



LUXURY SENTIMENT SURVEY REPORT

WEALTH-X INSTITUTE SPECIAL REPORT

VOLUME. 3: LOOKING AHEAD TO Q3 2014

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A NOTE TO THE READER

We at Wealth-X are proud to present the third edition of the Wealth-X Luxury Sentiment Survey Report. This report is essential reading for those who want to gauge the level of optimism in the luxury industry with regards to the future of its relationship with ultra high net worth (UHNW) individuals, and understand the reasons behind this sentiment. The level of optimism at the end of Q2 2014 fell even more than it had in the previous quarter. The Luxury Industry Sentiment Index (LISI) fell 14% – with many respondents expecting little to no changes in Q3 2014, and a larger than ever proportion expecting slight negative changes. The consensus seems to be that although total revenue is expected to grow, a smaller share of respondents expects to see the number of new UHNW clients increase. Only 65% of respondents expect to see their UHNW market share increase in Q3.

Responses to Wealth-X's previous Luxury Sentiment Surveys showed that the vast majority of the luxury industry uses experiential marketing initiatives such as events to reach the UHNW community and build stronger relationships and loyalty with UHNW clients. In this survey, we asked respondents specific questions regarding how they organise events and what they consider their value to be, specifically in terms of targeting UHNW clients. The responses indicate a number of reasons why events are so important: 72% of respondents who measured the return on investment (ROI) of events said it exceeded that of other marketing initiatives.

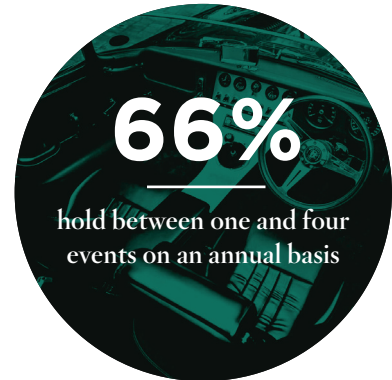
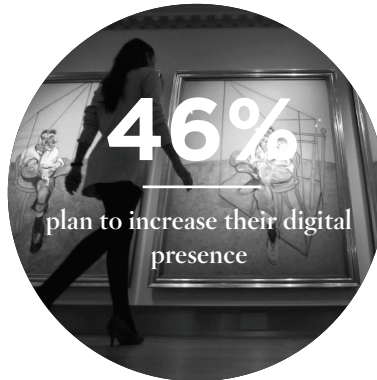


Mykolas D. Rambus
Chief Executive Officer



David S. Friedman
President

KEY FINDINGS



The industry appears less optimistic for Q3 2014 than it had for Q2 2014.

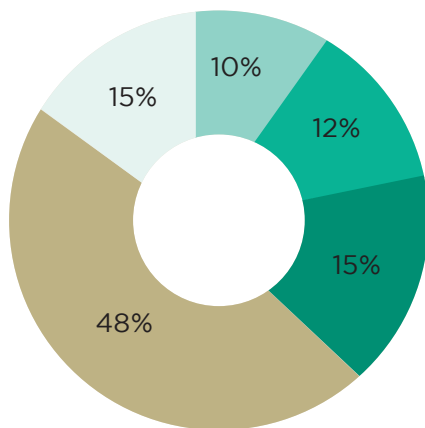
- The industry appears less optimistic, with the Luxury Industry Sentiment Index (LISI) falling 14% to 83.6 based on the luxury industry's expectations for Q3.
- 35% of respondents expect their share of the UHNW market to either remain the same or decline.
- In Q2 2014, decreased demand and general uncertainty over macro-economic performance were the biggest challenges for 33% of the respondents. Previously personnel issues and competition had been the bigger concerns.
- 17% of respondents have no expansion plans for Q3 2014, while 46% of respondents said their main plan for the next quarter was to increase their digital presence.
- 30% of respondents said that 50-75% of their marketing budget was specifically used to target UHNW clients. Of these, 60% believed that over 50% of their revenue came from these UHNW individuals.
- 66% do not plan on changing the share of their marketing budget currently allocated to target UHNW individuals.
- 16% of respondents said they did not hold events.
- 66% of respondents said they hold between one and four events on an annual basis.
- 52% of respondents expect to hold events during the coming year in North America, 49% in Europe and 35% in Asia.
- Product displays were considered the most successful types of events by 25% of the respondents, followed by product launches at 24%.
- 38% of respondents do not calculate the ROI of events.
- 59% of respondents had positive response rates to their events of above 50%.
- 35% of respondents typically invite more than 50 guests to their events.

THE LUXURY INDUSTRY & UHNW INDIVIDUALS



17% of respondents said they did not specifically define UHNW individuals. Within this 17%, 46% said that UHNW individuals accounted for more than 50% of their total revenue. This suggests that for many providers of luxury goods and/or services, while there may not be a specific definition for a type of individual, classifications do remain important.

