» The Luxury and Premium Online Consumer: Turning Online Behaviors into Actionable Digital Strategies

Published by:
iProspect Luxe Group
June 2011

iProspect

Digital Performance on a Global Scale.

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OBJECTIVE & BACKGROUND

Luxury retail is experiencing a resurgence. Forbes[1] recently reported global luxury sales are expected to grow eight percent in 2011, almost double the growth rate of overall retail. With such a sharp increase in sales, the iProspect Luxe Group, a specialty group of online marketers and luxury retailing experts, wanted to examine the differences in online search and shopping behavior specific to consumers who purchase luxury and brands online. To that end, the company commissioned comScore to develop and conduct research with the objective of uncovering the demographics of luxury and premium online purchasers, the true differences in their online shopping behaviors and how marketers can capitalize on luxury and premium brands' growth.

The research spanned organic search impressions, paid search impressions, online display ad impressions, and demographic data.

The research also involved real-time monitoring of Internet search engine behavior, custom behavioral analysis, and campaign performance and trend analysis of individual luxury and premium brands.

iProspect's findings, analysis, and recommendations of comScore's research are detailed within this paper. These findings provide new insight into the purchase patterns of the luxury and premium online shoppers, and should assist marketers in planning their digital marketing initiatives cohesively and with the most positive success metrics.

STUDY METHODOLOGY

In this study, three custom behavioral analyses (demographic, cognographics, and search) were conducted utilizing comScore's U.S. panel, made up of more than one million people.

The demographic analysis was based on data from December 2010, to capture the holiday audience, and February 2011, to capture the non-holiday audience. The cognographics analysis and search analysis were conducted with the latest data available at the time of the study's publication, which included data from October 2010 through March 2011. Please see the Appendix for further clarification.

There were 238,210,000 unique visitors on the Internet via machines in the U.S. during our tested time period. This makes up the general Internet audience. Luxury purchasers made up .9 percent (2,221,522) of the unique visitors, while premium purchasers made up 4.7 percent of the total, with 11,085,521 unique visitors.

[1] Anthony DeMarco, "Global Luxury Sales to Grow by 8% in 2011," 2011, <http://blogs.forbes.com/anthonydemarco/2011/05/04/global-luxury-sales-to-grow-by-8-in-2011/> (accessed June 1, 2011).

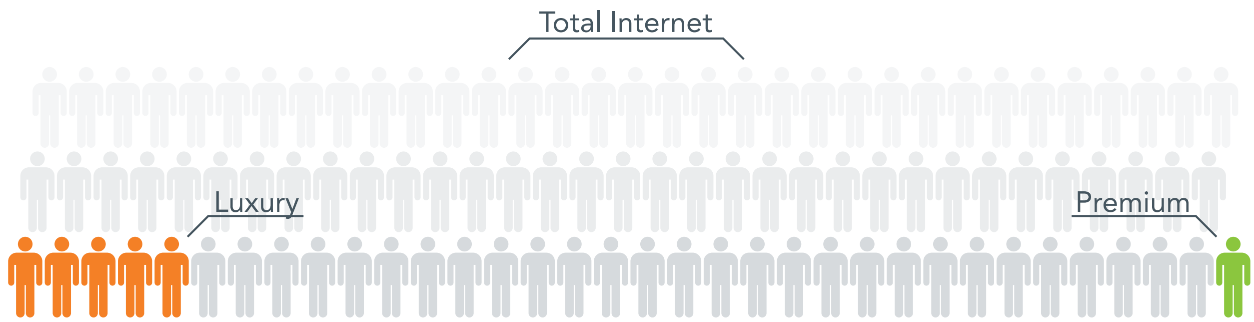


Figure 1: Unique premium and luxury purchasers compared to unique visitors on the Internet via machines

Key definitions were as follows:

Premium Purchasers: Defined as those who made at least one online purchase for brands or on websites contained in the pre-selected premium brand/domain list during the given analysis time period. For example, any person who purchased an Anne Klein product online from a U.S. domain, or completed a transaction at Coach.com. Please see Appendix for full brand and domain list.

Luxury Purchasers: Defined as those who made at least one online purchase for brands or on websites contained in the pre-selected luxury brand/domain list during the given analysis time period. For example, any person who purchased a Cartier product online from a U.S. domain, or completed a transaction at SaksFifthAvenue.com. Please see Appendix for full brand and domain list.

The iProspect Luxe Group also examined key economic indicators and industry and client set examples in conjunction with the comScore data.

The sample size is not statistically relevant to draw conclusions at the individual brand level, but is relevant to draw conclusions in most instances, but not all, at the vertical level.

The client names and data specific to individual brands are not released due to proprietary and contractual limitations. Any brand names mentioned and graphics displayed may or may not have been specifically studied, and are used solely for the purpose of illustration.

EXECUTIVE SUMMARY

The study provides a detailed look at luxury and premium online consumers as well as key, actionable takeaways on how marketers can tap into the luxury market including:

- How to align your audience and goals with your targeting strategies
- How these two groups utilize search and the most likely places of engagement in which to advertise
- Improving new customer awareness and bringing together strategies to succeed through 2012 while protecting brand voice

The key finding of this study is a clear understanding of both luxury and premium online consumers, and how establishing a presence for your brand along these avenues will expand reach beyond your current customer base and capture new consumers.

This finding has interesting implications for marketers that currently only target within their specific product category, as this study outlines how marketers can capitalize on luxury and premium brands' growth.

DEMOGRAPHIC ANALYSIS & RECOMMENDATIONS

Through the comScore demographic analysis of the luxury and premium online purchaser segments for December 2010 (to capture the holiday audience) and February 2011 (to capture the non-holiday audience), the iProspect Luxe Group exposed three major takeaways. Here are the strategic findings focusing on age, household income and gender.

Age Analysis

While it's been assumed that luxury consumers are an older demographic, this study determined that the luxury age demographic is younger than expected, and their age closely aligns with that of the premium consumer.

The expected age of 45+ is still consistent for the luxury segment, with 44 percent (Feb.) to 51 percent (Dec.) of luxury online purchasers falling in this bracket, compared to 29 percent (Dec.) of total Internet audience. However, 71 percent (Dec.) to 82 percent (Feb.) of luxury online purchasers are 35 years of age and older, compared

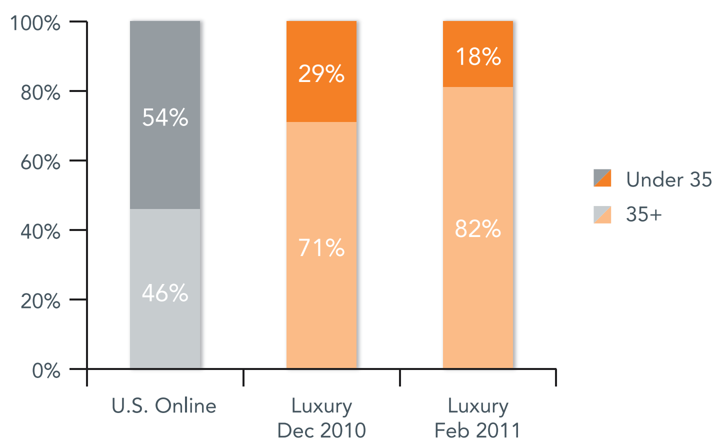


Figure 2: Luxury purchaser age compared to total U.S. population

to 46 percent (Dec.) to 48 percent (Feb.) of the total Internet audience.

