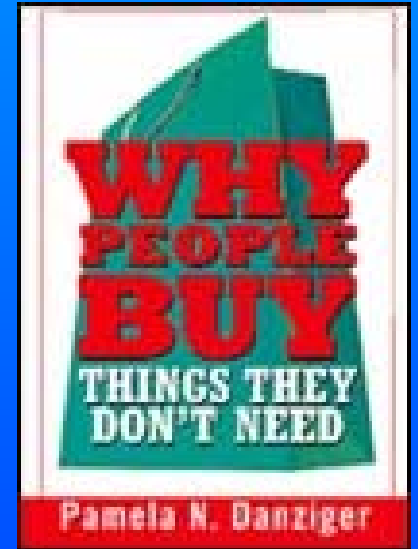


Connecting With Consumer

Pam Danziger

Unity Marketing

Author of "Why People Buy
Things They Don't Need"



- www.whypeoplebuy.com
- www.unitymarketingonline.com

From Things to Experience

- **Companies & Retailers sell things**
(i.e. Noun)
- **Consumers buy experience, feeling, ideas,**
happiness
(i.e. Verb)

**"In the factory we
make cosmetics, but in
my stores we sell
hope."**

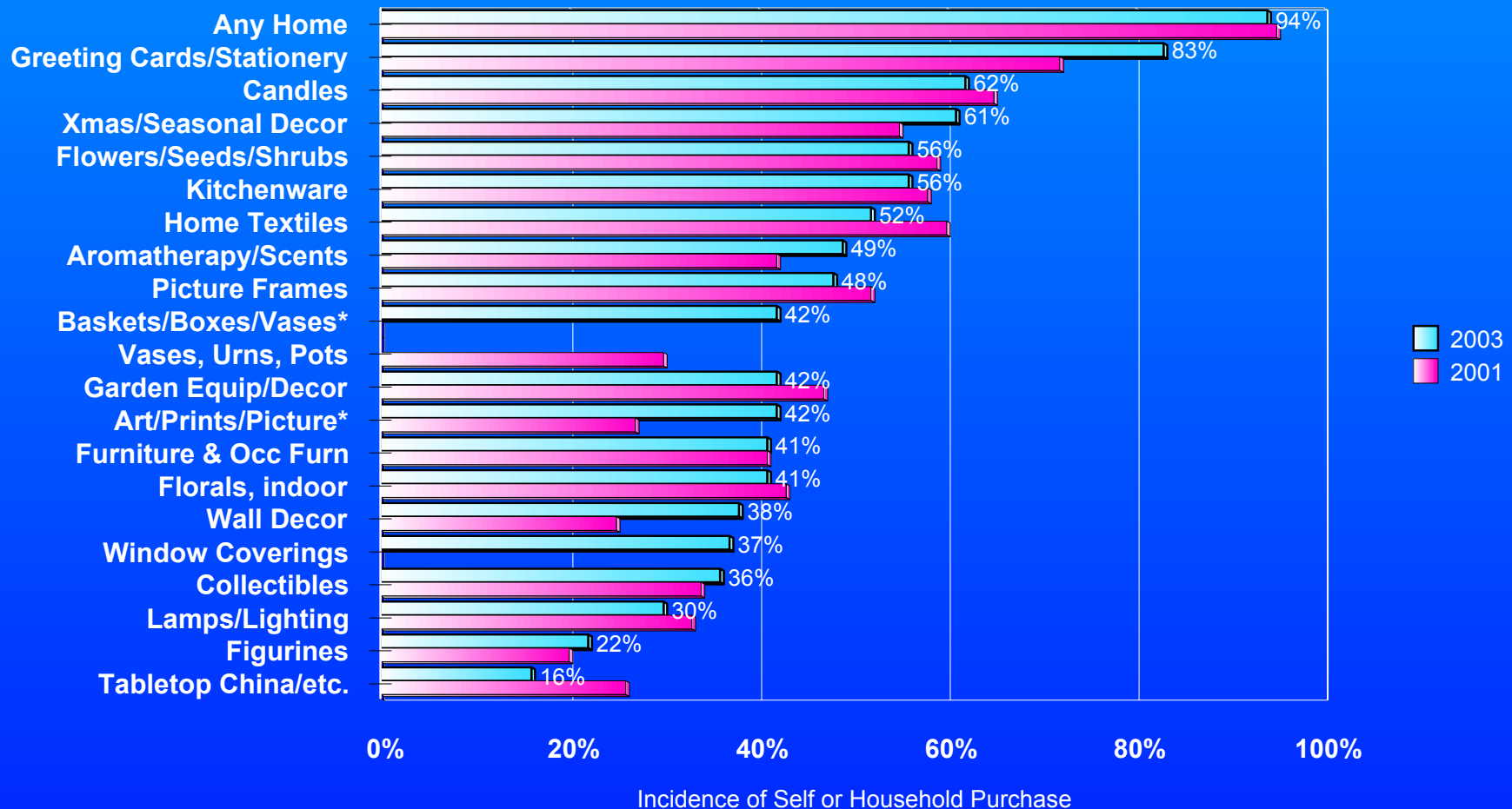
Charles Revson, founder of Revlon

Future Vision Secret #1:

Why People Buy

Consumer Purchase Incidence Flat or Slightly Downward Most Home Categories

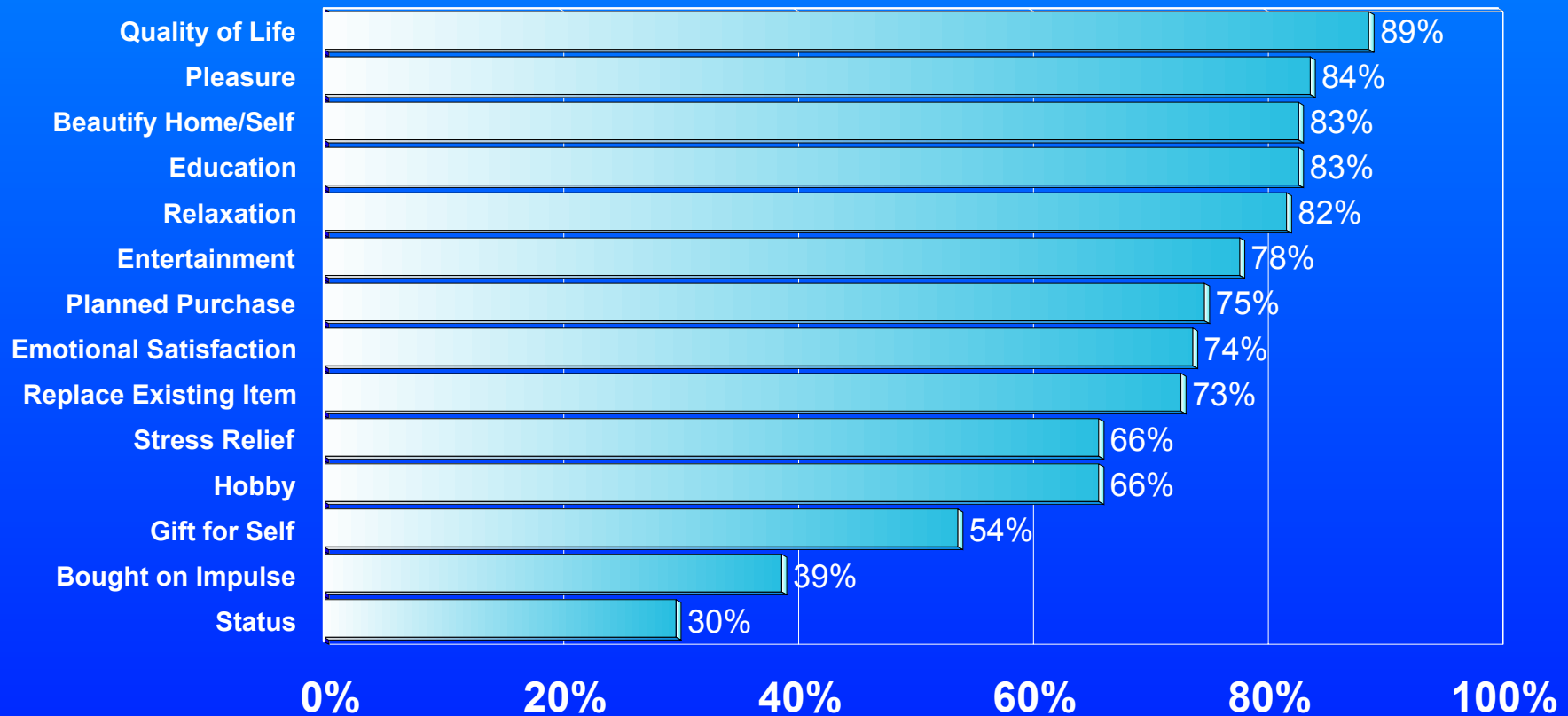
Discretionary Household Purchases Past Year