Proportion of Total Revenue Derived from UHNW Clients¹



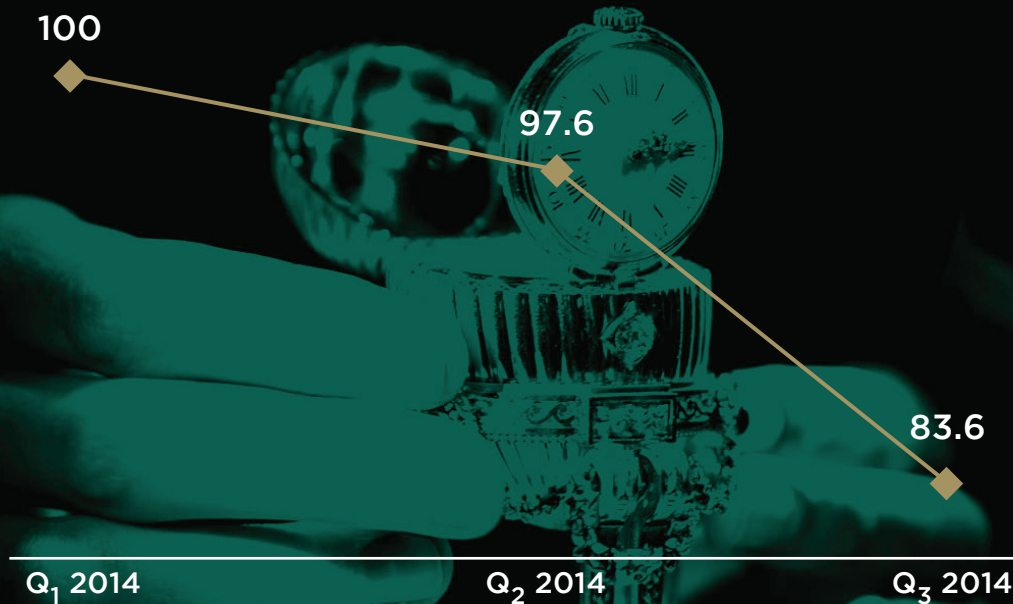
- 0%-25%
- 25%-50%
- 50%-75%
- 75%-100%
- No Differentiation

48% of respondents said that 75-100% of their revenue was derived from UHNW clients. These respondents were mainly involved in the big luxury items industry, while those with 0-25% were predominantly in the traditional luxury category.

¹ This graph is representative of the respondents in the survey and may not apply to the entire luxury industry.

N/B: This breakdown varies per survey, but the LISI is weighed so as to provide comparable results.

LUXURY INDUSTRY SENTIMENT INDEX



The Luxury Industry Sentiment Index (LISI) stands at 83.6 for Q3 2014, a decrease of 14 points from Q2 2014.

2014 seems to be a year of uncertainty for the luxury industry, with feelings of optimism declining as the year goes on. This phenomenon is likely due to the waning of the sense of optimism that the industry felt at the beginning of the year in the face of the continued economic difficulties experienced. Almost 30% of respondents felt there would be no changes to their total revenue in the coming quarter and a further 2% expect to see a decline. Furthermore, at the end of Q1 2014, 92% of respondents were planning on expanding, mainly through new stores and new products but 17% of respondents

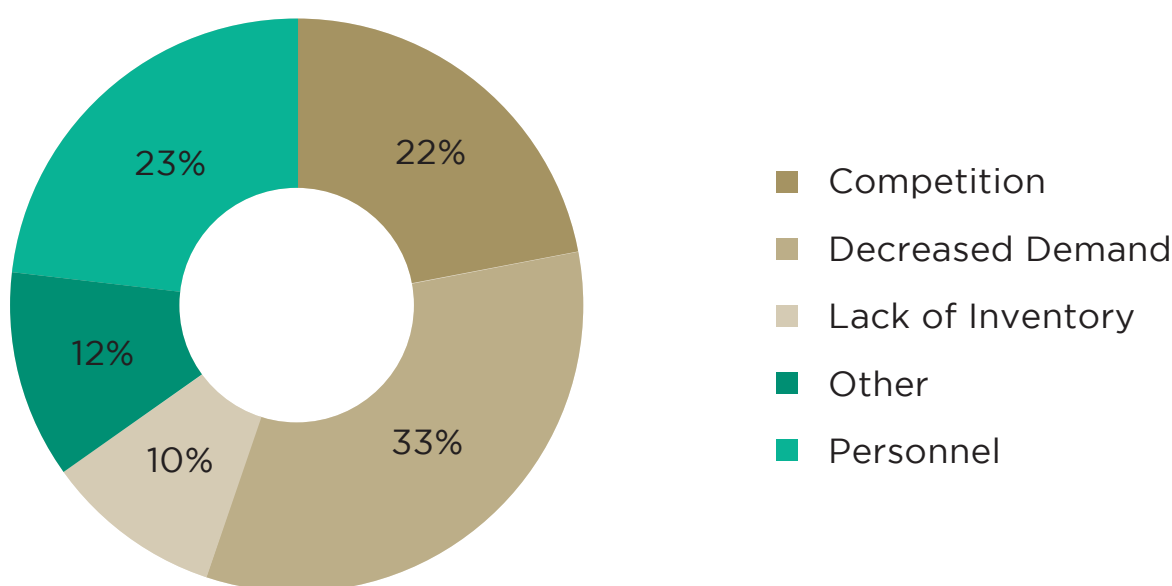
this quarter were not planning any expansion. Much of this decline is linked to respondents having uncertainties about macro-economic stability and future demand, making them slightly more cautious in their assessments. The LISI specifically evaluates the sentiment of the industry as it relates to UHNW individuals, and over 20% of respondents felt that revenue specifically from UHNW individuals is likely to fall or grow at a slower clip than overall revenue. The LISI's sharp decline in this quarter is representative of this perception.

In this edition of the survey, a smaller share of respondents said that the majority of their clients came from North America, 40% as compared to the 47% of the previous survey. 25% stated that the majority of their UHNW clients were from Asia, while 22% reported that the majority of their client base came from Europe.

5% of respondents said that the majority of their UHNW clients were from Latin America, but it is important to note that these respondents were only in charge of the

Latin American division of their company. Interestingly, for 40% of respondents who were only involved in the Latin American division of their company, the majority of their UHNW clients came from outside Latin America, re-affirming the global lifestyle of UHNW individuals, and their international relationship with luxury brands. Apart from the 5% of respondents responsible only for Latin America, all other respondents were responsible for numerous regions.

