

Dear Reader,

Sorry this issue is slightly delayed. I just finished writing my new book, *Let Them Eat Cake: Marketing Luxury to the Masses* — as well as *the Classes*, to be published by Dearborn Trade Publishing in January 2005. I had planned on having the manuscript to them before my due date, but a speech and emergency focus groups took me out of town, so I was writing right up to the deadline, August 2. Thankfully that phase of my life is over, and I can back to 'regular' living. As I was doing my final edits, though, I have an incredibly positive feeling about this book and hope that you will too once it hits the streets.

It's not the thing; it's the experience

With the release of the new edition of *Why People Buy Things They Don't Need* in paperback, I have been doing the radio circuit chatting up my book. The theme is all about the experience of shopping and buying and I feel like a broken record repeating again and again, "It's not the thing; it's the experience." The further my research takes me into the hearts and minds of today's consumers, this is where I always end up. So this issue is devoted to the new experiential paradigm.

Our research among luxury consumers has shown that experiential luxuries provide them with the ultimate luxury satisfaction, more so than home luxuries or personal luxuries like clothes, cars or jewelry. A new survey we conducted for American Express Platinum Card among even more affluent consumers than we typically field found the exact same thing, with a sizable majority voting for luxury experiences over luxury things.

After a little reflection it may not appear so revolutionary that today's luxury consumer market has gone experiential. After all, the luxury consumers are blessed with high incomes and the ability to buy just about anything their hearts desire. For these highly affluent luxury consumers, who live in well furnished houses, have closets full of clothes and drive fairly new cars, material things are easy to acquire and don't demand a lot of sacrifice. It just makes sense intuitively that the luxury consumers derive their greatest feeling of luxury satisfaction from experiences.

Assuming this logic holds, that for the affluent the ready availability of material things makes them value things less and experiences more, then it also intuitively makes sense that people who have less material wealth would tend to find greater happiness in acquiring material possessions rather than experiences. But that isn't the case. Consumers at every income level, every age range, across the board, favor luxury experiences over home or personal luxuries.

Wanting to see how extensive this experiential market shift is, we ran a nationwide omnibus survey among a representative sample of over 900



Luxury Business: The Luxury Marketers Report is presented by Pam Danziger, founder of Unity Marketing, to provide the latest research-based insights and understandings about the luxury market. Today's luxury market, defined as the top 20 percent of U.S. households with incomes of \$75,000 and above, presents compelling new challenges for luxury marketers. Through research, Unity discovers how luxury marketers can establish deeper connections with their affluent customers and anticipate change in their luxury shopping patterns and priorities.

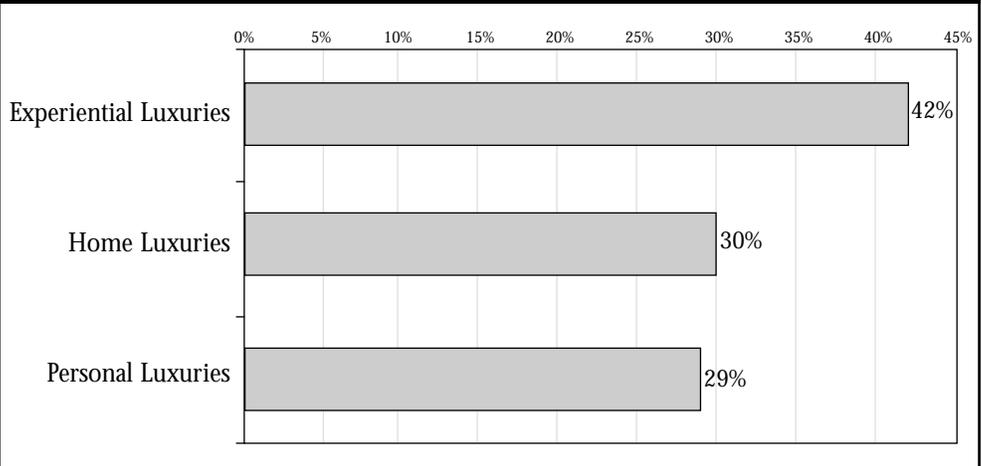
Founded in 1992, Unity Marketing is a marketing consulting firm that specializes in consumer insights for luxury marketers. Using its proprietary why people buy research strategy, Pam Danziger, author of *Why People Buy Things They Don't Need* (Chicago: Dearborn Trade Publishing, 2004) uncovers the motivations, desires and emotional needs that drive consumers to buy. Unity also publishes an annual *Luxury Market Report* and a quarterly *Luxury Tracking Study* to keep luxury marketers up-to-date on shoppers' behavior.