Source: Telephone Survey
* Question definition modified

Justifiers Define Why the Consumers Buy — Enhancing the Quality of Life

Motivators to Buy Discretionary Products Very Important/Somewhat Important



Future Vision Secret #2:

**First the rich do it,
then everybody else!**

Affluent Market Represents 15 Million Households

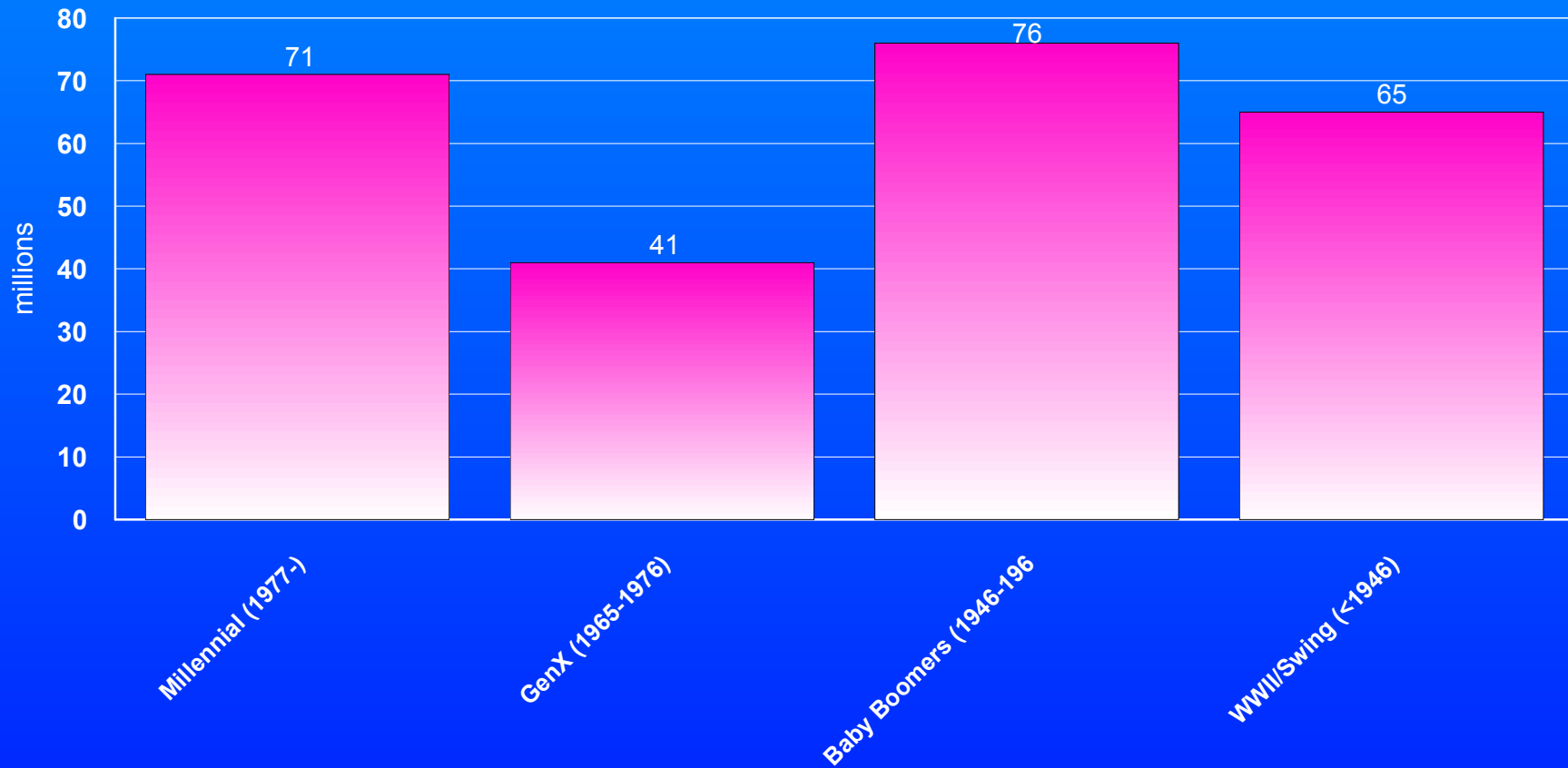
U.S. Households by Income Level
in thousands

