

Local Marketing of Luxury By LifeStyles

The term "life style" originated from the studies of social stratification by Max Weber, a German economist who conducted many observations in the United States as well as in Europe.

Weber identified four social classes: Working class, petty bourgeoisie, property-less intelligentsia or specialists and classes privileged through property and education.

He argued that what a class member does with the resources available to him is "even more diagnostic than the sheer amount of resources one has...

"One person's status symbol is another person's useless extravagance....' a specific style of life can be expected from those who wish to belong to the (selected) circle'. (Italics in the original Weber)...lifestyle is a learned pattern of consumption activities...that serves as an orienting force to a consumer...motivated to make sense of their social world"

Today we would add that <u>where</u> something is purchased is as indicative of LifeStyle as <u>what</u> is purchased Research and Foundation

What is "LifeStyle?"

LifeStyle is the pattern of choices made by a person (or household) regarding the disposition of discretionary income and time. Each LifeStyle pattern is formed by a specific set of motives (we call them "personal drivers") related to the social implications of consumption.



The 10 patterns of use of these seven shopping alternatives reflect significant differences (relative importance) in the following clusters of motives for consumption. There are a total of 44 motives clustered in these groups.

- Importance of function and value
- Importance of being seen as unique
- Importance of pride and self-confidence
- Importance of feeling good
- Importance of social conformity

Consumers will purchase only those products and services they perceive to be consistent with their LifeStyle.

It is essential to differentiate between <u>LifeStyle</u> (a pattern of choices) and level <u>of affluence</u> (the amount of money available to spend on those choices). The former is about values; the latter is about money.

The following pages provide a snapshot of each LifeStyle.

LifeStyle	Trendy	Traditional	Unique	Practical	Aspirers	Popular	Precise	Understated	Economical	Me
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Percent of Overall Population	12.3	8.7	8.5	5.0	16.3	8.0	11.3	9.0	11.1	9.5

LifeStyle 1	TRENDY					
Drivers	Important	Less Important				
	In demand, avoid controversy or self- conscious ¹	(me²)				
Category	Brands	Attributes				
Apparel	Ralph Lauren, Liz Claiborne, Dana Buchman, Prada \$3800	High Trend-setting, elegant styling; High frequency of shopping but average rate of changing brands				
Automotive	Lexus, Land Rover; frequent buyer (every 2-3 years); 2.3 autos in household	All attributes important, especially legendary brand, innovative engineering and extended warranty				
Beauty	Bobbi Brown, MAC; also Mary Kay	Convenience				
Financial Services	Merrill Lynch, Fidelity; average rate of change of advisors; Use Brokerage, full range of services, Very large; (Investment management; retirement solutions)	Respond in a timely manner, tailor solutions to my needs				
Travel and Leisure	Golf, horse racing, motor sports; (Canyon Ranch) \$13.8K per year	Exclusive; socially interactive; organized; casual; safe (physical) (highly rated by travel pubs)				
Channels	Highest overall Channel Score: 6	•				
Service	Expects high levels of personal services in most situations (financial beauty, retail apparel)					
Media	Relies on <i>Professional Associates</i> aper for auto and financial services a travel agent					

¹ Items in *italics* are of significant importance.
² Items in () are items NOT as important to a LifeStyle.

LifeStyle 2	TRADI	TRADITIONAL				
Drivers	Function, economical, practical;	(distinctive, unique, suit my personality, recognized brand)				
	(Lowest "tasteful"; college grads;	<u>, , , , , , , , , , , , , , , , , , , </u>				
Category	Brands	Attributes				
Apparel	Chico's, Old Navy, Levi's, Eddie Bauer, Hilfiger, Brooks Brothers, J.C. Penney, Macy's \$1600	Discounts, Low everyday price (fun, exciting, trend setting, elegance, change brands)				
Automotive	Honda or Toyota; Not Mercedes Benz, Lexus or BMW; 2 autos in household	Security (physical), quality				
Beauty	L'Oreal, Neutrogena (Kiehls)	price				
Financial Services	Bank of America; Vanguard; want financial planning; few trades per year; about average length of relationship (9 years)	Low fees; (a personal relationship)				
Leisure Travel	Hawaii, Marriott (not Four Seasons or Ritz Carlton) ; spend \$10.4K	Economical; (elegant, exclusive, sophisticated or organized)				
Channels	1.8					
Service	Low requirements	-				
Media	Word of Mouth family; Time, Martha Stewart; entertainment (overall magazine readership) Yahoo Finance; internet for financervices; travel section of the newspaper; Expedia					

