

AMAZON AND OTHER KEY ISSUES ROILING LUXURY

January 18, 2017

Presentation Outline

- ◉ **About the Shullman Research Center**
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- ◉ **Selected Contextual Issues to Consider**
- ◉ **How Luxury Buyers Are Now Describing Luxury**
- ◉ **How Luxury Buyers Are Now Shopping**
- ◉ **How Luxury Buyers Are Now Receiving Their Luxury Advertising and Messaging**
- ◉ **Amazon and the Luxury Shopper**
- ◉ **The Amazon Brand Today**
- ◉ **Key Takeaways**

About The Shullman Research Center

- ◉ An insights, consulting, research, and training organization founded in 2012 that builds upon years of experience leading the Mendelsohn/Ipsos Affluent Survey
- ◉ Focuses on luxury, affluent, and wealthy consumer markets while also tracking mass-market America
- ◉ Conducts a syndicated market-oriented insights survey (*The Shullman Luxury, Affluence, and Wealth Pulse*) as well as custom insights, research, and advisory projects
- ◉ Publishes monthly insights briefs on topics of interest to the marketing communities
- ◉ Presents at industry symposia and conferences

Sources of Today's Presentation

- ◉ **The Shullman Luxury, Affluence, and Wealth Pulse**
- ◉ **Bureau of the Census, 2016 CPS Annual Social and Economic Supplement**
- ◉ **BAV Consulting**

SELECTED CONTEXTUAL ISSUES TO CONSIDER

Context

Multidimensional View of U.S. Adults in Millions

	Millions of Adults				
	All Persons 18+	Millennials	Gen-Xers	Boomers	Seniors
2016 CPS (millions)	245	78	65	73	28
Household Income:					
\$500,000 or more	2	*	1	1	*
\$250,000 to \$499,999	8	2	3	3	*
\$100,000 to \$249,999	69	22	22	21	4
Under \$100,000	166	53	39	49	24

*= Less than one million

Source: Bureau of the Census, 2016 CPS Annual Social and Economic Supplement

Multidimensional View of U.S. Adults: Percent of Total Adults

	Percent of All Adults				
	All Persons 18+	Millennials	Gen-Xers	Boomers	Seniors
	%	%	%	%	%
Percent of all adults	100	32	27	30	12
Household Income:					
\$500,000 or more	1	*	*	*	*
\$250,000 to \$499,999	3	1	1	1	*
\$100,000 to \$249,999	28	9	9	9	2
Under \$100,000	68	22	16	20	10

*= Less than one percent

Source: Bureau of the Census, 2016 CPS Annual Social and Economic Supplement

Multidimensional View of All Luxury Buyers in Millions

	Millions of Luxury Buyers				
	All Luxury Buyers	Millennials	Gen-Xers	Boomers	Seniors
Estimated from 2016 CPS (millions)	67	34	19	13	2
Household Income:					
\$500,000 or more	1	*	1	*	*
\$250,000 to \$499,999	4	1	2	1	*
\$100,000 to \$249,999	27	13	8	7	*
Under \$100,000	37	21	9	5	2

*= Less than one million

Sources: Bureau of the Census, 2016 CPS Annual Social and Economic Supplement; Shullman Pulse

Multidimensional View of All Luxury Buyers: Percent Penetration of All Luxury Buyers

	Percent of All Luxury Buyers				
	All Luxury Buyers	Millennials	Gen-Xers	Boomers	Seniors
	%	%	%	%	%
Percent of all luxury buyers	100	50	28	19	4
Household Income:					
\$500,000 or more	2	*	1	1	*
\$250,000 to \$499,999	6	2	2	2	*
\$100,000 to \$249,999	40	19	11	11	1
Under \$100,000	54	31	14	7	3

*= Less than one percent

Sources: Bureau of the Census, 2016 CPS Annual Social and Economic Supplement; Shullman Pulse

HOW LUXURY BUYERS ARE NOW DESCRIBING LUXURY

Luxury Buyers' Representative Descriptions of Luxury

- "Luxury refers to things that are life's little extras."
- "The ability financially to buy anything that one's heart desires."
- "A premium product with a high level of craftsmanship and performance."
- "Goods that I can afford but make me feel better about myself."
- "Luxury makes me think of something plush, quality made, comfort."
- "I think it means higher-end products. Products that are of better quality. They are expected to last longer than products that aren't luxury."
- "I think about something made for me and my family; I think about something elegant and sophisticated; I think of something of refinement and not [a] necessity."