	Total	%
\$49,999 or less	62,281	57.0%
\$50k to \$69,999	16,706	15.3%
\$70k to \$99,999	15,187	13.9%
\$100,000 to \$149,999	9,533	8.7%
\$150,000 to \$199,999	3,005	2.7%
\$200,000 to \$249,999	1,096	1.0%
\$250,000 and above	1,490	1.4%
Total	109,297	100.0%

Source: Census, 2000

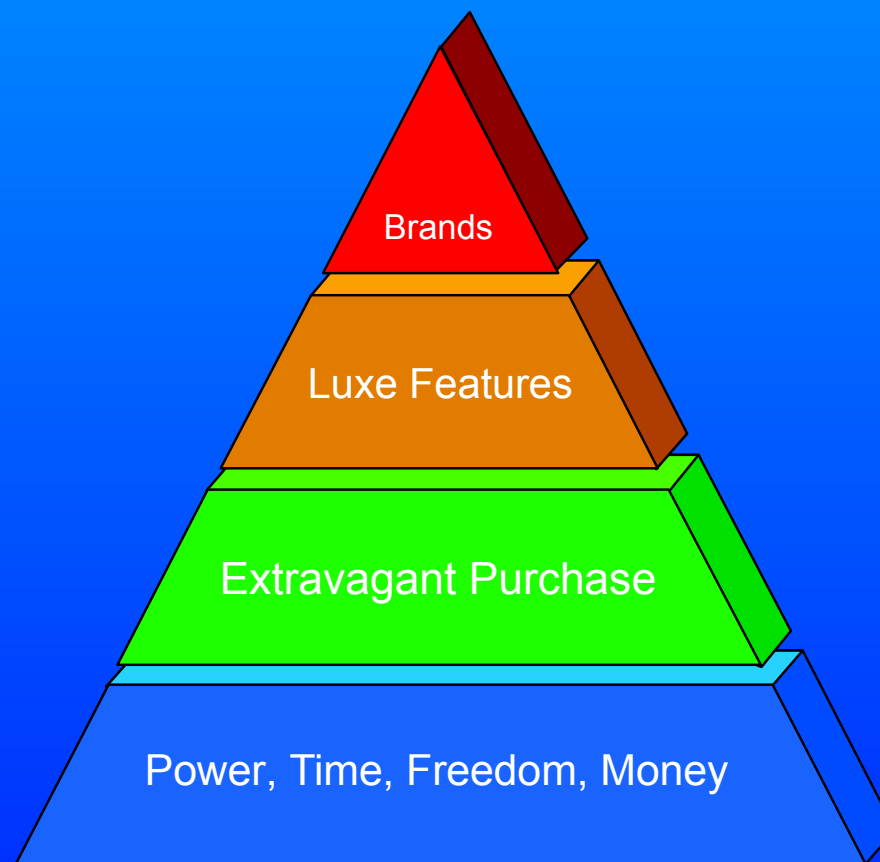
Future of Consumer Market: Diverging with Biggest Opportunities at the Luxury End and Low-End of Market