There is a noteworthy difference in luxury consumers in the 35-44 age bracket.. The percentage of luxury consumers age 35-44 was 17 percentage points higher in February than in December.

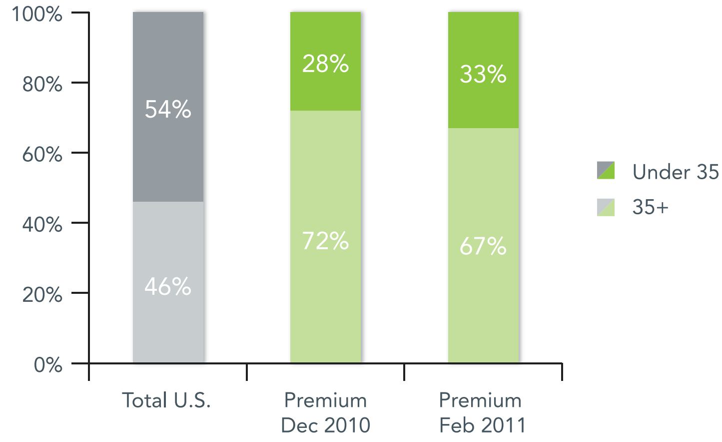


Figure 3: Premium purchaser age compared to total U.S. population

Our data uncovered that premium purchasers skewed very similarly to luxury purchasers in the 35+ age group. Between 67 percent (Feb.) to 72 percent (Dec.) of premium online purchasers are in this age bracket compared to 46-48 percent (Dec.) of the general Internet population.

There was not a major difference in age breakout for December 2010 and February 2011. The only shift was a four percent decline in the 35-44 age group; dropping from 23 percent in December 2010 to 19 percent in February 2011.

Key Takeaway

The 45+ age group should still be your main area of focus, however the 35-44 year old age bracket is not to be ignored. While the bracket shows some possible seasonal differences between the two analysis periods, it's worth continuing to converse with this age demographic.

Household Income Analysis

Similar to findings in age variance, the household income gap between the luxury and premium customer is minimal as these two customer segments are closely aligned.

Forty eight percent (Feb.) to 58 percent (Dec.) of luxury online purchasers fall into the $75K+ household income category, compared to 35 percent (Dec. + Feb.) of the general Internet population. Premium purchasers shared a very similar story, with 53 percent (Dec.) in the $75K+ bracket.

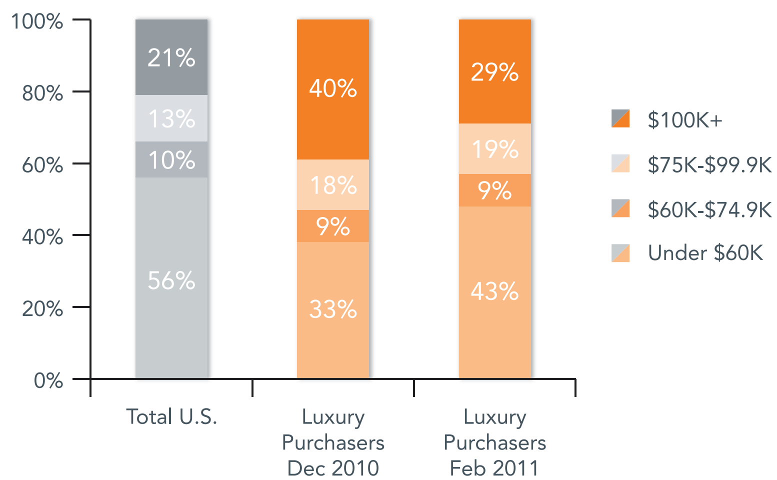


Figure 4: Household income of luxury purchasers compared to total U.S. population

In looking at standard household income groupings, the largest single percentage between the two groups was actually the under $60K segment, with 33 percent (Dec.) to 43 percent (Feb.) for luxury and 39 percent (Dec.) to 48 percent (Feb.) for premium. While both of those percentages are lower than the general Internet population (55 percent in February and 56 percent in December), they are still the single largest group worth noting, both for luxury and premium purchasers..

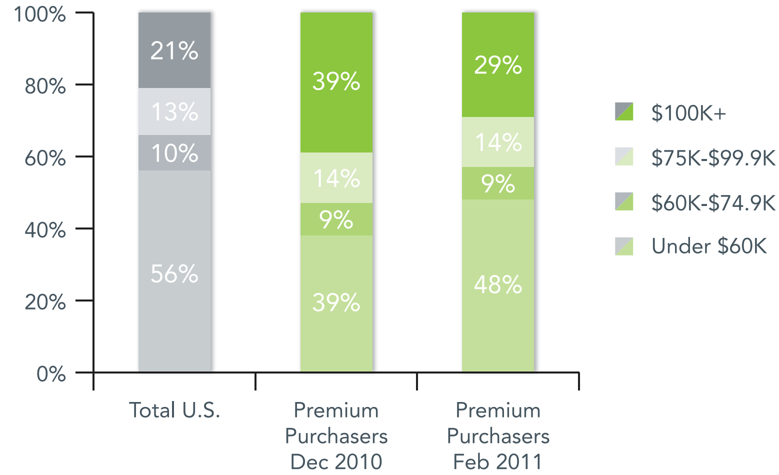


Figure 5: Household income of premium purchasers compared to total U.S. population

Additionally, holiday has a direct effect on the average household income of purchasers. Comparing December 2010 (holiday month) to February 2011 (non-holiday month), the $100K + household income bracket actually dropped by about 10 percentage points. The under $60K household income bracket grew by about 10 percentage points. This holiday shift is a similar pattern as in the luxury age breakout. This tells us that people with lower income levels are more likely to be discount shopping online in February when many retailers are more inclined to run promotions to try to deplete their previous merchandise.

Key Takeaway

Because there are extreme similarities in household income levels for luxury and premium brands, the iProspect Luxe Group recommends offering, if possible, a variety of products to appeal to all appropriate income levels. This may allow continued growth across more than one group. It's important to up-sell, cross merchandise, and introduce the quality, heritage and exclusivity your brand represents. Why not subliminally communicate to your consumer that your brand represents a product that the consumer "deserves and can afford"?

Gender Analysis

Our demographic analysis proved that females comprise 63-71 percent of online purchasers in the luxury consumer segments, and 68 percent (Feb.) to 71 percent (Dec.) of online purchasers in the premium segment.

Twenty-five percent (Feb.) to 26 percent (Dec.) of the general Internet population are females 35+ in age. For online luxury purchasers, 48 percent (Dec.) to 58 percent (Feb.) are females 35+, and 49 percent (Feb.) to 52 percent (Dec.) of online premium purchasers.

