VISIBILITY

Case Study

The Luxury Institute

2007 - 2008

The Knowledge of Luxury
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New York
www.LuxuryInstitute.com

Milton Pedraza, CEO

Assignment

Develop leadership position for
one-year-old research / consulting company

Accomplishments:

Obtained consistent high-level and targeted media exposure to the luxury marketplace

Len Stein – President

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January 11, 2007

FASHION JOURNAL

Celebrity Watch: Are You a Brad or a James?

By CHRISTINA BINKLEY
January 11, 2007; Page D1

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In the books, you know, Bond was a Rolex man.

Rolex brought testosterone to the wristwatch: Shake it, stir it -- a Rolex will get you to the train on time. James Bond's was a Submariner, waterproof to 1,000 feet and priced these days at around $5,175.

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Splash/NewsCom

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I arrived on Rodeo Drive armed with almost no horologic knowledge, but loaded with star endorsements. Bond. Or is my man a Brad Pitt type? Then it's TAG Heuer for him. Tennis ace Roger Federer has endorsed Rolex and Maurice Lacroix. Even Gary Sinise got an endorsement deal, for Baume & Mercier.

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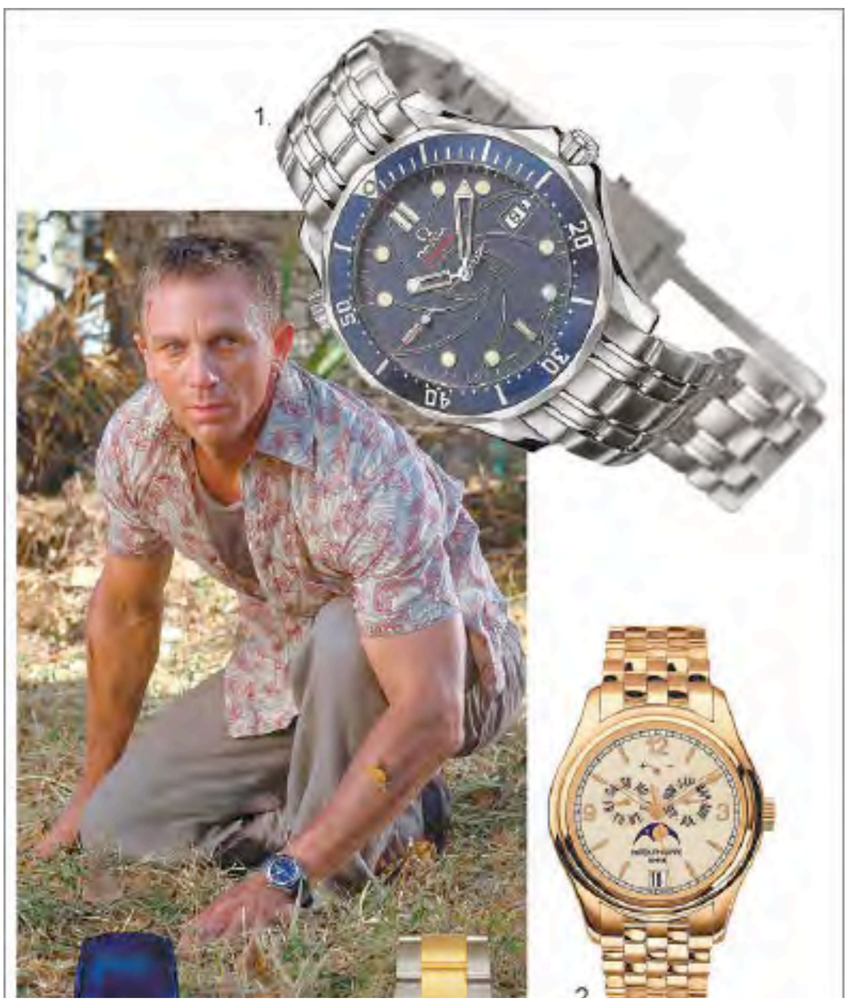
Ironically, big luxury fashion brands have so overused celebrities in their advertising -- Louis Vuitton and Uma, Versace and Demi, Chanel and Nicole -- that a certain celebrity backlash has developed. Fashion's big guns have gone back to using models in their ads. Now, the watch industry is picking up the slack.

"Advertising for watches is still somewhat neophyte....The fashion industry is way ahead," says Joseph Panetta, a spokesman for **Swatch Group** Ltd. brands including Breguet, which began making watches before the French Revolution.

Watch brands need to differentiate themselves. Rolex is the only high-end brand that has risen above the fray. Wealthy people say they are more likely to buy a Rolex than any other brand for their next watch, according to a report soon to be published by the Luxury Institute research group in New York. The brand is far more recognizable (84% knew it) than Bulgari (39%) and even Cartier (63%), although rivals outranked Rolex for perceived quality and exclusivity.

Unfortunately, I can find no rhyme to the reason why Rado picked Nobu Matsuhisa, the sushi chef, to represent its watches, while Longines chose both Harry Connick Jr. and the Chinese men's gymnastics team. So on Rodeo Drive, I muster the courage to ask questions.

It might surprise you, as it did me, that so many men enjoy manual labor these days. Battery-driven quartz watches nearly killed the Swiss industry in the 1980s, but now sales of mechanical Swiss watches have surged, particularly in the tech-crazed U.S. America buys more Swiss watches than any other country -- although Hong Kong is in hot pursuit. World-wide, Swiss watch exports rose 13% to 1.52 billion Swiss francs last year, according to data from the Federation of the Swiss Watch Industry FH. More than a quarter of that growth was for watches worth more than $5,000, according to Swiss watch giant Swatch Group, which owns 15 brands including Longines and Omega.



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Daniel Craig, the new James Bond, forgoes a Rolex for an Omega (top left); 1. Omega Seamaster (top right); 2. Patek Philippe (middle right); 3. Rolex Oyster Perpetual Datejust (bottom right); 4. Breguet Classique Grande Complication (bottom left)

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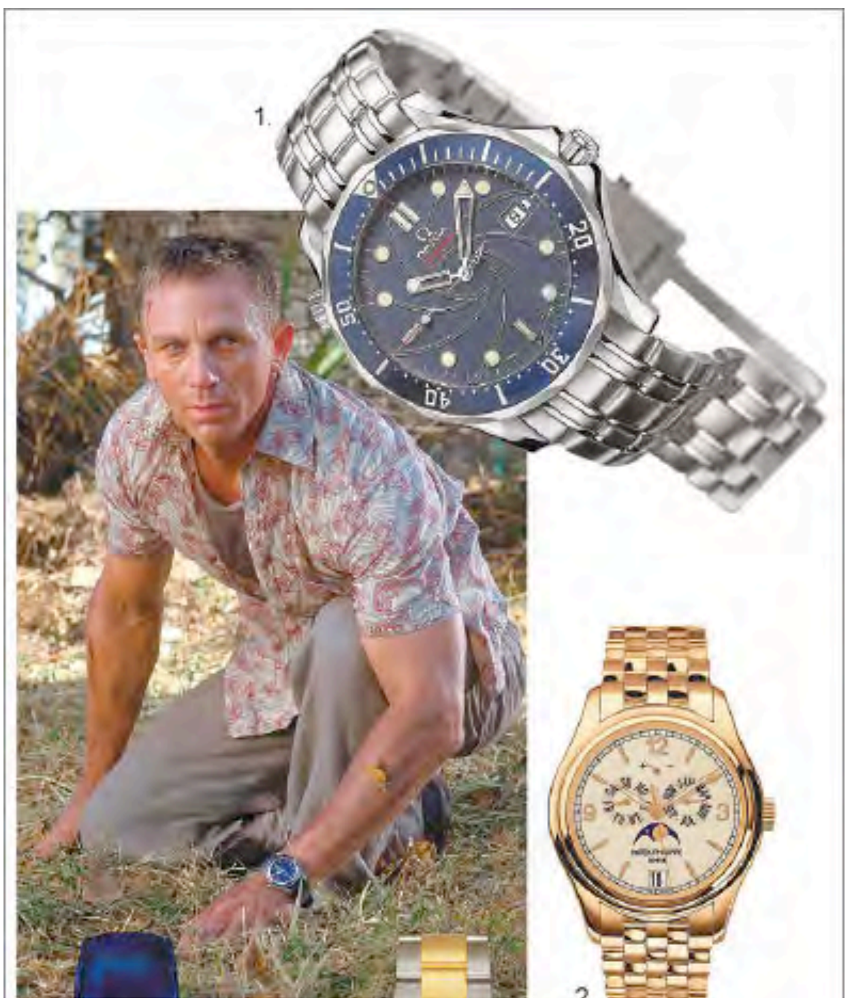

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January 11, 2007

Lincoln Launches New Ad Strategy: Hip-Hop Is Out, 'Likable Luxury' Is In

By GINA CHON and TERI AGINS
January 11, 2007; Page B1

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Many marketers rely on hip-hop and bling to appeal to black consumers. **Ford Motor** Co.'s Lincoln luxury brand is taking a different approach.

Consider the new spokesperson for the MKX, Lincoln's first entry in the compact crossover wagon market pioneered by the Lexus RX 330. Lincoln has chosen Amsale Aberra, a 52-year-old couture wedding gown designer -- and a native of Ethiopia -- for a commercial to introduce the model.

Ms. Aberra has a celebrity following among actresses such as Halle Berry, Julia Roberts and Salma Hayek. Amsale -- pronounced Ahm-SAH-leh -- is Ms. Aberra's New York-based wedding- and evening-dress house, which claims annual sales of about $30 million. The Amsale label is in the same league as Vera Wang, another high-end wedding-gown brand. Lincoln also hopes Ms. Aberra and her story will appeal to whites and other ethnicities.

Ad for the Lincoln MKX with fashion designer Amsale Aberra.

"She embodies the American dream that crosses cultural and racial barriers as very all-American, and we want to celebrate that," said Marc Perry, the multicultural-marketing manager for Ford Lincoln Mercury. Uniworld Group, the New York agency specialized in advertising to African Americans, brought Ms. Aberra to Lincoln.

Since the late 1990s, Lincoln has struggled to find a consistent new look for its vehicles and a powerful new advertising hook. Now, Lincoln executives say they see an opportunity in carving out a position as an approachable and casual luxury brand. This is in contrast to **DaimlerChrysler** AG's Mercedes-Benz, which Lincoln labels as "Old World" luxury, and **General Motors** Corp.'s Cadillac brand, which Lincoln calls "Money-is-Everything" luxury. Lincoln wants to be the universally likable luxury brand -- the Oprah Winfrey or Ralph Lauren of the automotive world, brand executives say.

"We have a different set of values," says Lincoln Marketing Manager Mike Richards about other auto makers. "Our customers are not concerned about shouting about their success. Lincoln is not arrogant or boastful."

Lincoln executives say the company wanted to get away from the hip-hop image in order to broaden its appeal. In addition, the company is seeking to distinguish itself from other auto makers that rely on hip-hop in their marketing.

In recent years, when auto companies have sought to make their products cool, they have turned to hip-hop stars. Chrysler, for example, had Snoop Dogg, and before that it dropped singer Celine Dion in favor of hip-hop star Missy Elliott.

VIDEO REPORT

[1]• **Watch the Lincoln commercial featuring Ms. Aberra.**[2]

Lincoln hooked up with hip-hop star Kanye West, who featured two Lincoln vehicles in his music video, "Drive Slow," and the company hosted his Grammy party last year. But Lincoln says its relationship with Mr. West has ended, and it is now focused on its partnership with Ms. Aberra and other initiatives to make Lincoln an "approachable" brand.

Initially, the commercials featuring Ms. Aberra were slated for the minority media and certain urban markets. But Lincoln later decided to include the Amsale ads in Lincoln's general market ads, shown on prime-time television. Next year Lincoln says Ms. Aberra will participate in other promotional efforts for the new Lincoln. "This is an important product line for us to get young people to consider Lincoln. Amsale represents an agent of change," Mr. Perry says.

Lincoln's new ads also feature Scott Tucker, a black furniture designer, in a Lincoln Navigator ad. It's part of Lincoln's overall "Reach Higher" campaign.

Lincoln's shift comes as rival Cadillac, having capitalized on rappers and athletes to promote its flashy Escalade SUV, now also is trying to broaden its appeal to those who may be turned off by hip-hop. At a Power Point presentation for the media last year, Cadillac showed crooner Frank Sinatra and hip-hop star 50 Cent as the two extremes of its image. Cadillac is seeking a more middle ground. A recent commercial for the Escalade featured New York Giants running back Tiki Barber.

Lincoln was the best-selling luxury brand in America in 1998, with hits like the Navigator, which started the luxury SUV craze, and the venerable Town Car, the limousine of choice in New York and other large cities.

But Ford allowed the Lincoln lineup to get rusty as it invested instead in its Premier Automotive Group of European luxury brands, including Volvo, Land Rover, Jaguar and Aston Martin. While Lincoln's competitors, notably Cadillac, came up with refreshed models and new segment entries, Lincoln lost ground. In 2005, Lincoln sales fell 11%, putting Lincoln in 8th place among major luxury-car brands in the U.S. Last year, Lincoln sales fell 2.2%

Lincoln's new strategy could backfire, because many luxury-vehicle buyers purchase a vehicle precisely because they want to flaunt their success. In a recent Luxury Institute automotive brand survey, Lincoln was at the bottom of the list of luxury cars when it came to brand status, quality, perception of exclusivity and social status. "The American consumer is looking for American luxury, so Lincoln does have a chance," Luxury Institute CEO Milton Pedraza said. "Still, Lincoln has a lot of work to do."

Lincoln is banking on four redesigned or new products that are hitting the market within a four-month period. First out is the MKZ, formerly known as the Zephyr, which went on sale in September.

Lincoln also just launched the MKX crossover wagon. The target customer for the MKX, which has a starting price of $34,795, is 60% female and the average age is 35 years old. That compares to the 69-year-old male buyer of a Town Car. Lincoln is hoping to sell 35,000 MKX's the first year the car is on the market, compared to the more than 108,000 RX Lexus models sold last year.

On Sunday, Lincoln unveiled the MKR concept sedan at the North American International Auto Show in Detroit. Ford says the vehicle reflects the future design direction of Lincoln, which includes a new double-wing, slanted grille and thin, horizontal tail lamps that Lincoln calls sophisticated and modern. In the past, the brand had been criticized for not having exciting designs.

In conjunction with the product launches, Lincoln will be spending more than it ever has on marketing, although it declined to give a budget figure.

"With the products we have now, I think customers will see us in a new light," said Al Giombetti, of Ford Lincoln Mercury marketing and sales.

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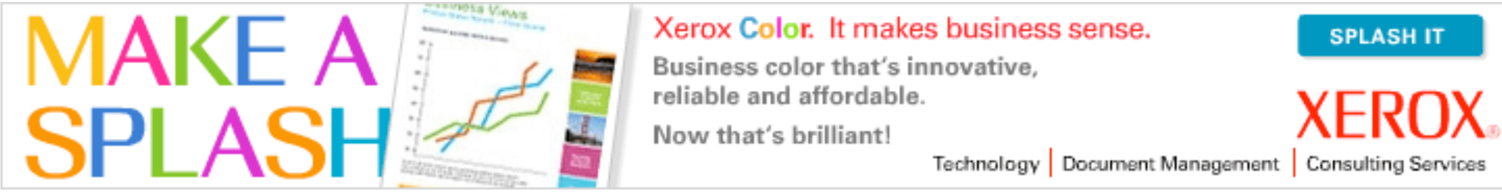

The McGraw-Hill Companies BusinessWeek.com

SMALL BIZ January 22, 2007, 12:35PM EST

Lending the Well-Heeled a Hand

Rather than try to break into the luxury-goods market, entrepreneurs are starting service boutiques that cater to the wealthy

by Jeffrey Gangemi

Before founding Aston Pearl, a small consulting company whose services range from finding the perfect sculpture for a private art collection to choosing the right summer camp for children, Natasha Pearl served as senior vice-president and worldwide director of relationship marketing at Sotheby's (BID), the renowned auction house. In her dealings with the rich and the richer, Pearl found a large number of clients looking for objective advice about everything from modern art to the next family yacht. So she founded her five-employee firm (Pearl declined to provide revenue numbers) in 2001 to address their needs. "Coming out of Sotheby's, I was seeing a lot of sophisticated, wealthy art collectors who wanted objective expertise. The resources available tended to be salespeople or brokers, who are paid on a commission basis, rather than people who are advocates," she says.

Aston Pearl has between 15 and 20 clients at any one time, provides 260 different services, and counts exactly four of the 400 richest people in the world as its clients. Pearl says the luxury services market is huge, but "your business has to be very targeted and focused, and you have to really understand the market. A lot of people think this is like shooting fish in the barrel, and it isn't. These people have extraordinarily complex lives and face so many more choices, because they're less limited by financial constraints" she says.

And their numbers are growing. In 2005, 8.7 million people globally held more than $1 million in financial assets—an increase of 6.5% over 2004, according to the Cap Gemini/Merrill Lynch World Wealth Report. Overall, the wealth of high-net-worth individuals grew at an annual rate of 8%, expanding to $33.3 trillion in 2005 from $16.6 trillion in 1996, according to the report

SEEKING LEGITIMACY FROM BRANDS

"There is unprecedented wealth in the world, and people are more willing to spend it," says Reinier Evers, founder of trend-spotting Web sites trendwatching.com and springwise.com (see BusinessWeek.com, 1/9/07, "Smart Startup Ideas for 07").

Still, new small businesses have a hard time breaking into the luxury goods market, because newly wealthy people want to buy the established and well-known brands, says Milton Pedraza, chief executive of Luxury Institute, a ratings and research firm for the wealthy. "Once you make it, you want to be legitimized by goods already recognized as luxury," he says.

There are few exceptions to that rule, but that doesn't mean luxury and small business can't mix, Pedraza says. Like Natasha Pearl, entrepreneurs are targeting luxury services sectors instead of luxury goods. "Small players can enter luxury services. They can compete better with large firms, because they're neurosurgeons in what they do," says Pedraza, meaning the smaller firms are better at targeting niches.

RELATIONSHIPS ARE KEY

While Aston Pearl specializes in offering advice for superluxe leisure goods and activities, Baltimore-based PinnacleCare is a firm that helps wealthy individuals find top medical care. Its founder and CEO, John Hutchins had worked at Johns Hopkins and Cleveland Clinic hospitals, pioneering "international VIP advocacy" for overseas patients. He could treat a patient like a VIP at his hospital, but he was tired of not being able to recommend the best possible doctors outside of his own hospital, especially to those from abroad without knowledge of how to navigate the U.S. health care system. So he formed his own company that works to give objective advice to the customer.

There are small service businesses that perform tasks such as gift-buying, event planning, even "wardrobe acquisition." Raven Kauffman, who specializes in performing such activities as part of her Los Angeles-based three-employee company, Raven Kauffman & Associates, says such acquisitions are more than just a trip to the department store. "It goes way beyond personal shopping—just going to Barneys and buying something. I have close relationships with designers all over the world, and I often acquire one-of-a-kind pieces for my clients," says Kauffman. Her company has yearly revenues between $10 million to $15 million, serving only five or six clients a year.

Another example is car detailing. Hassan Iddrissu, co-founder of ultra-high-end Roadstarr Motorsport, with around $6 million in 2006 sales and locations in Los Angeles and Ukraine, specializes in helping high-rollers trick out their luxury rides (see BusinessWeek.com, 1/4/07, "Hip-Hop Entrepreneurs"). With two more locations on the horizon, and celebrity clients such as Michael Jackson and Shaquille O'Neal, Roadstarr's business is definitely speeding up.

The firm's experience is instructive for entrepreneurs looking for luxury: If you can't manufacture it yourself, then you can probably make a good living servicing it for someone else.