Challenges in Q2 2014



For 33% of respondents, the biggest challenges in Q2 2014 were a decrease in demand and difficult macro-economic conditions. Personnel issues and competition also were considerable challenges, but less so than they had previously been. Within the “other” category, issues of strategy and communications were the most significant.

TRADITIONAL LUXURY*



Respondents from the traditional luxury subsector said UHNW individuals generally account for around 25% of their total revenue. 57% of respondents from this subsector said they used less than 50% of their marketing budgets for UHNW targeting. Some of the main goods in this industry, particularly accessories, are affordable to both high net worth and mass affluent individuals, not only to ultra high net worth individuals.

In this subsector, personnel issues were the biggest challenge in Q2 2014, and 63% of respondents experienced either no changes in enquiries for their products or no changes since Q1 2014. In terms of strategy for the coming quarter, 67% were planning new product launches and 89% were planning to increase their digital presence. While respondents were overall somewhat optimistic for the coming quarter, with

75% expecting to gain new clients in the year, just half expected to see an increase in revenue from UHNW clients in Q3 2014.

Only 14% of respondents said that they did not organise events to market their products. Among the 86% that did hold events, 50% felt that events were particularly useful for building customer loyalty and 71% held between one and four events on an annual basis. 60% of respondents who used events for marketing purposes said their events were generally for 10 to 50 guests and prospective guests were mainly identified through referrals (67%). Unlike other subsectors of the luxury industry, the preferred invitation method was in-person, followed by personalised email invitations. 60% of respondents are planning to have events in North America and Asia in the coming year.

* Traditional Luxury include Apparel, Shoes & Leather Goods, Jewellery & Timepieces.

BIG LUXURY ITEMS*



Unsurprisingly, 61% of respondents in this subsector stated that between 75% and 100% of their revenue came from UHNW clients, coming primarily from North America, Asia and Europe. However, a smaller share, 57%, dedicate more than 50% of their marketing budget specifically to UHNW clients. The majority of this UHNW-specific budget is devoted to attracting new clients, rather than building loyalty with existing clients. Indeed, 40% of the respondents from this subsector felt that the main purpose of events was to increase sales and expand their client base. It was therefore surprising to find that 81% of respondents invited current clients to their events. One of the reasons for this is that 90% of respondents felt that referrals were particularly good prospective guests, and these are ideally found through existing clients.

For this subsector, the single largest issue in Q2 2014 was competition. The optimism level of respondents in

this subsector has tempered since last quarter, with 32% expecting no change in their revenue in Q3 2014. Like the traditional luxury subsector, respondents from the big luxury items subsector plan to focus on two strategies for the coming quarter: new product launches and increased digital presence.

55% of respondents hold between one and four events annually, but 21% hold more than five events a year. 46% of respondents invited more than 50 guests to these events. 40% of these respondents organised the events themselves, followed closely by 37% who organised these events in conjunction with another party. For 56% of respondents, the events deemed most successful were product displays or launches. Despite events being an important part of these respondents' marketing strategy, 44% did not calculate the ROI of events. 87% of those that did calculate the ROI of events found that events generally had higher ROI than other marketing initiatives.

* Big Luxury Items include planes, helicopters, yachts and motor vehicles.

HOSPITALITY & SERVICES



36% of respondents in the hospitality and services subsector did not define their UHNW clients, a higher share than all other subsectors of the luxury industry. Nonetheless, more than a third of respondents in the hospitality and services subsector said that more than 50% of their revenue was derived from UHNW clients. Intuitively, two thirds of respondents said that less than 50% of their marketing budget was specifically used for targeting UHNW individuals and 64% of respondents do not expect this share to change. Expectedly from a service-based subsector that is heavily dependent on human resources, the biggest challenge during Q2 2014 was personnel. Despite this constant challenge, more than 50% of respondents expect revenue to increase in the coming quarter, and certainly summer tends to show spikes of interest and activity in this sector.

Building customer loyalty was considered by half of the respondents as the main purpose for holding marketing events, followed by the intention to expand their client base. 69% of respondents said they hosted one to four events annually, and 15% said they did not hold events. As with the other subsectors, the majority of prospective guests were either existing clients or referrals, according to 73% and 64% of respondents respectively. The main invitations, which were perceived to deliver the best ROI, were personalised direct mail campaigns (45%) and in person (36%). These methods seem to deliver strong response rates with 75% of respondents experiencing more than 50% positive response rates and 67% experiencing 0-25% fall-out rate. As with the rest of the industry, it seems the ROI of events is not always measured, with 33% stating they do not calculate ROI.

ALTERNATIVE LUXURY*



In the alternative luxury subsector, 67% of respondents said that more than 50% of their total revenue originated from UHNW individuals. The same percentage therefore employed more than 50% of their marketing budget towards the targeting of this group of individuals. Possibly due to the fact that their marketing budget is already allocated towards targeting their primary consumer group (UHNW individuals), the majority of respondents do not expect to change their marketing budget in the coming quarter. Despite the apparent alignment in revenue base and marketing budget allocation, 50% of respondents said they did not calculate the ROI of events.

The biggest challenge this subsector of the industry faced in Q2 was decreased demand and macro-economic uncertainty - according to 46% of respondents.

Nonetheless, this subsector is optimistic, with more than 75% of respondents expecting revenue to increase in Q3 2014. Even then, 33% of respondents had no expansion plans for the coming quarter.

Events in the alternative luxury space are primarily designed to expand client base. 55% of respondents hold one to four events annually, and invite between 10 and 50 guests, mainly through referrals (82%) or current clients (64%). 54% of these events are organised as joint endeavours with another company. More so than any other subsector, in-person invitations are considered to have the highest ROI, according to 33% of the respondents. 70% of respondents expect to hold an event in Europe in the coming year, a higher proportion than for any other region.