	Total US	Luxury - Dec 2010	Luxury - Feb 2011	Premium - Dec 2010	Premium - Feb 2011
Total Males	50%	37%	29%	29%	31%
Males: <35	27%	15%	6%	9%	13%
Males: 35-55	16%	14%	**15%**	14%	10%
Males: 55+	7%	**8%**	**8%**	**6%**	**8%**
Total Females	50%	63%	71%	71%	69%
Females: <35	25%	15%	12%	19%	20%
Females: 35-55	17%	**29%**	**43%**	**32%**	**31%**
Females: 55+	8%	**19%**	**16%**	**20%**	**18%**

Figure 6: Reach by age and gender

While females are the dominant online shoppers, the study uncovered there is some promise within a certain age pocket for the male target. Males between 55-64 years of age, in both the luxury and premium segments, have the highest male index value and show the most promise when compared to the overall male Internet population.

With both genders, the iProspect Luxe Group continued to see differences when comparing holiday to non-holiday months for luxury and premium purchasers. The largest shift occurred among males and females between the ages of 35-44, and females between the ages of 55-64.

Key Takeaway

In addition to gender, many online marketers now have the ability to also segment by behavior, interest, psychographics, and many other factors. After discovering the shopping patterns for specific age groups within the gender categories, it's worth ensuring you are testing individual content, advertising and messaging to show how relevant your brand is to each group. You might be able to capitalize on an area you didn't expect by layering on gender and other behavioral based targeting possibilities.

Recommendations

The foundation of marketing success lies in clearly defining your audience, establishing measurable goals, and aligning your audience and goals with your targeting strategies. Is your marketing currently designed to acquire new customers or retain existing ones? Designed to increase purchase frequency or average order value? While these seem like basic steps, far too often brands begin elaborating marketing programs without first clearly defining their marketing targets.

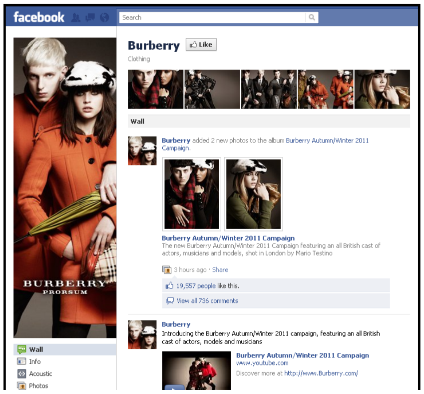
Clearly Define Your Audience

- **Define your existing customer base without making assumptions.** Most luxury and premium brands would consider their core audience profile to skew primarily to females with a high household income. This research study proves this is indeed a valid demographic target for both luxury and premium brands; however our findings also reveal potential untapped markets. The largest segment for both luxury and premium audiences are those with a household income of under $75K. In addition, both luxury and premium brands should not ignore male consumers, ages 55+, as they have proven to be probable consumers. Clearly defining the demographics of your individual brand rather than accepting generic luxury or premium demographics will ensure your campaigns are more targeted and successful than your competitors.
- **Define who your audience is 5-10 years from now.** Begin building that relationship and desirability for your brand with future potential customers. As all marketers know, it costs more to acquire new customers than to retain them. Consider broadening your target audience by expanding your targeting methods or through testing new channels. Chanel recently launched a video campaign on Hulu, a free video service that streams major TV shows and popular music. Hulu's core demographics skew high to users ages 18-34 allowing Chanel the ability to connect and capture the attention of younger consumers who have potential to be future brand loyalists.

Establish Realistic and Measurable Goals

- **Is your goal to drive revenue efficiently?** Focus on a practical, trusted approach that is still customized and relevant to your audience. Consider re-targeting to previous visitors of your site who have not yet purchased. Within hours of a user browsing your site, you can reconnect with them by displaying your brand's message as they continue with their online activities. This strategy helps to continue your conversation or complete a desired action with users who are already interested in your brand, ultimately increasing the likelihood that they will purchase.

- **Is your goal new customer acquisition or to build your future customer base?** Our study proved that luxury brands should not ignore consumers outside of their core demographics and consider broadening their reach to those between the ages of 35-44. Burberry's Facebook page, which has generated over 6.7M fans, is an excellent example of a luxury brand engaging with a broad range of consumers. Facebook appeals to almost every consumer demographic and by allowing a broad spectrum of users to connect with their brand, Burberry is opening up the opportunity to build relationships with future consumers. Go beyond your core audience and connect with the future of your brand.



Graphic 1: Burberry embracing Facebook to build the future of their brand with the premium consumer

Customized Targeting to Your Audience

- **Take a personalized approach to targeting.** Through customized methods, luxury and premium brands can improve the quality and efficiency of their targeting. To illustrate a great example of this, consider Cole Haan's gender targeting strategy. Their core consumer appears to be women around the age of 45+. However, when the brand decided to target males, they adjusted their marketing efforts to be male-focused. Instead of serving generic branded ads, these users were messaged male-focused ads and landed on specific pages relevant to their site interest. When Cole Haan wanted to target a younger audience they used Maria Sharapova as a brand spokesperson, and featured different product styles to appeal to distinctive age groups. By customizing your targeting to your specific audience, you will increase the relevancy and efficiency of your targeting tactics.

- **Target differently across multiple channels.** No channel is alike. Each medium serves a different purpose, therefore targeting strategies should not all be seen in the same light. It is key to understand the differences of your audience across each channel and target accordingly. If your online consumer has a household income of $100K+, you should not assume your offline consumer does too. Utilize each channel for its main purpose – whether it be to reach consumers in store through mobile, or encourage opt-ins through social sites. Tailor your efforts to their appropriate medium to ensure you're reaching your audience in the most effective way.

COGNOGRAPHICS BEHAVIOR ANALYSIS & RECOMMENDATIONS

The comScore cognographic analysis run from October 2010 – March 2011, exposed that category and websites visited for both luxury and premium online purchasers were parallel. While there are various ways to slice the categories and properties, the most advantageous way, for the purpose of this study, was to focus on the top categories and websites ranked in terms of reach as well as average reach index (see Appendix for further explanation of each metric).

Categories Analysis

Our analysis showed that compared to the general Internet population; luxury and premium consumers have the strongest online interest in travel, real estate and auctions websites.