Top Twenty Descriptions of Luxury Among All Luxury Buyers



Source: Shullman Pulse

The Eight Luxury Descriptions Used by Millennial, Gen-Xer, and Boomer Luxury Buyers



Source: Shullman Pulse

In all three generations' top twenty

Top Ten Luxury Descriptions Among Millennial Luxury Buyers



Source: Shullman Pulse

Only in Millennials' top ten

Top Ten Luxury Descriptions Among Gen-Xer Luxury Buyers



Source: Shullman Pulse

Only in Gen-Xers' top ten

Top Ten Luxury Descriptions Among Boomer Luxury Buyers



Source: Shullman Pulse

Only in Boomers' top ten

The Top 20 Luxury Descriptions Segmented by Luxury Buyers by Generation



Source: Shullman Pulse

Red = All three generations' top 20;

Not all three generations' top 20 and...

Blue = Top 10 for Millennials only ;

Purple = Top 10 for Gen-Xers only;

Brown = Top 10 for Boomers only.

HOW LUXURY BUYERS ARE NOW SHOPPING

Luxury
Shopping

How Luxury Buyers Are Now Researching What They May Buy

	Luxury Buyers			
	All Luxury Buyers	Millennials	Gen-Xers	Boomers
	%	%	%	%
Digitally	81	81	85	77
In person at a store	11	8	6	20
By phone/by calling the store	3	3	3	2
By mail order	3	4	5	1
Other way	2	4	1	*

*= Less than one percent

Source: Shullman Pulse

How Luxury Buyers Are Now Purchasing Their Luxuries

	Luxury Buyers			
	All Luxury Buyers	Millennials	Gen-Xers	Boomers
	%	%	%	%
In person at a store	76	75	83	72
Digitally	52	54	53	49
By phone/by calling the store	18	16	16	21
By mail order	16	21	17	6
Other way	4	6	3	1

Source: Shullman Pulse

HOW LUXURY BUYERS ARE NOW RECEIVING THEIR LUXURY ADVERTISING AND MESSAGING

Top Ten of 41 Media Channels for Advertising Recall by Reach

	Luxury Buyers			
	All Luxury Buyers	Millennials	Gen-Xers	Boomers
	%	%	%	%
Television	52	46	52	65
Facebook	50	47	47	59
Websites	43	44	36	48
YouTube	42	53	34	27
In e-mails	37	34	33	47
Printed magazines	37	29	36	55
In mail sent to your home	37	29	44	45
Radio	36	29	38	46
Movie theaters	33	34	28	37
Printed newspapers	33	26	25	55

Source: Shullman Pulse

Rankings of Top Ten of 41 Media Channels for Advertising Recall by Reach and Engagement Levels

	Luxury Buyers							
	All Luxury Buyers		Millennials		Gen-Xers		Boomers	
	Reach	Engage-ment	Reach	Engage-ment	Reach	Engage-ment	Reach	Engage-ment
	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank
Television	1	6	3	5	1	19	1	15
Facebook	2	18	2	31	2	7	2	21
Websites	3	9	4	12	6	18	5	11
YouTube	4	19	1	8	8	35	14	25
In e-mails	5	38	5	38	9	13	6	29
Printed magazines	6	11	9	19	5	2	3	19
In mail sent to your home	7	28	10	37	3	30	10	4
Radio	8	35	8	36	4	27	8	23
Movie theaters	9	27	6	28	10	9	12	26
Printed newspapers	10	15	15	9	14	14	4	22

