A TALE OF TWO MARKETS

A Global Perspective on Affluents and the Business Elite

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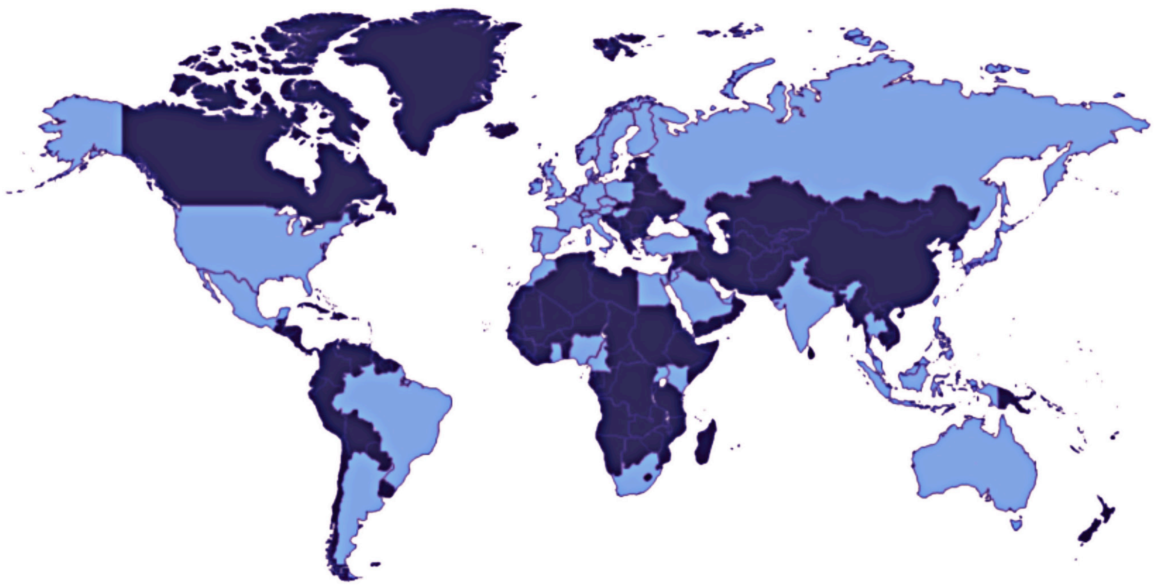

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DEVELOPING A GLOBAL PLATFORM FOR CONSUMER INSIGHTS & MEDIA PLANNING

Companies around the world are increasingly interested in upscale consumers. This growing interest isn't just among luxury brands, but increasingly extends across many categories and price points. The challenge, however, is a shortage of actionable, reliable information about higher-end consumers on a global scale. When studies are available, they are often stand-alone efforts, and difficult to synthesize due to cultural, linguistic and methodological differences across countries.

To support global brands, Ipsos has developed a portfolio of syndicated studies providing a comprehensive understanding of upscale consumers in more than 50 countries around the world.

The Ipsos portfolio of studies provides a comprehensive understanding of upscale consumers around the world… it is largely a tale of two markets: "Affluents" (the top 20%), and the "Business Elite" (the top 1%).

Our understanding of upscale consumers starts with quantifying consumer financial resources and spending patterns, and extends beyond purely monetary concerns to include a nuanced and multi-dimensional understanding of their attitudes, interests, lifestyles and media habits. The result: we provide an unprecedented data-driven platform for developing new products, crafting compelling messages, and implementing effective media strategies on a global scale. Our studies (and our team leaders) are recognized for their industry leadership, with many having a reputation for excellence and a heritage of deep insights stretching back decades.

In general terms, examining upscale consumers is a tale of two markets – "Affluents," defined as the top 20% of a given country in terms of household income, and the "Business Elite," corporate leaders reflecting the top 1% (or so) of the economic spectrum.

IPSOS AFFLUENT SURVEY AFFLUENT GLOBAL Media and Consumer Insights Survey	Spanning 51 countries and reflecting approximately 133 million adults, the Ipsos Affluent Survey uses best-in-class methodologies and truly projectable samples to accurately reflect the top 20% of households in each country. It builds on the heritage of industry-leading studies formerly branded as the Mendelsohn Affluent Survey (USA), EMS (Europe) and PAX (Asia-Pacific).
IPSOS BUSINESS ELITE SURVEY BE:GLOBAL Media and Business Insights Survey	Covering 36 countries, the Ipsos Business Elite surveys represent the most senior executives in the world's large and medium-sized companies. They are the business owners and C-suite executives whose decisions have enormous influence on corporate strategies, economic growth, and consumer luxury markets.