Travel: online travel agencies, travel service providers, discount travel sites, and information sources

- Ex: Expedia.com, Yahoo.com, Hertz.com, HamptonInn.com, United.com

Real Estate: real estate listings, apartments/homes, commercial property, agents and local moving guides

- Ex: ForSaleByOwner.com, HomeGain.com

Auctions: sites that allow users to bid on items

- Ex: Ebay.com, Bidz.com, UBid.com

Sorted by Luxury Reach, for property level	Target Group #3 Total US Internet Population (Machines)	Target Group #1 Luxury Purchasers	Target Group #2 Premium Purchasers
Category	**Reach**	**Reach**	**Reach**
Services	96%	100%	100%
Corporate Presence	97%	100%	100%
Promotional Servers	89%	100%	99%
Search/Navigation	93%	100%	99%
Retail	82%	99%	100%
Portals	93%	99%	99%
Business/Finance	72%	95%	95%
Entertainment	82%	95%	96%
Directories/Resources	80%	95%	96%
Conversational Media	81%	93%	95%
News/Information	76%	93%	93%
Community	73%	92%	92%
Travel	42%	77%	68%
Technology	62%	76%	77%
Health	47%	72%	74%
Telecommunications	50%	72%	72%
Sports	47%	66%	65%
Regional/Local	40%	64%	62%
Government	46%	64%	65%
Auctions	36%	62%	61%

Figure 8: Top 20 categories, by descending luxury reach percentage

Sorted by Luxury Index, for category level	Target Group #1 Luxury Purchasers	Target Group #2 Premium Purchasers
Category	**Avg. Reach Index vs. Total Internet**	**Avg. Reach Index vs. Total Internet**
Travel	184	162
Real Estate	179	164
Auctions	170	168
Business to Business	168	155
Regional/Local	159	155
Health	153	157
Automotive	144	140
Telecommunications	142	142
Sports	142	139
Career Services and Development	140	139
Government	138	142
Business/Finance	133	132
Gambling	132	156
Community	127	127
Technology	123	125
News/Information	122	123
Retail	122	122
Directories/Resources	119	120
Education	117	127
Entertainment	116	117

Figure 7: Top 20 categories, by descending luxury reach index

Reach Analysis

Looking at the descending order of reach, luxury and premium online shoppers have a higher reach in nearly all of the top 20 categories when compared to the general Internet population. While some sites may not be appropriate for luxury and premium brands to have a presence, there is an obvious opportunity to consider reaching luxury and premium audiences through advertising networks (X+1, CafeMom, Goodway Group, Adsummos, Zugo and Oggifinogi).`

Sorted by Luxury Reach, for property level		Target Group #3 Total US Internet Population (Machines)	Target Group #1 Luxury Purchasers	Target Group #2 Premium Purchasers
Category	Property	Reach	Reach	Reach
Reference	Wikimedia Foundation Sites	38%	59%	54%
Shipping	UPS Sites	8%	26%	27%
Directories/Resources	craigslist, inc.	23%	26%	26%
Banking	American Express	5%	23%	15%
Regional/Local	YELP.COM	7%	20%	15%
Conversational Media	TWITTER.COM	11%	15%	16%
Promotional Servers	X+1 Advertising Network	12%	15%	16%
Family & Parenting	CafeMom Network	8%	14%	15%
Business/Finance	Capital One	7%	14%	15%
Promotional Servers	GOODWAYGROUP.COM Advertising Network	10%	12%	12%
Promotional Servers	ADSUMMOS.NET Advertising Network	4%	11%	10%
Sports	Big Lead Sports By FSV	6%	10%	11%
Promotional Servers	ZUGO.COM Advertising Solutions	10%	10%	10%
Promotional Servers	LIVEPERSON.NET Business Solutions	3%	9%	8%
Online Travel Agents	Kayak.com Network	3%	9%	6%
Hotels/Resorts	InterContinental Hotels Group	2%	9%	4%
Health Care	Walgreen Co.	3%	8%	7%
Multimedia	Hulu	6%	7%	8%
Promotional Servers	OGGIFINOGI.COM Advertising Platform	10%	7%	15%
Automotive	General Motors	3%	7%	5%

Figure 9: Top 20 properties, by descending luxury reach percentage

Properties Analysis

When examining where luxury and premium consumers spend their time, there was a clear differentiator between the two sectors and the general Internet population. Major sites include hotels/motels (Starwood Hotels, InterContinental, Hilton, Marriott), mall/coupon sites (FreeShipping.com, DealsPlus.com, HSN, Ebates) and travel airlines (United, Delta, American Airlines).

Sorted by Luxury Index, for property level		Target Group #1: Luxury Purchasers	Target Group #2: Premium Purchasers
Category	Property	Avg. Reach Index vs. Total Internet	Avg. Reach Index vs. Total Internet
Hotels/Resorts	Starwood Hotels And Resorts	2,519	341
Mall	FREESHIPPING.COM	1,464	604
Promotional Servers	NMARGIN.COM	972	1,234
Coupons	DEALSPL.US	886	452
Airlines	United Airlines	662	262
Lifestyles	Sugar, Inc - PopSugar Network	648	362
Hotels/Resorts	InterContinental Hotels Group	611	245
Car Rental	Enterprise Rent-A-Car Company	526	189
Hotels/Resorts	Hilton Hotels	524	257
Real Estate	Trulia Network	492	179
Mall	HSN.COM	480	343
Travel	Delta Airlines	465	253
Government	STATE.NY.US	449	190
Business/Finance	American Express	434	286
Business to Business	Reed Business Information	410	167
Travel	American Airlines	408	297
Hotels/Resorts	Marriott	394	249
Weather	Weather Underground	393	141
Coupons	EBATES.COM	390	417
Classifieds	Dominion Enterprises	364	163

Figure 10: Top 20 properties, by descending luxury reach index

Key Takeaway

The possibilities related to individualizing which websites rank for your brands' needs are vast. This study has provided an initial look through reach and index rank. The iProspect Luxe Group understands the hesitation often associated with working with sites that don't have the gloss and premium of your typical partners, which may mirror your preferred print and publishing partners. Knowing that common partners were not part of these lists, you have the opportunity to reach outside your product category. Not all will be a match on-brand, but there are likely a few categories listed worth exploring where your brand should consider partnering with, or testing on a small scale.

Recommendations

There is a fair amount of overlap between the online behaviors of luxury and premium consumers, and we've learned that their interests and user behaviors reach beyond shopping and retail. These luxury and premium shoppers have a propensity to frequent sites covered by networks, and sites focused on a variety of interests, including travel, real estate and auctions.

According to the findings of this study, promotional servers have a high reach with luxury consumers. Tapping into network offerings is a great way to expand reach and find these consumers across a variety of sites.

There are a few luxury brands that have begun exploring auction sites and seen success, while still maintaining their brand image. For example, Derek Lam, a high-end women's fashion line, has set up a boutique within eBay to market their products to consumers that shop on this site. This level of credibility with the consumer helps Derek Lam to compete successfully against resellers for their auction-site shoppers.

A few things to consider when implementing consumer behavior into your online strategy:

Clearly define what you want to achieve

Because there are so many interests to target consumer groups, it becomes even more important when testing to ensure goals are defined first, and then you can build campaigns designed to achieve those goals. Considering where luxury and premium customers frequent online will help you develop a more relatable relationship, So think about focusing on goals that will measure that new relationship. For example, new customer lift, email opt-ins and store locator page views are initiatives you'll need to consider as key metrics when planning your marketing strategy.

Rather than creating one goal, develop multiple ways to define the success of your marketing initiatives. In doing so, be sure to consider how the execution of these goals will effect one another. For instance, if the goals are to strengthen ROI and drive new customers, take into consideration that pushing new customers is likely to decrease ROI in the short run, but the value of the new customer long term is likely worth the dip. Projecting marking initiatives' influence on one another will be important in evaluating the success of each initiative individually, as well as the strategy as a whole.