Consumer Generations



Luxury Is Power to Pursue Your Passions

Dimensions of Luxury



Metaphysics of Luxury

Luxury Is Ultimately Unattainable

Big Opportunity: Be Best of Class in Any Class

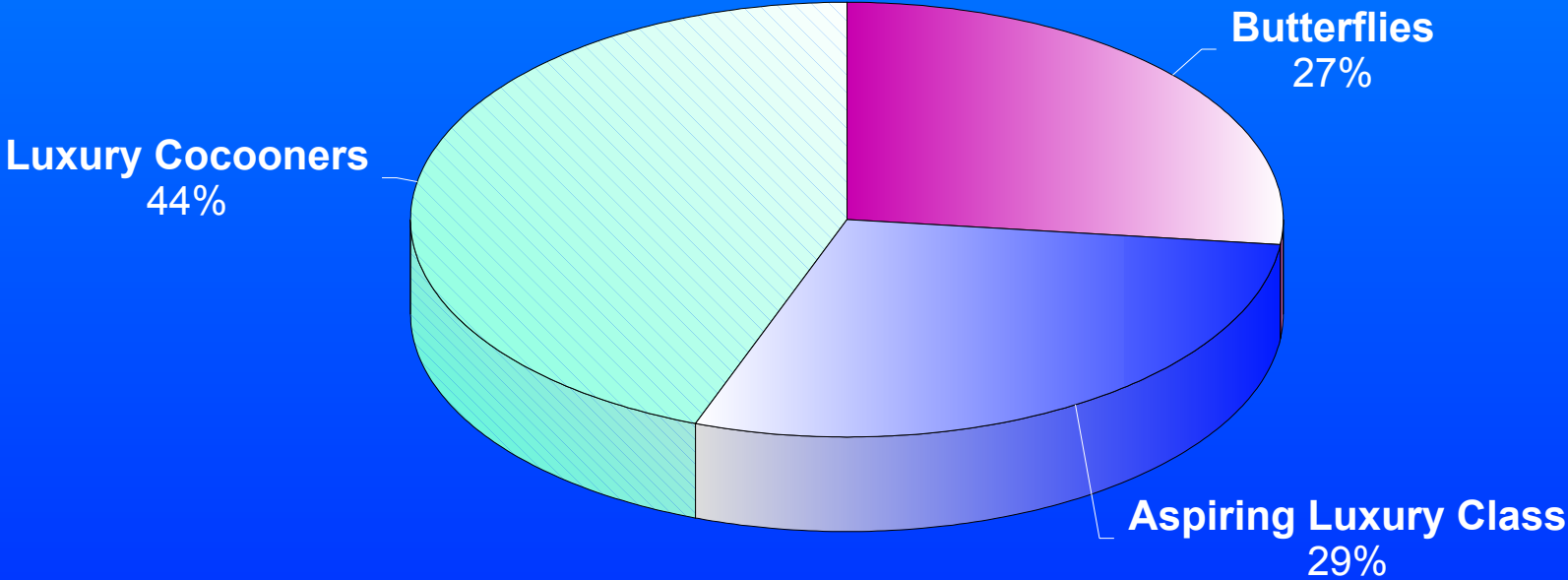
- **No matter where you are in price-continuum, you can enhance luxury value of what you are selling**
- **Key: Infuse marketing communications with emotional values**