Pam is currently working on her new book, *Let Them Eat Cake: Marketing Luxury to the Masses* — as well as *the Classes*, to be published in January 2005 by Dearborn Trade Publishers.

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Everybody's Greatest Luxury Satisfaction

Source: Omnibus Survey, June 2004



consumers 18 years and older. Screened only for their purchase of all three types of luxuries, a personal luxury, a home luxury and an experiential luxury, we asked from which purchase did they gain their greatest personal satisfaction and happiness? We didn't ask anything about their spending, nor did we define or quantify what their specific luxury purchase might entail. But for the largest percentage of luxury buyers at all income levels, they get their greatest luxury satisfaction from the experience.

In research with consumers at all income levels, I have found that no matter who they are or where they live, no matter how much or little money they make, no matter how much or how little money they spend buying something, they all want the same basic things. They want to feel special. They want to buy the very best quality thing — whatever that is — that they can afford. At the same time, they want to make sure they paid a good price and didn't get gouged or pay too much. They want the item they buy to work right, to look good, to last a long time, to perform as

expected and as promised. They want to be treated well and with respect by the sales people in the store. Regardless of whether they are spending \$1, \$10, \$100, or \$1,000, they all want the same special feeling about their purchase.

This is the underlying motivational dimension of today's consumer market: Everybody everywhere wants to feel special. You don't have to be rich in our society to want to feel special or to actually feel special. Sometimes we turn to the commercial world to get our deep-seated needs for confirmation met in the store, the mall or the restaurant. Everyone wants that same feeling of specialness and we all have some means, no matter how big or how small, to get it. This has huge implications for our businesses in the future.

Sincerely,

Pam Danziger

New American Express Platinum Luxury Survey Finds that Experiences – Not Material Goods – Matter Most to Affluent

Today’s affluent consumers have a fresh perspective on the good life, according to the American Express Platinum Luxury Survey, a new study of the affluent consumer, conducted for the 20th anniversary of the Platinum Card, from American Express.

More than half of affluent consumers (59 percent) receive the greatest personal satisfaction from experiences, such as fine dining, travel, entertainment, cultural/arts events and sporting events. Only 21 percent of those surveyed say they get the greatest satisfaction from personal luxuries, such as automobiles, fashion and jewelry and only 20 percent enjoy home luxuries most, such as furniture, kitchenware, and linens and bedding.

“In the real world, affluent consumers aren’t relaxing poolside or eating bonbons,” said Peggy Maher, senior vice president and general manager, Consumer Charge Card, American

Express “They’re working long hours, juggling personal and professional lives, and are constantly pressed for time. For instance, our affluent Card members are looking to ease their busy, often hectic, lives with experiences that will make them feel special, whether it be a massage, a night out with fine dining and entertainment, or taking a luxurious vacation abroad.”

Experiential Consumers Spend More on All Luxuries

While the luxury consumers get their greatest luxury satisfactions from experiences, they actually spend prodigious amounts of money on home and personal luxuries too. And what’s even more revealing is that the luxury consumers who rate experiences as their favorite luxury indulgence actually spend more buying all luxuries than do the more materialistically-oriented luxury consumers.

Luxury Spending	All	High Exp	% Dif
Home Luxuries	12,330	14,920	21%
Personal Luxuries	14,270	18,230	28%
Experiential Luxuries	10,060	14,280	42%
Total Spending	36,660	47,430	29%

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According to the American Express Platinum Survey, the highly experiential luxury consumers (i.e. those who rate experiences most satisfying luxury and have incomes of \$100,000 or more) spend on average \$47,430 on all luxuries, as compared to \$36,660 for the whole sample.

Fine Dining and Luxury Travel Top List of Experiences

Among the experiential luxury consumers, their favorite experiences are fine dining and luxury travel. Also included in the survey were experiences such as entertainment and cultural events, spa and beauty services, sporting events and home services. The majority of these affluent consumers (79 percent) said fine dining was the number one experience they enjoyed over the last 12 months. Over three-fourths (76 percent) enjoyed fine dining once a month or more at a luxury restaurant and spent on average \$5,990 on dining in the past year.

Food isn't everything when making fine dining decisions. Getting great food when you dine out is pretty much taken for granted. What transformed fine dining into a real experience, according to luxury consumers interviewed in focus groups, wasn't the food, how it tasted or how it was presented. What stood out in peoples' memories and what they relived and reflected upon and what ultimately made them return to the restaurant again was the service, the atmosphere, and how they remember feeling in the dining experience. In the fine dining experience, what the consumer ostensibly is buying, i.e. a meal, is really not the thing. It's the experience that the consumer is

focusing on. They are buying a special, memorable experience made somewhat memorable by the food and wine, but so much more memorable by the way they are treated at the door, by the waiters, the water servers, the wine steward, the cashier, the coat check attendants.