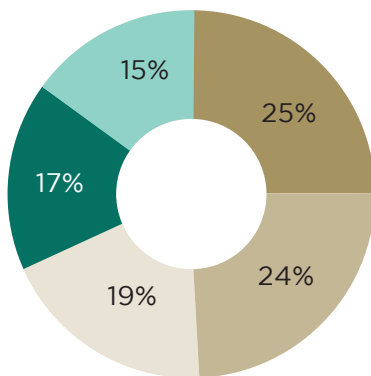
* Alternative luxury includes Spirits & Wines, Art, Antiques & Collectibles.

ENGAGING WITH UHNW INDIVIDUALS: EVENTS

84% of respondents used events to engage with their UHNW clients.

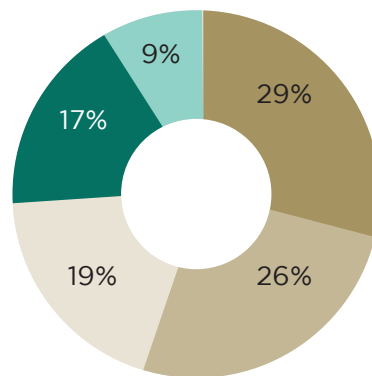


Purpose of Events



- Extend client base
- Building loyalty with existing clients
- Increase brand awareness
- More sales
- Launch of new good/service

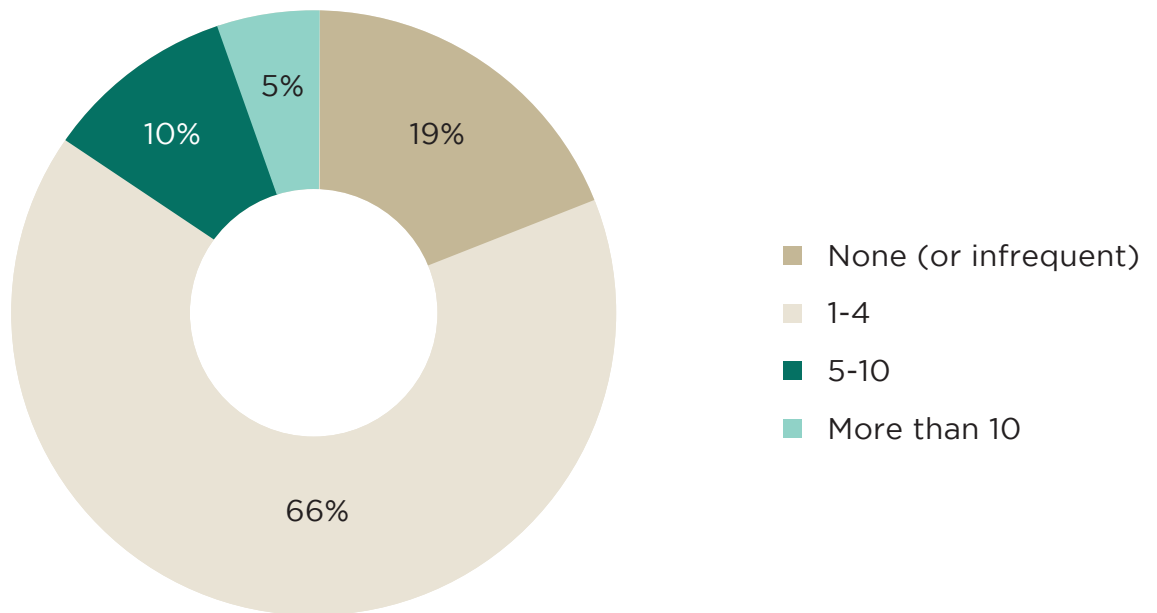
Most Successful Events



- Product display
- Product launch
- Product education (such as factory visits, conference)
- Secondary focus
- Other

Interestingly, while the most successful events are those that either display products or launch them, the main purpose of events is rarely to promote the products themselves. Rather it seems clear that events are used as a means for companies to personally engage with clients.

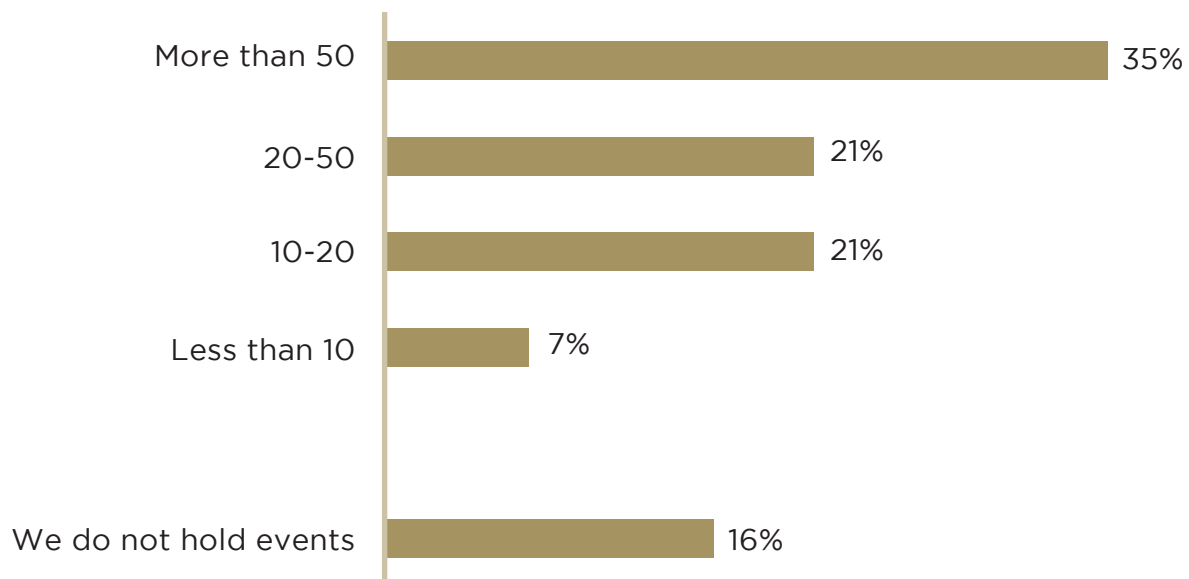
Events Frequency, Annual



66% of the luxury industry holds between one and four events annually.