Introducing the New Luxury Market

Meet the Butterflies



Luxury Market Segments



Butterflies Have Emerged from their Luxurious Cocoon

- **Most evolved luxury consumer, less self-indulgent, more outwardly focused**
- **Reconnecting with the external world with emphasis on self-actualization**
- **Looking for new meaning in their lives**
- **Pursuit of self-actualization**

Butterflies Have Emerged from their Luxurious Cocoon

Market Penetration	27%
Consumer Psychology	Butterflies have emerged from their luxurious cocoons and are reconnecting with outside world. Connecting, rather than cocooning, is primary driver for the butterflies. They are less materialistic than other segments and know things won't buy happiness.
Demographics	<ul style="list-style-type: none"> • Most successful in world's terms • Highest incomes (\$172.4k) • Boomer generation • Highest household value (\$280k) • More likely to be female
Purchase Incidence	Most active buyers of both luxury products & services (95% products; 68% services)
Luxury Product Spending	Spends the most annually on luxury products (\$14,675), but only 34% of spending is for luxury home (\$5,050), while majority is for personal luxuries
Luxury Services Spending	Spends most on luxury services, \$8,200

Connecting Becomes Next Dominant Cultural Trend, as Age of Cocooning Ends

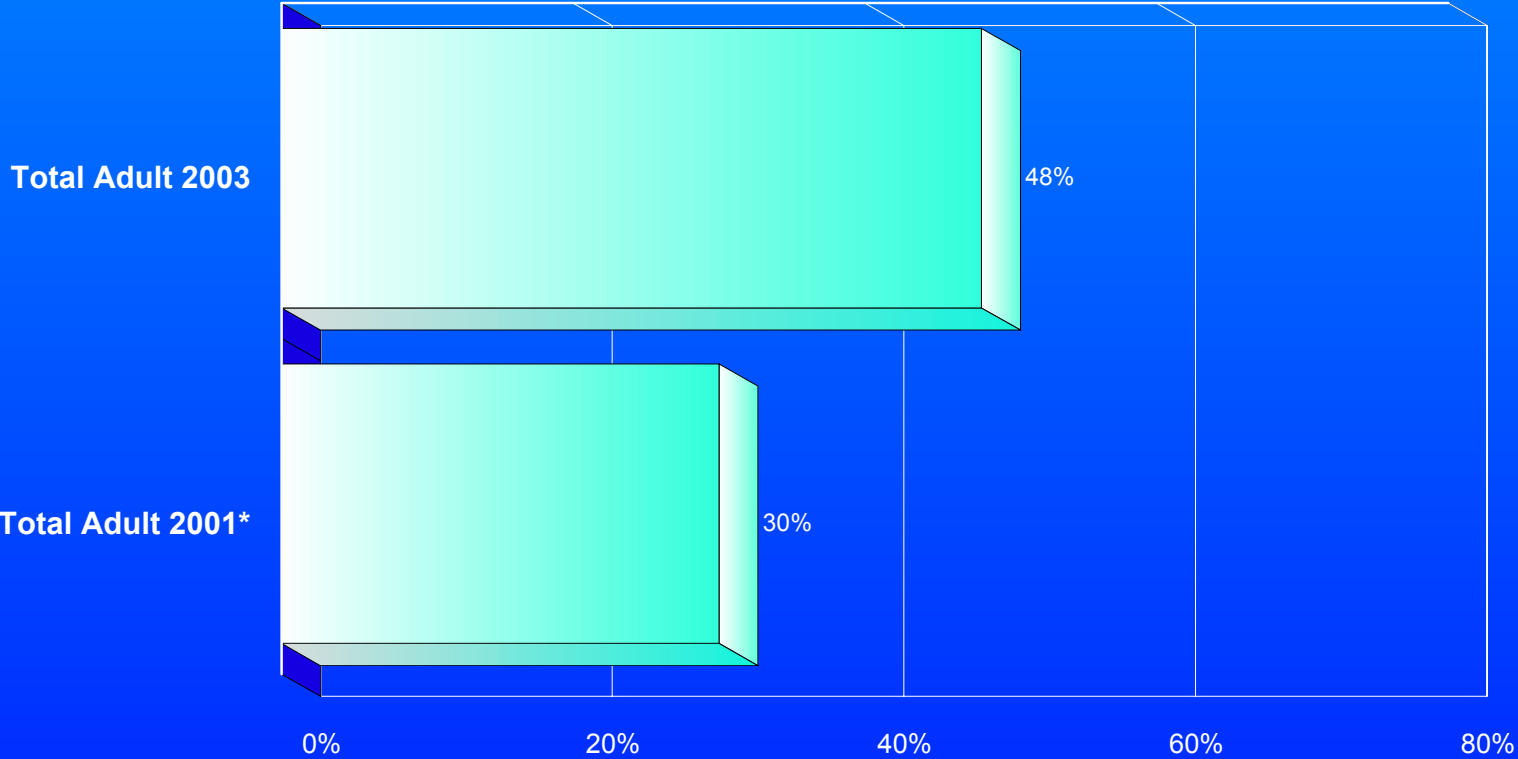
Personal Consumption Expenditures
Home Furnishings in millions
2001 to Proj. 2003

