

Luxury Consumers Start 2007 in a Consumer Confidence Slump

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Luxury consumer spending declines in fourth quarter 2006

Luxury consumers' confidence declined to its lowest level in 2006 at the close of the fourth quarter. This sets the stage for more reserved spending by the nation's affluent consumers on luxury goods and services in the first quarter of 2007.

Unity Marketing's Luxury Consumption Index declined 5.1 points to reach 98.2 points in the fourth quarter 2006, down from 103.3 in the third quarter, according to the latest survey of 1,036 luxury consumers (average income \$156.5k and average age 42.8 years).

In keeping with a decline in consumer confidence, the typical luxury consumer spent less on luxury purchases in the period, dropping 3.4 percent from \$13,432 during the third quarter to \$12,982 in the fourth quarter.

'But it's not all doom and gloom for luxury marketers and retailers,' says Pam Danziger, president of Unity Marketing and author of *Shopping: Why We Love It and How Retailers Can Create the Ultimate Shopping Experience*. 'Spending on experiences rose modestly in the fourth quarter and spending on personal luxuries went up dramatically. However, a drop in spending on home luxuries pulled the overall spending levels down in the fourth quarter.'

Commenting on the Luxury Consumption Index, Thomas Bodenberg, Unity Marketing's economic forecaster, said, 'Luxury consumers signaled caution with the drop in the index as they enter 2007. While the majority of luxury consumers expect their personal financial status to improve over the next twelve months, they remain concerned about the state of the economy overall. The dollar's continued decline against the Euro and pound sterling and continued political instability in the Persian Gulf region accounts for the softness in luxury demand.'

Coach Ranked Top Brand in Fashion Accessories

During the fourth quarter, Coach was ranked as the most popular brand of luxury fashion accessories. Unity Marketing has prepared a corporate profile of Coach's success as a luxury brand. To request a copy send an email with 'Coach Corporate Profile' in the subject line to pam@unitymarketingonline.com

About Unity Marketing's Luxury Consumer Tracking Study

These findings are based upon Unity Marketing's quarterly luxury tracking study which surveyed 1,036 luxury consumers (average income \$156.5.1k and age 42.8 years).

Every quarter Unity Marketing conducts a Luxury Consumer Tracking Study among 1,000+ luxury consumers. Year-end 2006 statistics compiled from the four 2006 tracking studies will be published in Unity Marketing's Luxury Report 2007 - *Who Buys Luxury, What They Buy, Why They Buy*.

In the tracking study detail purchase information is collected on these categories of luxury:

Home Luxuries:

- Art, Wall Décor & Antiques
- Electronics and Photography, such as computers, televisions, home entertainment centers, cameras, PDAs, etc.
- Home Decorating Fabrics, Window & Wall Coverings
- Furniture, Lighting and Lamps, and/or Floor Coverings, including rugs
- Outdoor, Lawn, Patio & Garden Products, such as lawn furniture, patio accessories, plants, grills, etc.
- Kitchenware, Cookware & Housewares
- Kitchen Appliances and Bath & Building Products, such as cabinets, bathtubs, etc. for home remodeling
- Linens & Bedding
- Tabletop, Dinnerware, Flatware, Servingware, Decorative Accents

Personal Luxuries:

- Automobiles and/or recreational vehicles, such as boats, RVs, etc.
- Clothes & Fashion Apparel

- Fashion Accessories, such as handbags, wallets, suitcases, shoes, etc.
- Fragrance, Cosmetics and/or Beauty Products and Skin Care regimes
- Jewelry
- Watches
- Pet Products
- Wine & Spirits
- Pens & Writing Instruments
- Experiential and Luxury Services:

Travel and vacations

- Dining and restaurants
- Entertainment
- Personal and health services, such as beauty treatments, spa, massage and cosmetic procedures, health club, country club, etc.;
- Home services, such as landscape, housecleaning, home remodeling, home decorating, party planning and catering, etc.

Luxury brands & magazines

Also included in the tracking study are measures of luxury brand awareness and usage as well as magazines luxury consumers purchase. www.unitymarketingonline.com/reports2/luxury/brands.html provides a listing of brands.

About Pam Danziger and Unity Marketing

Pamela N. Danziger is a nationally recognized expert specializing in consumer insights, especially for marketers and retailers that sell luxury goods and experiences to the masses or the 'classes.' She is president of Unity Marketing, a marketing consulting firm she founded in 1992.

Advising such clients as Lenox, Cartier, PPR, Remy Amerique, Stearns & Foster, Prudential Fine Homes, Baccarat, Philips/Norelco, The World Gold Council, The Conference Board and American Express, Danziger taps consumer psychology to help clients navigate and master the changing consumer marketplace.

Her latest book, *Shopping: Why We Love It and How Retailers Can Create the Ultimate Customer Experience* will be published by Kaplan Publishing in October 2006. Advance review copies are available upon request.

Her other books include *Let Them Eat Cake: Marketing Luxury to the Masses--as well as the Classes*, (Dearborn Trade Publishing, \$27, hardcover) and *Why People Buy Things They Don't Need: Understanding and Predicting Consumer Behavior* (Chicago: Dearborn Trade Publishing, 2004).

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