Source: Shullman Pulse

AMAZON AND THE LUXURY SHOPPER



Amazon Today

- ◉ **151 million American adults (almost two-thirds) shopped at Amazon in the past 12 months**
- ◉ **110 million (about three-quarters) rate Amazon better than other stores they shop**
- ◉ **About 1 million rate Amazon worse than other stores they shop**
- ◉ **100 million Amazon shoppers (about two-thirds) shop there once a month or more often**
- ◉ **61 million (about two-fifths) are enrolled in Amazon Prime**

Amazon's Customer-Perceived Benefits

- ◉ Amazon offers a wide breadth of products and services
- ◉ Amazon delivers one-stop shopping
- ◉ Amazon offers competitive pricing
- ◉ Amazon makes it convenient to shop (customers can shop from home or office, no driving, etc.)
- ◉ Amazon offers fast and free shipping to its Amazon Prime customers

(continued)

Amazon's Customer-Perceived Benefits (continued)

- ◉ **Amazon Prime customers receive other benefits in addition to free shipping (Prime Videos, etc.)**
- ◉ **Amazon facilitates hassle-free returns when purchases need to be returned**
- ◉ **Amazon delivers responsive customer service when service is needed**
- ◉ **Amazon offers online reviews of products by prior purchasers**
- ◉ **Amazon is a globally recognized brand**

Representative Customer Testimonials About Amazon

"Amazon Prime makes life convenient. I get everything I need within two days. Large selection of everything imaginable."

"Extremely wide variety of merchandise that can be bought so easily, eliminating the time and aggravation of going to a store. Excellent packaging and delivery and easy returns."

"You don't have to leave the house for it, and it's shipped straight to your front door. Great customer service, too, if you need to return an item."

"Wide selection, reliable delivery, free shipping, easy-to-use website, wish lists for gifts."

Amazon and Luxury

- ◉ **67 million American adults bought one or more luxuries in the past 12 months**
- ◉ **40 million (six out of ten) of all luxury customers are also Amazon customers**
- ◉ **21 percent of mass-market (under \$100K HHI) Amazon customers bought luxury in the past 12 months**
- ◉ **39 percent of affluent-market (\$100K+ HHI) Amazon customers bought luxury in the past 12 months**
- ◉ **47 percent of upper-affluent-market (\$250K+ HHI) Amazon customers bought luxury in the past 12 months**
- ◉ **74 percent of the Top 1 percent (\$500K+ HHI) Amazon customers bought luxury in the past 12 months**

Amazon's Recent Activities

During 2016, Amazon:

- ◉ **Quietly launched its own private label fashion and accessory brands**
- ◉ **Entered the automotive category**
- ◉ **Launched and withdrew a student loan program with Wells Fargo**
- ◉ **Started discussing adding live sporting events to its Prime Video offerings**
- ◉ **Debuted Amazon Go, its new grocery store without checkout lines**