LifeStyle 3						
	UNIQU	F				
D. 1	·					
Drivers	Show good taste, Pride of ownership,					
	Make an impact Highest Personal Drivers overall					
Cotogomi	Brands	Attributes				
Category Apparel	Ann Taylor, Talbots, Karl Lagerfeld, Banana	Trend-setting, Styling,				
Apparei	Republic, Channel (Nordstrom; Marc Jacobs)	Sophisticated, Classic , fun,				
	Republic, charmer (Nordstrom, Mare Jacobs)	exciting (price, comfort); in-store,				
	\$5600	Service, selection				
	45000	Service, serection				
Automotive	Jaguar, Mercedes Benz, BMW, Land Rover,	Exclusiveness, striking exterior,				
	Rolls Royce (Honda Toyota)	appeal to all my senses,				
	2.3 autos in household; buys slightly more	legendary brand				
	frequently than average					
Beauty	Stila, MAC, Aveeno, Clinique	Highest use of face and make-up				
		products; selection, quality,				
		featured in a magazine				
Financial Services	Prudential, WaMu;	Financial Planning; Have a very				
	Average 10 years,	respected reputation;				
		Independent Research; Overall				
		highest needs in Financial				
	AA in France Consul/Control 5	services				
Leisure	Mexico, Europe; Cunnard (Carnival); Four	Cultural, Art Museums, Shopping				
Travel	Seasons; shorter trips, Spa, Theatre	and Side Trips , Inspiring,				
	Boating/cruises (camping); wines and dining \$14,200	Sophisticated Relaxing, highly- rated, Exotic, Romantic, Socially				
	314,200	interactive; Private, Exclusive,				
		Organized; Impeccable service				
		Organizea, impeccable service				
Channels	5. 3 average ;Use internet to research and buy a	apparel: high spend branded				
	specialty shops (direct sellers), also to research					
	service and product selection are reasons to return					
Service	High levels of personal service in financial; Mod					
	not use a personal shopper					
Media	Magazine articles (for fashion and beauty), wor	d of mouth from co-workers,				
	friends very important; enjoys giving and receiv					
	magazine in almost all categories high in Dining					
	Entertainment (e.g., Entertainment Weekly), Lif					
	Cosmo, Vogue); Men's Health, W; Money (WSJ)	; Travel and Leisure				

LifeStyle 4				
	PRAC	CTICAL		
Drivers	Function, Pride, Make an Impact	(discrimination among attributes)		
	Highest rate of self-employment			
Category	Brands	Attributes		
Apparel	Polo, Nordstrom, Brooks Brothers, Marc Jacobs \$3200	Quality Materials, Comfort; least likely to change brands		
Automotive	Toyota, Ford (BMW) Mercedes Benz, Lexus; keeps longer than average. 2.8 autos in household	Long Term dependability, absolute quality, spacious interior (aesthetically pleasing, luxurious)		
Beauty	Lancôme, Chanel	Uses fewer brands than most other LifeStyles		
Financial Services	Fidelity, Schwab, Vanguard, private advisor; <i>Trust and custodial services</i> , longer than average 11 years	(large)		
Leisure Travel	More likely to vacation by automobile; consider Fairmount \$11,100; sometimes charters private air	Adventurous, hiking, walking, camping, fishing (highly rated, exotic, exclusive, elegant safe, golf)		
Channels	4.6 average			
Service	(high level of personal service)			
Media	Road and Track, newspaper, radio; Word of Mouth Business Magazines			

LifeStyle 5	ASP	ASPIRER					
Drivers	Feeling Happy	(good taste)					
	Highest education Youngest age; children	3rd lowest married; 2nd lowest					
Category	Brands	Attributes					
Apparel	J Crew, Lands End \$6700	Highest Fit and Simplicity; (designer label, elegance)					
Automotive	Audi, Mercedes Benz (Lexus, Toyota), buy slightly more frequently than average (3.4 years) 2.5 autos in household	Occupant security (legendary brand, eye-catching)					
Beauty	Kiehls, Cover Girl, Origins (Revlon)	Lower than average use of fragrance and make up (service)					
Financial Services	Smith Barney, Merrill Lynch, Fidelity; Real estate, Investment management retirement solutions (try to outperform the bench marks)	Comprehensive solutions, Respond in a timely manner, Easy to communicate with, meet my needs for involvement					
Leisure Travel	Ritz Carlton; food and wine, SCUBA, (casino, golf, hunting, theatre) \$13,900	Beautiful, refreshing (rugged, group-oriented, economical, simple)					
Channels	1.7						
Service	(retail sales assistance)						
Media	Asked for auto information; Enjoy receiving auto information; Fortune; NPR; internet for Travel related info Esquire, NYT, WSJ Departures, Wired (friends)						