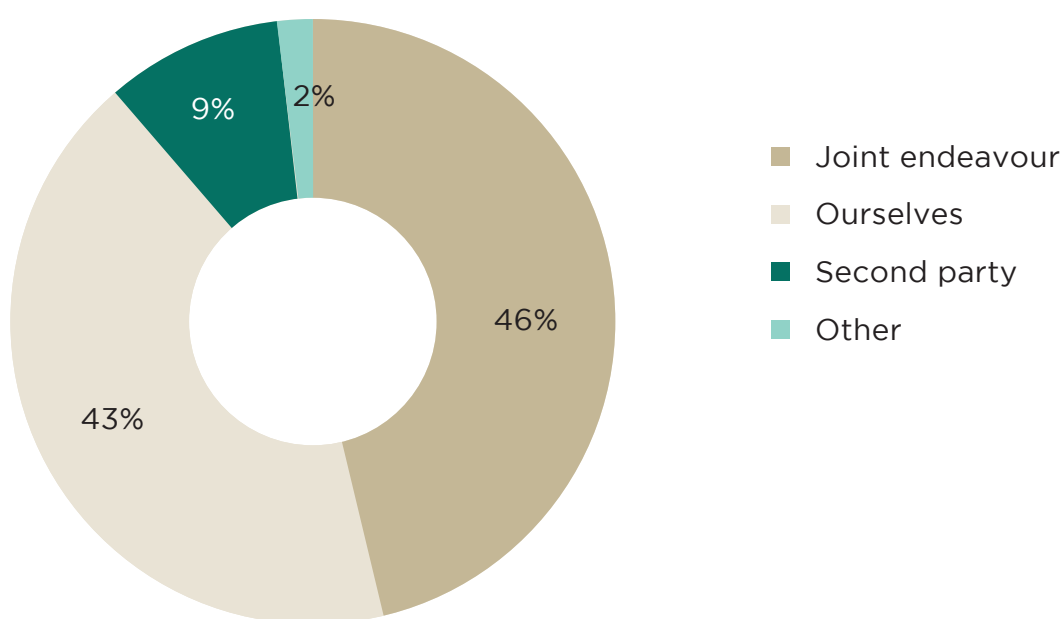
In the coming year, 52% of respondents plan on holding events in North America.

Number of Guests



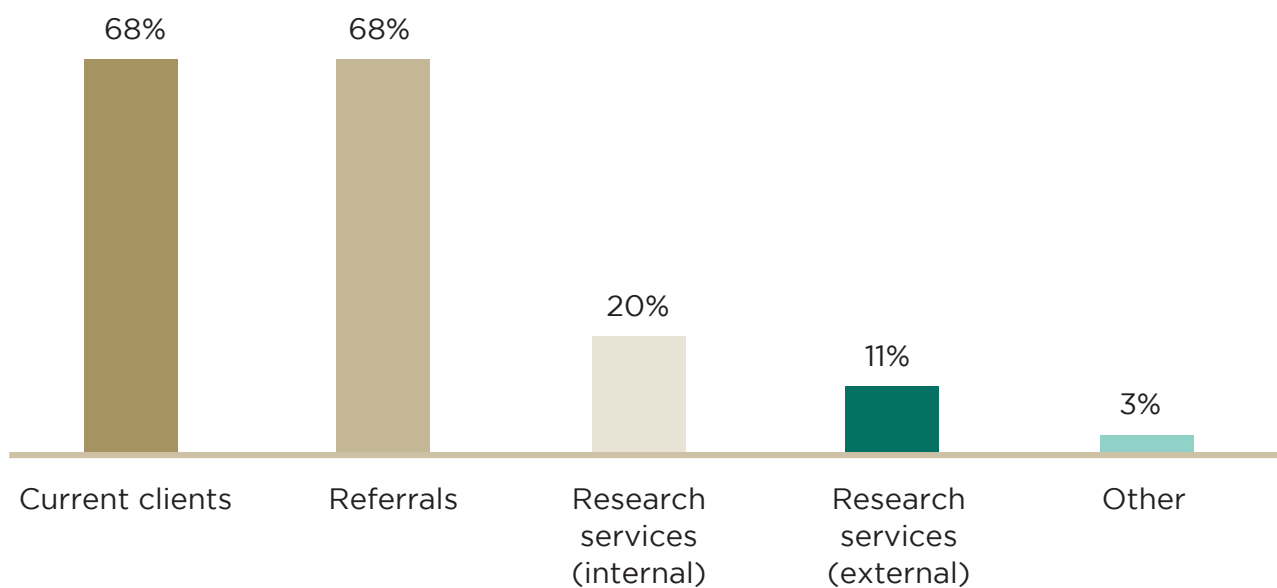
Small events are not common, with only 8% of respondents organising events with fewer than 10 guests. 56% of respondents said that events with 20 or more guests are most common.

Events Organisation



Identifying Prospective Guests

Most respondents said that prospective guests at their events mainly originated from current clients or referrals. Another 3% suggested that their affinity partners helped them in identifying prospective clients.



RANK	INVITATION TYPE (BY ROI OF EVENTS - 1 AS HIGHEST)
1	Personalised invitations by direct mail campaign
2	By phone
3	Personalised email campaign
4	Generic email campaign
5	Generic invitations by direct mail campaign
6	In person
7	Social media
8	In store advertising

34%

of respondents said that personalised invitations by **direct mail campaign** delivered the highest ROI for events.