	<u>2001</u>	<u>Prelim 2002</u>	<u>Proj 2003</u>	<u>% Chg '01-'03</u>
Furniture	\$64,002	\$66,652	\$67,202	5.0%
Kitchen Appliances	\$36,119	\$37,356	\$37,959	5.1%
China, Glass, Tabletop	\$34,059	\$35,465	\$35,304	3.7%
Otr Household Durables	\$66,355	\$68,983	\$70,352	6.0%
Semi-Durables	\$38,669	\$39,861	\$39,875	3.1%
Total	\$239,204	\$248,317	\$250,692	4.8%

Source: BEA, NIPA tables

End to Household Clutter Takes Hold as Consumers Become More Discriminating About Things They Buy

Baskets, Boxes, Vases, Pots and Other Decorative Holders
Self or Household Bought in Past Year
Demographic Summary



Source: Telephone Survey
* 2001 comparative includes only Vases, Urns & Pots

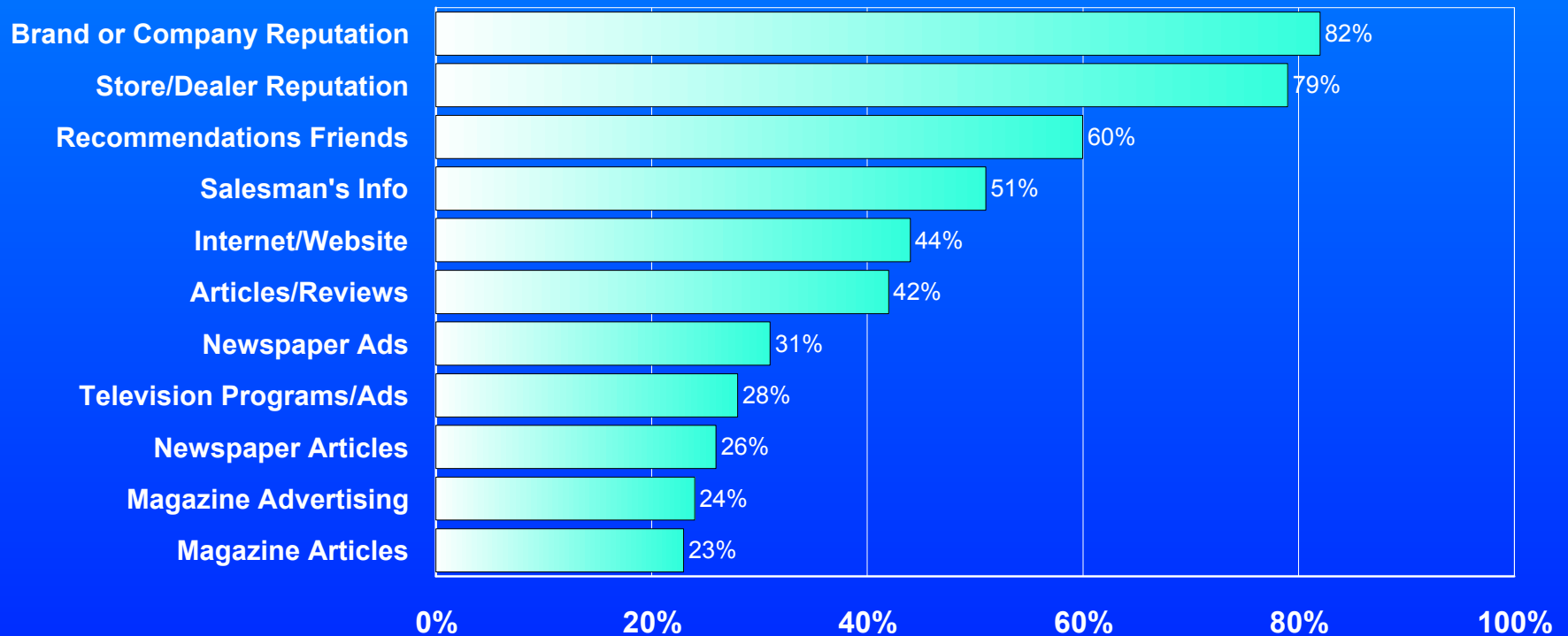