THE GROWING IMPACT OF AFFLUENT & BUSINESS ELITE MARKETS

We use the term "Affluent" to describe adults whose household income puts them in roughly the top 20% in their country. In the United States, for example, this top 20% definition currently translates to a household income (HHI) of at least $100,000 (USD). We establish a comparable definition of "Affluent" in each country, using the top 20% in terms of household income in their local currency. The Business Elite are defined by their corporate leadership positions, and typically have incomes placing them in the top 1% of most countries.

The financial power of upscale households is increasing – income concentration has meant that Affluents are increasingly affluent, and the Business Elite are increasingly elite.

Throughout the world, both groups disproportionately impact the economy. Again using our example of Affluents in the United States, an Ipsos analysis of government data reveals that the top 20% of households account for 69% of privately-held net worth, 60% of household income, and a majority of the dollars spent in categories as diverse as hotels, airfare, watches, jewelry, business suits, club memberships, and many more. Moreover, the financial power of upscale households is increasing – income concentration has meant that Affluents are increasingly affluent, and the Business Elite are increasingly elite. For example…

- After adjusting for inflation, the average household income among U.S. Affluents grew 49% over the past 45 years, compared to 12% for the remaining 80% of the population.
- Income grew most strongly among the most upscale consumers -- the top 5% of Americans, for example, saw their inflation-adjusted income nearly double, from $168,000 in 1967 to $318,000 in 2012. Changing norms about executive compensation, and the "winner-take-all" nature of many entrepreneurial markets, have multiplied the financial resources of those at the very top.
- From 2012 to 2013 alone, the U.S. Affluent population grew significantly in size and financial resources; buoyed by a recovering economy and resurgent stock market, Affluents grew in absolute numbers as well as their average household income, liquid assets and net worth.

QUANTIFYING INCOME CONCENTRATION AROUND THE WORLD

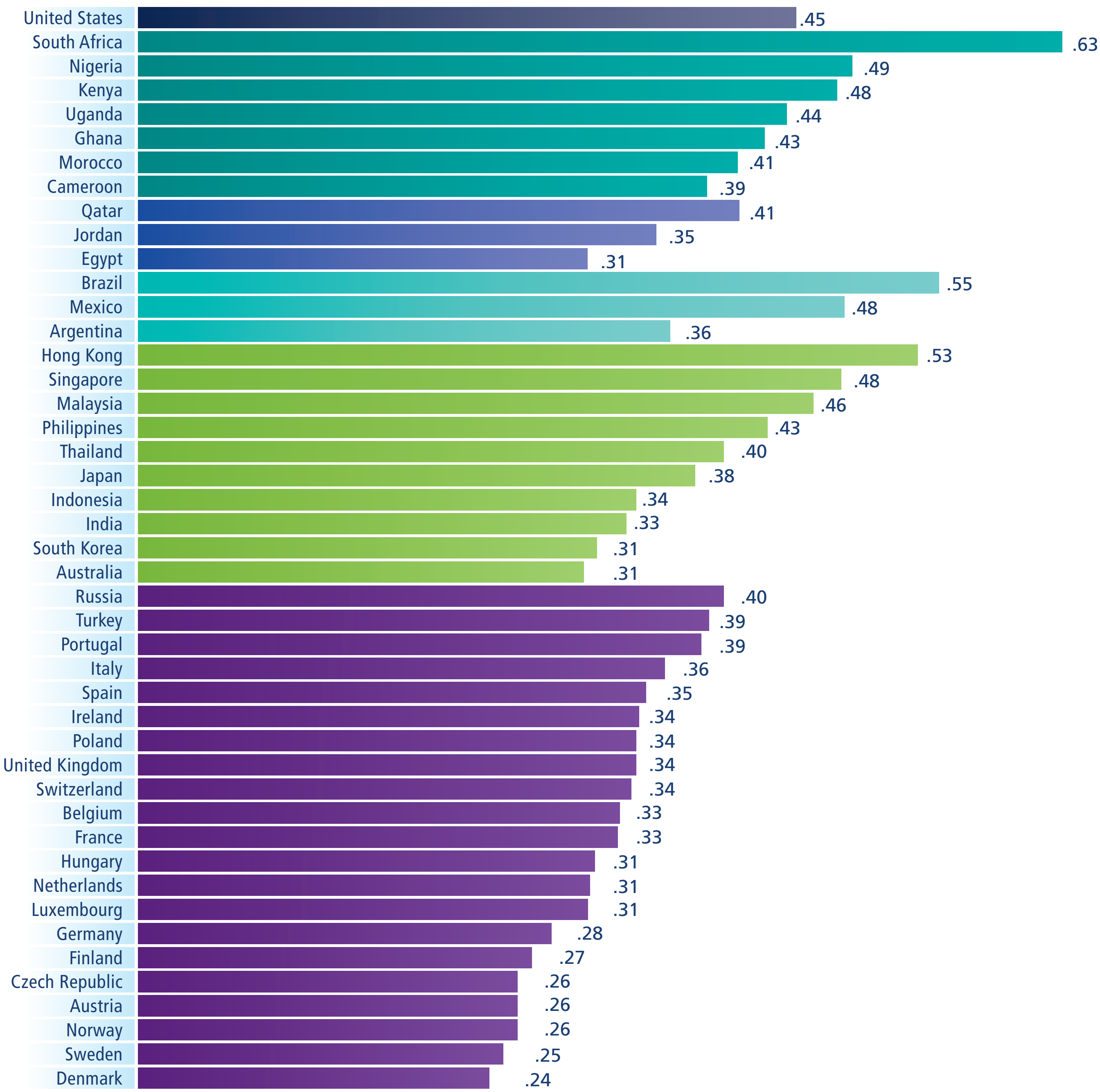
Quantifying income concentration globally is often done with the Gini coefficient, a measure of statistical dispersion developed a century ago by Italian sociologist and statistician Corrado Gini. When applied to incomes, a Gini coefficient of zero would reflect true equality, with every member of society garnering the same income, and a Gini coefficient of one would reflect absolute inequality, with one person garnering all the income. In practice, of course, every country falls somewhere in the middle. The United States, with the considerable income concentration described above, has a Gini coefficient of .45, placing it just above the average .37 for the 51 countries covered by the Ipsos Affluent Survey, but still trailing South Africa, Brazil, Hong Kong and five other countries (see chart on the following page).