Check out our slideshow for profiles on 10 small companies providing luxury services to the wealthy.

Gangemi is a reporter for BusinessWeek.com in New York.

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Published: Wednesday, February 28, 2007

Even the Rich Buy Affordability

By Valerie Seckler

It's an American band. A trio of America's high-end fashion players scored most of the luxury fashion purchases made by the country's wealthy denizens in 2006: Polo Ralph Lauren, Calvin Klein and Coach, a new survey found.

The common thread tying purchasers to each of those brands was the quality of the products, as 1,650 people with annual household income of at least $150,000 weighed in with the Luxury Institute last month to assess 19 upscale brands, part of the institute's yearly fashion appraisal.

Their favorites also are among the most affordable upscale names and topped the list even as a growing number of high-end marketers have introduced super-premium products, from vodka to denim.

"It's no longer a big deal to have assets of $1 million," observed Tom Julian, senior vice president, strategic director of trends at McCann Erickson North America. "Such people now have [ready] access to brands like a Ralph, a Calvin or a Coach."

With such designer labels accessible to significantly more people than they were 20 years ago, super-premium products, Julian said, "must be a defining new world to reach a more discerning affluent."

Style, not surprisingly, also figured in a big way among those who bought two of the three leading brands, Polo Ralph Lauren (most commonly appreciated for a sensibility they described as "classic") and Coach ("classic," "timeless"). Those brands were prized for the longevity of their goods, as well.

Attributes valued highly among Calvin Klein devotees, in addition to quality, included the way the clothes fit and the aura of the brand name.

The people participating in the Luxury Institute study represented the wealthiest 6 percent of the country's 111 million households.

A number of them cited their affection for Lauren's Polo horseman logo, including one who said, "I like it so much I named my child after it." Klein's eclectic appeal ran from someone drawn to the designer name's "fame" to a person pleased by the offer of "many choices in petite sizes." Coach products made one individual "feel like I have money," and prompted another to say, "My dogs look great in their collars."

While acknowledging Lauren's Purple and Black labels, Klein's Collection and Coach's bid to expand its higher-priced Legacy line, Milton Pedraza, chief executive officer of the Luxury Institute, said of the poll toppers: "Clearly they're more upscale than [they are] luxury brands. They're more affordable brands and even the wealthy consume them.

"Wealthy consumers are primarily self-made, have middle-class values and buy a wide spectrum of brands," Pedraza offered.

TheWWDList

The Finest Jewels

The top 12 most familiar jewelry brands ranked by luxury consumers.

The red carpet is intended to boost a luxury brand's image, but there are other ways to raise a profile, including store and brand expansion, compelling marketing and adorning models with collection pieces. So which jewelry brands rank highest when it comes to luxury consumer awareness? In January, the New York-based Luxury Institute released a study on which luxury jewelry brands were most familiar. The institute surveyed more than 500 respondents, ages 30 and above, with a household net worth of $5 million or higher. Below, the top 12 brands and what wealthy consumers think of them.

— Cecily Hall, with contributions from Sophia Chabbott

1

TIFFANY

Luxury consumers who are familiar with this brand: 80.2 percent

"It's amazing how resilient this brand is," said Milton Pedraza, chief executive officer of the Luxury Institute. "Tiffany delivers great value to wealthy consumers, and it consistently ranks highly in terms of uniqueness and exclusivity, even though it's considered more of a ubiquitous brand." The latest news for Tiffany & Co.: a new store opening on Wall Street in the fall. Speaking of Wall Street, the stock is up 12 percent in the last year. Michael J. Kowalski, chairman and ceo, said of the holiday period, "We saw healthy sales increases in categories ranging from diamonds to silver jewelry."

2

CARTIER

77 percent

At the Golden Globe Awards in January, Sienna Miller wore diamond chandelier earrings from Cartier. Cameron Diaz was adorned in more than $150,000 worth of rings alone at the People's Choice Awards last month, according to people.com: five large cocktail rings, along with two bracelets (valued at close to $80,000), which works out to an estimated total of $230,000 in Cartier diamonds. The Paris-based jeweler recently reopened its store in Short Hills mall in New Jersey, an event that was quite the to-do when Mandy Moore stopped by to cohost the holiday celebration.

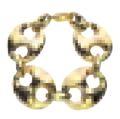
3

DE BEERS

60.5 percent

Famous for the slogan, "A Diamond Is Forever," De Beers, the world's preeminent diamond-mining company, was established in 1888. The company, now as a brand, has picked up some impressive endorsements on the red carpet, including one from Scarlett Johansson. The actress wore a 30-carat diamond cluster necklace to the Oscars in 2004. Joely Richardson also appeared in De Beers diamonds for the 2003 BAFTA Awards in London. One study respondent noted, "De Beers has the best quality and is consistent and knowledgeable with its diamonds."

4



GUCCI

59.1 percent

It's likely that most memorable Gucci moments on the red carpet have included shoes or apparel, because the luxury brand just launched its fine jewelry collection last year. "This is a halo effect we see with Gucci," Pedraza said. "This is such a luxurious and trusted brand, so when it expands into areas such as fine jewelry, it will still maintain that high-end cachet, and awareness will continue to increase." Some of the latest pieces in its collection include the 18-karat white gold Horsebit ring and the sterling silver Cord bracelet with oval chain detail.

5

BULGARI

51.7 percent

In April, Bulgari will unveil a refurbished flagship in New York. The new design will place all women's jewelry and watches on the ground floor. The company has recorded impressive sales gains, as well: WWD reported in November that Bulgari's third-quarter revenue from jewelry rose 7.7 percent to 92.5 million euros, or $118.4 million. The red carpet has witnessed Bulgari on Hollywood stars such as Keira Knightley, who wore a Bulgari necklace to the 2006 Oscars, and Chloë Sevigny and Jennifer Garner, who both appeared in Bulgari jewels at the 2007 Golden Globes.

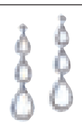
6

VAN CLEEF & ARPELS

50.1 percent

This brand celebrated its 100th anniversary last year with a soiree in Paris at the famed Tuileries Gardens. The jewelry house also commissioned Randall A. Ridless to redesign its landmark boutique on Fifth Avenue. More recently, the brand has been spotted at awards ceremonies, such as the Golden Globes last month, when Reese Witherspoon appeared in Van Cleef & Arpels' diamond bracelet and earrings, as did Maggie Gyllenhaal, who dazzled in a collection of bracelets, along with the house's 1923 Pampilles earrings with sapphires and baguette-cut diamonds.

7



HARRY WINSTON

48.3 percent

It's the end of an era for this Fifth Avenue jeweler. WWD reported in September that Aber Diamond Corp., a Canadian diamond mining company, has acquired the jeweler's remaining minority interest for $157 million. "For the first time in 74 years, there will not be a Winston family member at the helm of the company that has a legacy of creating some of the most expensive diamond jewelry in the world," WWD said. The brand has been a red-carpet staple for stars such as Gwyneth Paltrow and Jennifer Garner, but is facing strong competition from others in the top 12.

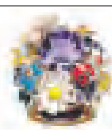
8

CHANEL

47.3 percent

Chanel's fine jewelry features the Coco collection — inspired by Venetian and Byzantine gilding and stonemasonry — and Privee, which is entirely dedicated to diamond pieces, among others. Red-carpet representatives for the French jeweler include Salma Hayek, who this year appeared at the Golden Globes adorned in a diamond right-hand ring and earrings from Chanel. Though Rinko Kikuchi of "Babel" showed up in a poufy Chanel dress that raised an eyebrow or two, her Chanel diamond ring was a stunner.

9

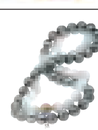


DIOR

47.1 percent

In October, Dior president Sidney Toledano told WWD in Moscow, "Luxury is really booming." He was referring to fur, diamond jewelry and high-end bag sales at Dior's latest high-profile flagship opening in Moscow. Regarding the flagship, WWD said, "Fine jewelry by Victoire de Castellane is in an adjacent room that reflects the whimsical interior of the Dior jewelry unit on Paris' Place Vendôme, with its pearl-gray walls, panther prints and baubles displayed on tiny chairs."

10



MIKIMOTO

44 percent

Known for its collection of quality cultured pearls, this brand was founded in 1893 by Kokichi Mikimoto, who is quoted on the company Web site as having said, "I would like to adorn the necks of all the women of the world with pearls." Many respondents noted satisfaction with the overall quality. A loyal consumer said, "These are timeless, classic products that are understatedly elegant and not flashy." Mikimoto's latest ad campaign, featuring model Mia Rosing, combines "glamorous tradition with a playful, sexy, art-deco appeal," according to its Web site.

11

PIAGET

42.6 percent

On the 2006 Emmy Awards red carpet, Eva Longoria was radiant in Piaget's Waterfall Motif earrings in white gold with 68 diamonds. She was also sporting Piaget's Cascade Manchette bracelet in white gold with 329 brilliant-cut diamonds. Standout items in its collection include the 18-karat white gold Possession ring, which is really two bands linked by 480 diamonds, and its heart-shaped bracelet in 18-karat white gold, consisting of 402 diamonds. The fine jewelry and watch brand is owned by Compagnie Financière Richemont SA.

12

DAVID YURMAN

36.3 percent

Busy, busy, busy. This describes the New York-based brand's schedule. With a new ceo, Paul Blum, David Yurman has made significant advances, including the move to higher-end jewelry and its first fragrance launch with Groupe Clarins. In January, the firm opened on Rodeo Drive with a 1,000-square-foot flagship. WWD reported that it features "Yurman's broadening collection, ranging from sterling silver signature pieces to platinum, to a diamond bridal collection to one-off pieces made from the designer's personal collection of vintage and rare gemstones."

SOURCE: LUXURY INSTITUTE LLC

Forbes AUTOS .com
LUXURY. PERFORMANCE. STYLE.

Published on 02/21/2007

Top 10 Luxury Car Companies with the Best Dealerships

By Bengt Halvorson
ForbesAutos.com

Kirk Sladen sent one of his car sales associates nearly 100 miles away just to help customers set up the garage-door opener in their new Lexus. It's a task that might have been just as easily accomplished over the phone, but personalized service such as this is "just the cost of doing business," says Sladen, general sales manager at Newport Lexus in Newport Beach, Calif.

The perks at some luxury car dealerships are beginning to resemble those of a social club or spa, as they struggle to boost business in an increasingly tough environment. “Some even have a putting green, cappuccino bar and nail salon,” says George Peterson, president of the automotive research and consulting firm AutoPacific. “A lot of it just has to do with ambiance.”

Slideshow:

Top 10 Luxury Car Dealerships

Jaguar ranks No. 1 for dealership experience.

view slideshow >

Peterson singles out Newport Lexus, which cost $73 million to build and opened last July, as an example of how dealerships can cater to an especially discriminating local clientele. Some are even offering perks miles away from the facility itself, like free VIP parking at sports stadiums and concert venues.

Sladen says that Newport Lexus has already poached customers from a nearby rival Mercedes-Benz dealership, Fletcher Jones Motorcars. They’re targeting people who had previously considered buying a Lexus but weren't willing to drive five traffic-clogged miles inland from their affluent strip of coastal Orange County to a fine, albeit less extravagant, dealership in nearby Tustin.

"This place is set up like a five-star hotel," says Matt Schaefer, Newport Lexus sales manager. "It has the look and feel of a Four Seasons, and not just in the showroom." Amenities at the dealership include a putting green, game room, multiple lounge areas with giant-screen TVs, wireless Internet throughout the facility, a workroom with desks and computers and refreshments courtesy of an on-premises Wolfgang Puck cafe. Plasma-screen monitors provide entertainment in restroom stalls, and there's also a Tommy Bahama boutique for some light shopping.

• Slideshow: Top 10 luxury car companies with the best dealerships

Marble floors, high ceilings, multiple fireplaces and music from a grand piano help set the ambiance, along with water walls at the entrance. More than 700 vehicles are displayed for sale at any given time. The sprawling, eight-acre complex bustles behind the scenes, as well, with more than 100 service bays and the capability to wash and detail up to 100 cars per hour.

Porsche is fifth on the list.

+ enlarge image | view slideshow >

Such five-star treatment at the dealership is becoming a more significant point of differentiation between non-luxury and luxury vehicles as lower-end models from mainstream companies like General Motors and Honda grow more sophisticated, luxurious and expensive, says Tom Gauer, senior director of automotive retail research for J.D. Power and Associates.

While hospitality perks and red-carpet treatment are helpful in keeping customers satisfied, the difference really comes down to the efforts made by the staff much more than the actual facilities, says Milton Pedraza, CEO of the Luxury Institute, a research firm that studies the luxury car market. “Simple qualities like honesty and trustworthiness go a long way,” he says.

The best luxury vehicle dealerships have a straightforward sales and service approach, with fewer of the possible antics reported in our Negotiating with Dealers feature. At luxury dealers, one person usually oversees the entire sales process, rather than passing off a buyer from one associate to another. In recent years, dealers of mainstream, non-luxury vehicles have started applying this technique, too.

The service experience is an extension of the sales relationship, so expectations should be high when bringing your car in for its scheduled maintenance. Think of it this way: The dealership should be trying to earn your repeat business. "We can do any routine service in 90 minutes or less," Newport Lexus’ Schaefer says. If that's not fast enough, or if repairs take longer than 90 minutes, the dealer has more than 50 complimentary loaner cars to be used daily.

Offering a free car to drive while yours is being serviced has become standard practice among luxury car dealerships. Ideally, the dealer should offer you a loaner that’s as close as possible to your vehicle in size and body style. If there is any inconvenience involved with the loaner, the dealer should offer to pick up or drop off the vehicle at your home or work.

Valet services should be provided from a central location at the dealership, and turning the car in for service should be as simple as passing off the keys and walking a few paces over to the service writer. Your vehicle should be ready when expected, and when you return to pick it up, it should be cleaner than when you left it.

When you have a breakdown or need an unforeseen repair, consider it a test: The dealership should be able to make room for fixing your vehicle on short notice and offer you assistance until then. The key to keeping the customer satisfied in situations like this is mostly in the attitude of the staff, says the Luxury Institute’s Pedraza. “It shouldn’t be about fixing the car; it should be about overcompensating for the inconvenience,” he says.

Luxury car buyers do tend to be especially conscious of wasted time, says Rob Gentile, director of car-buying products at *Consumer Reports*. He adds that small perks like comfortable seats and snacks go a long way.

Free routine maintenance is another useful perk that’s being offered by luxury automakers and now some non-luxury ones. For example, BMW has found success with its Ultimate Service plan, which includes free maintenance for four years or 50,000 miles and boosts satisfaction with the dealership.

First up, at number 10, is Acura.

+ enlarge image | view slideshow >

What we've told you so far will help you identify the best dealers by looking beyond the fancy facades and flourishes. But some brands stand well above others in satisfaction with the dealership experience, according to two annual studies that J.D. Power conducts. The firm's annual Sales Satisfaction Index (SSI) looks at the ability of a brand's dealerships to manage the sales process, from product presentation to negotiation, financing and delivery; the annual Customer Service Index (CSI) gauges the satisfaction of customers who have brought their car in to the service department during the first three years of vehicle ownership. The most recent surveys came out last November. The 2006 CSI is based on experiences with 2003-2005 model year vehicles, while the 2006 SSI is based on those who registered new vehicles in May 2006.

Other firms that look specifically at dealer-experience satisfaction include Strategic Vision, which polls buyers three to four months after their purchase as part of its annual New Vehicle Experience Study; and AutoPacific, which asks about it around the same period of ownership as part of its annual Owner Satisfaction Survey.

With approval from J.D. Power, we've ranked the top 10 luxury car companies with the best dealership experience by combining their SSI and CSI scores (which are both out of a possible 1,000 points, so the combined total is out of a possible 2,000 points). We start with number 10, Acura, and have included results from the other research firms to compare, contrast or draw insight.

• Slideshow: Top 10 luxury car companies with the best dealerships

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- Read reviews and see photos of Acura models
- Read reviews and see photos of Jaguar models
- Read reviews and see photos of Porsche models
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Bloomberg.com

Julia Roberts Was Right: Luxe Shouldn't Snub Clients (Update1)

By Cotten Timberlake

April 25 (Bloomberg) -- Shopper Tracy Sedino was in a Louis Vuitton store on Avenue Montaigne in Paris when a saleswoman snatched away a bangle bracelet that a friend was scrutinizing. She demanded to inspect the bag of another friend, suspecting him of shoplifting.

``We were very, very shocked,'' said Sedino, 26, part owner of a U.K. fashion accessories maker. After determining that nothing was stolen, the saleswoman ``just sort of sneered.''

Sounds like a scene from the 1990 movie ``Pretty Woman,'' in which Julia Roberts's prostitute character is snubbed at a boutique on Rodeo Drive in Beverly Hills. After making purchases elsewhere, she taunts the offending saleswoman, saying that mistreating a shopper is a ``big mistake.''

Some luxury-goods makers agree.

Companies such as Paris-based LVMH Moet Hennessy Louis Vuitton SA -- the world's biggest luxury-goods maker -- are beefing up staff and training to prevent a loss of customers. Walpole, a luxury-industry trade group in London, says reversing the deterioration of service is its ``manifesto'' for this year.

Walpole Deputy Chairman Guy Salter will present strategies for enhancing service at the sixth annual American Express Publishing Luxury Summit in Palm Beach, Florida, April 29-May 1. The conference is attended by executives from companies that make or sell luxury products.

More than half of shoppers are unhappy with their experience at luxury-goods sellers, according to the Luxury Institute, a New York research group that surveys wealthy consumers. Chief Executive Officer Milton Pedraza says he thinks the companies should please 80 percent of customers.

Bergdorf's Decline

Nordstrom Inc., the Seattle-based department-store chain, scored first in the institute's annual survey of U.S. luxury retailers' qualities such as staff enthusiasm and problem resolution. Brooks Brothers Inc., Federated Department Stores Inc.'s Bloomingdale's and LVMH's eluxury.com ranked lowest among the eight. Neiman Marcus Group Inc.'s Bergdorf Goodman dropped to fourth from second.

In a survey of 17 luxury fashion brands on similar qualities, Hermes International SCA, Giorgio Armani SpA and Ferragamo SpA topped the list. Fendi SpA and Hugo Boss AG fared the worst, and Louis Vuitton Malletier slid to seventh from second.

Bad Customer Service?

Shopper Peter Levine says he knows about bad customer service. The Louis Vuitton store in New York's SoHo neighborhood was unable to repair his $1,500 brown-leather shoulder bag and gave him replacements that also were faulty, he says. After 18 months, the store said the item's hardware was discontinued.

``They said, `We at Louis Vuitton cannot compromise the integrity of one of our designs,''' said Levine, 47. He made clear his dissatisfaction that he was stuck with a defective bag.

Vuitton spokeswoman Iana dos Reis Nunes declined to comment.

``Consumers are not willing to worship at the bottom of the mountain anymore,'' Salter said. As more people buy more luxury products, they demand better treatment, he says.

The industry's rapid expansion in recent years has taken a toll, Salter says. Luxury companies that used to be family- owned, local enterprises have grown too big to offer personalized attention.

Global sales of luxury goods rose 10 percent to a record $150 billion in 2006, according to Telsey Advisory Group, a New York research firm.

Companies should focus on improving the shopping experience instead of spending on celebrity ad campaigns and eye-popping stores, Salter says.

Waiting for Chanel

Cindy Parker, a managing director at a London insurance company, says she returned a $1,094 Chanel bag to the Rue Cambon store in Paris on March 23. Large hoops attaching the leather- and-chain strap to the quilted purse had broken after six months of use.

Parker was promised a call when the bag was fixed. More than a month later, she doesn't have her bag back.