LifeStyle 6	POP	POPULAR				
Drivers	Feeling Good, Avoid controversy	(economy)				
	older; fewer children in house; hig	her % inherited				
Category	Brands	Attributes				
Apparel		fit, versatile				
	Levi's Armani, Nordstrom, Saks \$4900	(attention-getting, exclusive)				
Automotive	Lexus, Mercedes Benz, Jeep; keeps much longer (5.7 years) than average; 2.7 autos in household	Exhilarating power, luxurious comfort, unmistakable identity				
Beauty	Este Lauder (Avon)	(organic, natural ingredients)				
Financial Services	Schwab Uses Brokerage, wealth management, active trader; longer than usual relationship (11 years)	Low fees, meet my needs for involvement (outperform the benchmarks)				
Leisure Travel	Short trips (Mexico, Caribbean, Europe) Cultural attractions, running, \$8900	(highly rated) (timeshare or fractional)				
Channels	3. 9 Inviting store atmosphere, co	nvenient;				
Service	Service is a reason to return					
Media	Commentary, USNWR; Newspaper NYT, WSJ, Oprah TV, Allure, Vogue Word of mouth for automotive, comes from friends and professional associated; uses internet for financial services info					

LifeStyle 7	PRE	PRECISE				
Drivers	Balance and proportion					
	Highest percent single male					
Category	Brands	Attributes				
Apparel	Ralph Lauren, Marc Jacobs	(fun, exciting versatile)				
Automotive	Toyota, VW, Acura, keep longer than average (4.7 years) 2.0 Autos in household	Balance, striking exterior design, power				
Beauty	Cover Girl (Clinique)	Lower than average use of face, make up and body care				
Financial Services	Charles Schwab, shorter than average relationships (8 years)	Financial planning, respected name, competent people (comprehensive services, legal trust, etc.),				
Leisure Travel	Caribbean (U.S.), Beach (hunting); wines and dining \$10,125	Simple, individual, casual; vacations not frequent; add leisure days to business travel				
Channels	Lowest number of channels repor	ted				
Service	Highest use of personal sales assis	tant				
Media	Friends, USA Today					

LifeStyle 8	UNDER	UNDERSTATED				
Drivers (low)	Don't attract attention;	(feel good, suit my personality)				
	2nd lowest college grad, 2nd high	est self employment Lowest				
	Economical Highest married					
Category	Brands	Attributes				
Apparel	Donna Karan, Armani, Burberry, Talbots \$4970	Comfort, Quality; Designer label —on discount (fun, exciting,) (brand change)				
Automotive	Acura (Toyota) Keeps slightly longer (3.7 years) than average 2.2 autos in household	Lowest on all automotive attributes but most important are long term dependability and absolute quality				
Beauty	Ralph Lauren, Olay	(influence of <i>packaging</i> , <i>product</i> selection)				
Financial Services	Fidelity, Schwab, Wells Fargo , Estate Planning(private banking, retirement); trades on-line	Charge low fees, provide research I want, perspective that integrates multiple perspectives, solutions comprehensive				
Leisure Travel	U.S., Marriott; lowest valid passport (73%), camping, fishing, golf, horse racing, horseback, hunting, motor sports, surfing \$8100	United (Quantas) (cultural, fine furnishings, casual highly rated, beautiful, inspiring, shopping)				
Channels	2.5					
Service	Moderate					
Media	Financial Times, Traditional home, Southern Living (Oprah); enjoys providing financial information; gets financial word of mouth from professional associates					

LifeStyle 9	ECONO	ECONOMICAL				
Drivers	Feeling Good, Suit personality	(socially safe)				
Category	Brands	Attributes				
Apparel	Banana Republic ; Target (J. Crew) \$4200	Versatility, Price				
Automotive	Chevy, Honda, Toyota; average (3.2 years) purchase cycle; Fewer than average autos (2.0) in household	State of the art safety and security, spacious				
Beauty	Calvin Klein (Shiseido, Chanel)	Price, Organic, made from natural ingredients. Lowest cosmetic spend per visit				
Financial Services	Smith Barney, Morgan Stanley; Brokerage Service but low trades per year; lower (6.9 years) than average relationship	(Research I want; Meet my needs for involvement) Relaxing, Economical, socially interactive, private (thrilling);				
Leisure Travel	U.S., Consider Disney Cruise, Hilton (Four Seasons); fewest 1-2 week vacations; beach, boating, camping (hiking, hunting) \$8560					
Channels	3.5					
Service	Moderate					
Media	Better Homes & Gardens, Economist. Consumer Reports, (Fashio Friends, Co-workers. Relies on WOM professional associates for automotive, NYT; WSJ; WOM from relatives for travel; internet f travel information					