Use advanced marketing techniques

One of the biggest overlooked benefits of digital marketing is its ability to target very precisely. Consumers are often targeted by geography and demographic, but as a marketer, you can dive much deeper.

Targeting provides the opportunity to narrow the field by focusing on user behavior, how users have interacted with a brand previously, existing customers versus new visitors to a site, etc. By ensuring each marketing buy is targeted to be in line with brand and targeted toward achieving campaign goals, luxury brands can not only improve their campaign performance, but also continue to reinforce their brand image.

Challenge yourself and your marketing team to go beyond the basics of targeting (like retargeting, as mentioned earlier) and try some of the following:

1. **Lookalike Targeting:** Allows you to target customers that have not visited your site, but have extremely similar online behaviors as your existing customers.

2. **Behavioral Targeting:** Allows you to target specific behaviors. For example, if someone is shopping for luxury cars online, you can target your campaigns to that specific audience knowing they may also be qualified to shop your handbag collection.

3. **Channel/Interest Based Targeting:** Consumer interest extends beyond your brand so it is important to determine where else your target audience frequently visits and message to them there. For example, beauty brand advertising on beauty review/trend sites is a way advertisers in that vertical are extending beyond the basics and finding a qualified audience.

4. **Psychographic Targeting:** Many networks have targeting capabilities based on psychographics like "modesty", "confidence", and "vanity" to target mindsets versus actual behaviors. This is another way to learn about your customer and their online behaviors.

Iterative testing leads to easy gains

"Testing" is one of those extremely broad words that can mean something different to everyone. No matter what your interpretation of the word might be, experience continues to prove the value of testing. While it might sound like an unknown venture for a luxury brand, remember that some of the most effective tests are also some of the most basic. Should the banner have a blue background or a black background? Should we limit our impressions to key hours of the day or have them spread evenly over a 24-hour period?

As you continue to test the basics, at the same time be looking at more in-depth testing; such as online lift following a direct mailer or the impact online marketing is having on in-store sales. Remember, while it may take more time, testing can only improve the value of each marketing dollar you spend. Setting aside a small portion of the budget for testing is an intelligent way to ensure that when opportunities arise, there are funds available.

The iProspect Luxe Group has identified five areas where basic testing can add significant improvement to campaigns:

1. **Creative:** Numerous factors go into creative development: size, image, color, font, message content, etc. The challenge is people typically test by changing multiple elements all at once. By simplifying the test and testing these elements one at a time, you will be able to quickly determine what is most impactful to your customers and adjust your creative accordingly.

2. **Messaging:** Sometimes a change as simple as adding your brand logo instead of a call to action can have a significant impact on performance. In other cases, testing the same piece of creative with four different messages will expand your information base with which to make decisions. Developing a testing matrix and assessing different creative is important to properly evaluate the success of the various creative elements.

3. **Landing Pages:** Despite being a basic concept, testing landing pages can have a huge impact on performance. Is it best to land on a product page or the homepage? On the category page or the Flash page that takes five minutes to load/doesn't load at all on a user's smartphone? Only testing will tell.

4. **Marketing Placement:** As brand marketers, we foster important relationships with our preferred partners and while they should not be discounted, we need to be cognizant of what is most important for the brand. Remain open to exploring opportunities beyond those relationships and testing new placements. Often campaigns can scale more efficiently than originally assumed. A conservative approach will allow your brand to determine the value of the initiative in a safe, yet meaningful way with room to scale.

5. **Channel:** What channel should you be in? No one channel is the "right" channel because the best campaigns integrate multiple channels. Is it a better use of your budget to build provoking, branded imagery or to run paid search? The easy answer is that you need both. While branded imagery will help the consumer understand the lifestyle and entice interest to your brand, paid search aids in consumer research and helps with direct response. Attribution modeling will help you determine channel interaction and influence on one another, allowing for better strategic planning for initiatives for each channel.

Focus on categories where luxury and premium consumers have interests beyond the basics

- Travel
- Real Estate
- Auctions
- Advertising Networks

Luxury and premium shoppers gravitate towards specific online categories. In relation to the general Internet population, luxury and premium consumers tend to have high interaction rates on sites with content pertaining to real estate, travel, auction-type sites, and significant presence in some niche advertising networks. Targeting these consumers on sites of this nature can help brands grow their existing customer base and expand reach for revenue growth.

SEARCH BEHAVIOR ANALYSIS & RECOMMENDATIONS

Spanning October 2010-March 2011, comScore analyzed search behavior for online luxury and premium consumers; and found that both sectors, although at varying levels, are searching online, searching frequently, and clicking on many different search sources.

Volume

There were 52.2 million total searches via machines in the U.S. during our six-month tested time period. Luxury purchasers made up 9.4 percent (4.9 million) of total online searches for the luxury/premium domains/brands, even though they make up only .9 percent (2.2 million) of the total Internet population. This is a search rate on luxury/premium domains/brands of about 9x their relative online population.

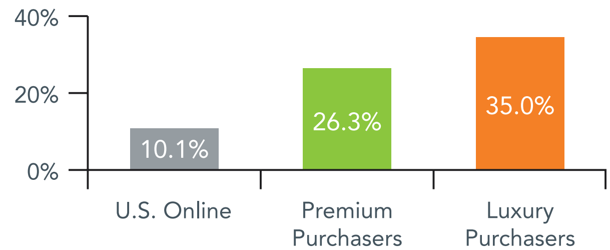


Figure 11: Searches on premium & luxury brands by population group

The premium segment, on the other hand, makes up about 18 percent (9.4 million) of the total online searches for the luxury/premium domains/brands, while their make up was 4.7 percent (11 million) of the total Internet population. Their search rate on premium domains/brands is about 3x their relative online population.

Key Takeaway

Both of these sectors make up more than their fair share of online searches by surpassing their respective online population, indicating they are more likely to research products/brands before purchasing.

After thorough analysis of the list of brands and websites referenced through this study (see Appendix A), we found the act of searching for exact luxury and premium brands dominates part of the groups' search patterns. Ten percent of the general Internet population searched for these luxury or premium brands/domains, as did 35 percent of luxury purchasers, and 26 percent of premium purchasers.

Frequency

comScore data demonstrated that the general Internet population searched on luxury/premium domains/brands, on average about 2.2 times per searcher. Premium purchasers average searches were **+45%** general Internet, at 3.2 searches/searcher. Luxury purchasers average searches were **+186%** versus the general Internet population and +97% premium, at 6.3 searches/searcher.