``The name of the bag is Timeless,'' she said.

Chanel, based in Paris, fell to ninth place from sixth in the Luxury Institute survey. Chanel spokeswoman Gretchen Fenton didn't respond to requests for comment.

LVMH Watches

When LVMH got into the watch and jewelry business in 2001, customers had to wait a month or two for watch repairs, which was ``insulting,'' says the unit's president, Philippe Pascal.

LVMH, whose brands include Tag Heuer, doubled its crew of watchmakers in the U.S. to 40. Now, more than 90 percent of repairs are made within two weeks, he says.

LVMH reported today that first-quarter revenue rose 6.9 percent, beating analysts' estimates, on sales of Tag Heuer watches and Veuve Clicquot champagne.

Geneva-based Cie. Financiere Richemont AG, whose brands include Cartier jewelry and Mont Blanc pens, puts employees through brand-specific training to develop customer-service skills.

Other strategies that Salter will suggest at the American Express gathering are organizing in-store client events and allowing buyers to customize products more. French luggage and handbag maker La Maison Goyard, for example, personalizes its products with initials and coats of arms.

The Luxury Institute's Pedraza says knowledgeable salespeople and a generous return policy are essential. Equally important is damage control.

Hermes's U.S. president, Robert Chavez, apologized on Oprah Winfrey's television show in September 2005 after she was denied entry to the Paris store as it was closing.

``When you screw up, you admit your mistake,'' Pedraza said. ``You fix the problem, and then you overcompensate the customers.''

Sedino says that after her Paris episode, the manager brushed her complaints aside.

``The experience really, really put me off Louis Vuitton,'' the London resident said.

To contact the reporter on this story: Cotten Timberlake in New York at **ctimberlake@bloomberg.net**

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Lifestyle Feature

How To Live Rich Without Going Broke

Lauren Kerensky 04.10.07, 12:01 AM ET

While very few of us will reach the ranks of the world's billionaires, it doesn't mean we can't live like them.

And we don't have to shell out several million to do so.

That's because a number of companies are offering temporary use of high-end products and services such as yachts, exotic cars, luxury handbags, and even personal chefs and stylists.

In Pictures: Top 10 Ways To Live Rich

So while you may not be able to call it your own, you still get every benefit of living the rich life.

"We call it the Luxury Access Revolution," says Milton Pedraza, CEO of the Luxury Institute, a research company that provides luxury information to high-net-worth individuals and the companies that cater to them. "It makes it easy for you to say, 'I'm not going to buy it. I'm going to carve out the experience and buy the experience,' because [people] don't want the hassle of owning the possession. You're seeing it across many more categories."

NetJets, a Berkshire Hathaway-owned company that began offering fractional jet ownership in 1986, caught on to customer desire for the luxe life with minimal commitment in 2001. That's when it introduced the Marquis Jet Card, which allows the user to sublease a NetJets fractional share of which Marquis Jet Partners is the owner. Individuals may pre-buy 25 hours of yearly flight time for $119,900 (excluding additional charges like tax, fuel, etc.).

Several other companies are following suit.

Got time to kill between flights? Why not blow $3,000 on a Fendi bag? Chances are a terminal near you has that and other luxury goods for sale. Sneak a peek here.

Home Cooking
Private Chefs, which has staffed the homes of Richard Branson and Madonna, will dispatch a personal cook to yours for as little as a day. Be prepared to pay a $100 agency fee plus $35 per hour, and everything else is taken care of, from the shopping and cooking to serving and cleanup.

"This is the part of our business that's been increasing steadily in the past year," says Christian Paier, PCI president. The company gets an average of 10 requests per week in each of its eight offices located in Beverly Hills, Calif.; Palm Beach, Fla.; Dallas; London; New York; Las Vegas; Seattle; and Washington, D.C. "It appeals," Paier continues, "to a lot more people than the full-time thing. It's affordable; anybody can do it." His customers often "want to splurge and have a wonderful experience, whether it's just them and their spouse, or a small dinner for six or eight friends. People absolutely love it."

It's hard not to feel privileged when an executive chef is serving you gourmet food, but when it's not simply your primary residence, but rather your only one, cabin fever tends to set in.

Solution? Get an apartment in Paris.

Ooh-La-La Life

Yes, it may be temporary, but opt for one of the exquisite, fully furnished pieds-a-terre available through ParisLuxuryRentals.com, and you're practically guaranteed an authentic experience. The company offers short- and long-term rentals in select neighborhoods, including Saint-Germain-des-Pres, Ile St. Louis, Le Marais and the Latin Quarter. To live like a local without the hassle, the company offers an optional daily or weekly housekeeping service, and an optional car and driver.

A 2,000-square-foot apartment, for example, which is considered very large for Paris, would run for about $3 million, and that's without taxes and the cost of maintaining such an investment. However, a brief stay in one of ParisLuxuryRentals.com's similarly sized dwellings, which combine the spaciousness and privacy of an apartment with the amenities of a hotel, might only cost about $10,000 per week at the higher end of the spectrum.

"It's a place of their own," says CEO Claude Nederovique. "They live like Parisians. They can really participate in life, [which is] a completely different experience [from a hotel]."

Nederovique saw the number of people requesting his service double last year. 90% of his clientele come from the U.S., and most rent from one week to one month, though some stay as long as three months.

$10,000 for a martini? It's just one on our list of world's most decadent cocktails. But better sip slowly--while delicious, these tipples will cost you.

Handbag Heaven

Even those who just want to dress like a socialite, but can't bring themselves to part with $1,200 for a Gucci handbag, can do it affordably with Bag Borrow or Steal, a site that lends customers high-end bags and jewelry from designers like Chanel, Versace and Dior, for a weekly or monthly fee.

"Borrowing is really about freedom, access and convenience," says Lynn Ridenour, senior vice president of marketing. "It gives [customers] greater access to a vast inventory of luxury accessories and the opportunity to indulge in more, more often."

Is there a downside? Of course: In the end, you do have to give it all back.

Still, says Pedraza, "There's no question that [the trend of temporary use] will grow. It is such a great convenience where you can buy the experience, not the depreciating assets.

In Pictures: Top 10 Ways To Live Rich

Keyword(s): luxury

FT REPORT - GLOBAL BRANDS: Exclusive coterie still slow to take to the net

By Jonathan Birchall

It was Karl Lagerfeld who threw down the challenge, at the end of New York Fashion Week in February last year.

The silver haired fashion guru, who heads the House of Chanel, decided to use Apple's iTunes site to put a live video stream of the runway show of his own Karl Lagerfeld Collection, produced by ! Tommy Hilfiger, straight on to the world wide web.

The move acknowledged that digital video and photographs of his collection would be on the web within hours anyway. But the move was also a sign that luxury brands were beginning to respond to the challenges to their traditional strategies presented by the digital world, which they had initially shunned.

In January, Armani broadcast its Paris show on MSN online, with video excerpts sent to Cingular phones. Gucci has also taken to broadcasting its shows on the web. Fendi launched a "buzz campaign" in Japan, heralding the launch of its B Mix leather accessories, and in February, Dior used the virtual digital world of Second Life to unveil four pieces from a collection of jewellery designed by Victoire de Castellane, and costing more than €150,000.

This embrace of the marketing possibilities of the web comes as luxury brands cons! ider further ways to internationalise. A host of luxury brnads appear inth eTop 100 table, led by those owned by LMVH. But until now, they have balked at the basic business of online retailing.

"The luxury brands are laggards," says Milton Pedraza, of the Luxury Institute, of the their response to the online world.

Some luxury brands still refuse to sell on the web at all, reflecting the early fears that the internet could undermine or dilute the brand experience - preferring instead to protect their bricks and mortar distribution network or partners.

Tiffany, the US jeweller, still declines to sell its engagement rings through its online store, despite the success of its internet rival Blue Nile and the surveys that show again and again that internet usage is gaining traction among their key customers.

Those that have established an online sales presence sometimes struggle to reach even the basic "web 1.0" level ! of making their inventory easily accessible to online shoppers.

On Louis Vuitton's US brand web site, for instance, the new edition of the brand's Bowling GM bag is featured in ivory. But a prospective purchaser is redirected instead to the home page eluxury, the multi-brand site operated by LVMH, its parent. An additional search is needed to discover that the site apparently does not stock the bag in ivory.

Over at Gucci.com, the bags featured in its catalogue - ranging up to $5,000 - can in theory be bought online at the same place they are displayed. But of six featured bags, only two were available, with aspiring purchasers of a $4,995 python leather tote being advised to make another selection.

The brand's customers are not so unschooled. A survey of 500 of America's richest families published in 2005 by researchers Doug Harrison and Jim Taylor found that the respondents ! spent on average 13.7 hours a week online. The Luxury Institute, in a survey of 1,000 wealthy consumers published in March, found that 98 per cent used the internet for shopping, and that 88 per cent read product research and review sites.

"One theme that has emerged from our research is that luxury consumers have embraced web 1.0, and the luxury brands need to catch up with that," says Mr Pedraza. The clients, he adds, "are not going to be going on YouTube or MySpace, but they are quickly going to embrace all the collaborative and highly interactive and participatory practices of Web 2.0."

At Mr Lagerfeld's Chanel, the company's website eschews online retail, but presents a range of video and audio material, including interviews with Mr Lagerfeld himself. Gucci and Louis Vuitton also feature still photo galleries of fashion and video segments.

Similary, Hermès has a whimsically-designed site that augments a retail element with "encounters", a pr! esentation of online virtual art - currently including an online ballet of neck-ties. The women's scarf section also includes a download-able guide to a range of scarf folding techniques.

Luxury brands have in the past argued that online community building is not their business. "There is a theory in the luxury world that creative genius drives the company, and consumers will like it, thank you very much," says Mr Pedraza.

But the leading sites are accumulating web users who want to be kept up to date with fashions. They, in turn, can keep the brands up to date with the reactions of the core fans, starting the kind of dialogue that has benefited consumer goods companies, but which has traditionally been treated with disdain by much of the luxury sector.

Louis Vuitton, meanwhile, is planning to create an independent online store in the US, separating its awkward dependency on t! he LVMH eluxury site. With Dior moving into Second Life, others can be expected to follow.

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April 26, 2007

Posh Retailers Pile on Perks for Top Customers

By VANESSA O'CONNELL
April 26, 2007; Page D1

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Hey, big spenders: Luxury retailers are going to new lengths to secure your loyalty.

This week, **Nordstrom** Inc. rolled out a "tiered" rewards program, giving shoppers a chance to earn perks such as free shipping, specially packaged trips to places like San Francisco and Miami, and access to "red carpet" events and store openings, if they spend enough on their Nordstrom card at the store. In the past, Nordstrom rewarded them only with points toward less-glamorous spending credits, known as Nordstrom Notes.

Rivals are ramping up their loyalty programs, too. Last fall, **Saks** Inc.'s Saks Fifth Avenue introduced a Saks World Elite MasterCard, which lets shoppers earn points on dollars spent outside the store toward benefits such as free fur storage and dinner at the captain's table on a luxury cruise line. Neiman Marcus Group Inc.'s Neiman Marcus this year is offering its InCircle rewards participants the chance to buy a limited-edition Lexus car with five million points. It's also testing a credit card that lets shoppers earn points on dollars spent outside Neiman stores. Both stores aim to broaden the appeal of their programs: For shoppers, it's easier to rack up points on a card that can be used anywhere than on a traditional store card.

Toyota

The 2008 Lexus LS600h L, a reward in Neiman Marcus's loyalty program.

The offers reflect a growing emphasis by luxury retailers on getting a "greater share of wallet" from their 100,000 or 200,000 top spenders, rather than trying to attract new customers. With department stores overall losing market share, their goal is to increase the profits generated by their best customers. At Neiman Marcus, for instance, the top 100,000 customers each spend more than $12,000 a year at the store, while other shoppers spend an average of about $600 a year there, according to Customer Growth Partners, a consulting firm.

Despite the glamorous perks, these programs carry some downsides for shoppers. In many programs, including those of Nordstrom and Barneys New York, a shopper's level of rewards is based on spending in a calendar year, meaning you have to re-qualify all over again in January. Also, some loyalty programs let you redeem points only once a year. Generally, the stores automatically convert points into gift cards or spending certificates and send them to customers at the end of the year, although a few will send them more often than that, if requested. Bloomingdale's issues them monthly, as earned.

The new rewards programs up the ante for such customers, particularly at the highest spending levels. Nordstrom, for instance, has long used a single formula to dole out points for everyone: Shoppers got one point for every dollar spent outside of Nordstrom on one of the retailer's cards (which include Visa cards), and two points for each dollar spent at a Nordstrom store. While it still offers points toward Nordstrom Notes, the retailer hopes shoppers will see the extra rewards offered at higher tiers as an incentive to spend more.

In Neiman's InCircle program, which has 20 different tiers and a top tier of five million points, shoppers usually get one point for each dollar they spend, but at the highest tiers, the point-earning formulas are more generous. Neiman tweaks the rewards -- which include trips, cars and designer clothing -- every year to keep them fresh. The "Rewards Issue" of the program's glossy Entrée magazine recently featured a model in a Russian red fox stole from fur designer Pologeorgis on its cover -- described as a $1,500 value, free to those who earn and redeem 50,000 InCircle points.

At the end of each year, Neiman sends reminders that spending more can help shoppers qualify for better benefits. Last year, Neiman, which has long taken only its own card and American Express cards at its stores, expanded its loyalty program to include spending at sister store Bergdorf Goodman.

The programs can pay off for retailers. At Neiman Marcus, the more than 100,000 shoppers in its In Circle loyalty program spent $1.3 billion last year, accounting for almost half of its business. "The firepower of these customers is incredible," says Neiman CEO Burt Tansky. Both membership and average spending per participant are growing, Neiman says.

Membership in the top two of Bloomingdale's three rewards tiers has grown by 20% in the past 18 months, says Frank Berman, vice president of marketing. The store's strategy is "take care of your best people; they are worth more than acquiring twenty new ones," he says.

Robin Hopkins, of Alexandria, Ala., acknowledges spending a little more to move up to a higher tier in rewards programs. The 42-year-old mother of two, who works part-time, participates in a number of rewards programs, including InCircle from Neiman Marcus. But, she says, "I am not a $10,000 spender. If I really wanted to get something in particular, I would just buy it," rather than trying to earn it through a retailer's reward program.

To get started at most retailers, you have to apply for one of the store's credit cards, which often have interest rates of 18% or more -- an awful deal if you're not paying off the balance in full. (Nordstrom is an exception in that it offers points for spending on Nordstrom debit and check cards, as well.) Other things to keep in mind: In some instances, the so-called rewards aren't free, but rather discounts on travel packages or other offers. For instance, Bloomingdale's offers a three-day spa trip to its Insiders -- at a cost of $1,560 per person, which it describes as a 20% discount off the trip's regular price.

Nordstrom restructured its program following six months of focus-group study and surveys. Its conclusion: People are less interested in discounts and more interested in perks, such as attending Nordstrom grand opening celebrations, being pampered during private shopping parties, concierge services and free alterations and shipping.

Still, Neiman, Saks and other retailers say gift cards remain the most popular reward redeemed. Barneys New York, a unit of Jones Apparel Group Inc., shuns trips, merchandise and other fancy rewards, and simply sends out gift cards based on point levels.

For retailers, the programs can be costly to operate. Milton Pedraza, chief executive of the Luxury Institute, a consulting firm, questions whether, in the long run, they make more sense for the stores than the traditional perks such as personalized service for the best customers. Even so, he says, his wife participates in the Neiman's InCircle program, and notes that it "definitely makes her more loyal to Neiman for online purchasing in particular."

Joining the Club

Comparing the perks and downsides of retailers' loyalty programs.

Retailer/Program	Number of Tiers or Levels	Sample spending-certificate reward for $20,000 in annual spending at store	Points for spending outside the store?	Comment
Nordstrom Fashion Rewards	4	$800 in Nordstrom Notes	Yes	Tiers top out at $20,000 in annual spending, but you can choose among many credit and debit cards; points are good for three yearson inactive accounts. Biggest rewards include a chance to design your own party at Nordstrom.
Barneys New York Free Stuff	5	$1,000 "Free Stuff" card	No	Program is relatively simple: Points are automatically converted into Barneys gift cards, with no ceiling. Points expire Dec. 31 of each year. Barneys card interest rates can top 18%.
Neiman Marcus and Bergdorf Goodman InCircle	20	$500 gift card	No	Top reward, with 5 million points, is a Lexus 2008 L Launch edition; but even participants with as few as 5,000 can get complimentary gift wrap. Points expire at year end and can be redeemed any time during the year.
Bloomingdale's Insider	3	$600 in spending certificates	Yes	Bloomingdale's upgrades shoppers each month based on spending levels on their Bloomingdale's cards. Those spending $1,000 or more in a calendar year earn rewards certificates sent automatically by mail in $25 increments.
Saks Fifth Avenue SaksFirst	4	$900 gift card	Yes	Some top-level spenders can redeem points for gift cards quarterly. Other rewards include free fur storage for one year for people spending more than $10,000 annually at Saks and discounts with Saks partners such as British Airways.

Shoppers can browse through retailer magazines for reward options.

--Robin Sidel contributed to this article.

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A Real Savile Row

EMAIL PRINT MOST POPULAR

As designers muscle into the customized-suit market, we sort out confusing labels

By RAY A. SMITH
April 14, 2007; Page P6

High-end fashion designers are edging into the booming market for specially made men's suits, prompting a backlash from Savile Row tailors about the way these makers are labeling their offerings.

Big retailers including Brooks Brothers have already succeeded in getting customers to pay more for so-called made-to-measure suits. Now, luxury labels, including Tom Ford, Versace and Jil Sander, are rolling out their own options that start at 20% to 30% higher than their off-the-rack lines.

Savile Row suits

The entrance of designers in the market is creating a greater range of options for men who don't want an off-the-rack suit. But the different terminologies for these suits -- custom, bespoke and made-to-measure -- are making it confusing for consumers and rankling the traditional purveyors of custom suits.

At Dege & Skinner, a tailor for 142 years on Savile Row in London, managing director William Skinner worries that customers will think that made-to-measure, which typically involves using a stock pattern that is then adjusted to fit the client's measurements and taste, is the same thing as bespoke or custom, which means starting from scratch. "It's like false trading or false advertising," says Mr. Skinner, who recently joined fellow tailors to trademark the phrase "Savile Row Bespoke" and develop a code describing what it means.

For made-to-measure, a customer selects a style of suit, the fabric and finishes like lining, pockets and buttons. At least six measurements are taken. The suit is cut from a preproduced pattern, adjusted according to those measurements. The process can be done by hand, machine or both. Clients usually return for at least one fitting.

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While some made-to-measure and custom suits are made in the U.S., the designer brands take measurements in the U.S. and other countries that they send to tailors, often in Italy. Custom suits are made entirely from scratch -- mostly by hand, in a process that can take at least two or three fittings and at least eight weeks. More than 20 measurements are taken for a bespoke garment.

SUIT GLOSSARY

• **Off-the-rack:** Premade suits that can be slightly altered.
• **Made-to-measure:** Suits cut from a stock pattern then adjusted for a personalized fit
• **Custom or bespoke:** Suits made from scratch and almost entirely by hand.
• **Made-to-order:** An umbrella term for made-to-measure and custom suits.

MORE

See more on the suiting options from selected designers.

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With sales of off-the-rack suits down nearly 6% last year, designers are keen to find ways to distinguish themselves from mass-producers like Hart Schaffner Marx and Joseph Abboud, who are increasingly rolling out better-quality suits in the under-$1,000 range. In the U.S., the custom and made-to-measure market now accounts for 15% to 17% of suits costing more than $1,200, up from 10% five years ago, estimates the Custom Tailors & Designers Association. "One of a kind is the ultimate luxury," says Milton Pedraza, chief executive of consultant Luxury Institute.