These affluent consumers also travel often and in style: more than two-thirds (68 percent) took an average of six personal trips in the past year and spent an average of \$12,650 on personal travel. When they travel, they fly with the ‘masses’ and vacation with the ‘classes.’ Nearly two-thirds always or often travel coach, and about the same percentage stay in luxury hotels when they get to their destination.

When the affluent travel, the majority (56 percent) said creating memorable experiences was the most important vacation criteria. Relaxation is also a top priority, with 47 percent citing relaxation and freedom from stress as the top reasons for travel. That is one reason why luxury travelers favor cruises as the ultimate in stress-less vacationing. Nearly all (90 percent) agreed that traveling was a desirable way to “break out of the day-to-day routine.”

Luxury travelers' attitudes reveal what they hold most dear in the experience, and that is spending time with family and friends. While they feel luxury travel is a pleasure they earn through their hard work, they also view it as almost a necessity in their busy, hectic lives. Travel enhances their quality of life, enriches them and makes them a more complete person. About three-fourths or more of survey

respondents who said they value experiences most strongly agree or agree with these statements:

- “Travel is made special when I’m with my family and/or friends.” (85 percent)
- “I try to reward my hard work with vacation travel.” (81 percent)
- “Travel is a luxury that makes my life more meaningful.” (80 percent)
- “When I travel, I don’t want to stay in accommodations that are less luxurious or comfortable than I have at home.” (76 percent)
- “Travel is important to me for personal enrichment and becoming a more complete person.” (76 percent)
- “I consider travel a necessity for my life.” (73 percent)
- “When I travel, I enjoy getting special treatment and service that make me feel pampered.” (73 percent)

For the future, these affluent consumers plan to enjoy more luxury experiences. Eighty-seven percent

said they expect to spend the same or more on fine dining in the next year and 81 percent said they expect to spend the same or more on personal travel.

About the American Express Platinum Luxury Survey

The American Express Platinum Luxury Survey includes a quantitative survey among a random cross section of 870 affluent consumers in the U.S. with household incomes of \$100,000 and above and who purchased or enjoyed either a home, personal or experience-based luxury—e.g., fine dining, luxury travel or entertainment—in the past 12 months. The average household income of consumers surveyed was \$175,000. In addition, 491 of those respondents, who said they achieved the greatest satisfaction and happiness through experience-based luxuries, participated in an in-depth survey that explored experience-based luxury buying habits and attitudes.

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Why Do Experiences Provide Greatest Luxury Satisfaction?

Since the consumer economy is going experiential, it becomes even more important to understand the underlying reasons why this paradigm shift is occurring. New research coming out of academia provides insights into why experiences are the source of greater happiness and satisfaction.

Leaf Van Boven and Thomas Gilovich wrote an article entitled “To Do or to

Have? That is the question” which was published in the *Journal of Personality and Psychology*, vol. 85, no 6, 2003. Their subject of research stated simply is “Do experiences make people happier than material possessions?...Their thesis is that happiness is advanced more by allocating discretionary income toward the acquisition of life experiences than toward the

‘The good life,’ in other words, may be better lived by doing things than by having things.

Rising levels of household income corresponded to higher ratings for experiential happiness. In other words, the richer you are the more likely you are to find greater satisfaction in life experiences.

acquisition of material possessions. 'The good life,' in other words, may be better lived by doing things than by having things."

To prove their hypothesis they conducted a series of experiments asking consumers to measure their happiness and enjoyment of either "spending money with the primary intention of acquiring a life experience — an event or series of events that you personally encounter or live through" [i.e. an experience] or "spending money with the primary intention of acquiring a material possession — a tangible object that you obtain and keep in your possession" [i.e. a thing].

Note: in none of Van Boven's and Gilovich's research was the concept of luxury introduced, however, the basic conclusions from their work clearly apply to the luxury market.

While the researchers recognize that there may be some fuzziness between what is interpreted as an experiential purchase vs. a material purchase (for example, is a flat-screen television or a car a possession or are they purchases for experiences?), their findings from three different experiments conducted to tease out various key factors in the consumer equation found that experiential purchases have it all over material goods in making the consumer happier. In one of their surveys conducted among a national sample of 1,263 consumers, nearly 60 percent said that their experiential purchases made them happier than their material purchases. Even more interesting, across every demographic segment (e.g. gender, employment, age, marital status,

political affiliation, region, etc.) the experiential purchases get the vote as primary motivator of consumer happiness.