Within any region, there is considerable variability in income concentration. While income is most evenly distributed in European countries, Gini coefficients range from .40 for Russia to the .24 range for Scandinavian countries. Still, even there, it is clear that Affluents reflect an elite and valuable target for media and marketers, with income and financial assets well above the average for those countries. Countries with higher gini coefficients often have particularly strong luxury markets; still, even the countries with lower gini coffiecients have substantial segments of Affluent and Business Elite consumers with financial resources far greater than the general population.

Quantifying Income Concentration Around the World continues

Gini Coefficient of Income Inequality for the 51 Countries Covered by the Ipsos Affluent Survey

Scale: 0=perfect equality; 1=perfect inequality. Source: Global Finance analysis of data from World Bank and the Organisation for Co-operation and Developement



AFFLUENTS LEADING A RISING TIDE OF ECONOMIC ACTIVITY

Spanning 51 countries, the Ipsos Affluent Survey reveals the diversity of the Affluent population on many dimensions, including age, occupation, marital status and ethnicity. Still, some general tendencies stand out. Affluents are, most typically, in their mid-40s. Most are well-educated and employed in professional or managerial positions. Most are married and parents. The vast majority tell us that family is their top priority, and family considerations profoundly shape their spending across categories, including home, food, auto and travel.

While the general demographic profile of Affluents has remained stable in recent years, several trends are apparent on metrics related to media, money and mindsets. Together these trends suggest that Affluents are leading a rising tide of economic activity and media use. U.S. Affluents, for example, are showing growth in…

- ↑ **Financial resources:** The Affluent population continues to grow in size (3-4% annually post-recession) as well as in income, liquid assets and net worth
- ↑ **Discretionary spending:** Affluent spending is up, particularly in discretionary categories such as travel, charitable contributions, and active leisure interests (e.g., golf, tennis, skiing). Also rising: interest in luxury and willingness to pay a premium for higher-end offerings.
- ↑ **Marketplace influence:** Affluents are showing continued growth in their roles as social influencers, early adopters, trend setters, and word-of-mouth leaders.
- ↑ **Media use:** Affluent use of digital media and mobile devices continues to rise sharply, while their use of traditional media is down only marginally. The result: a net increase in Affluent media engagement.

Affluents are leading a rising tide of economic and media activity outside of the U.S. as well. Among Affluents in the Asia-Pacific region, for example, travel is rising significantly, both in terms of the number travelling and in the volume of their trips; international business travel in particular has hit a post-recession high. In addition, their personal income is up, along with their luxury spending in a variety of categories, including jewelry, watches, footwear and apparel.