But one of the designer's new suits can cost more than a Savile Row bespoke suit -- even if it's made-to-measure. Mr. Ford, the former Gucci creative director who launched a menswear line this past week, is offering what he calls "custom" suits but are actually made-to-measures, starting at $5,000. At Jil Sander, which calls its made-to-measures "bespoke suits" that are "custom cut, hand sewn and precision-tailored," prices range from $2,880 to $6,600. A Prada made-to-measure vicuña suit will set a man back $26,000.

Jil Sander

The top price at Savile Row's oldest shop, Henry Poole & Co., by contrast, is about $9,900 for a vicuña and silk suit.

Amid all these changes in the suit market, Savile Row tailors banded together to create the trade group Savile Row Bespoke (and later trademarked it as a phrase) in 2004. The move was a response, in part, to an increase in tailors' claims to be making custom suits. The Savile Row group intensified its efforts to promote their tailoring last summer as Italian designer Giorgio Armani launched his custom line. At the time, Mr. Armani created a stir with a quote in the Sunday Times of London, dismissing Savile Row as "an outdated institution that has failed to keep up with modern tastes, lifestyle and technology." Mr. Armani later said in a letter to the editor that he meant his "hand made to measure" suits blend the traditional and the modern. "There is plenty of room for both of us," he concluded.

But for Savile Row tailors, the episode underscored how much the world had changed. "Our attitude was the quality of the products speaks for itself," says Anda Rowland, co-chairman of Savile Row bespoke house Anderson & Sheppard and one of the group's five directors. "We let other people eat out of our market." The tailors decided they had to strike back.

Tom Ford

The Savile Row Bespoke group based its code on rules set by France's couture federation. Under the code, most of which is posted on a Web site the group launched in January, only suits that are handmade, taking at least 50 hours, and done on or within 100 yards of Savile Row, can call themselves Savile Row Bespoke. The group is still mulling how to enforce the trademark.

The designers, meanwhile, say they want to appeal to both existing customers and men who already have their clothes made to order. "It's not only for the fashion people," says Roberto Lorenzini, president and chief operating officer of Versace's U.S. retail division. "It's also for people working in finance. The customer who comes to us can have something more classical."

But the designers may have a hard sell. Robert Storm, an attorney in West Hartford, Conn., who favors custom and made-to-measure suits, says designers don't appeal to him. "The reason I go to tailors is that I get to select something that is appealing to me rather than something that looks like I walked out of an ad for Vogue," he says.

* * *

Giorgio Armani

Giorgio Armani
Off-the-Rack: From $2,000
Made-to-Measure: From $3,000
Custom: $4,500 to $22,000
Comment: The new custom line is called Hand Made to Measure, but it qualifies as custom because a new model is created specifically for the customer. The suits also meet 19 other custom criteria, including having hand-stitching at the collar edge and elsewhere, the company says.

Brooks Brothers
Off-the-Rack: $898 to $1,700
Made-to-Measure: $1,150 to $3,995
Custom: None
Comment: Customers can choose a suit with half-canvas construction, where the panel that gives the jacket its shape is glued rather than sewn in, or full-canvas construction and more hand-stitching. Waiting time: six or eight weeks, depending on which type of suit is ordered.

David Chu
Off-the-Rack: $1,095 to $2,000
Made-to-Measure: From $2,800
Custom: $3,500 to $22,000
Comment: The designer, best known for founding Nautica, calls his custom line Bespoke David Chu . At Mr. Chu's custom shop in New York, 16 measurements are taken for the jacket and 10 for the trousers. Tailors near Naples, Italy, use the measurements to create suits by hand.

Tom Ford
Off-the-Rack: From $2,900
Made-to-Measure: From $5,000

Custom: None
David Chu
Comment: The former Gucci creative director, who just launched a menswear line, calls his suits "custom," but they're made-to-measure because they're based on an existing model. "It is not complete bespoke," he acknowledges, adding: "We're a hybrid." Waiting time: seven weeks.

Gieves & Hawkes
Off-the-Rack: None
Made-to-Measure: About $1,400 to $4,000
Custom: About $6,000 to $29,800
Comment: At this Savile Row shop, bespoke suits are made from scratch by tailors who do 52 hours of hand labor on each one. Customers have a choice of 10,000 fabrics. Waiting time is 12 weeks, made-to-measure is six.

Jil Sander
Off-the-Rack: $1,495 to $2,900
Made-to-Measure: $2,880 to $6,600
Custom: None
Comment: Jil Sander Sartorial suits are made-to-measure as they're based on existing models that are adapted to clients' measurements. Fabric is cut by hand. Tailors in Milan do 26 steps by hand to make a jacket and 12 to make trousers. Waiting time: four weeks.

Write to Ray A. Smith at ray.smith@wsj.com

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From The Times

June 9, 2007

The family jewels

Buccellati are so top-drawer they even make jewellery for the Vatican

Lucia van der Post

If you aren't a citizen of Italy or a Park Avenue princess, then the name of Buccellati may not be one with which you're familiar. But that's set to change. For Buccellati, an iconic Italian jeweller, has just arrived in London with a mission to become as big a player in the lives of wealthy Brits as it is in the lives of good bourgeois Italian families and uptown Manhattan socialites. For in New York where a recent Luxury Institute survey of the views of the rich and famous named Buccellati as second only to Harry Winston in status a little "tulle" ring, a big gold cuff or an intricately worked necklace is regularly given to celebrate birthdays, anniversaries and weddings. In Italy, its silver leaf and shell dishes, its "Eternelle" rings and silver spoons are favourite presents to give at weddings, and most established families, not to mention the Holy See and the ex-royal house of Italy, would have something by the famous Buccellati workshops somewhere in their possession.

Contardo Buccellati first started making jewellery and silver in the 18th century, but it was Mario Buccellati who laid down the foundations of its artistic style when he opened his store in Milan in 1919. One of his sons, Gianmaria, took over his archives and workshops and continues to produce jewellery and silverware in the mainstream tradition. However, two other sons went their own way and now have separate stores in Florence, Milan and Rome, leading to some confusion in Italy as to which is the true Buccellati name. Fortunately, in America, Paris and London there is no confusion, for all Buccellati outlets sell pieces from Gianmaria's workshops alone.

What makes Gianmaria Buccellati's silver and jewellery special is that every piece is still made by hand, very often by descendants of the very first artisans and craftsmen, and in the same workshops (although there are now workshops in Florence and Venice as well). Its trademark is intricacy. Into brushed and engraved gold and platinum are set precious stones such as rubies, diamonds and sapphires. Mario Buccellati even created special tools to help him achieve the delicate workmanship his designs required. Its ravishingly elaborate earrings, delicate tiaras, famous "tulle" rings (delicate circles of gold or platinum lace inset with precious stones) and cuffs of white or yellow gold or platinum studded with exquisite diamonds or other precious stones are all testament to this attention to detail.

Buccellati's style is what might be called a high baroque. Minimalism and its charms could be said to have passed it by. These are clearly not pieces that could ever be churned out in factories or mass-produced. Only 3,000-4,000 are made each year, and although many of the designs are serious pieces with high price tags, you could buy one of its little caddy spoons for about £100, or one of its small leaves (apparently hot "house" presents in Italy) for anything between £100 and £600. Prices for the cuffs range from £35,000 to £70,000.

For Buccellati to choose this moment to arrive in London, where its shop at 33 Albemarle Street, W1 is close to large clusters of very grand and established jewellers, has to be a sign of great optimism. As John Kelly, an ex-investment banker who has given up his career to invest in the project, puts it: "I believe we are different from other jewellers. We aren't offering just precious stones or single pieces what we're offering is much more like art. When you think that we have 350 craftsmen who make all these things by hand, it follows that every single piece is different; these are all timeless pieces." Certainly, to those in the know a Buccellati piece is unmistakable it has a DNA, personality and character that is instantly identifiable and all its own. This is a precious heritage that Londoners will now have a chance to see for themselves.

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Article 1

What Works: The People and Companies that Get It; E-Commerce
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HERE'S A NEW, UNTAPPED MARKET: OFFERING WEALTHY INTERNET SHOPPERS LIMITED EDITIONS OF LUXURY GOODS.

FASHION DESIGNERS AND HIGH-END retailers speak of "editing" their collections, a way of signaling exclusivity and artistry as much as commerce. Web retailers, which often thrive on vast selections and overnight shipping, have stood for the opposite--until now. Enter 20ltd.com, a London-based luxury e-tailer whose editors offer an ever-changing mix of 20 limited-edition items. Need a $21,000 chess set or a $6,000 kimono bedspread? You won't find 20ltd's versions anywhere else.

The site is the brainchild of Jolyon Fenwick and Marcus Husselby, former ad executives who worked on campaigns for Asprey, Fortnum & Mason, Land Rover, and other luxury brands. The startup showcases the work of trendy or up-and-coming designers, made in small batches exclusively for 20ltd. The company treats its pricey collection like a museum exhibit, refreshing it every six weeks, or sooner if items are sold out. "The new luxury customer no longer simply defaults to brand names. They want the 'real deal'--the chair, the necklace, the motorcycle that the cognoscenti in those fields would buy," Fenwick says.

With the global luxury retail market now topping $1 trillion, the field seems wide open. But the founders had a tough time getting top-notch designers to work with their unknown website. They did find investors, however, working their luxury-brand connections to get meetings. And after they raised about $300,000, Fenwick and Husselby built a working prototype of their stylish site to show designers how their work would be "curated" online. It took two years, but 20ltd signed on partners like French luggage company Long-champ, Italian fashion designer Emilio Pucci, and Alabama-based Confederate Motor, which makes a $79,000 motorcycle called the Hellcat. That helped the founders raise the additional $1 million they needed to launch the 20ltd site in April.

The majority of the 4,500 daily visitors to 20ltd are browsers. Still, 25 percent of the first batch of items sold out; the company even attracted one die-hard fan who laid out $155,000 to buy 19 of the 20 products.

20ltd keeps about 40 percent of each sale, and Fenwick says it made a profit after its first month. "Limited production is sexy and appealing," says Milton Pedraza, CEO of the **Luxury Institute**, a research firm that studies the buying habits of the wealthiest U.S. residents. Even more important, "the Web has become the most important channel for wealthy consumers," Pedraza says.

[BOX]

IDEA NO. 17: Nothing gives products cachet like the air of exclusivity.

See also introduction on page 35 of same issue.

See also additional image(s) in Cover Description file of same issue.

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Flaunting It

The World's Most Exclusive Credit Cards

Liz Moyer, 07.03.07, 6:00 PM ET

With loans to consumers with bad credit blowing up all over the place, it's only natural that banks would turn their attention to the other end of the spectrum: credit for the extremely rich, or at least extremely credit worthy.

The field for elite credit cards is growing increasingly crowded with products offering select customers outlandish perks like access to private jets and personal shopping services for spending hundreds of thousands of dollars using their plastic.

Bank of America joined the field last month with its Accolades card, issued on the American Express network. It includes a fairly standard set of perks, like access to premium concert tickets, airline rewards programs and the like, and Bank of America will wave the annual fee for customers who stick with its private wealth and investment management division.

In Pictures: The World's Most Exclusive Credit Cards

The card coincides with the Charlotte bank's acquisition of U.S. Trust, a private bank that caters to the super rich, though Paige Brockman, credit and banking executive at the company, says it was in the planning well before that $3 billion acquisition was announced.

Still, U.S. Trust vaults Bank of America over JPMorgan and Citibank in the ranks of private banks--with $427 billion of client assets under one roof--and puts pressure on it to make those newly acquired private banking clients happy.

Banking to the ultra rich has been long dominated by JPMorgan and big brokerage houses, like Morgan Stanley, where the threshold to just get in the door is often $30 million of assets or more. Strong brands have made it challenging for others, like Bank of America, to make a name in private banking without the boost that special programs can offer.

Cards are an obvious way into the market, and though lenders aren't going to make much in the way of late fees and interest charges (assuming rich people pay their bills on time and in full, which isn't always the case) they make up for it in the fees they charge to merchants to process transactions. American Express network transactions mean fees of about 4% each purchase, so a $60,000 car charged to a Black Amex could potentially rake in $2,400 in processing revenue.

Even if the issuer takes half of that and pays it back to cardholders in the form of outlandish perks, the profits are still good, says Curtis Arnold, editor of CardRatings.com.

Everyone is playing catch-up to American Express, the 800-pound gorilla of high-end cards, with its invitation only Centurion (aka, Black) card legendary among Hollywood types.

The Luxury Institute's recent survey of customer preferences ranked Centurion first and its Platinum card second.

"Special access, unparalleled benefits and enhanced customer experience" were cited as the reasons. The survey was done online and targeted consumers with a minimum net worth of $5 million and $200,000 in annual income.

Of course, just because someone is rich doesn't mean these cards are for them. Amex Black carries an annual fee of $2,500 and a minimum annual purchase threshold of $250,000. A miser like Ebenezer Scrooge (pre-ghost visits) wouldn't necessarily want that. A spendthrift, however, might find it a great deal.

"The bottom line is you have to do a cost-benefit analysis," Arnold of CreditRatings.com said. "Do it just for status? Heck no. That doesn't justify the fee."

In Pictures: The World's Most Exclusive Credit Cards

supplement
MONEY BAGS - A SURVEY OF WEALTHY SHOPPERS REVEALS THEIR FAVORITE HIGH-END HANDBAG BRANDS.

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Asking people with expensive tastes to discuss their knowledge of handbags is a fascinating business.

This spring, the New York-based **Luxury Institute** asked 1,500 wealthy consumers to tell them the luxury brands that come to mind when thinking of handbags.

"Wealthy consumers want it their way. We wanted to understand what goes through their minds when they think of luxury handbags," explains Milton Pedraza, chief executive of the Institute. "What do they classify as luxury, and are manufacturers thinking the same way?"

The top responses are all upscale, well-known accessories brands, yet they come from an interesting mix of luxury and more mainstream brands. "Gucci, Louis Vuitton, Prada - these are definitely luxury bags. They're handcrafted and have tremendous cachet, and they're sandwiched by Coach and Dooney & Burke," says Pedraza. "But it tells you that women are diverse in what they perceive to be great handbags."

The study also notes that, in the past 12 months, wealthy consumers bought, on average, 3.4 purses, and 54 percent of these purchases were of luxury brands. As WWD reported in February: "The luxury customer has upped the ante. She doesn't buy one bag a season, but builds a wardrobe of bags: satchels for day, clutches for night and oversize hobos for the weekend."

Here are profiles of luxury consumers' five favorite bag makers. Kate Spade, Chanel, Fendi, Burberry and Herms fill out the top 10.

COACH

"Luxury consumers love Coach because the products are stylish and have great quality," says Pedraza. "They trust this brand, it has a great reputation." After all, even multimillionaires still look for a great value, and Coach provides shoppers with a quality product for the price. Originally founded as a handbag company in 1941, today the New York-based firm has expanded into plenty of other categories, including footwear, eyewear, fragrance and jewelry. The brand is accelerating its Legacy collection of higher-priced bags, footwear and accessories, beginning with plans to open two stores dedicated to the collection this fall.

GUCCI

Most respondents noted they were impressed by Gucci's quality, durability and style. "I love my Gucci bags, they're very fashionable," said one. "My Gucci handbag has held up very well, and I've received several positive comments about its appearance from both men and women," added another. Exceptional customer service was an additional highlight of the PPR-owned luxury brand, which got its start 86 years ago as a leather goods and luggage store in founder Guccio Gucci's native Florence.

LOUIS VUITTON

In 153 years, Louis Vuitton has expanded from a single store in Paris into a global luxury empire. Respondents praised its stylish longevity, saying: "I love the timeless designs of Louis Vuitton," and, "It's a long-lasting quality. You can use the bag for 20 years and the bag will never go out of style." Others commented on the craftsmanship of the pieces. In February, a spokeswoman for Louis Vuitton told WWD that the essence of luxury today is "to be even more luxurious," with products attaining more sophisticated and "couture-like" heights each season. The house's Tribute Patchwork bag for spring - a patchwork of iconic Vuitton bags - is a classic example: It comes at a cost of $42,000.

PRADA

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It's all about Prada's look, according to luxury consumers. "I love the style of their bags," said two of those surveyed. The Milan-based brand, originally known as Prada Brothers, was founded in 1913 as a leather goods business by Miuccia Prada's grandfather, Mario. Miuccia inherited the company in 1978 and has since expanded the brand to include apparel, eyewear, fragrance and shoes, as well as roughly 250 stores in 65 countries. In March, she matched oversize clutches with her fall ready-to-wear lineup on the Milan runways.

DOONEY & BOURKE

"Excellent quality" and "great design" were two of the more popular reasons luxury consumers placed Dooney & Bourke near the top of their lists. Some of the brand's bestsellers include the Doodle Everyday Shopper, Zebra Medium Safari, Madras Bucket and Mini Bubble Small Tulip Tassel. And the company could soon reel in plenty of younger consumers: Julia Roberts' niece, Emma, star of the new Warner Bros. movie, "Nancy Drew," is the model for Dooney & Bourke's spring teen collection.

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FROM DIRECTOR DANNY BOYLE

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When High Price Is the Allure

By RUTH LA FERLA

WHEN readers leaf through the September issue of Vogue, which arrives on newsstands next week, they will encounter a Prada mohair twin set tagged at $2,925; a chunky Giles sweater, at $3,675; and a supersize Marc Jacobs bracelet, at $2,180. And as fall looks begin trickling into stores this month, shoppers will find basic designer sheath dresses selling for $1,200, coats for just under $4,000 and designer sunglasses for $500 or more.

This is the fourth consecutive autumn season in which a weak dollar has meant higher prices for designer clothing, much of which is made in Europe or stitched from fabrics imported from European mills. As the value of the dollar shrinks against the euro, prices continue to climb, with retailers citing hikes of as much as 15 percent for shoes and bags this year compared with last.

Yet, merchants and manufacturers have seen surprisingly little resistance in recent seasons to the cost of luxury goods.

So strong is the demand for cashmere car coats and crinkled patent leather bags at Barneys New York that that two firms — one from Dubai, the other from Japan — are in a bidding war this month to acquire the store for close to $1 billion. The luxury conglomerate LVMH, the owner of Louis Vuitton, had net profits for the first half of 2007 of $1.11 billion, up 2 percent from a year ago. Profits at the parent of Gucci and at Prada are also up.

Those brands owe part of their success to shoppers with caviar taste who have come to view extravagant prices as an enduring, if unwelcome, fact of life. At the same time, another consumer cohort is driving the trend, shoppers for whom a high ticket can in itself be an inducement to buy. Just as makers of premium ice cream have persuaded consumers to pay $4 for a cone instead of 90 cents, and California vintners convince them that a $100 cabernet is better than a $50 bottle, the makers of designer clothing know that high prices can cast a spell.

“Price certainly plays into a product’s allure,” said Robert Burke, a retail consultant in New York. “For certain people, the higher the price, the more attractive the item becomes.”

An exorbitant price can confer exclusivity. “People are willing to pay a significant amount of money to make sure they don’t see their purchase on other people,” Mr. Burke said.

Or to ensure that their friends will recognize its provenance. “Price is part of the status of certain luxury items,” said Marvin Traub, a retail consultant in New York. Mr. Traub, who visited Moscow in March, noticed that people there were fascinated not by how little but how much was paid. To some extent, Mr. Traub noted, “that sort of thinking translates here, too.”