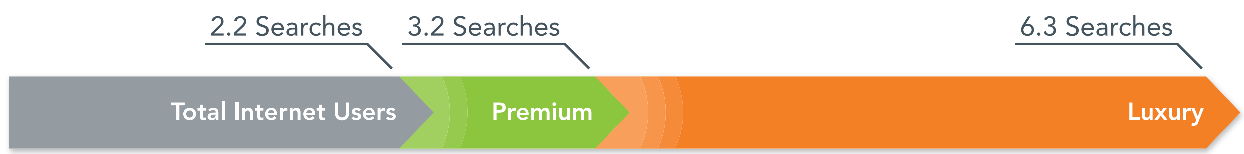


Figure 12: Average searches for luxury and premium consumers compared to total U.S. population

Key Takeaway

This tells us that theoretically, as the price point goes up, so does the consideration cycle for consumers. Despite having the means to make an instantaneous luxury purchase, it appears the luxury consumer is considering longer than with lower price point purchases.

Organic vs Paid

Luxury and premium online purchasers, much like the general Internet population, prefer organic search listings to paid search listings. However, luxury and premium purchasers click on sponsored paid search listings more when compared to the general Internet population. Luxury online purchasers clicked on paid listings 38 percent of the time when searching on luxury/premium brands/domains, while premium online purchasers clicked on paid listings 32 percent of the time when searching on luxury/premium brands/domains. When compared to the general Internet population this is particularly interesting, as they clicked on paid search ads 25 percent of the time for luxury/premium.

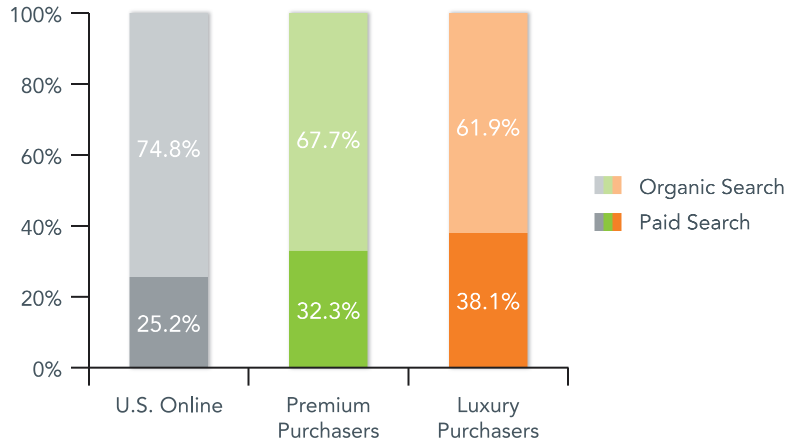


Figure 13: Paid and organic click preference by luxury and premium consumers compared to total U.S. population

Key Takeaway

For luxury and premium marketers, focusing on both paid search and natural search are non-negotiable components of marketing strategies.

Recommendations

When compared to the general Internet population, we found the luxury and premium online consumer groups double and triple their amount of search volume respectively and are much more likely to click on sponsored search listings. Knowing this, there are a few things we can do as marketers to take advantage of these habits.

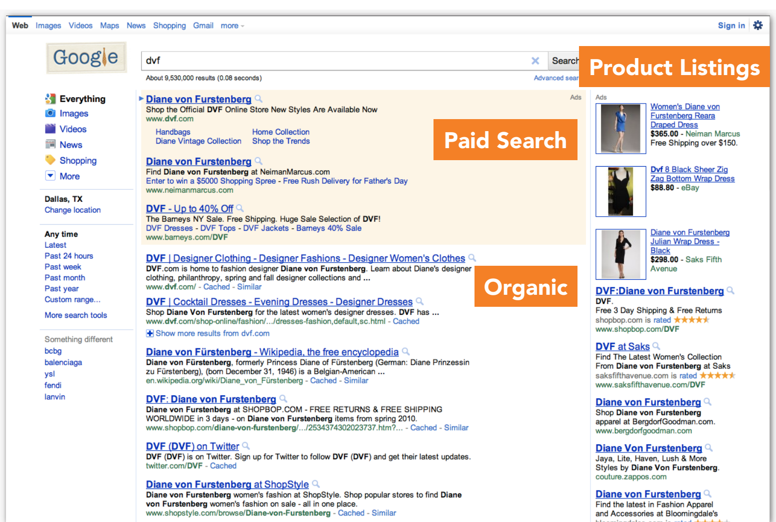
Build robust, granular paid search and organic campaigns

- **Start with your set up.** Granular campaign and ad group set up allows for more accurate budgeting, ad copy, and overall optimizations.
- **A strong organic presence,** to couple your paid search listings can maximize your search engine result pages (SERP). This will not only allow for the best customer experience, but also allows for maximized search real estate.
- **Ensure that you have coverage on all types of keywords:** head, torso, and long-tail terms. This will allow you to cover the higher volume terms (head and torso) but also give coverage on the longer, more product specific keywords to cover all levels of your consumer's research/consideration cycle.
- **Finally, take advantage of emerging search enhancements.** Site links, product listings, and ratings are all emerging examples of changes to the search landscape. These not only offer a better search experience, but can also lead to strong search returns.

Data is at the heart of all good media campaigns

Here are some key examples to ensure you're using the right data.

- **Proper data collection and analysis.** This is perhaps the easiest way to immediately improve your digital marketing campaigns. Take the methodology and findings of this study for example. If you were to apply these to your brand, what would you find? Digital media gives us the opportunity to evaluate our campaigns far better than any other medium. Yet so many brands, luxury and non-luxury, go light when it comes to collecting campaign data and properly analyzing it.



- **Utilize intelligent ad serving and tracking technologies.** Digital marketers have the ability to not only collect metrics like impressions, clicks, and sales, but also see email sign ups, new vs. repeat customers, and the way a customer interacts with our marketing before purchasing.

Develop well-defined, separate strategies with different measurement goals

For example, two common search goals incorporate a revenue/ROI driver, and one that drives new customers and builds your entire business.

- **Revenue/ ROI:** Take advantage of the premium and luxury consumers' propensity to search and click on paid ads. Ensure your campaigns are set up granularly enough to budget properly as search trends are changing. Make sure your ad groups are set up in a way that allow you to write very product specific messaging, to enhance overall search experience.
- **New Customer Growth:** A non-brand presence should be an initial and ongoing part of your search strategy. This will enable brands to reach potential new customers who are in the market for your product, but may not be familiar with your brand yet. However, keep a strong brand presence during this time as we've seen purchasers search for branded terms after clicking on non-branded ads.

» CONCLUSION

The findings of this study show that luxury and premium consumers parallel each other in demographics; they are 35+ in age, with the majority of consumers being female, however males 55 – 64 in age show promise when compared to the general Internet population. Furthermore, both luxury and premium consumers have an average household income of $75K+.

The two sectors also parallel in online interests. Luxury and premium shoppers have a high interest and engagement in sites related to travel, real estate, advertising networks, as well as auction-based sites like eBay. Establishing a presence for your brand along these avenues will expand reach beyond your current customer base and capture new consumers.

After analyzing search behavior for online luxury and premium consumers, the iProspect Luxe Group found that both sectors, although at varying levels, are searching online, searching frequently, and clicking on many different search sources. Search behavior tells us that theoretically, as the price point goes up, so does the consideration cycle for consumers. Despite having the means to make an instantaneous luxury purchase, the luxury consumer is considering longer than with lower price point purchases.