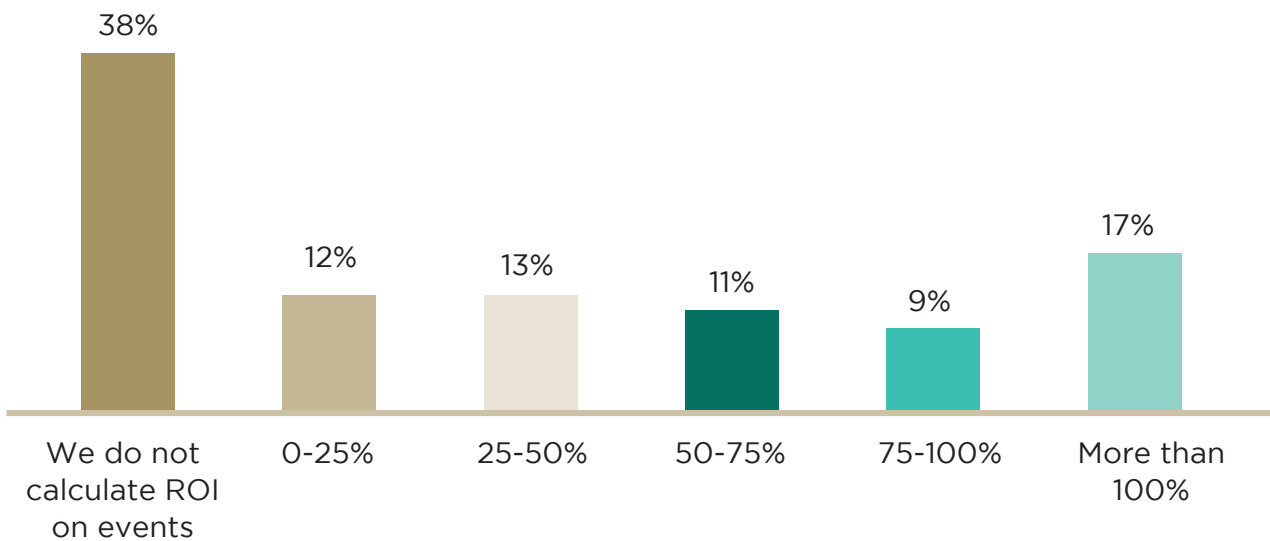
POSITIVE RESPONSE	
0%	3%
0-25%	18%
25-50%	20%
50-75%	31%
75-100%	28%

59%

of respondents experienced high positive response rates, with more than 50% of invited guests accepting the invitation. The majority of the respondents had low fallout rates: 65% had less than 25%.

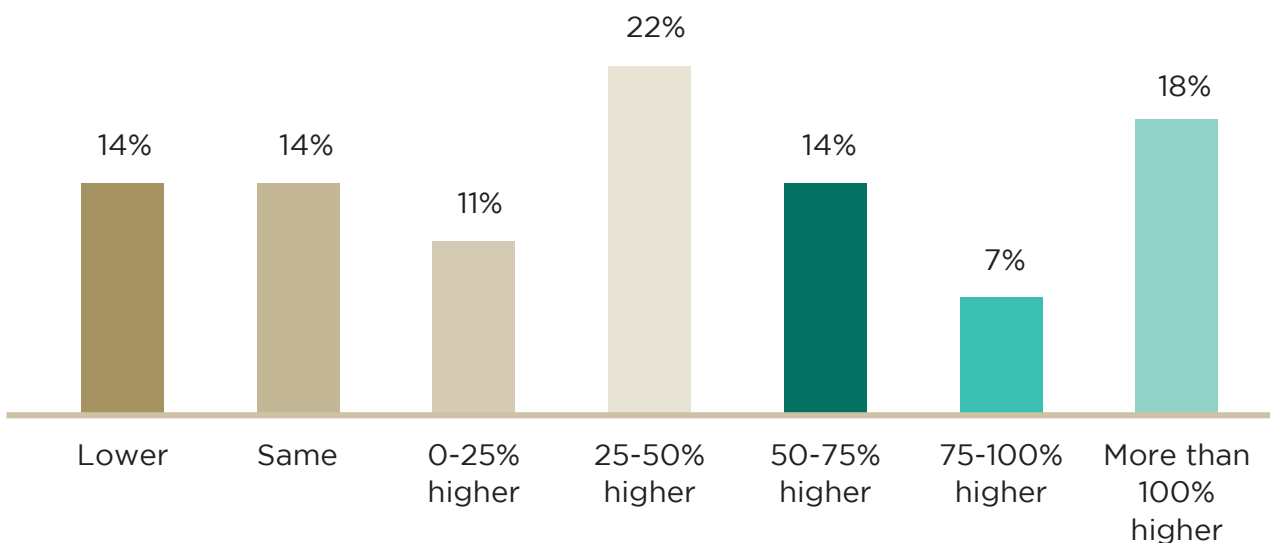
FALLOUT RATE	
75-100%	2%
50-75%	20%
25-50%	13%
0-25%	62%
0%	3%