Among merchants and manufacturers, consumer psychology can be as significant as economics in setting prices. “Luxury makers are not necessarily forced to raise prices above the exchange-rate factor, but sometimes they do,” said Milton Pedraza of the Luxury Institute, a research group in New York. “Why? They know that consumers are resilient. For manufacturers, it’s really about asking for a price increase because you can.”

Those remarks resonate with Jeffrey Kalinsky, a specialty retailer who owns fashion emporiums in New York and Atlanta. Mr. Kalinsky, who is also the director for designer merchandizing of Nordstrom, does not pretend to speak for his customers. But he shares their sometimes-irrational passions. He recalled that as long as 20 years ago, when he was in his mid-20s, he would “just walk into a store and see a sweater, and something inside of me would say, ‘Oh, I hope I can afford it. I bet it’s at least $800.’ “That sweater would be $1,100,” Mr. Kalinsky confided, “but, miraculously, then I would want it more.”

In some cases, manufacturers adjust prices upward to make sure that their goods hang in good company, displayed alongside prestigious luxury brands. “They tack on a healthy premium, because they want to maintain the exclusivity of the brand,” Mr. Pedraza said. “The customer pays for that cachet.”

Susan Sokol, the president of Vera Wang, acknowledged that while it is important to maintain a range of prices within a collection, “it is extremely critical to understand price positioning and to be very strategic about it.

“If I know our customer is buying Miu Miu or Dries van Noten,” she said, “we have to price accordingly.”

The appetite for high-end wares has been a boon to retailers, who need to sell fewer of a given item to turn a handsome profit. The higher the price, the higher the margin, Mr. Burke pointed out: “It’s much easier to sell five of something really expensive than 20 of something less expensive.” Markups, he said, have remained much the same since last year.

A stroll through several high-end stores in Manhattan this week turned up prices that might be the equivalent of a down payment on a minivan. At Jeffrey, in the meatpacking district, a raglan-sleeve black jersey Lanvin dress was $2,455, a Shawn Collins thermal knit sweater $995. Barneys offerings included a Balenciaga leather bag with fancy grommets, $1,725; Lanvin leather ballet flats, $530; and Marc Jacobs cuffed leather ankle boots, $995.

At Bergdorf Goodman, a Stella McCartney turtleneck devoid of trim sells for $995, and her cable-stitched sweater for $1,495. A pair of Kieselstein-Cord sunglasses is tagged at $595. Far from daunting, such a ticket might be downright seductive to customers, Ms. Sokol said. “When you are looking at a handbag or even a pair of sunglasses, a high price can have inherent snob appeal.”

Consumers tell themselves, Ms. Sokol went on, “ ‘If those glasses are $150, I’m not going to be as interested as if they are $350.’ ”

That is not to say that consumers are indifferent to price. Many are making emotional adjustments, finding ways to balance a love of fashion with the reality of its increasingly exorbitant cost. Eunice Ward, a lawyer in Chicago with a taste for quirky labels like Dolce & Gabbana and Stella McCartney, pays full price only for items that resonate with her sense of style. During a recent shopping trip, she spied a Yohji Yamomoto sweater. “I knew it would fit with my wardrobe and update everything,” she said, “that it was going to be my workhorse for fall.

“I didn’t even check the price at first. I knew I would love it, and I didn’t care.”

At Saks Fifth Avenue in Manhattan last week, Jessica Lee darted among the racks, gazing avidly at a champagne-colored Miu Miu cocktail dress, scarcely bothering to look at its $1,250 tag. “Fashion’s gotten more expensive,” Ms. Lee said, a fact as inevitable, and untroubling, to her as the tide.

“The economy is good,” said Ms. Lee, who works for a private equity firm in Manhattan. “I’ve made a lot more over the past year than before, and so I have more purchasing power.”

Kate Strachan appeared to be more circumspect. As a technical designer for a fashion house, she is well acquainted with the price of style. “I know a lot of quality, craftsmanship and time goes into some of these pieces,” Ms. Strachan said.

Regardless, she is determined to put a cap on her spending. Combing the racks at Saks, she sighed wistfully: “I can’t afford these kinds of things, so usually I buy what I need most. This year that would be a winter coat.”

Then with a self-mocking smile she added, “Of course there are times when I’ll splurge.”

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Fashion's Elite Expand Online

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Luxury labels finally warm to the Web, designing high-tech sites that aim to enhance their upscale appeal with video and more

By ELVA RAMIREZ
August 11, 2007

Improvements in online video and the growing prevalence of broadband access are encouraging luxury brands to create glossy new Web sites that better reflect their elite appeal on a medium that can make things look equal.

"Go look at some shoes from Marc Jacobs and then some shoes from Target," says Marshal Cohen, chief analyst at the NPD Group. "Shoes from Marc Jacobs are $499. The shoes from Target are $14.99. They look almost the same online."

Miu Miu relaunched its site earlier this month, replacing a relatively simple design with one that includes stylized videos and "behind the scenes" access to photo shoots.

"Until a couple of years ago, brands were very cautious online," says James Gardner, CEO of createthe group[1], an interactive agency that is behind high fashion sites such as MiuMiu.com[2], Balenciaga.com[3], StellaMcCartney.com[4] and MarcJacobs.com[5]. "They hadn't really seen sites created that managed to remain elevated and appropriate for luxury brands. [But now, with the help of online video and interactive features] the product imagery can be very beautiful. Every component, every detail can be carefully crafted [on the Web], just as their products are."

A January 2007 survey by market research firm Luxury Institute found that 99% of those 21 years and older with a minimum household income of $150,000 had Internet access at home -- and 94% said they used broadband connections, which are amenable for video viewing. Similarly high numbers were reported for the use of the Internet in researching products and shopping. Naturally, as high-end consumers have gone on the Web, more luxury brands and high-end retailers have opened up online flagships (though they generally have lagged behind other industries' online offerings).

Sophisticated imagery can help high-end brands justify the price discrepancy with lower-end products, Mr. Cohen argues. "The site has to do a better job of romancing it, using additional audio as well as visual stimulation to really get you excited," he says. "I've got to feel that I can connect and relate to this site, otherwise why am I spending so much money?"

Many luxe sites also aim to give visitors a sense that they are getting insider information. Those not invited to Fashion Week's members-only tents can watch the runway shows online. Christian Dior's[6] Fall/Winter Haute Couture extravaganza, in honor of the fashion house's 60th anniversary, was available online the morning after the show.

"What some of the brands are beginning to recognize is the importance of extending the message to the consumer, and not relying on retailers or on traditional advertising," says Mr. Cohen, adding that streaming video is a type of "three-dimensional branding" that adds life to the product and its message in a way not possible with "flat" advertising in magazines.

High fashion sites are also adding behind-the-scenes vignettes to differentiate themselves. Chanel.com[7] features interviews with Karl Lagerfeld, while MiuMiu.com has footage of its May 2007 photo shoot with model Laetitia Casta for its Fall/Winter 2007 campaign. Documentary filmmaker Seraphin Ducellier directed Balenciaga.com's evocative time-lapsed movies of four handbags; the brand also plays up its fashion heritage by featuring archival footage from the 1960 Spring/Summer runway show.

"People have this real emotional connection with video, much more than still images," says Mr. Gardner. "A woman looking at the video says, 'I need that bag.'"

Prada.com's[8] site, designed by celebrity architect Rem Koolhaas's OMA firm, showcases nearly 20 short films on the production process, including clips of artists sketching bags, the making of a Prada ballerina slipper and the hand-finishing of a perfume bottle. Showing the hands behind the luxury object only burnishes a brand's image, says Milton Pedraza, CEO of the Luxury Institute.

"[Luxury consumers] want to know that they are paying for craftsmanship," Mr. Pedraza says. "And it's a little more subtle but it's [also] important, they want to know that people who are making the product are treated well. [Rather] than shattering the imagery, it enhances the reasons why you willing to pay a premium."

The new features also help keep visitors on the sites longer.

MarcJacobs.com features elaborate Fashion Week mini-documentaries produced by multimedia production company B Productions that use cameras which swoop 30 feet over the audience and 24-hour time-lapse footage of set-building. The site also posts insider news and gossip uploaded by employees.

"When we launched MarcJacobs.com, people were staying just a couple minutes on the site, which is pretty standard," says Mr. Gardner. "We now see that they are spending 10-plus minutes on the site."

In June 2007, unique visitors to Chanel.com, which also posts extra video features, spent an average of 7.2 minutes on the site, up from 4.4 minutes the previous year, according to comScore World Metrix.

But even Mr. Jacobs, the online trendsetter in the industry, must continue to add new features to his site to maintain an edge. According to an industry source, one prominent designer is planning on streaming live video -- a first -- during New York Fashion Week this September.

"We're now experimenting with ways to make video a much bigger part of sites with products, [such as] showing videos of the products being worn or moving around," says Mr. Gardner. "[Designers] have seen that not only does [marketing online] not damage their brand, it's a critical success factor for going forward."

Write to Elva Ramirez at elva.ramirez@wsj.com[9]

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THE WALL STREET JOURNAL.
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WEEKEND JOURNAL
A diamond in the rough

By Ying Wu
1,009 words
3 August 2007
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FROM TIFFANY to De Beers, a new look in diamond jewelry is on the rise: uncut diamonds that to the untrained eye can look more like gravel than gems.

Known as rough diamonds, these are the stones in their natural state, before they've been cut with the facets that give diamonds the sparkle, brilliance and clarity they are known for. In colors from milky white to yellow, green and brown, the large, uneven stones often have a cloudy appearance.

For jewelers, these stones have another appealing quality: The wholesale cost of uncut diamonds is far below that of cut and polished gems. Yet some customers are proving willing to pay tens of thousands of dollars for them.

De Beers sells the rough diamonds in its stores around the world. At the company's three U.S. stores, which started offering rough-diamond jewelry two years ago, one of every five pieces sold now features rough diamonds. A $45,000 rough-diamond necklace is displayed prominently in the window of the company's Fifth Avenue store in New York. Meanwhile, Bergdorf Goodman added rough diamonds to its jewelry selection last September. Retail prices for rough-diamond jewelry vary considerably, from $600 for a small uncut diamond set in a stainless steel ring at De Beers to $750,000 one-of-a-kind necklace of pearls and rough diamonds by Frank Gehry at Tiffany.

But because some of the usual standards for assessing a diamond's value, such as cut and clarity, don't apply to uncut stones, it can be tough for consumers to evaluate pricing. "It's pretty much a blind purchase for consumers," says Tom Moses, a senior vice president at Gemological Institute of America.

Diamonds have long been marketed for their timeless style in the world of luxury goods. But in a time of quickening fashion cycles and a craving for the new and different, even the diamond industry has begun looking for novel products. In recent years, colored diamonds, in shades like yellow and pink, have become more popular.

Industry observers say the uncut diamonds are being marketed to a subset of customers who increasingly want things that are both exclusive and subtle, conveying status only to people in the know. "Luxury consumers are maturing "beyond the 'look at me' phase," says Milton Pedraza, chief executive of the **Luxury Institute**, a market-research firm. The rough stones also tap into the current popularity of all things natural in the fashion market.

Many rough-cut diamonds used in jewelry are unsuitable for cutting because of their shape or flaws in the stone. In some cases, a potentially cuttable rough stone is selected for a piece of jewelry because it has an unusual shape. Generally, however, experts wouldn't advise consumers to consider cutting into a rough diamond they've bought in a piece of jewelry: The odds of finding a valuable cut diamond inside are fairly low.

Rough diamonds still represent only a tiny portion of the market for diamond jewelry. Last year, consumers around the world spent $68 billion on diamond jewelry, says Ken Gassman, president of the Jewelry Industry Research Institute. He estimates that sales of jewelry made with rough diamonds amounted to a few hundred million dollars at most.

Among major diamond retailers, De Beers was an early promoter of rough diamonds. Two years ago, the company launched its Talisman collection, a line of jewelry featuring uncut diamonds, sometimes mixed with polished stones. The company says its Talisman pieces, which range in price from $400 to $700,000, are among its top sellers.

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The rise of a company called Diamond in the Rough reflects the growing popularity of uncut diamonds. Four years ago, the company began selling rough-diamond jewelry pieces online at prices of $500 to $1,200. But sales took off last year when the company decided to relaunch with new jewelry designs using bigger stones -- at higher prices. It showed its new collection at a jewelry trade show in Las Vegas last year, where it attracted significant attention from retailers, according to Anjanette Clisura, the company's president. Now the company's pieces, which use only diamonds of five carats or more, sell at Bergdorf Goodman and Neiman Marcus, as well as at other outlets in Italy and China, for prices starting at $5,000 and averaging about $35,000. Diamond in the Rough expects sales this year to double to $5 million.

The profit-margin advantage can be substantial for jewelers, who pay about $8,000 for a high-quality one-carat polished white diamond, according to Ronnie Friedman, president of the Diamond Manufacturers and Importers Association of the U.S. Prices vary much more for rough diamonds on the wholesale market, with some selling for as little as $50 a carat and others costing several thousand dollars per carat, depending on the color and quality, experts say.

Retail prices for rough diamonds also vary, but for a sense of the cost relative to cut diamonds, consider a 5-carat rough diamond set in a white-gold ring with pave diamond accents by Diamond in the Rough, which sells for $33,000. Under the industry rule of thumb, a rough diamond of that size could be expected to yield a cut diamond of half its weight -- about 2.5 carats, which in a ring would retail for an average of $40,000. A fairly high-quality, 5-carat cut diamond could cost $160,000 or more.

Designers say the high price tags are justified by the uniqueness of the stones and the designs.

Some shoppers say they're willing to pay more for jewelry that looks unusual. Penny Waller, an artist in California, says she recently spent $15,000 on three rough diamond rings from designer Todd Reed. "There is a little magic" in a stone that is "untouched, in its natural state," she says. Rachel Dodes contributed to this article.

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September 6, 2007

A Facebook for the Few

By RUTH LA FERLA

If more proof were needed that the rich are different, it could be found on aSmallWorld.net, an invitation-only social networking site.

"I need to rent 20 very luxury sports cars for an event in Switzerland on the 6th September," a member wrote recently on the Forum, aSmallWorld's popular nucleus. "The cars should be: Maserati — Ferrari — Lamborghini — Aston Martin ONLY!"

Another announced: "If anyone is looking for a private island, I now have one available for purchase in Fiji."

Founded four years ago, the site, promoted as a Facebook for the social elite, has grown from about 500 members to about 150,000 registered users. At a time when Christina Aguilera has 466,550 MySpace friends, aSmallWorld has attempted to create an Internet niche by cultivating an air of exclusivity.

The site functions much like an inscrutable co-op board: its members, who pay no fee, induct newcomers on the basis of education, profession and most important, their network of personal contacts. Sleeker than MySpace or Facebook, aSmallWorld.net is not the type of site where one is likely to come across videos of amateur motorcycle stunts or girls in bikinis.

Users are mostly young — 32 on average. Many have graduate degrees and a taste for living extravagantly on more than one continent. Sixty-five percent are from Europe, 20 percent from the United States and the rest scattered around the globe.

"We have put together a platform where a definitive group of people are separated by only three degrees," Erik Wachtmeister, aSmallWorld's founder, says often and loudly.

Advertisers were scarce at first. But in the last six months, luxury brands have come on board after a push from investors, including the movie mogul Harvey Weinstein.

The site drew a flurry of media attention last year, when Mr. Weinstein purchased a minority stake through the Weinstein Company, projecting that aSmallWorld's membership could grow to a million within a year or two. SmallWorld is his sole investment in an Internet property.

Mr. Weinstein, who is diversifying beyond the film industry and recently acquired the fashion house Halston, would not say how much he paid, but he is the largest single investor in aSmallWorld. (Other minority investors include the film director Renny Harlin, the media executive Robert W. Pittman, and Alexander Von Furstenberg, an entrepreneur and the son of the designer Diane Von Furstenberg, an early advertiser on the site.)

The draw, Mr. Weinstein said without a shred of irony, is “direct access to some of the world’s most influential tastemakers,” a community he sees as early adopters and a natural market for his films, books and fashions.

“We’re dealing with a group of people that moves in social migration around the planet,” said Joe Robinson, the new chief executive. “From the point of view of a Mercedes-Benz or a Piaget, that makes this an enormous marketing opportunity.”

The Weinstein Company introduced Mr. Robinson, a former advertising executive with Fox Interactive Media, the owner of MySpace, to court advertisers like Lufthansa, Land Rover, Credit Suisse, Moët & Chandon and Burberry. Olivier Stip, the vice president of marketing for Cartier North America, said that an advertisement placed in June generated lively traffic for the jeweler’s Love collection.

Advertising rates are competitive with those of Forbes.com and Style.com, Mr. Robinson said. On average, clients spend $20,000 to $50,000 a month, he said. The company also arranges dinners and tastings where members can sample advertisers’ products. For one recent gathering, Rémy Martin supplied 4,000 bottles of its premium Cognac, valued at $200 each.

But the presence of advertisers raises questions about just whom they are reaching and whether this business model works.

Mr. Robinson said 35 percent of aSmallWorld members log in every day. But Andrew Lipsman, a senior analyst at comScore Network, a company that rates online usage, said that it is hard to track the number of unique visitors because the site is relatively small. “If there are a couple of hundred thousand registered users,” he said, “probably only a fraction are visiting the site regularly.” Compare that with Facebook, which in July had 30.6 million unique visitors, a number that has doubled since last year, Mr. Lipsman said.

Charlene Li, an analyst at Forrester Research in Foster City, Calif., said that for advertisers trying to concentrate on a group of influential people, a special-interest publication makes sense. “I liken advertising on aSmallWorld to advertising in the Harvard Business School alumni report,” she said. “For luxury advertisers, the online options are fairly limited.”

Skeptics are not sure just who is getting the message. “For truly wealthy consumers, time is the ultimate luxury,” said Pam Danziger of Unity Marketing, which researches luxury brands. “These people are not going to waste it hanging about on a social networking site.”

Those who do hang about often use the site to billboard themselves, advertising unabashedly pretentious tastes. A journalist in Vienna shared the news that her favorite Champagne was Henri Giraud — “I particularly like the 95 Grand Cru," she wrote on the Forum. Another member recommended Eclipse, a bar on Walton Street in London, for its watermelon martini, "a tour de force."

In reply to a query from a comely young woman searching for a hairdresser in Singapore, a Procter & Gamble executive there responded with a thinly veiled proposition: "I have two bottles of Nice n' Easy in the cupboard. I'll do it for free."

The company does not publish members' income or net worth, so their actual spending power is difficult to gauge. Hollywood strivers, fashion models, financiers and minor European royalty have been admitted inside its virtual velvet rope. But users also include publicists and party promoters who use the site as a personal database. In theory, they are just a few clicks away from Mr. Weinstein, a member, or boldface names like Naomi Campbell, Quentin Tarantino and Frédéric Fekkai. (Sycophants beware: members who engage in cyber-social climbing may find themselves exiled to the chilly Siberia of a Big World, aSmallWorld's less-exclusive sister site.)

The site has drawn enough notice to breed its share of copycats. Milton Pedraza of the Luxury Institute, a New York research group, plans to introduce Luxury Ratings.com early next year as an advertising-free, gated online community; members will pay an annual subscribers' fee of $250. He says members will each have a net worth in the millions or tens of millions. "They are not only resilient," he said, "they are nearly immune to a housing or stock market downturn."

Small World loyalists seem content. Laura Rubin, a brand consultant and fashion publicist in New York, uses her personal network of about 170 members to build her business. "It's like a Rolodex," she said. Last month she combed that base for guests to attend a fashion party in the glass-enclosed penthouse of Hotel on Rivington on the Lower East Side.

Etienne Deyans, a party promoter from Zaire, mines his network of contacts to toss together weekly galas with international themes in the cavelike basement of Amalia, a restaurant in Midtown. "It's a civilized way to have people meet," Mr. Deyans said. "Here, I tell myself, there will be no rudeness at the door."

