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CURRENT MARKET VOLATILITY IMPLICATIONS FOR LUXURY LIFESTYLE SPENDING

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ABOUT THE RESEARCHER

Prince & Associates is a Connecticut based company specializing in financial and legal issues relating to the Super Rich. Chairman Russ Alan Prince has authored over 35 books on the subject of the Super Rich and led numerous research studies. He works as a consultant to firms targeting the Super Rich and is widely quoted from CNBC and CNN to The Wall Street Journal, Financial Times and New York Times.

ABOUT THE SPONSOR

Elite Traveler, the private jet lifestyle magazine, reaches 500,000 + Super Rich readers each issue via its BPA-audited circulation to private jets, mega-yachts and other high-end venues in over 90 countries worldwide. With an Average Household Income of \$5.3 million, the magazine has the most affluent audience of any publication in the world.

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THE STUDY

Prince & Associates, for Elite Traveler, conducted interviews with 866 respondents with a Net Worth of at least \$500,000 from September 5-7, 2007. The respondents were grouped into the following five brackets based on Net Worth:

- **\$500,000 to \$999,000**
- **\$1,000,000 to \$4,999,999**
- **\$5,000,000 to \$9,999,999**
- **\$10,000,000 to \$24,999,999**
- **\$25,000,000 and above**

RESEARCH OBJECTIVES

The goal of the survey was to find how the current market volatility is impacting spending on luxury goods and services for members of various net worth segments.

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KEY FINDINGS

- Consumers with a Net Worth of \$10 million + are significantly less likely to cut back on spending and feel significantly better about their personal financial situation than other segments.
- Consumers with a Net Worth of less than \$5 million are “extremely concerned” about their financial situation and are actively “Trading Down”.
- Over 75% of consumers with a Net Worth of less than \$10 million “need” to make “major” lifestyle changes if the market continues to deteriorate, compared to 1 in 4 for those in Households with a Net Worth of \$10 to \$25 million and 1 in 10 for those in Households with a Net Worth of \$25 million or more.
- Over 50% of consumers with a Net Worth of less than \$5 million have already cut back on discretionary spending because of market conditions, compared to approximately 3% for Households with a Net Worth of \$10 million or more.
- Over 50% of consumers with a Net Worth of less than \$10 million are “Trading Down” for less expensive substitute products compared to less than 1% for Households with a Net Worth of \$10 million +.
- Developers targeting purchasers for non-primary residences should focus on Households with a Net Worth of at least \$10 million as this is the only segment (approximately 10%) that is actively still seeking to buy before the end of the year.
- Over 90% of Households with a Net Worth of \$10 million or more plan to spend at least \$10,000 between now and the end of the year on jewelry, compared to less than 10% for Households with a Net Worth of less than \$5 million.
- Over 40% of Households with a Net Worth of \$10 million plan to spend at least \$10,000 on watch purchases before the end of the year, compared to less than 1% for Households with a Net Worth of \$5 million or less.
- Over 90% of Households with a Net Worth of at least \$10 million are likely to spend at least \$30,000 on leisure travel before the end of the year, while only about 1 in 4 households with a Net Worth of \$5-10 million plan to do so. Only about 1% of households with a Net Worth of \$5 million or less will do so.
- More than 40% of Households with a Net Worth of \$10 million or more will spend at least \$10,000 on home electronics by the end of the year.

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Net Worth	\$500k-\$1 million	\$1-5 million	\$5-10 million	\$10-25 million	\$25 million +	Overall
I am extremely concerned about the impact of the market volatility on my personal finances	90.80%	76.10%	52.40%	19.20%	4.50%	62.20%
Because of market conditions I have cut back on discretionary spending	67.60%	48.60%	18.50%	3.80%	2.30%	38.90%
Because of market conditions I have opted for less expensive versions of products and services	69.70%	50.90%	38.10%	1.90%	0.00%	43.50%
I will need to make a major lifestyle change if the market deteriorates	94.00%	77.90%	67.30%	24.00%	9.10%	67.70%
I am likely to purchase a non-primary residence by the end of this year	0.70%	0.50%	0.00%	7.70%	13.60%	2.70%
I am likely to spend \$10,000 or more on jewelry by the end of this year	4.20%	11.70%	30.40%	88.50%	98.90%	30.90%
I am likely to spend \$10,000 or more on watches by the end of this year	0.70%	0.50%	18.50%	44.20%	38.60%	13.20%
I am likely to spend \$100,000 or more on redecorating by the end of the year	0.00%	0.00%	1.20%	3.80%	13.60%	2.10%
I am likely to spend \$30,000 or more on leisure travel by the end of the year	1.10%	0.90%	26.20%	87.50%	100.00%	26.30%
I am likely to spend \$10,000 or more on fashion and accessories by the end of the year	5.60%	24.80%	73.80%	87.50%	100.00%	43.20%
I am likely to spend \$10,000 or more on home electronics by the end of the year	2.10%	6.30%	20.20%	47.10%	43.20%	16.30%

CONCLUSION

With tighter credit markets, jitters in the financial markets, rising energy prices and increasing uncertainty in the employment arena, the lower wealth segments of the wealthy are battenning down the hatches and pulling back on spending. The magic number for marketers selling luxury products and services is to search out consumers with a Net Worth of at least \$10 million or more. At this level, consumers are still spending significant amounts of money on luxury goods and are less likely to cut back on spending.



ELITE

T R A V E L E R

THE PRIVATE JET LIFESTYLE MAGAZINE

801 SECOND AVENUE
NEW YORK, NY 10017

T. 212.986.5100

F. 212.687.8994

lweiss@elite-traveler.com

www.elitetraveler.com