Typical ROI of Events



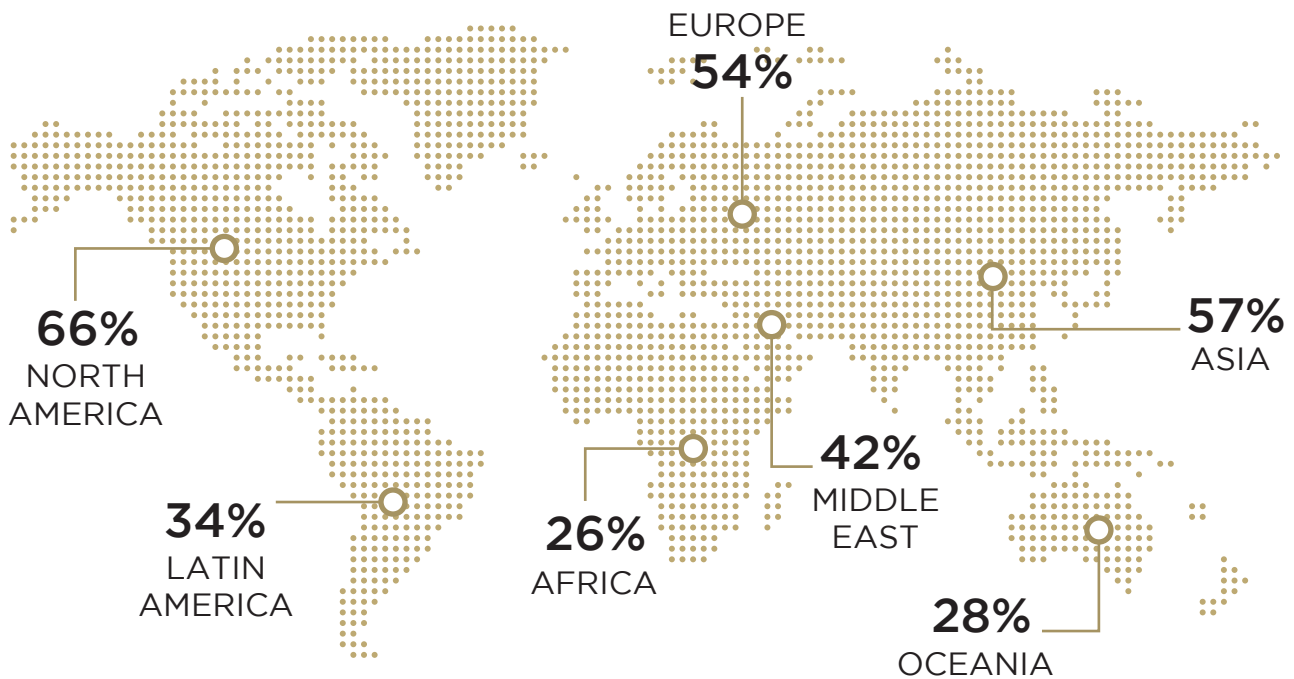
Despite events being considered an effective tool to engage with UHNW clients, 38% of respondents (of those that organised events) do not calculate the ROI of events. For those that do, at least 58% found that the ROI of events exceeded 50% and 72% said the ROI of events was higher than the ROI of other marketing initiatives.

ROI of Events vs. ROI of Other Marketing Initiatives



THE SURVEY: METHODOLOGY

Proportion of Respondents Responsible for Specific Regions*



* Respondents could choose more than one region, hence the percentages add up to more than 100%.

Respondents to our survey come from various sectors within the luxury industry including Clothing, Shoes & Leather; Watches & Jewellery; Household Furnishings; Electronics; Spirits & Wines; Art, Antiques, & Collectibles; Hospitality & Services; Planes & Helicopters; Yachting & Boating and Motor Vehicles. The survey was conducted between June 17th 2014 and June 30th 2014. The survey was sent to over a thousand different brands across all sectors of the luxury industry as listed above.

These respondents, in their positions at their respective firms, are typically responsible for numerous regions. On average, each respondent's role was responsible for three regions, a constant since last quarter's survey. The resulting diversity in our results enables us to draw unique, global insights into where revenue in the luxury industry was generated in Q2 2014, where growth is more likely to come from in the future and what the luxury industry expects during Q3 2014.

The fourth edition of Wealth-X Luxury Sentiment Survey will be conducted between September 16th and September 30th 2014. If you would like to take part in the next Luxury Sentiment Survey, please email press@wealthx.com. Alternatively, an invitation link will be distributed through the Wealth-X newsletter on September 17th and September 24th.

