	5	24	28	22	17
Any luxury cruise or vacation	5	28	59	43	31
Luxury vacation	4	21	51	32	26
Luxury cruise	3	14	21	17	13
Any fine watch or jewelry	5	25	38	39	41
A piece of fine jewelry costing \$500 or more	3	18	30	29	29
A fine watch costing \$500 or more	3	14	18	21	26
Designer clothing/accessories/evening apparel	4	23	35	32	32
Any home furnishings/art/antiques	4	23	45	29	29
Premium home furnishings	3	15	29	16	11
Fine art or antiques	2	10	29	20	21
Luxury car, SUV, or truck	3	15	34	22	19

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

Extremely high-income consumers may be more active in the luxury sphere than their high-wealth counterparts, but there are so few of them (only one million bought any luxury in the past 12 months) that their willingness to spend on luxuries does not translate into a very high number of potential customers for luxury goods and services.

Luxuries bought in past 12 months	Bought Any Luxury			
	Total	Household Income \$500,000+	Net Worth \$1 Million or More	Liquid Assets \$1 Million or More
	Millions	Millions	Millions	Millions
Bought one or more luxuries in past 12 months	46.2	1.0	12.5	8.3
Any fine wine/beer/spirits	22.7	0.6	7.3	4.9
Fine/premium liquors	11.8	0.2	3.7	2.6
Fine/premium wines	9.9	0.4	3.4	1.6
Fine/premium beers or ales	8.6	0.2	2.4	1.6
Fine/premium liqueurs	4.9	0.2	1.3	1.0
Fine/premium champagnes/sparkling wines	4.7	0.2	2.5	1.6
Any premium fragrances or cosmetics	20.3	0.4	5.0	3.0
Premium fragrances	14.5	0.2	3.3	2.0
Premium cosmetics	11.0	0.3	2.8	1.4
Any luxury cruise or vacation	13.2	0.6	5.4	2.6
Luxury vacation	9.5	0.5	4.0	2.1
Luxury cruise	6.5	0.2	2.2	1.0
Any fine watch or jewelry	11.5	0.4	4.9	3.4
A piece of fine jewelry costing \$500 or more	8.1	0.3	3.6	2.4
A fine watch costing \$500 or more	6.3	0.2	2.7	2.1
Designer clothing/accessories/evening apparel	10.6	0.4	4.0	2.6
Any home furnishings/art/antiques	10.6	0.5	3.6	2.4
Premium home furnishings	6.9	0.3	2.0	0.9
Fine art or antiques	4.8	0.3	2.5	1.7
Luxury car, SUV, or truck	6.9	0.3	2.8	1.6

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

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

Looked at another way, the 59 percent of purchasers with household incomes of \$500,000 or more who bought a luxury vacation or cruise in the past 12 months constitute only 5 percent of all purchasers of luxury vacations/cruises. Consumers with a net worth of \$1 million or more, though, accounted for at least four in ten of purchasers of many of the luxury categories, highlighted below. For premium champagnes and fine art, they represented half or more of the purchasers.

Luxuries bought in past 12 months	Bought Any Luxury			
	Total	Household Income \$500,000+	Net Worth \$1 Million or More	Liquid Assets \$1 Million or More
	Millions	Percent of category	Percent of category	Percent of category
Bought one or more luxuries in past 12 months	46	2	27	18
Any fine wine/beer/spirits	23	3	32	21
Fine/premium liquors	12	2	31	22
Fine/premium wines	10	4	34	17
Fine/premium beers or ales	9	2	27	18
Fine/premium liqueurs	5	3	26	21
Fine/premium champagnes/sparkling wines	5	4	54	33
Any premium fragrances or cosmetics	20	2	25	15
Premium fragrances	15	2	23	14
Premium cosmetics	11	3	25	12
Any luxury cruise or vacation	13	5	41	20
Luxury vacation	10	5	42	22
Luxury cruise	6	3	34	16
Any fine watch or jewelry	11	3	43	29
A piece of fine jewelry costing \$500 or more	8	4	45	30
A fine watch costing \$500 or more	6	3	42	34
Designer clothing/accessories/evening apparel	11	3	38	25
Any home furnishings/art/antiques	11	4	34	23
Premium home furnishings	7	4	29	13
Fine art or antiques	5	6	52	36
Luxury car, SUV, or truck	7	5	41	23

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

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

Regarding the number of times luxury purchases were made, extremely high-income luxury purchasers prove to be more frequent luxury purchasers than the other target segments, with a median of 5.0 purchases reported during the previous year.

Number of times luxuries bought in past 12 months	All Adults	Bought Any Luxury			
		Total	Household Income \$500,000+	Net Worth \$1 Million or More	Liquid Assets \$1 Million or More
	%	%	%	%	%
Bought one or more luxuries in past 12 months	19	100	100	100	100
One	3	18	4	13	8
Two	3	15	10	7	9
Three	4	21	22	15	17
Four	2	12	9	15	18
Five	2	10	12	8	8
Six or more	5	24	44	42	40
Median among purchasers	3.3	3.3	5.0	4.5	4.4

Amount Paid for Most Recent Luxury Product or Service Bought

More than one third of all three extremely high-income/high wealth segments reported spending \$10,000 or more on their most recent luxury purchase. The medians for both the high-wealth segments were higher than that for the extremely high-income segment, with the median for purchasers with liquid assets of \$1 million or more being materially higher (at \$2,900).

Amount paid for most recent luxury bought	All Adults	Bought Any Luxury			
		Total	Household Income \$500,000+	Net Worth \$1 Million or More	Liquid Assets \$1 Million or More
	%	%	%	%	%
Bought one or more luxuries in past 12 months	19	100	100	100	100
Less than \$50	2	10	2	3	0
\$50 to \$99	3	17	10	11	12
\$100 to \$249	2	10	11	6	2
\$250 to \$499	2	9	3	9	12
\$500 to \$999	3	15	6	11	5
\$1,000 to \$1,999	2	9	9	6	9
\$2,000 to \$2,999	1	7	6	8	12
\$3,000 to \$4,999	1	4	5	3	4
\$5,000 to \$9,999	1	4	9	9	6
\$10,000 or more	3	14	39	34	38
Median among purchasers	\$600	\$600	\$2,000	\$2,600	\$2,900

How the Most Recent Luxury Was Bought

At least half of all luxury purchasers paid for their most recent luxury purchase with available cash; but cash or credit are more likely to be used by those with household incomes of \$500,000 or more compared with those with high wealth, whereas those with net worth or liquid assets of \$1 million or more are more likely to report they saved up the money to buy their luxuries.

How most recent luxury was bought	All Adults	Bought Any Luxury			
		Total	Household Income \$500,000+	Net Worth \$1 Million or More	Liquid Assets \$1 Million 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	15	39	46
Paid for it with available cash	10	51	72	55	52
Bought it on credit	5	24	29	19	21
Some other way	0	2	0	2	1

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 325 respondents reported their liquid assets were \$1,000,000 or more.

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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