LifeStyle 10	N	1E		
Drivers	Me. Feel good, recognized brand, unique Distinctive	(Practical)		
	Highest HHI, low college grads, low (18%), higher CEO	v advanced degrees; high inherited		
Category	Brands	Attributes		
Apparel	Nordstrom, Ralph Lauren, Chanel \$5960	High Trend, exclusive, designer label, elegant, sophisticated, express my personality (sale price)		
Automotive	Mercedes Benz, Volvo, Toyota, bought new; high recall of auto ads; had much fewer (2.5 years) than average; 2.1 autos in house	High(est) in all except warranty, quality; tends to be very pleased with auto selected		
Beauty	LaPrarie, Dior, YSL,	Highest use of fragrance, designer brand, exclusiveness, service (price)		
Financial Services	UBS, Wells Fargo; financial planning; tax minimization; offer legal and trust, relationships (8.4 years) less than average	Understand my needs, develop a personal relationship; high levels of personalized service; tends to be pleased with services provided		
Leisure Travel	U.S., Hawaii, American Airlines, Ritz Carlton, Marriott, Fine furnishings, spacious accommodations impeccable service, live entertainment; theater, side trips and tours (rafting, hiking) \$9860	Exclusive, Elegant, Group Oriented, Organized, Dancing, travel with family; more likely to have timeshare or fractional		
Channels	3.2 , store atmosphere is very important			
Service	Personal sales assistance in apparel, especially in designer; service is reason to select a store and to return for cosmetics (more important than convenience)			
Media	CNN USA Today, Financial Times, Smart Money, Newsweek Health, Cosmo,(magazine for financial services); seeks and provides fashion and beauty information			

Application

Select your "Best Customer"

Segment	Trendy (1)	Traditional (2)	Unique (3)	Practical (4)	Aspirers (5)	Popular (6)	Precise (7)	Understated (8)	Economical (9)	Me (10)
Percent of Customer Base										
Normal Percent	12.3	8.7	8.5	5.0	16.3	8.0	11.3	9.0	11.1	9.5

Best Segments					Notes
	Current	New	Current	New	
 Allocation of budget Channel selection(s) Service requirements Fraguency of shapping 					Total =50% of current marketing budget
 Frequency of shopping 					
Communications/AwarenessMessageMedia/sourceFrequency					
Offering					
OffersO Price-value addO					
Overall positioning					

LifeStyle Marketing System: What you get:

Introduction

LifeStyle Marketing System (LSMS) is a platform for profitably increasing revenues in small and medium sized luxury marketers operating in specific local markets,³. In its initial applications the system has shown how to increase sales by up to 50% without increasing the marketing and advertising budget.

The system is designed to provide rapid answers to luxury marketing questions at the local market level. It is specifically tailored to your store's trade area. The system includes very specific recommendations about actions to take to increase business with current customers and to begin doing business with your best prospects.

The system has four components. They can be acquired and used separately or as a suite.

- LMM (My Local Market Management)
- CRM (Customer Relationship Management)
- PRM (Prospect Relationship Management)
- CCM (Company Culture Management)



³ The system can also be applied by individual store locations of large luxury marketers.

My Local Market Management (LMM)

This component develops an overall marketing and sales plan for your specific local market. It can be used alone or as a supplement to your current planning efforts. The great benefit of using LMM is that it sets goals and direction for the following CRM and Prospecting actions.



The LMM component consists of the following three elements

- Data base of affluent households in your local market⁴
- Summary of the LifeStyle marketing profile of these households
- Query and reporting capability (user friendly)

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Deliverables

The Local Market Management component provides quantified LifeStyle marketing insights and answers for the major marketing planning questions.

- What is the size of my market
 - Number of households
 - Number of consumers with specific demographics (e.g., age, income, net worth, gender, etc.)
 - Estimated dollar size of my category in my market (e.g., spending on fashion, travel, financial services, automotive, etc.)
- What is the size of my market by LifeStyle Segment
 - o All of the above "size" information by LifeStyle segment and demographic
- What is my Share of market?
- What is my Share of Wallet
- What is my current ROI on marketing investments?
- What marketing goals and sales objectives should I consider setting?

⁴ You select the ZIP codes you consider your Local Market. You can select a different set of ZIP codes for each store location. For internet, telephone and catalog sales you can select for the total data base of 27,000 most affluent ZIP codes in the US. Your database is refreshed every two months. (Did you know the average affluent American moves every 10 years? This means there can be a 100% turnover in your customer and prospect base every decade.