Kibum Kim contributed reporting.

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Marketing

Open Sponsors, Open Wallets

Tom Van Riper, 09.06.07, 3:56 PM ET

By the time the U.S. Open tennis tournament ends Sept. 9, more than 600,000 fans will have walked through the gates of the Billie Jean King National Tennis Center in Flushing, N.Y. Not just any fans. The richest fans in sports.

No athletic event in the U.S. draws more pentamillionaires, those with a net worth of $5 million or more, according to data from the Luxury Institute. And that's catnip for sponsors like Lexus, Tiffany, American Express and Heineken. Most have been with the Open and other major tennis and golf events for many years, so proven is the upscale sports market as a brand builder.

Video: Tennis Suits Heineken

Video: Tennis Tech

What's different in recent years is how these companies go about getting people jazzed up about their products. If you want a responsive audience, TV ads and stadium signage just don't do the trick alone anymore. Today's marketing clutter and connected environment means you need to get creative and engage customers interactively, so as to get yourself in their faces right at the matches, preferably with something new. The idea is to raise people's curiosity enough while ensuring they won't be annoyed at being distracted from the tennis.

Individual companies don't reveal their spending figures at the Open, though estimates have put the United States Tennis Association's (USTA) total sponsorship take at $50 million to $60 million in recent years. That would mean relatively small expenditures for the big companies that dominate the event's sponsorship activity, a worthwhile price for boosting your image in front of thousands of wealthy sports fans.

Heineken, the high-end beer maker that's come to face much more abundant competition in a world of microbrews and specialty brands in recent years, uses the Open to directly connect with customers and to introduce new variations of its brand. Last year's tournament brought the introduction of its light beer. This year, Heineken is pushing samples of its new Extra Cold draught system by giving tastes to passers-by at its Red Star Cafe on the stadium grounds.

"Marketing is getting more experimental, more aggressive and more direct," says Andy Glaser, brand director at Heineken USA, who adds that the four annual tracking studies the company performs show that its U.S. Open sponsorship improves its recall with customers. In addition to its Red Star Cafe sampling site, the company is unleashing vendors with funky-looking space age backpacks to dispense Heineken beer to fans in the seats.

Some sponsors aren't content to set up shop at the stadium. American Express is throwing a pair of Manhattan bashes, one in Rockefeller Center and one in Madison Square Park, where match viewing and clever games rule the day. The company is partnering with Match.com in offering an online contest to singles to meet up for a first date at the Madison Square Park event. The tag line: "Game, Set and Match."

The point for Amex, as it is for most sponsors, is to help promote tennis to as many people as possible, while having its own brand associated with the tony sport. More than direct profit and loss, sponsorships of highbrow sporting events are about brand building.

"The USTA has become much more aggressive in promoting tennis and in getting more 20-something fans through the gate," says Heineken's Glaser.

There are other ways to get creative in leveraging a presence at the Open. IBM, for instance, is finishing up its 16th year as the tournament's main information-technology partner. Employees toil in the bowels of Ashe Stadium, compiling and feeding match statistics to CBS telecasts. The operation serves as the perfect demo platform, allowing IBM to show off its data-crunching capabilities to prospective clients it hosts at the tournament. Unlike other sponsors, IBM's blueprint is more about nut and bolts than image building.

"It's not a glamour thing. It's more business to business," says IBM spokesman Mike Maloney.

Follow the Money

Where is the next crop of high-end consumers coming from? By Valerie Seckler

EXPECT THE WORLD'S BEST EDUCATED TO PRODUCE THE NEXT GENERATION of luxury consumers.

University students number 19 million in China, 16 million in the U.S., 11 million in India and eight million in Russia—and those are the places where demand for luxury is likely to grow the fastest, forecasts Michael Silverstein, an expert in consumer markets and a senior partner at Boston Consulting Group. "People in all four countries will have a voracious appetite for luxury goods," Silverstein says. "A university education equals income, and income equals luxury consumers."

But they won't be the only ones. By 2025, developing nations such as Brazil and Pakistan also will be home to a burgeoning cadre of consumers clamoring for premium goods.

In the meantime, China will likely arrive as a travel destination considered as special as Europe was in the Seventies and Eighties, with as many Americans traveling to China as to Europe between now and 2017, predicts Patricia Pao, chief executive of strategic consultant Pao Principle.

While few would argue over whether a Rolls-Royce, a $10,000 designer suit or a $200,000 orbit of the earth on Virgin Galactic were topflight indulgences, exactly what constitutes a luxury has become harder to define following the explosion of premium products over the past two decades and the introduction of numerous super-premium goods. This will make it increasingly challenging for marketers to convince people something is indeed an indulgence worth paying extra for, save for the 1 to 2 percent of the wealthiest consumers who traditionally have purchased luxury goods.

"It's a pretty nebulous concept," acknowledges Ron Kurtz, president of the American Affluence Research Center, which tracks the 10 percent of households with the highest net worth, those with wealth of at least $828,000. For instance, he reports, "A $200 skin cream could be a luxury for one person and a necessity for another."

What appears more certain is that in the next five to 10 years, the people occupying the nine million or so wealthiest U.S. households will keep demanding more top-drawer goods and will opt for more accessible luxuries over those more rarefied. At the forefront of premium products, Silverstein says, will be the "miracles created in consumer electronics," a prediction he based on the raft of items already introduced over the past two decades, like iPods, cell phones and HDTV. In June, shoppers lined up days ahead of the launch of the first two iPhones, initially priced at $499 and $599, with annual fees ranging from $719 to $1,199.

A bigger piece of the country's population, typically the 29 million households with annual income of at least $80,000—the top 25 percent of wage earners—will consume mostly premium and some super-premium goods and services. Last year, consumption of those products in the U.S. came to $720 billion, up from $670 billion in 2005, according to BCG.

Makers of the priciest things will have to offer something distinctive about the way they are experienced in order to meet people's rising expectations, advises Ron Rentel, founder of brand consultant Consumer Eyes. In part, that's because as more people amass more money, the activity of purchasing high-end luxuries is itself becoming what Rentel describes as "a way to distinguish

Continued on page 158

Follow the Money

Continued from page 156

oneself in light of the proliferation of middle-brow luxuries." For people such as these, he contends, "it will become a necessary thing to keep redefining oneself by buying things that are more and more expensive."

Products alone won't differentiate many elite goods, Milton Pedraza, chief executive of the Luxury Institute, says, referring to the rapidly multiplying range of similar items.

"Eighty percent of it will be how you treat the customer," he advises, including the option to customize the way luxuries are experienced. In addition, luxury brands will need to get customer feedback and to do so frequently. With so many affluent consumers online, Pedraza adds, luxury marketers will be facing "a consumer on steroids," one armed with the speedy proliferation of critiques posted in cyberspace by fellow customers.

Between now and 2010, observers expect at least four kinds of high-end shoppers to gain critical mass:

- Baby Boomers searching for special experiences.
- Generation Xers on the hunt for pricy items.
- Belongers lured by a sense of clubbiness imparted by status goods.
- Renegades ferreting out the exceptional.

The last two are unique in that they are distinguished by their mind-sets.

In the realm of fashion, belongers might be drawn to styles and brands worn by celebrities, while renegades will be more likely to seek expert advice about the best-quality items, say, jeans made of Japanese denim, rather than a hot brand, suggests Carol Davies, a partner in innovation consultant Fletcher Knight.

"Both belongers and renegades will still be looking for exclusivity," she says, noting that exclusivity, along with scarcity, has largely defined traditional luxuries. "But exclusivity will be [defined by] knowledge—knowing what is the best thing to buy.

"A UNIVERSITY EDUCATION

Home luxuries are capturin a lot of disposable incom

Well-to-do Gen-Xers spend about a third more than Boomers on personal luxuries like apparel and accessories.

EQUALS INCOME, AND INCOME EQUALS LUXURY CONSUMERS."
—MICHAEL SILVERSTEIN, BOSTON CONSULTING GROUP

"In the 1950s, the goal was to be normal, ordinary, like your peers," Davies continues. "Now, the aspiration is not to be ordinary, but extraordinary."

The luxury grab will evolve from being wait-listed for a must-have, $58,000 handbag to requesting a customized item from designer houses like Hermès, Chanel or Louis Vuitton, Pao says, adding, "People will want to be the first to discover things and tell friends about it."

Four two-hour visits to Hermès by an acquaintance of Pao's recently resulted in the creation of a personalized alligator handbag, for example. Warren Edwards and Salvatore Ferragamo are giving their customers the option of selecting a shoe color, material and style—in the case of Ferragamo, 16 silhouettes, four skins and more than 50 colors.

As the country's wealth continues to concentrate in the households of the nation's 78 million Boomers, the affluent half or so of the cohort are expected to use their means to engage in fulfilling and exciting activities such as exotic travel; fractional ownership of yachts, jets and sports cars; education; fitness; wellness, and volunteerism, including eco-endeavors. The average age in the country's wealthiest 10 percent of households was 59 in 2004, according to the Federal Reserve Board's most recent "Survey of Consumer Finance," an age Kurtz anticipates will head north over the next 10 years as the younger half of those born during the postwar boom realize their peak earnings periods.

At the same time, the well-heeled among the 42 million Gen-Xers are likely to begin acquiring high-end goods at an accelerating clip, including private home theaters, media rooms and centralized, computerized controls for home systems such as heating, air conditioning and security.

The sweet spot for luxury marketers emerging in Generation X reflects their rearing in more affluent households with "more stuff" than the Baby Boomers, notes Pamela Danziger, president of Unity Marketing. "They're the want-it-all generation and they want it now," she avers. "It took longer for Baby Boomers to acquire things. They started out making virtually nothing."

Gen-Xers in households in the top 25 percent of the country's earners have been spending about one-third more than Boomers with similar incomes on personal luxuries like apparel, accessories and beauty, or $14,400 a person in 2006, according to "The Luxury Report 2007." The same holds true for home luxuries; this part of the 40-and-under set spent $25,300 apiece. Boomers in the same income bracket, by comparison, spent an average of $11,000 each for personal luxuries and roughly $19,000 a person for home luxuries last year.

"Most people have an average life expectancy of 80, so people who are 50 may be asking themselves what they want to do with the next 30 years," Danziger suggests. "Generally, it is not to buy a diamond ring or a mink coat. It's to have life-changing experiences."

For now, Boomers and Xers are shelling out about the same amount for special experiences: an average of $22,000 in 2006.

"The lives of wealthy consumers are supercomplicated because they've accumulated so much," the Luxury Institute's Pedraza says. "People will want to simplify their lives and move beyond the mode of maintenance." Among the services he expects to flourish as a result are concierge medicine and a broader range of financial services, areas Pedraza and BCG's Silverstein predict will be among the fastest growing at the high end. As more people secure more disposable income, Silverstein notes, they will "clamor for services" now attainable by the wealthiest.

In the next five years or so, the luxury market will become more fragmented, reaching younger, into the early 20s and even the teens, consumer insights specialist Davies projects.

"Clearly, the luxury consumer is no longer [limited to] the country club set," she observes.

Affluence in the traditional sense will no longer be required to indulge, Davies contends, noting, "If you don't need a lot of things, you can be affluent with a lot less money." ■

Wealthy households up 51 percent in four years

Wed Sep 12, 2007 8:20PM BST

NEW YORK (Reuters Life!) - The number of wealthy U.S. households increased by 51 percent in the past four years and California topped the chart as the richest state, according to a new survey.

The poll by the New York-based Luxury Institute, a research organization, shows 8 million households, or seven percent, made at least $150,000 a year in 2006, compared with 5 million in 2002.

"The economy in the last four years has been sizzling," said Milton Pedraza, the head of the institute.

"Many of these people do work related to the global economy. Most parts of the world have been doing extremely well since 2003 -- that was the recovery year after 9/11."

The rise in wealthy households significantly out-paced increases in wage inflation and population, according to the survey, which is based on U.S. Census Bureau data of 111 million households.

California ranked as the wealthiest state, with 1.3 million rich households, followed by New York with 668,000 and Texas with 521,000.

Washington, D.C. is home to the highest percentage of rich citizens, followed by New Jersey and Connecticut.

"There's an immense number of consultants, lobbyists, and attorneys surrounding the Washington area. A lot of public relations agencies, a lot of associations, profit, nonprofit, think tanks who pay very, very well," Pedraza explained.

Ethnic groups are also faring better he said, with 527,000 Asians, 372,000 Hispanics, 312,000 African-Americans considered wealthy.

"Obviously more needs to done -- we haven't reached a level of equality -- but it does seem to say that everyone's benefiting," Pedraza added.

Despite the recent market volatility and the subprime mortgage fallout, Pedraza believes the outlook remains positive.

"These people work in highly skilled and high demand types of jobs, so I think it will continue to grow. The demand for highly skilled professionals...continues unabated, driven not only by the U.S. economy, but by the global economy."

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Special Report
Vodka and phones - what's next?

By Ann Mah
The New York Times Media Group
853 words
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In recent years the term luxury brand has meant a lot more than just Christian Louboutin's red-soled pumps or Versace's sexy gowns. Think chocolates, flowers and tropical resort hotels.

There is Bulgari's Bali resort and Roberto Cavalli's handmade vodka. Versace offers decor for private jets. And in November, Giorgio Armani plans to open his fourth multiconcept store, the Armani/Ginza Tower in Tokyo. Spread over 12 floors, it will include a spa, a nightclub and a flower shop.

Now that the major houses are dipping into so many areas, where do they go next for growth? No one is quite sure but there are lots of possibilities.

Luxury brands should consider how consumers perceive them, not how they want to be perceived, said Milton Pedraza, chief executive of the **Luxury Institute**, a ratings and research firm based in New York. And capitalizing on existing products and design skill are the best outlets, he added, like creating auto interiors, jets, or yachts.

Developing an aesthetic is a key consideration for luxury brand operators who want to avoid diluting the brands' public appeal.

"Are they about promoting a logo or a brand aesthetic?" asked Dana Thomas, author of a new book "Deluxe: How Luxury Lost Its Luster." "Are you getting your jet done in Versace because you like their neo-classic look or because you want those seven letters?" she asked.

"When you start having Cavalli vodka and Prada phones, you just don't want to see these names anymore. I think there will be a time when the market is saturated and they'll do themselves in."

But some brands have carefully maintained their images while creating new products, Thomas said. "Bulgari has taken the clean, modern lines that they use in their jewelry and used them in the design of their hotel. It makes sense."

Bulgari opened a hotel in Milan in 2004, followed by a Bali resort in 2006; both properties feature Bulgari's signature spare elegance. The company now plans to develop five city hotels and two resorts in coming years, saying its focus is on unusual locations.

A novice in the hospitality industry, Bulgari's foray into hotels has been a joint venture with the Luxury Group, the upscale hotel division of Marriott International. And such partnerships between two established brands are becoming increasingly common, like Versace's pairing with Lamborghini last year to create a special-edition, all-white car, while Prada teamed with LG to design a sophisticated cellphone.

"Extending a brand is a surgical process, not something you can experiment with," said Pedraza of the **Luxury Institute**. "In co-branding, they combine complementary expertise. Each is bringing a skill to the table."

Many luxury companies are attempting to change perception of their labels from fashion to lifestyle through such expansion.

For Armani, that has meant developing complementary products and styles like the Armani Casa furniture line, restaurants and bars, cosmetics and skincare, all housed in Armani multibrand shops. Its first multiconcept store, Armani/Via Manzoni 31, a 6,000-square-meter, or 64,500-square-foot, space in Milan, opened in 2000 with similar outlets in Hong Kong and Munich quickly following. And plans for a flagship New York store are being prepared.

Along with expanding the accessories and home furnishing lines - and opening the first Armani hotel in Dubai in early 2009 - the company is focusing on geographical expansion, exploring developing markets like China and India, said Robert Triefus, spokesman for the Armani Group. "The notion of style cuts across so many things that we do and enjoy," Triefus said. "It's more than just retail."

"Mr. Armani is very careful not to extend the brand into areas that aren't logical," he said. "The aesthetic of Armani is so clear and well understood."

When luxury houses license their trademarks to manufacturers, brand extension is one of the main goals. Yet, if quality and market are not considered carefully, it is also a risky initiative that can weaken a brand. Twenty years ago, indiscriminate licensing produced a wave of substandard products stamped with logos, and some brands, like Pierre Cardin and Gucci, paid the price.

Armani's extensions have been carefully considered and the number of licenses strictly limited. "Mr. Armani believes fervently in protection of the brand," Triefus said. "He maintains as much control as possible over products."

Some luxury houses, like Gucci, have repaired the mistakes of over-licensing and other brands have been careful to avoid it. But, Thomas noted, many luxury companies now are headed by chief executives from other businesses who are not quite as aware of the pitfalls. "We're really going to see a bad period of licensing again," she predicted.

But with brand names already stamped on everything from underwear to eveningwear, opportunities for expansion are slim. "Pucci did astronaut uniforms - Pucci's been to space!" Thomas said, referring to a collection from the '70s. "I don't know if there are any new frontiers left."

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Special Report
Vodka and phones - what's next?

By Ann Mah
The New York Times Media Group
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Thursday, Oct. 04, 2007

Boatloads of Fun

By Catherine Sharick

The world's élite voyagers have become accustomed to certain things: spacious rooms, personal chefs, parking for their helicopters. But traveling by boat used to mean sharing space with hundreds if not thousands of fellow passengers. No need for that. Mega-yacht charters now enable you to cruise the club scene in St.-Tropez, explore Alaska's fjords or simply enjoy a massage and a martini from the comfort of your own floating hotel.

Demand has never been greater. "The wealthy population is increasing faster than ever before," says Milton Pedrasa of the Luxury Institute, a ratings and research firm. "These people want vacations with unmatched personalized experiences that only a yacht charter can provide." Yacht companies are reporting a massive increase in rentals. "Our charter business has tripled over the past five years," says Jillian Montgomery, CEO of Camper & Nicholsons, which sells yachts and manages charters for boat owners. Among the hottest rentals are mega-yachts: those personal islands ranging in size from 150 ft. (45 m) to 500 ft. (150 m)--a skyscraper turned on its side.

The cost of being wined and dined at sea ranges from $50,000 to $500,000 a week, not counting tips and expenses, which may include food, fuel and beverages, depending on the terms of agreement. Part of the thrill is that nothing is beyond your reach if it's within your means. Guests plan their itineraries, choosing which ports to visit and how many days at sea or in harbor while visiting such places as Monaco. Then again, staying aboard can be appealing. Many yachts are outfitted with gyms, pools and movie theaters. Feel free to invite friends, as most sleep 12. Guests on the 153-ft. (47 m) Argyll can use its 24-ft. (7 m) tender or kayaks to explore the coast in places like the Exumas in the Bahamas. "If you put your hand out, a drink will be in it," says Jill Bobrow, editor of Showboats International.

Many owners choose to charter their boats to offset the costs of yearly maintenance, which can run from

$1 million to $4 million, as well as to keep their staff in top shape. "The best crew is a crew that is always working together as a team," says Mark Mitchell, owner of the motor yacht Sovereign. A well-trained staff knows how best to define what guests want out of a charter. They know how to quickly tweak itineraries and deal with demanding requests. "You'd be hard-pressed to find a resort that has the ratio of staff to guests that a charter has," says Jeff Beneville, a broker at Camper & Nicholsons.

When guests charter the 183-ft. (56 m) sailing yacht Selene, for example, they are met by the captain, steward and seven other crew members, including the chef, Justin Arblaster. The world is his supermarket. Aged beef is flown in from England, truffles from Italy and foie gras from Strasbourg. "If the guests want Russian caviar, I can have it flown in to where we are by helicopter or seaplane," Arblaster says.

