

Leading Edge Insights into the World of the Wealthy

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Retail Sales Remain Buoyant In May Despite Stock Market Swoon

The European debt crisis flares anew and sends stocks lower, but retail sales benefit from lower gasoline prices. Luxury outpaces the overall retail sector, with Nordstrom posting same-store sales higher by 5.3%, and Saks' up 4% from one year ago.

After hitting a four-year high on April 2, the S&P 500 stock index dropped 9.5% through the end of May. Driving the market lower were fears of Greece leaving the European monetary union, the possible collapse of one of Spain's largest banks and a steady stream of data pointing to recession in Europe and a significant economic slowdown for China and the U.S. Job creation in the U.S. has been faltering with growth in nonfarm payrolls slipping from a pace above 200,000 per month earlier this year to just 69,000 in May. April's increase was also revised lower from 115,000 to 77,000. Down to \$3.56 per gallon from a \$3.92 nationwide average over the past two months, tumbling gasoline prices have mitigated the effects of falling stock prices on consumer spending. The luxury group outperformed the 3.9% average increase in May same-store sales posted by 18 national retailers who report monthly sales, but the margin of outperformance has narrowed.

Nordstrom reported a 6.2% increase in comparable sales at its full-price flagship stores in May, while its Nordstrom Rack discount division saw comps rise 5.2% versus May 2011. Year-to-date in 2012, same-store sales are up 8.5% at Nordstrom and 6.4% higher at Rack stores. Reflecting the additional openings of 17 new retail locations since May 2011, total retail sales in May were up 9.3% over the past year, and 12.6% higher year-to-date.

Nordstrom and GQ magazine are partnering to feature Nordstrom's men's fashion items in print and as online editorial content. Starting with the July issue of GQ magazine in a section called 'GQ Selects,' editors from GQ will recommend selections that readers can purchase in-store and on NordstromMen.com. Editorial promotions like these are a smart way to tap into the affinity of wealthy shoppers for trusted sources of fashion and lifestyle information like GQ.

Saks' same-store sales growth of 4% in May topped analysts' forecasts for a 2.5% rise over the same month in 2011. Briskly selling categories in May included clothing and shoes for men and women, women's fashion and fine jewelry, as well as cosmetics and fragrances. As is the case with Nordstrom, the pace of growth in comparable sales is decelerating at Saks. Year-to-date comps are up 4.7%.

Neiman Marcus reports comparable sales only on a quarterly basis, and for the March-May period they were up 6.7% compared to the same three-month stretch in 2011. Widely known for high-end merchandise in its catalog, Neiman's online and catalog businesses are the drivers of top-line growth. Comparable sales at its physical stores, including Bergdorf Goodman and Last Call discount locations, were up 4.3% compared to the same quarter in 2011. Neiman Marcus Direct, which comprises Web and catalog sales, reported a 17.5% jump in comparable sales.

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Results from Prada and Michael Kors show that some of the most explosive growth in high-end fashion is happening away from the luxury retail titans. Sales were up 62% in the quarter ended March 31 for Michael Kors, the U.S. fashion brand, which is moving headquarters to Hong Kong to focus on the still robust appetite for luxury fashion in Asia. Michael Kors shares are up 65% since the company's initial public offering in December 2011 on the NASDAQ. Shares of Prada are up 15% since going public last year in Hong Kong. The Italian luggage and fashion house reported a 48% surge in sales for the quarter ended April 30. Despite the debt crisis, sales surged 57% in Europe, outside of Italy.

Luxury Brand Status Index - Automobiles

Rolls-Royce ranks as the most prestigious among 22 luxury automobile brands evaluated by U.S. 'pentamillionaires,' individuals with a minimum net worth of \$5 million, and at least \$200,000 in annual income. Respondents reported average net worth of \$14.6 million and average income of \$682,000.

Luxury Brand Status Index (LBSI) scores are averages of wealthy consumers' 1-10 ratings of a brand's products, reputation and client service experience. Product considerations focus on the quality of materials, craftsmanship and design, as well as degree of uniqueness and exclusivity. Client service evaluations cover both the showroom and the post-sale (or lease) experience. Reputational criteria include wealthy auto buyers' perceptions of a brand's heritage and history, social responsibility, worthiness of premium pricing, and whether the brand is purchased by people they admire and respect.

With the highest LBSI score of 7.80, Rolls-Royce also earns top honors for materials, craftsmanship, heritage, exclusivity and total client buying or leasing experience. Second-ranked Ferrari (7.75) scores highest for being a category leader in contemporary sports cars, and splits the top-ranking for superior design with Rolls-Royce. Mercedes-Benz (7.70), ranked third for overall LBSI, finishes consistently among the top three brands on nearly all considerations of product quality, client experience and brand reputation. Lexus and BMW are the two most frequently purchased brands, with 13% of pentamillionaires buying or leasing a Lexus or BMW in the past year; 10% have bought a Mercedes model.

BMW ranks just behind Mercedes with an overall LBSI score of 7.66, but edges ahead of Daimler's famous luxury nameplate in the brand reputation sub-category (7.46 vs. 7.44). BMW is also the luxury auto brand deemed most worthy of a price premium. Asked about which brands are considered for their next auto purchase or lease, pentamillionaires cite Lexus most frequently (72%), trailed by BMW (65%) and Mercedes-Benz (64%).