Further, rising levels of household income corresponded to higher ratings for experiential happiness. In other words, the richer you are the more likely you are to find greater satisfaction in life experiences. Authors Van Boven and Gilovich hypothesize that consumers are more likely to have "increasingly favorable interpretations over time" related to life experiences. For example, as we get further away from a specific experience, such as a hike in the Alaska wilderness, we are more likely to remember the good feelings of accomplishment and the beauty of the experience, than the blisters you got on your feet or the aches in your calf muscles. That's because we tend to focus on the more abstract, higher-level meanings of an experience in retrospect rather than the lower-level features that are more peripheral in nature (i.e. the hassles and inconveniences).

Experiences Become Memories

They conclude that "experiences are more open to favorable interpretations over time." That means that we are free to relive our life experiences, embellishing them as we go, to make them even more pleasant in retrospect. We selectively forget the annoyances and distractions (i.e. low-level features) that take away from our favorable memories. We don't create these fantasies for material possessions after the fact because "people adapt to material advances, requiring continued increases to achieve the same level of satisfaction." As a

survey respondent is quoted as saying, “material possession, they sort of become part of the background; experiences just get better over time.

Another reason why experiences give more happiness is that experiences are more central to one’s identity. They explain, “A person’s life is quite literally the sum of his or her experiences. The accumulation of rich experiences thus creates a richer life. The same cannot be said of material possessions. As important and gratifying as they sometimes are, they usually remain ‘out there,’ separate from the individual who attained them.

“Experiences, then, can provide greater hedonic (note: this word is from same root that gives us hedonism which is sensualism, gratification, enjoyment, indulgence) value because they contribute so much more to the construction of the self than material possessions,” they continue. In other words, experiences are central to self-actualization and help people realize their ultimate identity and self-expression as described by Abraham Maslow.

This drive for self-actualization is even more pronounced among the more affluent, as Van Boven and Gilovich say, “We suspect that wealthier, more educated people may have been acculturated and educated in a system that emphasizes self-actualization, which might help them reap greater psychological benefits from experiences.”

Finally another reason why experiences provide greater happiness is thought to relate to experiences’ greater ‘social value.’ Social relationships can be enhanced by

sharing stories about one’s experiences, while the same cannot be said for stories related to your material possessions. It’s one thing to talk about your trip to Paris and quite another to talk about all the stuff you bought while you were there.

With some final caveats to the research, such as the fact that some material possessions may have greater sentimental value (i.e. wedding ring, heirloom) and so provide greater happiness, and that the research does not state that things don’t make people happy, only that experiences make them more happy, Van Boven and Gilovich conclude: “Our research suggests that people will live happier lives if they invest in experiences more than material possessions. By the same token, communities will have happier citizens if they make available an abundance of experiences to be acquired. Both individuals and communities would thus do well to heed the slogan of the Center for the New American Dream, “More fun, less stuff!”

Experiences Will Always Trump Things: Luxury Is All About the Fantasy

For marketers, whether you are marketing luxury to the masses or the classes or everyone in between, luxury is ultimately smoke and mirrors. Luxury is the dream, the aspiration, the hoped for, the fantasy. Luxury operates in the human psyche as a metaphysical construct that transcends reality. The reason why experiences more fully embody luxury to the consumer is that experiences are laid down as memories, or stories about one’s life

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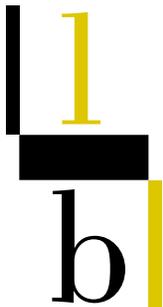
For an experiential luxury, however, the fantasy never stops because you go from one fantasy, the anticipation and planning fantasy, to another one, the recollection and nostalgia fantasy.

that he or she creates. Memories are never remembered in their reality. Rather they are embellished and polished and recollected with a soft focus of nostalgia.

A material thing, no matter how longed for or dreamed about before it is obtained, is still a concrete thing. It can't ever transcend itself to become a luxury fantasy. Rather the luxury fantasy happens before the thing is actually acquired and it may well keep its luster for a few days, few hours, few minutes. But then that once extraordinary thing simply becomes the ordinary. It is only in the mind and imagination where luxury can ultimately reside. Luxury is in the anticipation, the planning, the researching, the saving, and to some extent the purchasing. But once a material object is bought,

the luxury fantasy ends and the object of that elaborate luxury fantasy becomes just another ordinary thing.

For an experiential luxury, however, the fantasy never stops because you go from one fantasy, the anticipation and planning fantasy, to another one, the recollection and nostalgia fantasy. That is why experience will always trump material goods in the luxury market place. That is also why marketers of material goods and services need to study and understand the many different dimensions of the luxury service providers' art. Luxury marketers and retailers must transcend the physical, material world and become a character in the consumers' luxury fantasy. Luxury is no longer about the thing any more; it is all about the experience.



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