

Leading Edge Insights into the World of the Wealthy

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Luxury Retail Sales Lifted By Rising Tides Of Economy And Markets

Buoyed by good news on economic growth, job creation and the stock market's steady move higher in 2012, consumers are picking up the pace of spending across the retail spectrum. February same-store sales grew by an average of 6.4% for the 18 national chains reporting monthly results. Warm weather across much of the nation may have helped to boost February's sales.

The U.S. Department of Labor this month reported that nonfarm payrolls grew by 227,000 in February, following growth of 284,000 in January. Job growth is helping to underpin consumer confidence and rising sales at mass-market retailers, while luxury retailers continue to benefit from strong stock market performance—9.3% for the S&P 500 index year-to-date. Luxury should also see a boost in months ahead following Greece's bond swap with its creditors that defused the European debt crisis, at least for the near-term.

Nordstrom is a big winner with comparable sales at its flagship stores jumping 11.9% last month, compared to February 2011. Sales at its off-price Nordstrom Rack stores rose 5.9%. The company says that the timing of a shoe clearance helped to boost comparable sales in February by about two percentage points and may act as a drag on March receipts by up to the same amount. Shares of Nordstrom reflect the retailer's strong sales rebound since 2009. They now trade near new all-time highs and have advanced almost 600% since their bottom three years ago.

Saks posted a more moderate but still above-average 6.6% increase in sales at stores that have been open at least a year. Briskly selling categories in February included men's and women's contemporary apparel, shoes and furnishings, as well as ladies' handbags and accessories. Like Nordstrom, Saks' stock has been impressive since the March 2009 market bottom, gaining 650%.

Neiman Marcus reported a 9% jump in comparable sales in its stores and online for its most recent quarter that ended January 28. Privately-held Neiman, which owns Bergdorf Goodman, stopped reporting monthly sales last year.

European stock markets have been moving higher in 2012 as the worst of the debt crisis seems now to be in the past. The recovery should help European luxury houses like LVMH, Richemont, Hermès, Prada and Gucci-parent PPR, which see a large portion of their sales on the continent. The greater threat may now come from China, where the Beijing government now forecasts growth of 7.5% this year, far below the 10% annual GDP growth that China has averaged for the past decade. Hugo Boss, which had its China sales grow 33% in 2011, cut its annual sales growth forecast this month due in part to the Chinese economic slowdown. Hong Kong's luxury menswear retailer, Trinity Ltd., also cut its outlook for same-store sales growth in China to low-teen percentage growth, down from nearly 20% growth in 2011.

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WealthSurvey: Mobile Apps and Commerce Among Wealthy U.S. Consumers

Consumers earning at least \$150,000 a year share details about adoption, preferences and usage of mobile applications and mobile commerce on smartphones. Respondents reported an average net worth of \$2.8 million.

A vast majority (62%) of wealthy U.S. consumers own a smartphone, with Apple's iPhone the most popular, owned by 45% of those who have a smartphone. Thirty-five percent of smartphone owners use an Android phone, while 25% use a BlackBerry. More than 80% of smartphone users have downloaded applications and 67% use their phones to shop online; 63% regularly buy goods and services via their smartphone.

Facebook is the app used most by wealthy smartphone users, followed by applications for weather forecasts, maps and navigation and games like Angry Birds and Words With Friends. Respondents report downloading an average of 15 different apps to their smartphone, about half of which they use on a regular basis. Nearly one in five wealthy smartphone users report downloading more than 30 apps, but only 4% say that they use that many on a regular basis. The most popular categories of apps downloaded by the wealthy are: weather (63%); news (51%); travel (42%); business/finance (39%) and sports (34%).

Top reasons for not downloading apps are lack of interest (49%) and a desire to keep their phone functionality simple (32%). Not wanting to pay is a reason cited for not downloading apps by 20% of wealthy smartphone users, but 59% have paid for applications and 55% of those who have downloaded free apps have upgraded to pay versions. Two in five wealthy users are willing to pay for apps priced between \$0.99 and \$1.99, while 23% are okay with paying between \$2 and \$4.99 for a mobile app. Only 18% are willing to pay more than \$5.

The chief reason for not shopping on mobile phones is preference for the in-store experience, cited by 51% of users who do not use the device for commerce. Another 29% say that privacy issues keep them from making purchases on their phones. Nonetheless, shopping and buying are widespread, with half of wealthy smartphone users making purchases on at least a monthly basis from their phones. Almost 80% have spent more than \$100 on mobile phone transactions in the past year, while 25% have spent in excess of \$1,000. Event tickets (39%), gift cards (29%), and food and electronics (both 27%) are the top purchase categories. Travel, clothing and shoes are also popular among wealthy shoppers on their smartphones.

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About The Luxury Institute:

The Luxury Institute is the objective and independent global voice of the high net-worth consumer. The Institute conducts extensive and actionable research with wealthy consumers about their behaviors and attitudes on customer experience best practices. In addition, we work closely with top-tier luxury brands to successfully transform their organizational cultures into more profitable customer-centric enterprises. Our Luxury CRM Culture consulting process leverages our fact-based research and enables luxury brands to dramatically Outbehave as well as Outperform their competition. The Luxury Institute also operates LuxuryBoard.com, a membership-based online research portal, and the Luxury CRM Association, a membership organization dedicated to building customer-centric luxury enterprises.

More details at www.LuxuryInstitute.com or [contact us](#).

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Luxury Institute's Luxury Brand Status Index (LBSI) and WealthSurvey Inventory

2012 LBSI Categories*

Automobiles (Europe)	Make-Up	Watches
Cruise Lines	Men's Fashion (US, China, Europe & Japan)	Wealth Management Firms
Handbags (US, China, Europe & Japan)	Men's Shoes (Europe)	Women's Fashion (US, China, Europe & Japan)
Hotels (US, China, Europe & Japan)	Skin Care	Women's Shoes (US & Europe)
Jewelry	Ultra Luxury Automobiles	

2011 LBSI Categories*

Automobiles (Europe)	Make-Up	Watches
Cruise Lines	Men's Fashion (US, China, Europe & Japan)	Wealth Management Firms
Handbags (US, China, Europe & Japan)	Men's Shoes (Europe)	Women's Fashion (US, China, Europe & Japan)
Hotels (US, China, Europe & Japan)	Skin Care	Women's Shoes (US & Europe)
Jewelry	Ultra Luxury Automobiles	

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- Understanding Wealthy Millennials
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*All research is conducted with U.S. consumers unless otherwise indicated

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