Luxury Brand Status Index - Jewelry

U.S. pentamillionaires rank U.K.-based Graff Diamonds highest among 22 luxury jewelers in the 2012 Luxury Brand Status Index (LBSI) survey. Tiffany & Co. sparkles above the rest in customer experience and is the most popular source of luxury jewelry purchases in the past year.

With the top overall LBSI score of 7.98 out of 10, Graff ranks first on the brand reputation component, and leads other jewelers on evaluations of product materials and craftsmanship.

Graff is also the brand that pentamillionaires are most likely to deem worthy of charging premium prices, followed by fellow U.K. jeweler, Asprey, and Japanese pearl specialist, Mikimoto. Asprey (7.82) and Mikimoto (7.77) rank second and third, respectively, on overall LBSI score. The top-ranked luxury jewelers serve an exclusive clientele: Just 1% of pentamillionaires have purchased one of Graff's diamonds in the past 12 months, 3% have shopped Asprey and 4% have purchased a Mikimoto pearl.

Tiffany & Co. stands out as the most popular luxury jeweler, with 13% of ultra-wealthy shoppers making a blue box purchase in the past year. Tiffany also leads the pack in two critical measures of customer experience: in-store service and post-sale relationships. Tiffany is the second most frequently named (75%) brand of luxury jewelry that pentamillionaires say they are considering buying in the next 12 months. The most cited (90%) brand when discussing future jewelry purchases is Alexis Bittar, the New York designer whose pieces received widespread publicity from well-known clients ranging from First Lady Michelle Obama to Madonna and Lady Gaga.

Luxury Brand Status Index - Watches

Rolex is the most popular among 27 luxury watch brands considered by pentamillionaires. Breguet, Patek-Philippe and Boucheron rank higher for overall brand status.

Wealthy U.S. shoppers with minimum net worth of \$5 million and income of \$200,000 rank Breguet first among 27 luxury watch brands in the 2012 Luxury Brand Status Index (LBSI) with the top overall LBSI score of 8.13.

Breguet also ranks first for superior product design, customer service experience and brand reputation. Creating timepieces since 1775 and now part of Switzerland's Swatch Group, Breguet is the luxury watch that ultra-wealthy shoppers are most likely to identify as a brand "purchased by people I admire and respect." Despite having the lowest brand familiarity among wealthy U.S. shoppers, Breguet ties with Vacheron Constantin (both 75%) as the brand that wealthy consumers say that they are most likely to consider when buying their next luxury watch.

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Rolex, with a 7.96 LBSI score, ranks a close fourth for overall LBSI behind fellow Swiss watchmaker Patek Philippe (8.05), and Paris-based Boucheron (7.99). Rolex is by far the brand most purchased (9%) in the past year by pentamillionaires; 4% have bought a Patek Philippe, 2% have purchased a Breguet and 2% have bought a Boucheron. In addition, 52% of wealthy shoppers are familiar with Rolex, making it the best-known luxury watch brand and 60% say that they are considering Rolex for their next luxury watch purchase.

For more details on the *Luxury Brand Status Index*, visit www.LuxuryInstitute.com

WealthSurvey - Personal Grooming Habits of Wealthy Men

Luxury Institute asks wealthy men earning at least \$150,000 a year about their personal grooming habits, use of spa and salon services and brand preferences. Respondents reported average income of \$299,000 and average net worth of \$3.2 million.

By a wide margin, the two most popular grooming items regularly purchased by wealthy men are shaving creams or gels (66%) and bath soaps/shower gels (64%). After-shave (40%), hand lotion (36%) and hair styling products (29%) are also grooming items widely used by wealthy men.

Product loyalty and reluctance to try new brands is strongest among shaving creams and gels, with 58% of wealthy men reporting that they rarely switch, and 8% indicating that they never try new shaving cream brands. Willingness to try new products is most pronounced with self-tanning applications, where 43% of users say that they shop around. Men also show a strong propensity to test different brands of facial masks (35%), cosmetics (28%) and hair-coloring products (24%), but relatively few wealthy men use these items. The tendency to try new brands drops significantly among men 55 years of age and older.

Popular mass-market shaving creams are also the most widely used by wealthy men. Gillette (33%), Edge (21%) and Barbasol (13%) are the three most frequently purchased brands. In terms of after-shave usage, Old Spice is by far the most frequently mentioned single brand, cited by 14% of wealthy men as an after-shave brand that they use regularly. Dove (24%), Irish Spring (16%) and Dial (14%) are the three most popular brands of bath soap.

Massages are the most popular spa treatment for wealthy men, with 28% reporting that they get a massage regularly or occasionally. Pedicures (15%), manicures (15%) and facials (14%) are also relatively popular treatments on at least an occasional basis among wealthy men. Regarding reasons for their grooming habits and spa treatments, 72% of respondents do it to look attractive to others, 70% do it for themselves because "looking good is feeling good."

For complete details from this *WealthSurvey* and dozens more, visit www.LuxuryBoard.com.

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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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Available for Purchase:

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

2012 LBSI Categories*

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

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	

[Click here for more details about the LBSI](#)

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*All research is conducted with U.S. consumers unless otherwise indicated

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