All Images by Billionaire.com

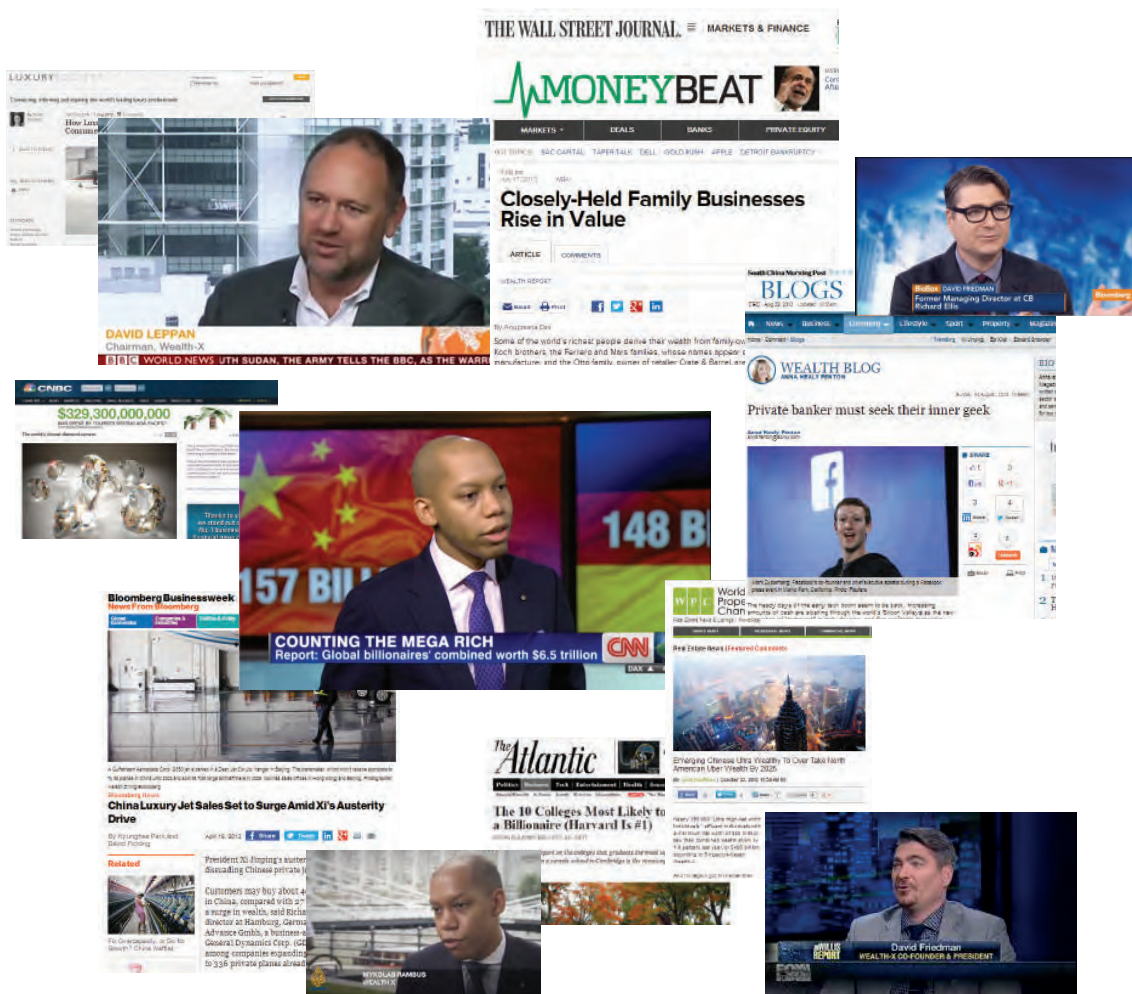
ABOUT WEALTH-X

Wealth-X is the world's leading ultra high net worth (UHNW) intelligence and prospecting firm with the largest collection of curated research on UHNW individuals, defined as those with net assets of US\$30 million and above.

The firm's Wealth-X Professional solution is the standard for financial institutions, not-for-profit organisations and luxury brands working with the ultra affluent.

Headquartered in Singapore, Wealth-X has 13 offices on five continents.

As Featured On:



WEALTH-X SOLUTIONS

Wealth-X is the first organisation to focus exclusively on UHNW intelligence, research and insights to support financial institutions, not-for-profit organisations and luxury brands working with the ultra affluent.

Wealth-X's team has a passion for partnering with our clients to develop successful strategies to connect with UHNW individuals.

PROFESSIONAL

Wealth-X Professional is an online collection of global UHNW individual dossiers, highlighting their financial profiles, passions and interests, known associates, affiliations, family members, biographies, news and much more.

Designed to help expand our client's business, Wealth-X Pro enables private bankers, business development professionals, fundraisers and luxury brand marketers to spend less time researching prospects and more time developing business relationships.

INTEGRATION

The full integration of Wealth-X data within our clients' CRM systems enables the big data automation of new UHNW client identification and business development.

Our intelligence is delivered directly into our clients' IT infrastructure through a bespoke API, Salesforce or Pythagoras interface. Customer and prospect data never leaves the local environment, providing clients with all the benefits and functionality of Wealth-X Professional to multiple users through a single access point.

DILIGENCE

Wealth-X Diligence provides in-depth intelligence on UHNW individuals, combining wealth intelligence and Know Your Customer (KYC) solutions for financial institutions and not-for-profit organisations to meet their regulatory requirements and mitigate reputational and commercial risk.

Wealth-X Diligence provides clients with enhanced dossiers on UHNW individuals, detailing their source of wealth, significant litigation or sanctions, political inclinations and connections, wealth breakdown and analysis, business activities and asset holdings.

SCREENING

Wealth screening unlocks the potential in your customer or prospect data using our unparalleled coverage on UHNW individuals and expertise in matching and identity resolution.

Wealth-X Screening complements your knowledge of the ultra-wealthy and their relationship networks and provides powerful client analytics for new UHNW client or donor initiatives.

Assess market and wallet share; Drive new business cases; Leverage market segmentation through UHNW characteristics; Perform statistical analyses on UHNW consumer spend or philanthropic giving.

ADVISORY

Wealth-X offers bespoke advisory services that provide intelligence on evolving global wealth creation trends and dynamics through advisory projects and reports for our clients, generated by our Institute. The Institute supports leaders in the banking, luxury, and non-profit sectors in making informed decisions.

Our advisory has produced dozens of high profile reports including the World Ultra Wealth Report and the Billionaire Census in partnership with UBS, Around the World in Dollars and Cents with Savills, the Wealth Report 2013 with Knight Frank and several others.

ABOUT WEALTH-X INSTITUTE

The Wealth-X Institute is the wealth and economics research arm of Wealth-X providing unique insights on the global ultra high net worth (UHNW) population. The Institute's in-depth analysis is drawn from Wealth-X's proprietary database of over 100,000 UHNW individuals. The Institute produces groundbreaking research papers including the annual World Ultra Wealth Report, which examines the world's ultra wealthy population by various demographic characteristics such as region, country, gender, wealth tiers as well as source of wealth.

PARTNERSHIPS

In 2013, Wealth-X launched a partnership with UBS to publish the Wealth-X and UBS World Ultra Wealth Report as well as the Wealth-X and UBS Billionaire Census. The latter publication uncovered the most number of billionaires worldwide. In addition to these reports, the Wealth-X Institute publishes a number of other papers, examining the latest UHNW trends across the financial services, luxury and non-profit sectors.



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