In the past decade, zillionaires have entered the mega-yacht race, one-upping one another in size and cost. Yachts longer than 150 ft. (45 m) go for $20 million to $50 million. Venture capitalist Tom Perkins has beaten them all with the Maltese Falcon. The 289-footer (88 m) cost more than $100 million and is one of the world's largest, fastest sailing yachts. At up to $700,000 a week, it is also one of the most expensive charters--and you're too late. It's booked until 2009.

With the interest in yachts rising, there is an offsetting demand developing for new marinas. Andrew Farkas, ceo of Island Global Yachting, is building super-luxe yacht ports in places like Dubai. "My new marinas will be the perfect places to park your yachts," Farkas says. They'll have restaurants, private-jet services and Bulgari stores (in case you need a new diamond bauble). Anything less is merely a dock.

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Holiday Shopping Notebook: Malls, stores expand midnight openings this season

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Midnight openings grow in popularity

NEW YORK (AP) -- Hitting the malls could be a good way to work off that Thanksgiving dinner. Based on past success, mall operators and stores are expanding midnight openings on the day after Thanksgiving to help shoppers get a heads up on their Christmas list.

Chelsea Property Group, a division of mall developer Simon Property Group, said that all 38 of its outlet centers will open at midnight on Nov. 23, up from 25 a year ago, according to Michele Rothstein, senior vice president of marketing. General Growth Properties, Inc., the nation's second-largest owner, developer and manager of regional shopping centers, said that 12 of its 200 malls will open at midnight on the day after Thanksgiving. That's up from seven a year ago.

Meanwhile, toy chain KB Toys Inc. will have 135 stores open at midnight, about a 30 percent increase from a year ago, according to Geoffrey Webb, director of advertising and sales promotion.

Gap Inc. will have more than 150 outlet stores across the country opening at midnight, about the same as a year ago, according to Sarah Anderson, company spokeswoman. The company operates about 275 outlet stores.

While the day after Thanksgiving officially starts the holiday shopping season, it is no longer the busiest shopping day. That honor has typically fallen to the Saturday before Christmas.

Still, Black Friday -- named because it was traditionally when stores became profitable -- still sets an important tone for the rest of the season. What consumers find for deals and service influences where they will shop for the rest of the season.

-- Business Writer Anne D'Innocenzio

A new shopping site for the charitable

NEW YORK (AP)-- Want to avoid overcrowded malls and predictable presents this year? cMarket, a company that puts together online auctions for non-profits, schools and charities, has bundled them all together in an easy-to-search Web site, http://www.biddingforgood.com .

Charity auctions often offer hard-to-find items that can range from box seats at a sporting event to a private island, which was on offer last year, items that some people go to great lengths to seek out.

In fact, the site began when cMarket CEO Jon Carson scanned logs for cMarket's separate auctions, which are hosted on different sites, and found one person had bid on Red Sox tickets in several cMarket auctions.

"This guy was clearly googling these auctions and dropped into 30 of them," Carson said. The company set up a site to make it easier for prospective customers to search auctions collectively.

The items can be quirky -- Carson bought a dinner with the mayor of Boston for his wife for Christmas last year.

"What we see tend to sell well are unique items such as experiences, toys and items from high-end jewelers like Tiffany & Co.," Carson said.

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-- Business Writer Mae Anderson

Holiday giving taking on new meaning

NEW YORK (AP) -- As shoppers increasingly look to buy with their conscience, the spirit of holiday giving is taking on new meaning.

A study by the **Luxury Institute** this month found 57 percent of wealthy consumers said they would give greater consideration to buying brands they think are socially responsible. That's up from 51 percent in 2005. Such sentiments may be sharpened during the holidays, a festive season when the less fortunate come to mind.

"In the time between Thanksgiving and Christmas, people are thinking about giving," said Milton Pedraza, chief executive of the **Luxury Institute**, a research group based in New York.

Fifty-seven percent of people also said they would pay higher prices for a brand associated with socially responsible practices. Women are especially devoted to avoiding "ethically challenged" brands, according to the survey -- 83 percent say they would not purchase them.

Being socially responsible meant paying fair wages, ensuring product safety and encouraging philanthropy, according to the study, which polled 950 individuals with an average household income of $307,000.

A good corporate image might not be the sole reason a shopper makes a purchase, but Pedraza said it might help tilt the scale. That will be important this year, with holiday sales expected to grow at the slowest pace in five years, according to the National Retail Federation.

-- Business Writer Candice Choi

On the Web: Biddingforgood.com

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Luxury brands fail to make ethical grade

By Vanessa Friedman in London

Some of the world's biggest luxury conglomerates have failed to make the grade in a ranking of ethical and environmental performance.

The tabular content relating to this article is not available to view. Apologies in advance for the inconvenience caused.

A report released on Thursday by the WWF, the conservation group, entitled "Deeper Luxury", gives Bulgari and Tod's, the Italian jewellery and accessory companies, a grade F for their "environmental, social and governance performance and reputation" in 2006 of the 10 largest publicly traded luxury conglomerates.

Their French, Swiss and US competitors do not fare much better. PPR, which owns Gucci Group, received a D, as did Swatch and Richmont, the Swiss watch and jewellery groups.

The highest grade - a C+ - was awarded to Hermés, L'Oréal, and LVMH.

There is no established methodology for assessing the industry's performance in the ethical and environmental area. To arrive at the grades, WWF collected data from analysts Ethical Investment Research Service (EIRIS), which uses company reports and information to track performance, which it may follow up with a questionnaire; and Covalence, a company that tracks public perception of a company through news reports.

The report's co-author Anthony Kleanthous, a senior policy adviser at WWF, said most of the luxury companies did well in some areas but were weak in others, hence the low overall scores.

PPR, for example, owns Puma, which is strong on employment practices owing to the sweat shop scandals in the sports wear industry in the 1990s, but does little regarding carbon emissions. Tod's poor showing was due to its failure to respond fully to EIRIS questionnaires. The company declined to comment yesterday.

"Honestly, I was surprised none got more than a C+," said Mr Kleanthous. "I think it comes down to the fact that luxury companies do not consider their products to be particularly damaging to the environment and there is a certain complacency in regards to the explosive growth of new markets. They just don't think people are going to be asking the questions. But there has been a paradigm shift and that is just not true."

According to a recent issue of the New York-based Luxury Institute's Wealth Report, in a survey of 950 high-income American adults, "57 per cent ... say they would pay higher prices for a brand that is recognised for socially responsible practices" and "70 per cent ... seek out brands with superior environmental records".

"It is true this has not been a focus of PPR in the past, though that has now changed," said Laurent Claquin, PPR's senior vice-president for CSR, a department inaugurated only last September.

Mr Claquin said the department was created because PPR's chief executive, Francois-Henri Pinault, wanted to "signal his desire to do something serious in these areas", not because of the WWF report.

Mr Kleanthous said Richemont took steps in a similar direction last summer, releasing its first CSR report. The group declined to comment on the WWF publication.

The WWF report was inspired by "a desire to look at an industry that has a heavy impact on culture and the way people think", said Mr Kleanthous. "We are not trying to criticise these companies but to make a general point: responsible business practices can be a value driver, but they need to be systematically embedded in the DNA of a company," he added. "Comparison can be a powerful motivation to change."

Though Tiffany, Coach, and Swatch did not return calls for comment, a spokesperson for L'Oréal said: "We welcome all reports from respected organisations in this field as they are a useful tool for progress."

The spokesperson noted that L'Oréal already published its own sustainability report and was listed on the FTSE4 good sustainability index.

Hugh Morrison, a spokesman for LVMH, said, "We have invested a great deal in understanding the issues and developing strategies to be best in class - we certainly expect future surveys to show our continued progress in this field."

Everyone wants an A.

Methodology (provided by WWF)

All companies are used to being ranked on business performance. Such a benchmarking exercise can help individual business people better understand their relative performance, and identify areas for improvement. In recent years, more companies have begun to be ranked on their environmental, social and governance (ESG) performance, especially by investment analysts who provide information to asset managers and asset owners that consider these issues material to financial performance, or to the wider interests of their investors.

The largest publicly-traded luxury conglomerates all regularly report their financial performance and are therefore subject to scrutiny, as in this report. The top ten publicly-traded luxury conglomerates or groups were analysed and ranked on their performance in the fields of environment, society and governance.

These companies are:

? Bulgari: The fast-growing Italian jeweller and luxury goods retailer, founded in Rome in 1884. Bulgari's heritage is in jewellery, but it now also produces and licenses watches, handbags, fragrances, accessories and hotels.

? Coach, Inc: The US-based leather goods company that started life in a loft in Manhattan in 1941. Coach is famous for handbags, luggage, briefcases, wallets and other accessories.

? Hermés: A leather goods, fashion and perfume company based in Paris. It produces ready-to-wear fashion, home décor, jewellery, luggage, fragrances and saddles.

? L'Oréal: The world's largest cosmetics and beauty company is a French multinational comprising four operating groups, one of which is its luxury products division with brands such as Lancôme, Helena Rubenstein and Kiehl's.

? LVMH: The world's largest luxury goods conglomerate, created after mergers brought together Moët et Chandon, Hennessy and Louis Vuitton. LVMH now owns more than fifty iconic brands, including TAG Heuer, Fendi, Marc Jacobs, Guerlain, Kenzo and Givenchy.

? PPR: A French multinational holding company specialising in luxury brands and retail. It owns the Gucci group, which also controls Yves Saint Laurent, Sergio Rossi, Bottega Veneta, Alexander McQueen, Stella McCartney and Balenciaga.

? Compagnie Financière Richemont SA: This Swiss luxury goods conglomerate was founded in 1988 by the South African entrepreneur, Anton Rupert. It has four main business areas: jewellery, watches, pens and clothing. Among its brands are Cartier, Mont Blanc, Chloé and International Watch Co (IWC).

? The Swatch Group Ltd: Since its creation in 1982, the Swatch Group - the world's largest watch company, based in Switzerland - has accelerated its acquisition of Swiss luxury brands, including Breguet, Blancpain, Omega, Rado, Longines, Tissot, Certina and Pierre Balmain.

? Tiffany & Co: As well as diamonds and jewellery, US company Tiffany & Co sells watches, silverware, china, crystal, stationery, fragrances and accessories.

? Tods SpA: The shoe and leather goods manufacturer, created in Italy in 1978 by Diego della Valle, was listed on the Milan Stock Exchange in 2000 and owns Tods, Hogan, Fay and Roger Vivier.

These companies, despite being leaders in the luxury sector, feature little in ethical rankings because of the limited nature of their ESG reporting. Not a single luxury conglomerate appears in investment analyst Innovest's list of the 100 most responsible corporations of 2007, despite the fact that 23 make discretionary consumer items - more than any other type of product or service. LVMH, Hermès, L'Oréal and Swatch were the only luxury conglomerates listed in the FTSE4Good index in 2006, but LVMH was expelled for supply chain issues in March 2007. Appearance on these indices indicates that a company has a conscious strategic approach to the responsibilities associated with its core activities, and is communicating its efforts to external audiences. With trillions of dollars now invested according to ethical guidelines, the lack of luxury conglomerate performance on these indices will become more financially relevant.

It is in this context of limited ESG disclosure that we have prepared the ranking for this report. In the absence of data from all the companies using standardised protocols and systems of verification and audit, our ranking relies on two categories of information: first, what companies themselves report to the ethical investment community about their ESG performance; and second, what the media and non-governmental organisations have been saying about them. The data for each was compiled in 2007 for performance during 2006.

For the first category, data was sourced from Ethical Investment Research Service (EIRIS). A non-profit, independent research organisation, EIRIS has been conducting social, environmental and ethical research on publicly listed companies since 1983. It gathers information directly from companies through questionnaires, and augments this by analysing company public documents including annual reports, websites and specific environmental, social and sustainability reports. The data is collected for 50 criteria, grouped in four areas:

? environment;? human rights;? corporate governance; and? stakeholder relations.

Criteria include topics such as equal opportunity and environmental policies, against which companies are graded from poor to exceptional. WWF turned these into numerical scores, with each criterion given equal weight in making up the total score. (In the absence of a stakeholder process to determine the relative importance of different issues, any weighting of the criteria would be arbitrary and not credible. However, we did correct bias introduced by the unequal numbers of sub-criteria within each of the four principal areas. This ensures that each area accounted for 25% of the 50 points available for this half of the index - a maximum for each, then, of 12.5 points.)

For the second category, data was sourced from Covalence, a Geneva-based research house. Covalence documents thousands of positive and negative news stories about companies in English, French, Spanish, Italian and German, then codes and synthesises them into rankings. Its 45 criteria cover working conditions and the impacts of production, products and institutions. Covalence's search generated 512 news stories which were analysed and coded as either positive or negative. WWF weighted the result so that each company obtained a comparable score out of 50.

The scores for EIRIS and Covalence were then added, to create a total maximum possible score of 100. This creates a ranking of the self-reported performance and public reputation on corporate performance on environmental, social and governance issues. Each company's score out of 100 is expressed in our ranking as a grade between A+ (best) and F (worst) according to the scale below. The results are shown in the table above.

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Business; Business
In The Driver's Seat; Not long ago Maserati was nearly bankrupt. Now it's growing fast while sales of the big three German luxury carmakers are falling. How'd that happen?

BY Barbie Nadeau
975 words
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English
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If Maserati's sleek Quattroporte sports car looks vaguely familiar, it should. In the last few years, the car has made guest appearances in hit TV shows like "Desperate Housewives," "The Sopranos" and "Nip/Tuck." The Quattroporte has also made a coveted appearance in the Neiman Marcus holiday catalogue, which resulted in a sellout of 60 limited-edition coupes. Movie producer Jerry Weintraub recently bought his own Maserati Quattroporte to use as a prop in "Ocean's 13." CEO Roberto Ronchi says Maserati's goal is "to always create the demand for five cars more than we can create," and these days it's hitting that mark, easily.

Five cars may not sound like much, but when they go for up to $150,000 a pop, it adds up. The positive press has been a big shift for this suddenly sexy Modena, Italy-based carmaker, which, until a few years ago, was tottering on the verge of bankruptcy. After a string of near-ruinous management decisions and bad designs, Maserati actually stopped selling in the U.S. market (currently its largest). Now, thanks to an infusion of cash from its new owner, Fiat, and an edgy new design aimed at boomer banker types who consider Mercedes too common and Bentleys too pricey or stuffy, Maserati is back on the fast track. This year, Quattroporte global sales increased by 29.8 percent, while competitors like the Audi A8 fell 31 percent and both Mercedes S-Class and 7 Series fell 18 percent. The slumps have been blamed on American housing-market woes—historically, luxury car sales track the housing market rather than stock prices. Maserati has succeeded by positioning itself as more of a bespoke luxury good than just an upscale car, appealing to higher end consumers less pinched by the credit crisis.

The turnaround hasn't yet affected Fiat's bottom line, but it has bolstered its stock price—analysts say that the increase from €4.53 in 2005 to more than €20 today is due in part to renewed investor confidence following the Maserati revamp (Fiat is now trying to orchestrate a similar turnaround with its namesake cars, as well as Alfa Romeo). Maserati is a niche brand, to be sure—it will likely sell 7,000 cars in 2007, compared with BMW's expected 1.6 million. Yet, its global growth has outpaced those competitors by 50 percent this year, in large part because of its exclusivity. The Quattroporte and the new GranTurismo, which just hit the streets in October, are increasingly seen as exotic alternatives to the big three German cars, now deemed too commonplace in America and Europe (rather like Louis Vuitton handbags, which lost their luster after being toted by one too many secretaries). Milton Pedraza, CEO of the **Luxury Institute**, a market-research firm, calls Maserati "one of the most prestigious cars to be seen in today," precisely because it is not on every street corner.

In an era when even midmarket cars are offering luxury features like top-end electronics, onboard computers and custom upholstery, gadgetry is not enough. Maserati stays upscale by hand-crafting every car. The automobiles are priced between $100,000 and $150,000, a logical choice for those who want something a little more special than a Mercedes, but who don't want to pay $100,000 more for a Bentley or Aston Martin (or aren't yet in the chauffeur-driven age range).

Maserati's turnaround was engineered by the Fiat Group, itself on the verge of ruin just a few years ago. After GM gave Fiat a $2 billion goodbye kiss nearly three years ago, the company poured some $343 million into revamping the Maserati brand, leveraging the strengths of its corporate stable. Maserati cars now come with a Pininfarina body, a Ferrari V8 engine and the possibility of 4 million different personalized combinations of Poltrona Frau leather, carved woods and even a choice of stitching yarn. The company also installed automatic transmission in the Quattroporte, to appeal to the U.S. market, which represents 45 percent of sales.

Likewise, Maserati plays up its provocative edge, never advertising airbags à la BMW or Mercedes. "This car is only for the passionate driver," says Ronchi.

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In fact, the brand’s legacy is in racing. In its heyday from 1937 to 1967, it won big circuits like the Indianapolis 500 and the Italian Grand Prix. Then things started going wrong. In 1968, Citroën took over Maserati and produced a string of mass-market cars. By the 1980s, the Italian government was in charge, and made a near fatal error by teaming up with Lee Iacocca, chairman of Chrysler, to produce a Maserati car with a Chrysler engine—one of the worst marketing disasters in automotive history.

Ronchi, who personally signs a welcome letter to each new Maserati owner, believes that the now recharged Maserati will reach an annual production level of 15,000 to 18,000 customized cars by 2011, up from 7,000 today. But the company isn’t out of the woods yet. Fiat, which has a history of instability, is enjoying its 11th consecutive quarter in the black, but it’s unclear whether that will continue after the GM payoff money runs out (last week, there were rumors that CEO Sergio Marchionne would soon step down). Maserati is making a big marketing push in high-growth markets like China, Saudi Arabia and the UAE. But as with any luxury brand, there’s a limit to how big Maserati can become while still maintaining its allure. As ever, class and mass may be mutually exclusive.

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MONDAY, DECEMBER 10, 2007

PREVIEW

The Sky-High Gift of Flight

Gold, Jets and Myrrh

Edited by TOM SULLIVAN

Dates to Watch For | Review | Follow-Up
Consensus Estimates | Coming Earnings | U.S. Economic Calendar

A STARBUCKS OR GAP GIFT CARD MAY make a fine holiday present for *hoi polloi* -- but not for the super-rich. Don't even think about it.

This year every millionaire who's any millionaire will be giving the gift of "jet cards," according to a survey by Elite Traveler Magazine and marketing research firm Prince & Associates. These cards tend to start at $40,000 for 10 hours of flying and can easily top $150,000. That's a lot of latte.

William Waxman

Nearly a third of those with a net worth of $10 million or more plan to buy these ultra-luxe gift cards as stocking stuffers, the survey says.

Yes, chartered mega-yacht cruises are also in vogue this year, according to the Luxury Institute, which tracks the lifestyles of the exceedingly rich if not always famous. And the Neiman Marcus 2007 Christmas catalogue includes a $1.44 million Triton submarine.

Yet there's no greater "lifestyle differentiator" than a private jet, says Milton Pedraza, CEO of the Luxury Institute. Jet rental companies offering cards include Connecticut-based JetWay Private Air and Tradewind Aviation, as well as an alliance of Marquis Jet, a global leader in jet cards, and Woodbridge, N.J.-based NetJets, a unit of Berkshire Hathaway (ticker: BRK-A).

Luxury Air Jets, which offers its own SkyCard, sees "major, major demand" for jets and jet charters for the holidays, says Rodney Kadymir, managing director.

Who knows, the big guy in the red suit may soon be trading in his sled for a fully loaded card.