Among Affluents in the Asia-Pacific region, travel is rising significantly… In addition, their personal income is up, along with their luxury spending…

Key Trend among U.S. Affluents

(Source: 2013 Ipsos Affluent Survey USA)

Wealth
- ↑ # of Affluents (62.5MM)
- ↑ Average HHI ($200K)
- ↑ Average liquid assets ($551K)
- ↑ Average net worth ($1MM)

Influence
- ↑ Leadership in decision-making
- ↑ Sharing ideas & opinions
- ↑ Social media use
- ↑ Size of interpersonal networks

IPSOS AFFLUENT SURVEY
AFFLUENT USA
Media and Consumer Insights Survey

Spending
- ↑ Spending on mobile devices
- ↑ Spending in active leisure categories
- ↑ Willingness to pay a premium
- ↑ Amount of charitable contributions

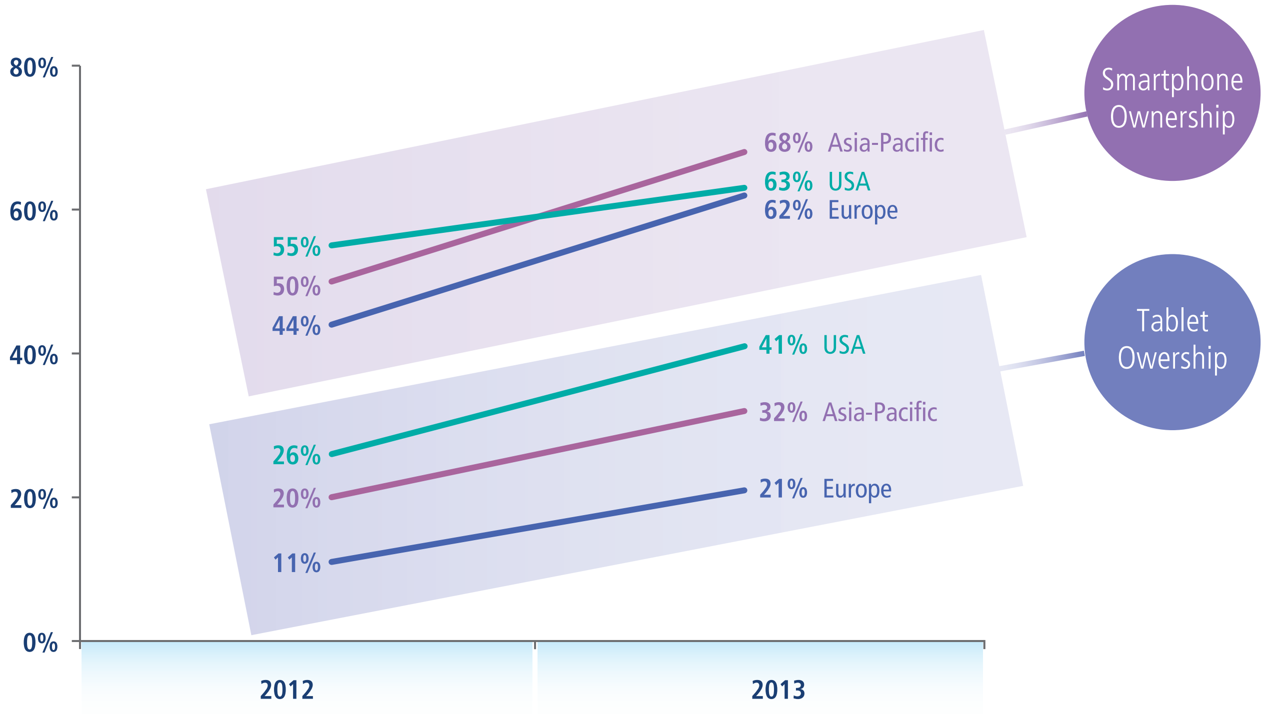
Media
- ↑ Internet use (41.6 hours weekly)
- ↑ Smartphone ownership (63%)
- ↑ Tablet ownership (41%)
- • Traditional media down only slightly

AFFLUENTS LIVING MEDIA-INFUSED LIFESTYLES

Affluents' lives and lifestyles have become completely intertwined with media in general, and digital media in particular, as they display a continuing enthusiasm for media content and connectivity across platforms. Internet use is essentially universal among Affluents, and their ownership of mobile devices is up sharply. Across regions, nearly two-thirds of Affluents now have smartphones, and about one-third have tablets – figures up sharply around the world. Living in a world of regular of multi-tasking and multi-screen media consumption, most Affluents describe their mobile devices as "crucial to their everyday lives" and "difficult to live without."

Despite the spiking growth of digital media consumption, Affluent use of traditional media is down only slightly – the result is that Affluent net engagement with media is up significantly.

Remarkably, despite the spiking growth of digital media consumption, Affluent use of traditional media is down only slightly – the result is that Affluent net engagement with media is up significantly. Television retains its near-universal reach, and print consumption is stable or down only marginally; meanwhile, the digital and cross-platform consumption of the content associated with television and print brands is up strongly. Our studies are evolving to meet the needs of a cross-platform world. Our Ipsos Affluent Survey in Europe, for example, uses innovative methodologies to provide a true cross-platform perspective and a digital currency. Similarly, our Ipsos Affluent Survey USA is statistically fused with passive measurement currency studies from comScore and Nielsen, and supports sophisticated targeting of digital advertising through our relationship with iBehavior.