Another key finding is luxury and premium purchasers click on sponsored paid search listings more when compared to the general Internet population, further proving that both paid search and natural search are non-negotiable components of marketing strategies.

Lastly, the most valuable asset of a luxury brand is the brand itself – and all marketing needs to be brand-driven at its core. By running smart, targeted campaigns that actually speak to the needs and desires of our customers, the fundamentals of the brand will only continue to be reinforced. Looking at brand opportunities strategically and in sequence ensure that you make smart opportunities that properly support your brand. By utilizing and recognizing the correct kind of data that will be most beneficial for your brand to measure, you are able to make a true assessment on the vital aspects of your brand.

Now, through your elevated understanding of the luxury and premium consumers and what their search and online interests portray, you have the tools necessary for digital marketing success crafted custom for your luxury or premium brand.

APPENDIX

BEHAVIOR ANALYSIS

- **Demographics:** Demographic data was pulled for December 2010 and February 2011, and includes the unique visitor breakouts for the following demographic categories: age, gender, household income, U.S. region, children, household size, race and ethnicity/language. This data helps provides a profile of the purchasing audience.

- **Search:** Search engine behaviors, or audience search habits, help view the research patterns, frequency, and preferences of the target groups. Cumulative search metrics for this study were reported for the six-month data period (October 2010 – March 2011) from Google, Yahoo!, MSN, Bing, Ask.com and AOL and included details on unique visitors, total searches, total unique searches, percent searching, average searches / searcher, total unique visitors exposed to sponsored link, total paid clicks, total organic clicks and top 20 search terms (exact match) for total Internet population, luxury purchasers and premium purchasers.

- **Cognographics:** Also defined as online interests or visitation behaviors, cognographic data helps understand the personalities and interests of target groups by detailing the groups of websites visited online. Average online visitation metrics were reported for the six-month data period (October 2010 – March 2011) and included categories, websites, and type of website. Metric data included reach, average reach index, average minutes / unique visitor index, average pages / unique visitor index, average daily visits / unique visitor index for total Internet population, luxury purchasers and premium purchasers.

- **Reach:** Defined as the percent of unique visitors in the target group visiting the specific media entity (the total universe accounted for by the visitors of a target group).

  - Average Reach Index vs. Total Internet: To aid in the interpretation of the data; the index was created to easily compare groups, such as the luxury online purchaser group and the overall total U.S. online population.
  - For example, when comparing the "reach" of the various website categories, indices of 120 or greater are considered high, and indicate a stronger than average orientation or "liking" for that particular category for luxury online purchasers when compared to the total U.S. online population. Indices of 80 and below indicate that the reach of that particular category is notably lower for luxury online purchasers when compared to the total U.S. online population.
  - Calculation is average reach in target group divided by average. Reach in total Internet *100.

ONLINE INTERESTS

Below is a list of online interest categories and sub-categories listed in top reach and reach index charts.

- **Auctions:** Sites that allow users to bid on a multitude of items. Example: Ebay.com, Bidz.com, Ubid.com

- **Automotive**: Automotive sites and buying guides, automotive publications, automotive news and information, and racing sites. Example: BMW.com, KBB.com

- **Banking**: Banks and online banking. Example: Chase.com, BankofAmerica.com, WellsFargo.com
- **Business/Finance Sites**: Sites that focus on stock market news, research, stock quotes, online trading, insurance, personal finance, investments, investment and finance magazines, retirement planning, estate planning, economics. Example: ChaseProperty.com
- **Business-to-Business:** Sites that focus on business-to-business commerce rather than business-to-consumer. Example: Business.com, Yahoo! Small Business
- **Career Services and Development:** Sites that provide information and services related to finding a job or changing jobs, developing or advancing one's career. Includes: job search, career and salary advice, relocation services, and career-related training and education. Example: Monster.com, Indeed.com
- **Community**: Sites that have content that is geared toward a particular group of people with common/similar hobbies or interests. Example: iVillage.com, FoodNetwork.com
- **Conversational Media:** Social media sites where the creation and consumption of content is user generated. Example: Blogger.com, Myspace.com
- **Directories/Resources**: Sites that provide directories, references, maps, classifieds, shipping/postal tracking, yellow & white pages, e-mail and web directories, dictionaries, encyclopedias and almanacs. Example: Mapquest.com
- **Education**: Sites that offer courses, curriculum, tutorials and sites that end with .edu. Example: UTexas.edu, Scholastic.com
- **Entertainment**: Sites that contain information related to TV, Movies, Music and Music Players. Example: UGO.com
- **Family & Parenting**: Sites that focus/contain information, products and/or services on parenting, ancestry or family history. Example: Momlogic.com, Ancestry Sites, Babyzone.com
- **Food**: Sites that provide restaurant reviews, recipes, cooking tips and meal plans. Example: Epicurious.com, AllRecipes.com
- **Gambling**: Sites where users can participate in virtual casinos and online gambling and get information on lottery drawings. Example: Bodog.com
- **Government**: All sites that contain information on voting, the election and sites ending with .gov. Example: FBI.gov, State.tx.us, Army.mil
- **Health**: Sites containing diet information, exercise programs, health and fitness, diseases and medical journals. Example: Qualityhealth.com, Livestrong.com
- **Healthcare**: Sites where users can purchase vitamins, herbal remedies, diet aids and cosmetics. Example: Riteaid.com, Vitaminshoppe.com
- **Hotels/Resorts**: Sites that contain information and/or transaction capabilities for resorts and hotels. This sub-category also includes casinos that allow consumers to find information or book transactions at their hotels. Example: Starwood Sites, Marriott, Hotels.com

- **Information**: Sites that provide information on hotel reservations, air travel reservations, maps, discount travel options/packages. These sites do not support transactions. Example: Yahoo! Travel, TripAdvisor.com
- **Multimedia**: Sites that contain video clips, audio clips or some other kind of interactive media such as shockwave/ flash etc. Example: Youtube.com, WindowsMedia, Veoh.com
- **News/Information**: Sites that provide news and information regarding domestic and international issues. This category also contains sites with articles and periodicals on current events and weather. Example: New York Times Digital, About.com
- **Online Travel Agents**: Sites that allow users to get information and/or book transactions related to a variety of travel services. Example: Expedia Inc, Travelocity, Hotwire
- **Promotional Servers**: Advertising networks or sites that sell e-mail lists, opt-in e-mail providers, image servers and promotional links. Example: QuestionMarket.com, TribalFusion.com
- **Real Estate**: Sites that provide information on real estate listings, apartments/homes, commercial property, real estate agents and moving guides for local areas. Example: ForSaleByOwner.com, Homegain.com
- **Reference**: Sites that provide online dictionaries, almanacs, thesauruses and encyclopedias. Example: Encyclopedia Britannica, Yahoo! Answers
- **Regional/Local**: Sites that contain local content, city guides and restaurant guides. Example: Citysearch.com, Zagats.com, Yelp.com
- **Retail**: E-commerce and online transaction sites that include manufacturers and retailers. Example: Gap.com, BassPro.com
- **Shipping**: Sites that allow users to schedule pick-ups, track packages and find out shipping rates. Example: UPS Sites, FedEx
- **Sports**: Sites that offer fantasy leagues, scoreboards, sporting news, sports magazines and other sport-related sites. Example: ESPN, NFL Internet Group, SI.com
- **Technology**: Sites that offer technology news, reviews, information and/or services on general electronic gadgetry, hardware and software. Example: Mozilla.org, McAfee.com Sites
- **Telecommunications**: Sites of companies that provide voice, data, and video communications services to the consumer market. Example: Sprint Nextel Corporation, AT&T Properties
- **Travel**: Sites that function as online travel agencies, travel service providers (e.g., airlines, hotels, car rental agencies), discount travel sites, and travel information resources. Example: Expedia Inc, Yahoo! Travel, Hertz, Hampton Inn, United Airlines