Coming U.S. Auctions

Day		**Yields (%)**	
		When Issued*	**Last Auction**
M			
$21.0 bil	3-month	3.020	3.030
$20.0 bil	6-month	3.170	3.190

* As of Friday afternoon.

Sunday 9

A U.N. panel hosts a symposium, "Climate Change and Human Security," in Kyoto, Japan, marking the 10th anniversary of the Kyoto Treaty.

Monday 10

Civil rights leaders led by the Rev. Jesse Jackson plan to hold rallies in six cities including New York City (on Wall Street) to call for a corporate response to curtail the surge in home foreclosures amid the collapse of the subprime-mortgage market.

H&R Block (HRB) **is expected** to report a fiscal second-quarter loss of 37 cents a share, according to FactSet Research. Last week, the company said it agreed to walk away from its deal to sell its Option One Mortgage unit to Cerberus Capital Management.

Cristina Fernández de Kirchner is to be sworn in for a four-year presidential term in Argentina, succeeding her husband, Néstor Kirchner.

Tuesday 11

Federal Reserve policymakers are expected to announce a possible cut in short-term interest rates, with the market looking for a

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25- to 50-basis-point reduction in the current fed-funds rate of 4.75%. There's also speculation the Fed will slice the 5.25% discount rate it charges banks that borrow directly from the central bank.

Boeing (BA) **is slated** to provide an update of its 787 aircraft deliveries.Its stock has been weak amid concerns about further delays in the schedule.

Merck **executives are scheduled** to host analysts and investors at Merck headquarters in Whitehouse Station, N.J., to discuss the pharmaceutical giant's pipeline of experimental drugs.

AT&T **hosts a conference** for analysts.

The October reading on business inventories will be disclosed.

Wednesday 12

The October trade balance is slated to be released, as are data on October U.S. wholesale inventories.

The Mortgage Bankers Association will release its weekly index of refinancings.

Thursday 13

The U.S. government will give its latest report on wholesale inflation, as the producer price index for November is released.

Weekly jobless claims will be reported by the Labor Department.

Dow Jones **shareholders will vote** on the proposed acquisition of the company by News Corp. (NWS), which is headed by media mogul Rupert Murdoch. Last week, Dow Jones CEO Richard Zannino said he would leave the company. He'll be replaced by veteran News Corp. executive Les Hinton. Times of London editor Robert Thomson will become publisher of the The Wall Street Journal. Dow Jones also publishes *Barron's*.

Friday 14

The consumer price index for November and readings on industrial production and capacity utilization will be announced.

E-mail comments to editors@barrons.com

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From the Los Angeles Times

Perfume gifts smelling good to shoppers

The fragrance industry pulls in 20% of its total sales for the year in just the two weeks leading up to Christmas.

By Molly Selvin
Los Angeles Times Staff Writer

December 17, 2007

Dashanta Harris is the customer perfume makers dream of.

"I'm a big fan of smelling good," the 21-year-old UCLA senior said as she left Nordstrom in West Los Angeles last week with a bottle of Jean Paul Gaultier cologne, "and I want other people to smell good too."

The Jean Paul Gaultier was for her boyfriend. Her father is also on her fragrance-for-Christmas list, and she's given such gifts to her mother and brother for holidays past.

More than Valentine's Day and Mother's Day combined, this is the season when scents translate into cents for the $3.96-billion fragrance industry. It pulls in a third of its annual revenue in December and 20% of the year's total in just the two weeks before Christmas, said Karen Grant, a beauty industry consultant for marketing information company NPD Group.

Sales aren't driven only by gift-challenged husbands and boyfriends desperate at the eleventh hour. Men account for less than a quarter of fragrance purchases, Grant said. It's women who are the big spenders, buying perfume or cologne for other women or the men in their lives.

The late-year surge is partly a response to the annual blizzard of perfume advertising. In past years, Harris said, ads and her friends' recommendations encouraged her to sample Jennifer Lopez's and Britney Spears' offerings.

Many older women are like Ana Bueno, loyal to a particular scent. The 52-year-old West Los Angeles resident has worn Narciso Rodriguez for several years, though for a girlfriend she purchased Black Orchid by Tom Ford.

It's better to receive perfume than a purse or a scarf, Bueno said, "because people will tell you you smell nice."

Although hundreds of new fragrances debut annually, "people tend to wear a fragrance they like for 10 years," said Patti Kapla, a vice president for the online retailer fragrancenet.com.

But few scents have a more faithful following than Chanel No. 5. First introduced in 1921, it's still among the five top-selling women's scents, according to Kline & Co. data.

The brand thrives because it "continues to reinvent itself in terms of positioning and advertising," said Grant of NPD Group. Chanel's current campaign featuring actress Nicole Kidman has introduced the scent to younger generations while cementing the loyalty of older customers, Grant said. Chanel has also burnished its image as a luxury product by limiting sales of promotional gift sets.

The most successful fragrances adhere to a formula that combines "a great fragrance, a great package and a great emotional theme," said Milton Pedraza, chief executive of the Luxury Institute, which tracks the buying habits of the wealthiest Americans. Calvin Klein's Obsession, another longtime successful fragrance, appeals to baby boomers "playing out their dreams of having it all in terms of romance," he said.

And a whiff of scandal doesn't always hurt.

Britney Spears' first two fragrances, Curious and Fantasy, remain popular despite the singer's well-publicized driving mishaps, alcohol problems and bruising child custody battle, Kapla said.

But two of her more recent fragrances -- In Control, introduced last year, and Midnight Fantasy, which debuted this year -- haven't fared so well.

That's partly because of the flood of new celebrity fragrances, Kapla said, many released for the holiday season, including Paris Hilton, Jennifer Lopez, Kimora Lee Simmons, Sarah Jessica Parker, Sean "Diddy" Combs, Gwen Stefani, Usher and Celine Dion.

"You can live life vicariously through fragrance," Pedraza said. "Remember, we're selling dreams here."

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Newsweek

Ah, the Secluded Life

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The superrich are finding new ways to set themselves apart. It's not just clubs, resorts and Gulfstreams. Now there are private concerts, stores—and islands.

By Emily Flynn Vencat and Ginanne Brownell
NEWSWEEK
Updated: 4:21 PM ET Nov 30, 2007

At a recent members-only meeting of the California based Institute for Private Investors, some of America's richest were partaking in the ultimate luxury: talking about the problems associated with extreme wealth, such as handling conflicts between multimillionaire heirs and choosing a reliable wealth manager. There was comfort in being among people who could relate; 80 percent of IPI's members have investable assets of $50 million or more. For them, sipping champagne at a paparazzi-covered art opening is as pass? as carrying around the latest Louis Vuitton handbag, and far less important than the exclusivity IPI membership affords them. "What the wealthiest families want is to have a community where they can share questions, resources and experiences," says IPI director Kristi Kuechler.

Hey, everybody needs to fit in somewhere.

The superrich have long had various places—clubs, jets, resorts and communities—where they could temporarily retreat from the rest of the world. But now the members-only phenomenon is exploding into a whole way of life, encompassing everything from private-banking coalitions to invitation-only health clinics. With security concerns growing and Internet gossip capable of trashing global reputations in an instant, those with money are increasingly locking their entire lives behind closed doors. Rather than attend media-heavy events, they arrange concerts, fashion shows and art exhibitions in their own homes. They shop afterhours and have their neighbors (and potential friends) vetted for class and cash. In essence, it's a return to the way the wealthy lived before the hippie ethic of the 1960s made it cool to mingle with other classes. "The very rich don't want to be in restaurants where they might be sitting next to a tourist," says William Cash, editor of Spear's Wealth Management Survey, a European magazine for multimillionaires.

In part, the focus on members only is simply a result of there being more rich people to associate with. According to Merrill Lynch and Capgemini's 2007 World Wealth Report, the number of people with more than $1 million in assets excluding their primary residence grew by more than 8 percent last year, to 9.5 million worldwide. Their ranks are swelling the fastest in the developing world: Latin America saw a whopping 23 percent growth in nouveaux riches last year. The wealthy elite also live more globally nowadays with, say, an Indian passport, a castle in Scotland, a *pied-à-terre* in Manhattan and a private Caribbean island. Because of their global presence, the ultrarich can no longer count on local word-of-mouth networks to tune them in to whom they can trust.

As a result, businesses like IPI, which are built on creating trusted elite communities, are booming. In February the New York-based Luxury Institute will roll out a new Web site, LuxuryRatings.com, that will allow members with a minimum net worth of $3 million to exchange recommendations and advice with other high rollers on such essentials as yacht brokers, private islands, prenup lawyers, art dealers and even neurosurgeons. Quintessentially, the luxury-lifestyle concierge service—started by Prince Charles's nephew in Britain—has grown from 14 offices around the world a year ago to more than twice that today. It charges up to $50,000 a year in exchange for getting its clients into the most exclusive international parties, events and clubs.

The rich definitely do not want to live among the masses. More gated communities are on the rise, including Dubai's man-made World islands and Moscow's new $3 billion Rublyovo-Arkhangelskoye development. At London's new ultra-exclusive address, 1 Hyde Park, more than 700 applicants have registered to pay as much as $41.2 million for one of just 80 apartments—even though the complex is not set to open until 2010. "They dine privately, shop privately, view art privately; everything is private, private, private," says Ahlya Fateh, managing editor of Britain's upper-class lifestyle magazine Tatler. "These people literally never leave the confines of [exclusive London postcode] SW3 unless they're in a helicopter or blacked-out Humvee entourage."

With privacy at such a premium, yachts are back in fashion, too. The 200-year-old yacht brokerage Camper & Nicholsons has seen its luxury-charter business triple in the past five years. Jeffrey Beneville, head of Camper & Nicholson's development business, says there is such a tremendous appetite for $100 million yachts that the company has a "supply problem" right now. "We're basically in the business of building private islands that orbit the earth," he says.

The ultrawealthy are also entering into formal compacts to pool assets and share advice on investing and philanthropy. When American George Russell sold his family's investment firm for more than $1 billion in 1998, he developed the Threshold Group, an exclusive investment club for wealthy families that values human trust above financial ones. "We're a bit choosy about who we invite," says Russell, who makes applicants fill out detailed questionnaires on topics including family values. Different networks emphasize different things; New York-based Synergos focuses on philanthropy, while Tiger 21 emphasizes social networking. In Chicago, Family Office Exchange runs a network of 350 families across 22 countries who meet annually; the group's most popular service is its Listserv, where families query each other on things like estate planning and buying private jets.

Partnerships like these have probably been around as long as money has, but their desirability has been elevated by the growing complexity and exclusivity of global financial markets. Accessing the best hedge funds, for instance, can require near-limitless resources, and pooling resources provides more buying power. In addition, the need for networking has grown. As globalization ties far-off markets closer together, even the most accomplished business people are scrambling to expand their Rolodexes—for business as well as personal reasons. Todd Millay, a partner at CCC Alliance, a Boston-based network for the ultrarich, says that while middle-class people can easily discuss their jobs and livelihoods at a dinner party, wealthy families can't just "invite people over and expect them to understand what it's like to have $300 million."

Gated living is also being inspired by more-concrete fears. Global rates of kidnapping and homicide are on the rise, and many of the elite are aware of the security risks their wealth poses. Kroll, the world's leading private-security firm, based in New York, says that its business with ultrahigh-net-worth individuals has increased steadily. Not only do the superrich outfit their homes and cars with the latest closed-circuit TV cameras and tracking devices, but they are sending their families—and staff—to courses to learn how to better read potentially dangerous situations. "It does not matter if you have Fort Knox around your house —if you let someone in the gate who has not been screened, that is your weakest link," says Ian French, Kroll's managing director of security consulting.

The superrich are increasingly willing to pay high premiums for health care, too. Medical concierge services are popping up across the globe; whether they're in Toronto or Tbilisi, the wealthy can contact their doctors at any hour and keep the world's top specialists on speed dial. Since PinnacleCare opened in 2002, the concierge medical company—which has offices in the United States, London and Madrid—has grown 60 percent a year. For an annual fee of $8,000 to $40,000 a year, members buy services like 24/7 access to their medical records or a doctor who will meet them on the tarmac as soon as their Gulfstream touches down. "Our clients are the kind of people who seek out the best kind of financial advisers, estate planners, tax lawyers, and they do the same [with] their health care," says PinnacleCare's chairman, Bruce Spector. Money may

The WWD List

Bagging Rights

The top 12 handbag brands ranked by familiarity among luxury consumers.

Handbags are among the accessories driving the fashion world today, and newcomers are diving into the market almost daily. That makes it ever harder for brands to capture the attention of the all-important luxury consumer. "There are so many names in the luxury handbag market today, which tells me that they have to work to stand out — the wealthier the consumers are, the more unique they want the bag to be," said Milton Pedraza, chief executive officer of the Luxury Institute in New York. The firm has released its "Handbag Brands 2008" report analyzing which of 26 brands consumers are most familiar with. From Coach to Hermès, the top 12 run the gamut in terms of price. "As far as status goes, this is probably one of the most important fashion categories — it's the one that really shows off who you are, no matter how you are dressed," said Pedraza.

1

COACH

Number of respondents who selected this as a handbag brand with which they were familiar: 76 percent

The $2.6 billion Coach hopes to double its volume to $5 billion over the next four to five years. In October, Lew Frankfort, chairman and chief executive officer, identified handbags selling for more than $400 as the company's "fastest-growing price segment." The company opened its first Coach Legacy store in October — one-quarter of the merchandise is exclusive to the new format, and the average price point is $425. President and executive creative director Reed Krakoff told WWD the prototype is a way for younger fashion-savvy types to experience the world of Coach.

2

LOUIS VUITTON

63 percent

American artist Richard Prince's buzzed-about spring collaboration with Marc Jacobs for Louis Vuitton handbags was unveiled during Paris Fashion Week. Prince worked plenty of variations on the famed logo. "I started silk-screening the monogram," he told WWD in October. "I started stamping it. I took it apart. I cut it up. I splashed it around. I tried to abstract it in a way that you would still be able to recognize it." The French fashion house has taken a bold approach to its latest ad campaign by featuring former Russian president Mikhail S. Gorbachev as one of its new models.

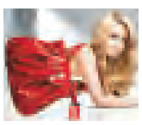
3

GUCCI

61 percent

"If you want to own something unique that isn't like what everyone else has, Gucci is the way to go," commented one respondent in the survey. In May, WWD reported Gucci had tapped Mert Alas and Marcus Piggot to shoot an ad campaign solely dedicated to the season's must-have accessory: the Indy bag, a rigid frame-style single handle that features the engraved Gucci script logo, tassels with bamboo detail, metal plates and studs. The PPR-owned fashion house has been pushing the bag, which helped boost sales of Gucci Group's leather goods by 11 percent for the second quarter through June.

4

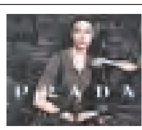


DOONEY & BOURKE

56 percent

The Norwalk, Conn.-based brand boasts a lower price point than many others in the top 12, with prices that range from $20 to $625. The company has been working to expand its consumer base by tapping young spokeswomen such as Emma Roberts, Mischa Barton, Lindsay Lohan and, most recently, "Heroes" teen sensation Hayden Panettiere. In her new role as spokeswoman, Panettiere was allowed to create her own "dream bag": Known as the Hayden bag, it is a large leather shoulder bag with puffy pleats and buckle closure, available in black, brown, red and white.

5



PRADA

54 percent

"It's always hip to wear Prada, no matter what — the fashion value of this brand always stands out," said Pedraza of the Luxury Institute. Nylon bags, ruched leather bags and others featuring the giant Prada logo are among the latest looks. With regard to luxury handbags rising in price and demand, a Prada spokeswoman told WWD in February, "Besides the growing demand for fine leather goods, there is also the complexity of several models, continuous design innovation and, last but not least, an increase in certain costs that cannot be reduced if you want to preserve the level of quality."

6

KATE SPADE

48 percent

No matter that husband-and-wife team Kate and Andy Spade exited the company this past summer (they remain on as board members), consumers remain attached to the brand name. Most likely, people associate the brand with its signature nylon handbags, but it is much more diverse: Latest looks include patterned and striped bags, leopard-print clutches, unstructured hobos and leather totes. Deborah Lloyd, Banana Republic's executive vice president of product design and development, was recently tapped to become co-president and creative director of the brand.

7

BURBERRY

47 percent

Though its signature plaid remains a staple in Burberry's handbag collection, Christopher Bailey is pushing accessories into a new realm. The fall collection consists of nylon quilted looks, gemmed clutches, quilted leather satchels with studded hardware and more. In November, WWD reported Burberry's first-half revenues rose 14.5 percent to 449 million pounds, or $899.5 million, from 392 million pounds, or $725.5 million, with some of the fastest growth coming from nonapparel categories. One of the biggest drivers behind sales was accessories, which grew 35 percent year-on-year.

***8**

FENDI

45 percent

It's an ongoing parade of "It" bags for Fendi, owned by LVMH Moët Hennessy Louis Vuitton. Coming off the heels of the Spy bag — a hit for the brand — this season is all about the To You bag, which features an origami-like closure. From new markets like Turkey to Qatar, Fendi is getting the word out globally. And following its show atop the Great Wall of China in October, chief executive Michael Burke noted the spring collection — which features clothes based on the Chinese symbol of happiness, and the relaunch of its iconic Baguette bag — is Fendi's most successful to date.

***9**

CHANEL

45 percent

"Chanel bags are beautiful, classic — the craftsmanship is superb, and they last forever," commented one respondent surveyed. In fact, Coco Chanel's quilted handbag is possibly one of the most iconic bags to this day. Lately, the brand has offered styles such as the Coco Cabas, which launched more than a year ago. The bag, which comes in vinyl, leather and satin, features the Chanel chain handles, a signature double C charm and the double C etched into its side.

***10**

RALPH LAUREN

45 percent

WWD reported in October that the company has been making major strides in accessories, driven partly by the Ricky bag. Buffy Birrittella, executive vice president in charge of women's design and advertising, told WWD, "It was the hardest thing to come up with a bag he [Ralph] felt was the 'It' bag for him — not just the 'It' bag of the season, but an iconic Ralph Lauren bag." Consumers are certainly getting the designer's vision. Respondents liked the versatility of the handbags. "There's always an occasion to use my Ralph Lauren bag — it's got style and it's timeless," said one luxury consumer.

11

DOLCE & GABBANA

37 percent

"I have one of these bags and the craftsmanship is quite extraordinary — so is the variety of styles," said one respondent in the survey. The latest fall looks from Domenico Dolce and Stefano Gabbana's handbags include the Borsa A Spalla leather bag, which features silver hardware and a shining removable chain strap; the Metallic Leather Tote, specially textured and finished with a metallic sheen, and the Washed Calfskin Buckle leather bag, which has topstitching and gold-tone hardware.

12

HERMES

36 percent

In June, Hermès opened a flagship on Broad Street near Wall Street in Manhattan, which offers everything from its famed saddles to brightly patterned bikinis designed by the house's creative director for women's ready-to-wear, Jean Paul Gaultier. Leather goods, including the company's best-selling and most iconic products, the Kelly and Birkin handbags, are at the nave of the store. Although the two items are decades old for Hermès, some 80 percent of its 50,000 stockkeeping units are renewed seasonally, ceo Patrick Thomas told WWD in October.

SOURCE: LUXURY INSTITUTE LLC; THE FIRM'S "HANDBAG BRANDS 2008" IS PART OF ITS OVERALL LUXURY BRAND STATUS INDEX, WHICH LOOKS AT QUALITY, EXCLUSIVITY, SOCIAL STATUS AND SELF-ENHANCEMENT; NEARLY 800 CONSUMERS WITH AN AVERAGE NET WORTH OF $2.2 MILLION WERE SURVEYED; *INDICATES A TIE; ORIGINALLY PUBLISHED ON NOV. 8