AFFLUENTS LIVING "LIFE IN THE FAST LANE"

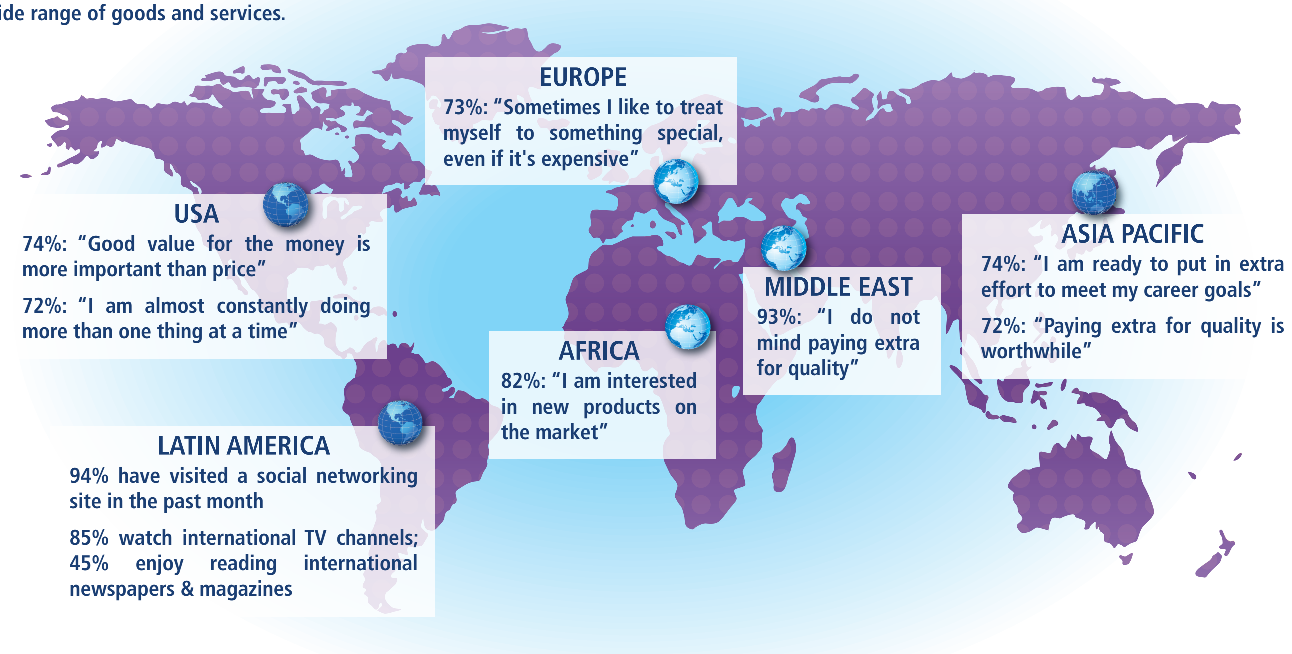
The mindsets and lifestyles of Affluents show remarkable similarities around the world. As detailed on the previous page, Affluents tend to be enthusiastic consumers of technology, and of both digital and traditional media; more generally, they tend to be early adopters, opinion leaders and influencers. Family and career top their priority lists. They describe their lives as fast-paced and full of multi-tasking. They often bring an international mindset to thinking about social, political and business issues. Many are multicultural, if not in personal background, then in general perspective. Many speak multiple languages, and engage with media from other countries. Affluents bring an open-minded and cosmopolitan perspective on ideas in general, as well as products and brands in particular. In the marketplace, they have high standards, expecting solid quality and good value, and they are less brand loyal than many brands would like.

The consistency of this profile across borders binds Affluents together as a globally coherent market. In some ways, Affluents in one country may be more similar to Affluents in another country than they are to middle class consumers in their own country. As we shall see on the following pages, this becomes even more true among the Business Elite, a truly elite segment with many similarities across countries, shaped by shared backgrounds and responsibilities.

The Affluent Survey offers powerful and detailed insights into the highest earning and spending individuals across 51 countries.

Collectively they represent the most important consumers of a wide range of goods and services.