BRAND/DOMAIN LISTS

Appendix A	
Luxury Domains	Premium Domains
bloomingdales.com	americanexpress-travel.com
bluefly.com	anntaylor.com
bose.com	anntaylorloft.com
neimanmarcus.com	apple.com
ritzcarlton.com	barnesandnoble.com
saksfifthavenue.com	bathandbodyworks.com
starwoodhotels.com	canon.com
tiffany.com	chicos.com
	childrensplace.com
	coach.com
	crateandbarrel.com
	dillards.com
	fingerhut.com
	golfsmith.com
	gymboree.com
	hallmark.com
	jcrew.com
	lancome-usa.com
	limited.com
	lordandtaylor.com
	macys.com
	nordstrom.com
	origins.com
	pbteen.com
	potterybarn.com
	potterybarnkids.com
	ralphlauren.com
	sephora.com
	talbots.com
	williams-sonoma.com

Appendix A includes all website purchases tracked

Appendix B				
Luxury Products			Premium Products	
ACQUA DI PARMA	ESTEE LAUDER	MULBERRY	AK ANNE KLEIN	MAC
ALEXANDER MCQUEEN	ETRO	NARS	ANN TAYLOR	ORIGINS
BALENCIAGA	FACONNABLE	NIEMAN MARCUS	ANNE KLEIN	SMASHBOX
BALLY	FENDI	NET-A-PORTER.COM	AVEDA	LUCKY
BARNEYS NEW YORK	FRENCH CONNECTION	OMEGA	BCBG	PERRY ELLIS
BARNEYS	GIORGIO ARMANI	PATEK PHILIPPE	BEBE	ROCAWEAR
BAUME & MERCIER	GIVENCHY	PIAGET	BEN SHERMAN	SEIKO
BERGDORF GOODMAN	GUCCI	PIAZZA SEMPIONE	BETSEY JOHNSON	TIMES
BOBBI BROWN	GUERLAIN	PRADA	BURTS BEES	TISSOT
BREITLING	HENRI BENDEL	RAYMOND WEIL	CITIZEN	TOMMY HILFIGER
BRIONI	HERMES	ROBERTO CAVALLI	CLINIQUE	WHITE HOUSE BLACK MARKET
BULGARI	JIMMY CHOO	ROGER VIVIER	COACH	WITTNAUR
BULOVA	JOHN HARDY	ROLEX	COLE HAAN	
BURBERRY	JOHN LOBB	SAKS FIFTH AVENUE	COLUMBIA	
CARTIER	JOHN VARVATOS	SALVATORE FERRAGAMO	COVER GIRL	
CHANEL	KATE SPADE	SHISEIDO	DIESEL	
CHLOE	KIEHL'S	STELLA MCCARTNEY	DKNY	
CHOPARD	L'OCCITANE	TAG HEUER	DOCKERS	
CHRISTIAN LOUBOUTIN	LA MER	THE ART OF SHAVING	DOONEY & BOURKE	
CLARINS	LACOSTE	VALENTINO	ECCO	
D&G	LANCOME	VAN CLEEF & ARPELS	EXPRESS	
DAVID YURMAN	LOUIS VUITTON	VERSACE	GUESS	
DIOR	MALIN + GOETZ	YSL	IZOD	
DOLCE GABBANA	MANOLO BLANIK	YVES SAINT LAURENT	JESSICA SIMPSON	
DONNA KARAN	MARK JACOBS	ZAC POSEN	JOHNSTON & MURPHY	
EBEL	MIKIMOTO		JONES NEW YORK	
EDWARD GREEN	MISSONI		JUICY COUTURE	
ELIZABETH ARDEN	MOLTON BROWN		KENNETH COLE	
ERMENEGILDO ZEGNA	MONT BLANC		L'OREAL	
ESCADA	MOSCHINO		LANDS END	

Appendix B includes all brand purchases tracked

ABOUT COMSCORE

comScore, Inc. (NASDAQ: SCOR) is a global leader in measuring the digital world and preferred source of digital marketing intelligence. comScore helps its clients better understand, leverage and profit from the rapidly evolving digital marketing landscape by providing solutions in the measurement and evaluation of online audiences, advertising effectiveness, social media, search, video, mobile, e-commerce , and a broad variety of other emerging forms of digital behavior. For more information, please visit www.comScore.com.

ABOUT IPROSPECT

iProspect is a leading global digital performance agency. The company helps many of the world's most successful brands maximize their online marketing ROI through pay-per-click management, search engine optimization, performance display, comparison shopping management, local search, mobile, social media management, research, and other related services. The agency, which is part of Aegis Media, is proud to work with many of the world's most notable brands and represents more retail clients on the Internet Retailer Top 500 List than any other agency (3 consecutive years: 2009, 2010, 2011). iProspect has received numerous industry awards including: The 2010 ClickZ Connected Marketing Award for Best Use of Search Engine Marketing; The 2009 Search Engine Strategies Award for Best Social Media Marketing Campaign; The 2009 Search Engine Strategies Award for Best Use of Local Search.

With offices in Boston, New York, Chicago, San Francisco, Dallas-Fort Worth, and around the globe, iProspect can be contacted at 1-800-522-1152, or by visiting www.iprospect.com.

Questions regarding this study should be directed to iProspect PR & Communications Manager, Jordan Arnt, at 817.665.1570 or Jordan.Arnt@iProspect.com.

The iProspect Luxe Group, a specialty group of online marketers and online luxury retailing experts, includes Nick Drabicky, Vic Drabicky, Rachel Lewis, Tara Mohtadi, Natalie Ney, and Andrea Wilson. To speak with someone about your luxury retail needs, please email the iProspect Luxe Group at luxegroup@iprospect.com.

ABOUT IPROSPECT'S RESEARCH

iProspect has a long legacy of research and thought leadership in the digital marketing industry. Findings from iProspect research are regularly used to enhance our service offerings and to educate clients on digital marketing best practices and industry trends. iProspect studies are frequently quoted by speakers at marketing industry events, and by both business and trade press:

Proper attribution requires that any references to the study be clearly identified as coming from "The Luxury and Premium Online Consumer: Turning Online Behaviors into Actionable Digital Strategies."

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