Customer Relationship Management (CRM)

The most profitable customer is a current customer. The CRM component provides the information needed to increase your share of wallet and satisfaction with each individual current customer.

Customer Relationship Management (CRM)

The CRM component consists of the following three elements

- Names and addresses of your current customers⁵ (provided by the
- merchant)
- Matching PKG LifeStyle profile of each current customer (provided by PKG)
- Query and reporting capability (user friendly)

Deliverables

The CRM component provides quantified LifeStyle marketing insights and recommended programs for increasing share of wallet and satisfaction among your best customers.

- For each customer CRM provides the following
 - o Estimated income and net worth
 - o Estimated overall spend in your product category
 - o Your share of wallet (based on your input)
 - o LifeStyle
 - o Relative shopping frequency (whether in your store or not)
 - o Relative spend per visit (whether in your store or not)
 - o Channel preferences (e.g., in store, internet, catalog, etc.)
 - o Position on the Fashion-Price slope (i.e., tendency to pay full price or wait for sales)
 - o Position on the Personalization slope (i.e., expected level of personalized service)
- Overall size of your customer base by LifeStyle Segment
 - Number of customers by LifeStyle Segment
 - o Revenues (actual and/or potential) by LifeStyle segment
- Recommended CRM activities and specific customer involvement
 - o Direct mail
 - o Events
 - Sales associate contacts and talking points
- Recommended Budget allocation per LifeStyle/spend segment and communications category
- Automated system for execution.

⁵ PKG ensures the confidentiality of your customer data. No information is shared with other subscribers or used by PKG. Since PKG already has the name, address, income, etc. of each household, PKG has no incentive to use your information.

Prospect Relationship Management (PRM)

This component provides the information needed to increase your share of your market by identifying prospects that are most like your best current customers.

Prospect Relationship Management PRM

The PRM component consists of the following three elements

- LifeStyle Profile of your best prospect (generated through your CRM component or by your estimate).
- Data base of all prospects in your trade area who match your best prospect profile, including the name and address of the prospect
- Query and reporting capability

Deliverables

The PRM component provides quantified LifeStyle marketing insights and recommends specific programs for profitably increasing your customer base.

- For each Best Prospect PRM provides the following
 - Estimated income and net worth
 - o Estimated overall spend in your product category
 - o LifeStyle
 - o Relative shopping frequency
 - o Relative spend per visit
 - Channel preferences (e.g., in store, internet, catalog, etc.)
 - o Position on the Fashion-Price slope (i.e., tendency to pay full price or wait for sales)
 - o Position on the Personalization slope (i.e., expected level of personalized service)
- Overall size of your Best Prospect base by LifeStyle Segment
 - o Number of customers by LifeStyle Segment
 - o Revenues (actual and/or potential) by LifeStyle segment
- Recommended PRM activities and specific prospect involvement
 - o Type of Offer to make
 - o Type of message to use
 - Type of media to use
 - Direct mail
 - Events
 - Sales associate contacts and talking points
- Automated system for execution.

Reports and Company Culture Management (CCM)

This component provides management on-demand reports of marketing performance by LifeStyle and other categories of importance to you.



Employees gain a deep understanding of the affluent and why LifeStyle marketing is the key to successful luxury marketing. Members of your organization compare their LifeStyle profiles with those of your Best Customers and Prospects. In a workshop environment they are provided specific training in how to interface with and develop productive relationships with your best customers and prospects.

The component consists of the following elements:

- LifeStyle Inventory and Profile for each member of your merchandising, marketing and sales organization, including a profile of key customer interface processes.
- Workshop to understand and adopt the skills and language required to develop productive relationships with your Best Customers and Prospects
- Summary recommendations regarding actions management can take to support a LifeStyle Marketing culture.

Deliverables

The composite LifeStyle Inventories and Profiles of the staff and the organization's processes provide insight into the match or mismatch between the orientation of the organization and the needs/preferences of Best Customers and Prospects.

The Workshop will reinforce matches and analyze mismatches in beliefs, process and/or behavior. This is done in a non-threatening but informative manner. Participants are provided workbooks and reading materials including copies of *The Future of Luxury* by Richard Baker, CEO of Premium Knowledge Group.

After the conclusion of the workshop Premium Knowledge Group will provide management and/or ownership with a written report summarizing the findings of the Inventories, Profiles and Workshop exercises. The report will include specific recommendations regarding any management actions that, from the perspective of LifeStyle Marketing can directly improve the organization's marketing and sales results.

Comments:			
OPTIONAL			
Please Contact:		 	
	At		