IPSOS AFFLUENT SURVEY
AFFLUENT GLOBAL
Media and Consumer Insights Survey

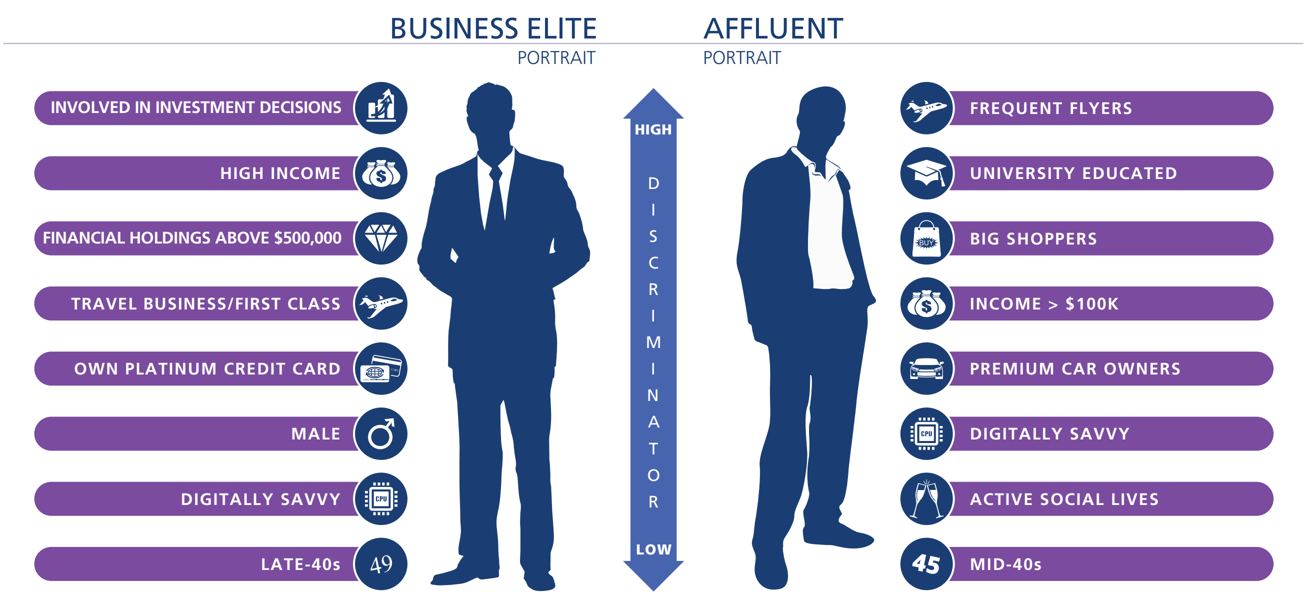


THE BUSINESS ELITE: LEADERS AT THE FINANCIAL APEX

Spanning 36 countries, our Business Elite survey details the lives of those at the apex of most economies – the most senior business executives in medium and large companies. Moreover, it explores their lifestyles and media habits both from consumer and business-to-business perspectives. As business executives, their decisions drive corporate strategies, and have a tremendous impact on economic growth more generally. As consumers, the Business Elite are one of the few segments to have remained largely recession-proof, maintaining their engagement in the marketplace generally, and with luxury brands in particular, by virtue of their significant wealth and discretionary income.

Reflecting the top 1% of the economic spectrum (or less, depending on the market), the Business Elite skew older and significantly wealthier than Affluents.

Our Business Elite study spans 36 countries, and profiles senior business executives at the top 1% of the economic spectrum both from consumer and business-to-business perspectives



THE BUSINESS ELITE: TECHNOLOGY BLURRING PERSONAL/PROFESSIONAL LIVES

The Business Elite live in a hyper-connected, always-on world; they have few respites from their tremendous responsibilities. They report more pressure, more complexity, and more hours – 39% are working longer hours compared to a year ago. When asked to describe themselves, "hard-working" is the most common response (interestingly, two years ago, they were more likely to describe themselves as *flexible, dynamic and inquisitive*).