THE AMAZON BRAND TODAY



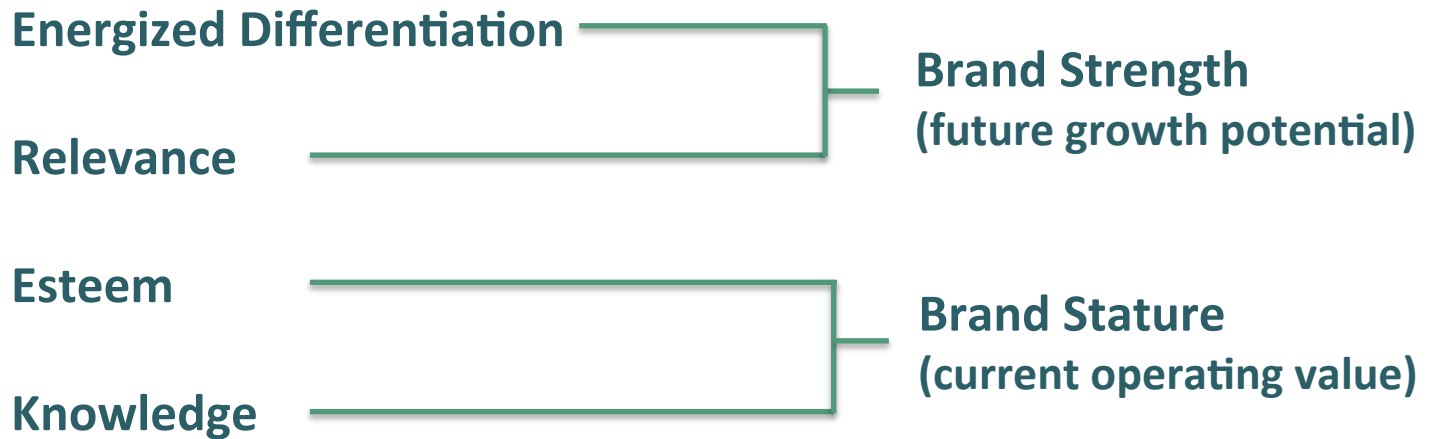
BAV Consulting Measures

- ◉ **50,000+ brands globally and 3,000+ in the U.S.**
- ◉ **... regardless of category**
- ◉ **... on a consistent set of 48 imagery attributes, including:**
 - ◉ **Arrogant**
 - ◉ **Authentic**
 - ◉ **Best brand**
 - ◉ **Distinctive**
 - ◉ **Glamorous**
 - ◉ **High quality**
 - ◉ **Innovative**
 - ◉ **Leader**
 - ◉ **Prestigious**
 - ◉ **Socially responsible**
 - ◉ **Traditional**
 - ◉ **Unapproachable**
 - ◉ **Unique**
 - ◉ **Upper-class**

Source: BAV Consulting

BAV Consulting Measures Brands

... on four pillars of brand equity and momentum:

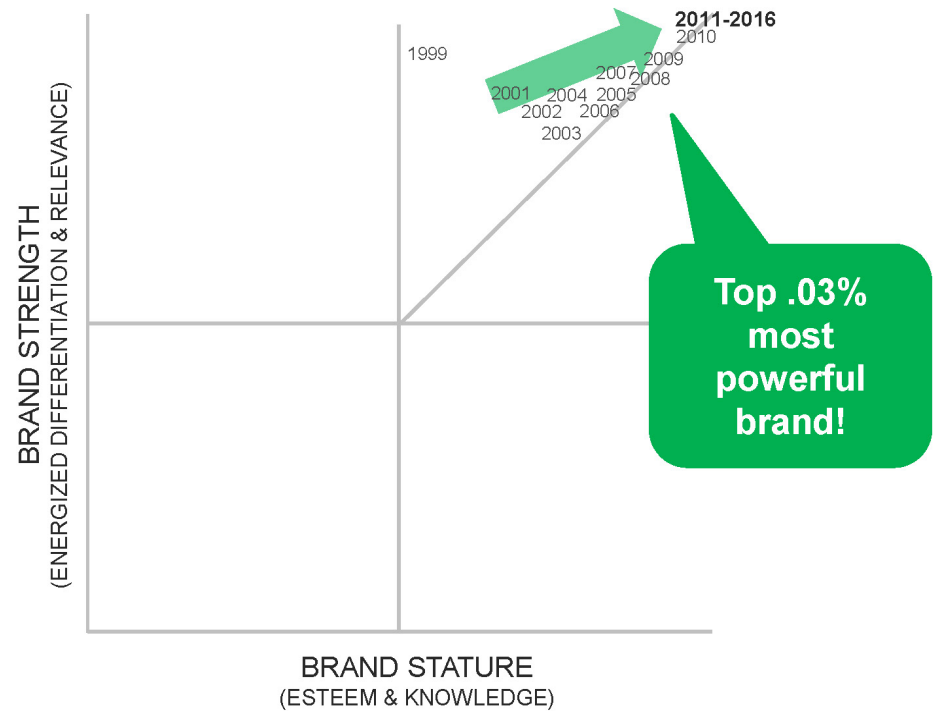


Source: BAV Consulting

AMAZON'S TREMENDOUS, CONSISTENT BRAND POWER

ONE OF THE MOST
POWERFUL BRANDS, ON A
CONTINUOUS GROWTH
TRAJECTORY

Brand Equity of Amazon Among All Consumers
1999 to today

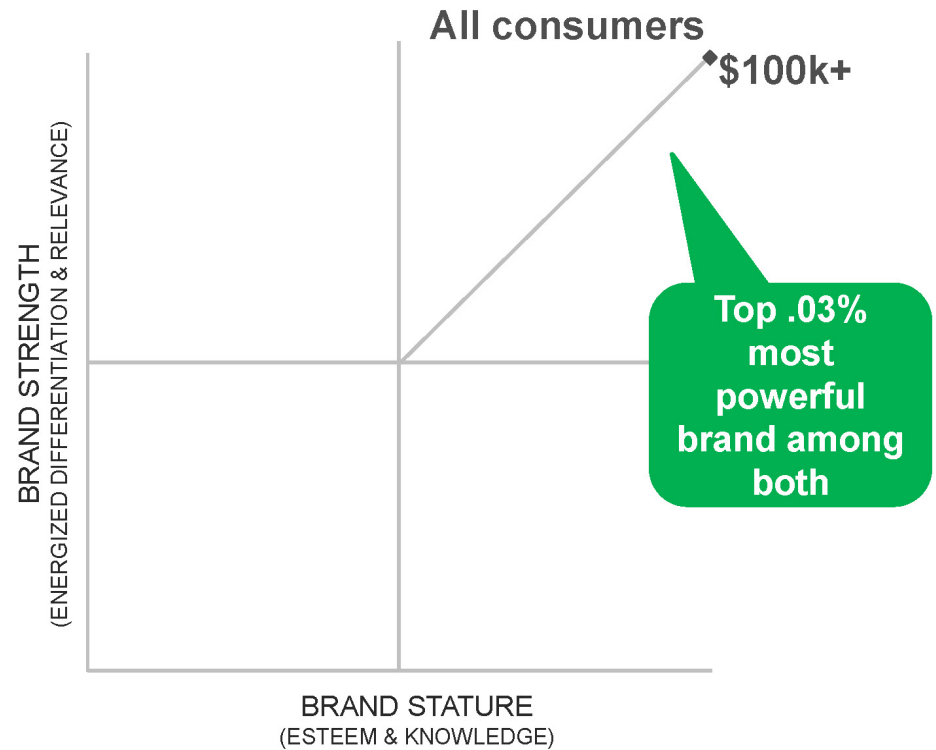


Source: BAV® Consulting: 1999 to 2016

REGARDLESS OF INCOME LEVEL...

AMAZON IS EQUALLY POWERFUL AMONG ALL CONSUMERS AND THE AFFLUENT (\$100,000+ HHI)

Brand Equity of Amazon by HHI



Source: BAV® Consulting: 1999 to 2016

A BEACON BRAND OF FORWARD- THINKING AND PRESTIGE

In the eyes of \$100k+ HHI households,
compared with other brands measured,
Amazon is...

88%

MORE WORTH PAYING MORE FOR

More than...

Dior | Four Seasons | Jaguar | Saks Fifth Avenue

99%

MORE VISIONARY

More than...

Intel | Uber | Google Glass | Mayo Clinic

98%

MORE INTELLIGENT

More than...

Dyson | Adobe | Wired | Tesla

86%

MORE TRENDY

More than...

W Hotels | Audi | Bitcoin | SpaceX

Source: BAV® Consulting: 1999 to 2016

KEY TAKEAWAYS

Takeaways

Key Takeaways

- ⦿ **The luxury-buying marketplace is much larger than many believe... so think large**
- ⦿ **Luxury means different things to different generations... so listen to how your luxury buyers describe luxury**
- ⦿ **Despite all the attention currently given to digital media platforms... traditional media platforms still matter in the luxury market**
- ⦿ **Consumers, especially luxury buyers, love the elephant in the room... and the elephant is getting bigger and doing new things all the time as it journeys through the retailing jungle**

Thank You!

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