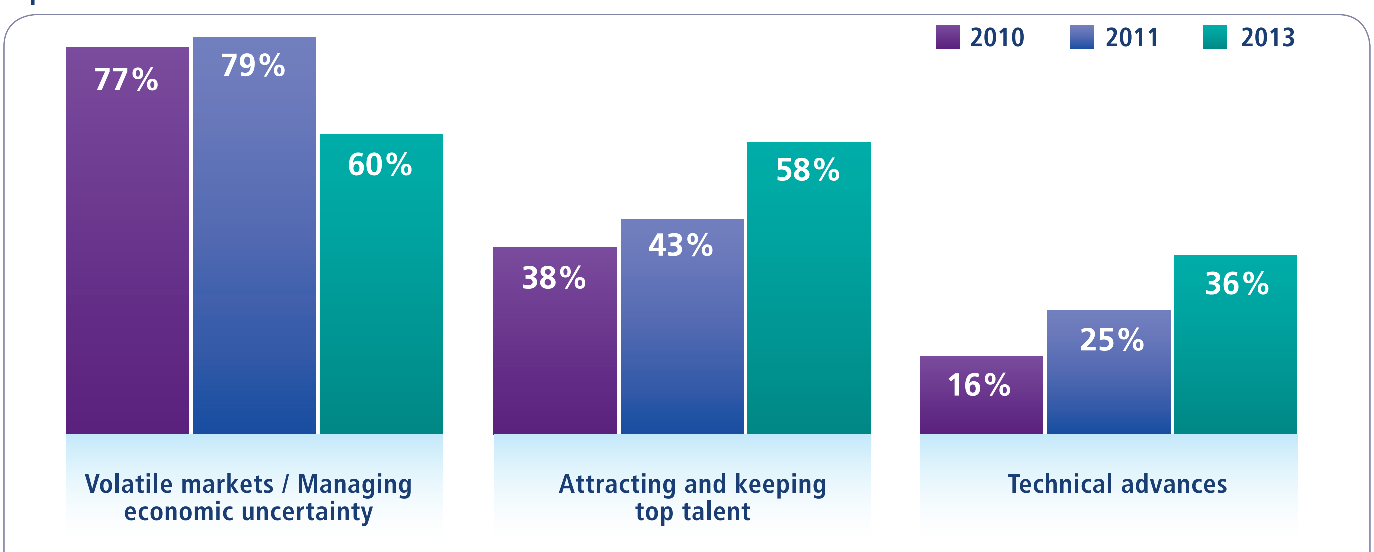
In many ways, the lifestyles and mindsets of the Business Elite reflect the same trends that we observed among Affluents, albeit more intensely, and in ways that transcend their personal/consumer lives to influence business decision-making as well.

Economic anxiety among Affluents is still prevalent but easing significantly, allowing some to "move up" the hierarchy of needs, from safety and security concerns to focus on growth experiences and discretionary spending. These same trends are transposed into a business context among the Business Elite. Corporate budgets are rising, particularly regarding investment in technology, and when describing their top business challenges, economic concerns are moderating while their focus shifts to longer-term challenges of attracting and retaining top talent, and keeping up with technical advances.

A focus on technology and innovation also spans the personal and professional lives of the Business Elite. Corporate technology spending is rising, and 74% of the Business Elite agree it is important that their companies are viewed as innovative. On a personal level, 83% own a smartphone, and 68% own a tablet – figures dramatically higher than Affluents and the general population. As among Affluents, the Business Elite remain heavy consumers of traditional media, including television and print, while their use of digital media is growing strongly.

The Business Elite Describe Themselves

Top Business Concerns of the Business Elite



Source: BE: Barometer 2010, 2011 and 2013

LUXURY MARKETS CONTINUE GROWING

Global luxury markets have grown strongly in recent years, with some luxury benchmark indices showing double-digit growth annually since the "official" end of the Great Recession in 2009. Two strategies in particular have fueled this growth – "up-scaling" consumer targets, and shifting regional emphases.

Global luxury markets have grown strongly, fueled by "up-scaling" consumer targets and capitalizing on the growth in Asian wealth…

Up-scaling consumer targets: The mid-2000s "luxury boom" was driven by middle class and "mass affluent" consumers who spent based on perceived or anticipated wealth. Their aspirational shopping behavior drove the market, and many traditional luxury brands succeeded with lower-priced brand extensions to appeal to these markets. This aspirational luxury shopping largely disappeared with the recession, and has reappeared only recently (with a focus on elegantly-designed, modestly-priced, highly-functional mobile devices rather than "classic" luxury offerings). Traditional luxury brands, in contrast, have succeeded by refining targets upwards, from Affluents to even more upscale (and more traditional) luxury targets. Among the Business Elite, for example, luxury spending and willingness to pay a premium for higher-end offerings have continued to grow.

Shifting regional emphases: Many luxury brands have prospered since 2010 by riding a wave of growing wealth and luxury enthusiasm in Asia, particularly China. We track these critically important markets with our Affluent and Business Elite Surveys, and with our China Luxury Forecast and China Pulse. Collectively, these have quantified how luxury growth in China has tapered since 2012, slowed by economic sluggishness, government campaigns against corruption (less luxury "gifting"), and cultural trends emphasizing thrifty living.

Today we find luxury growth rates in China stabilizing in the high single digits – perhaps a "new normal" on par with other regions around the world, but short of the 30%+ annual growth rates seen in previous years. In addition, we find several emerging trends are reshaping the Chinese luxury market as well…

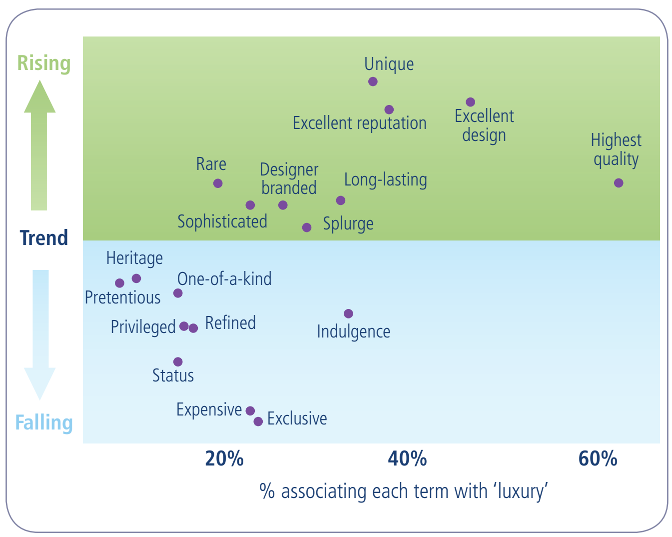
- Growth appears most likely to taper most for watches, jewelry and handbags, while apparel and beauty show stronger potential.
- 90%+ of Chinese luxury consumers are dissatisfied with customer service when shopping for luxury in China, and nearly as many cite exclusive brand stores (that carry only a single brand) as their preferred luxury shopping channel.
- Shopping abroad ("luxury tourism") among high-end Chinese consumers remains widespread, motivated primarily by assurances of authentic (i.e., not counterfeit) products, lower prices, and (increasingly) the desire to find truly unique items not available in their home country.
- High-end Chinese consumers are re-conceptualizing the luxury shopping experience, showing a growing openness to duty-free shopping, online/app-based shopping, and niche brands.

THE EVOLUTION OF LUXURY IN 2014 AND BEYOND

While the quantitative growth in luxury ebbs and (mostly) flows, luxury continues to evolve in more subtle and qualitative ways as well. The mid-2000s boom was marked by a shared sense of what luxury meant – the imagery of yachts, private jets, and classic (if sometimes ostentatious) brands was pervasive. With the recession, luxury evolved, becoming more idiosyncratic and self-defined, more intimate and personally-meaningful. It became less about the logo and more about what the logo meant to the individual. Luxury also became more subtle and understated, and value became a key theme, with messages such as "heirloom-quality" having strong appeal. Mobile devices became the new "mass" luxury, and morphed luxury expectations more generally, particularly regarding minimalist design and practical utility. New expectations became layered on top of older ones, rather than replacing them.

Looking to the future of luxury, we expect several established trends to continue building momentum, including the importance of value, and the "tech-ification" of luxury. But we expect new trends to emerge as well. For example, our recent U.S.-based research on Ultra Affluents ($250K+ HHI; top ~3% of the population) found they increasingly describe luxury in terms of…

- *Quality,* which has historically been the foundation of luxury, but which consumers increasingly question. While quality is increasingly important, more than half now feel that luxury brands have lowered their quality standards, and many describe traditional luxury brands as "watered-down" or "outsourced."
- *Excellent design,* reflecting in part the growing role of streamlined technological products into modern conceptions of luxury.
- *Excellent reputation,* reflecting in part a new approach to evaluating quality. Luxury is no longer "tested" by seeking out established brands or media "taste-makers," but rather by exploring quality ratings across sources, including customer reviews and social media.
- *Splurge,* reflecting a growing ease and light-heartedness about luxury. Note also the decline in *indulgence,* a term with connotations of "sinfulness."
- *Unique and rare,* which reflect an authentic and meaningful scarcity. In contrast, the declining importance of terms like *exclusive, refined, privileged* and *status* reflect disinterest in excessive formality, as well as a skepticism about faux-scarcity manufactured for marketing purposes.



Among Ultra Affluents ($250K+ HHI). Source: Ipsos Affluent Barometer USA

FINAL THOUGHTS AND NEXT STEPS

In many countries across the world, and throughout many eras of history, a minority of the population has accounted for a majority of the financial resources – income, assets, and even spending in select categories. Today, the growing concentration of financial resources witnessed globally means this pervasive fact of economic life is more true than ever. As a result, it is more important than ever for businesses to understand the implications of these trends, and refine their strategies appropriately.

Luxury brands have, by definition, always targeted consumers at the elite end of the financial spectrum. Brands in some broader marketplace categories, particularly automotive and financial services, have also historically understood the importance of segmenting consumers by financial resources, and devoting special attention to those with a greater ability to pay, especially for premium offerings. But the changes in today's marketplace mean that marketers in virtually every category and every country would benefit from strategies that are differentiated across the affluence continuum, rising from the general population up through Affluent and Business Elite consumers. In the final analysis, the critical importance of Affluent and Business Elite markets is clear.

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