Hold Everything connects with consumer' mood



Brands Are Point of Connection: Luxury Brands Role In Getting People to Buy Will Increase

Influencers on Last Luxury Purchase Very Important/Somewhat Important

Thinking about your most recent purchase, how important were each of these influences?

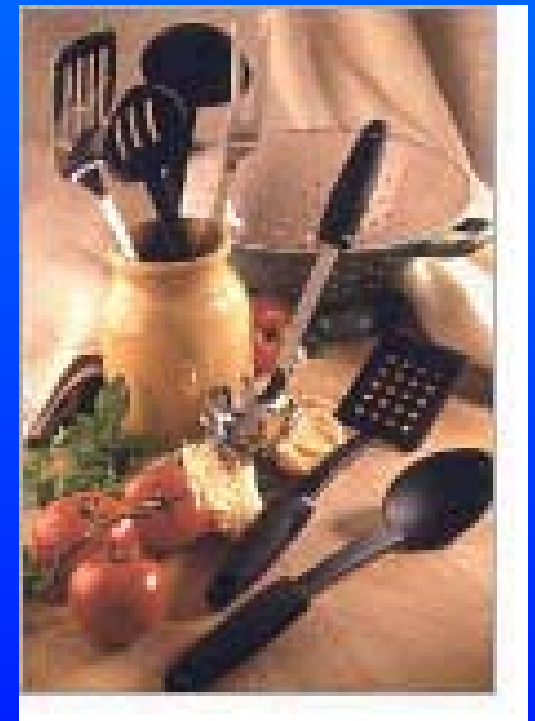


Base: Households over \$50k

Product Brands and Store Brands Are Connected

**The brands you sell define your
store...the store defines the brand**

OXO creates brand experience that gives consumers reason to buy



Big Opportunity #1:

**Selling Tools, Equipment,
Accessories to Enhance Consumer's
Experiences**

Big Opportunity #2:

**Retail Environments Need to Be
Reconfigured to Enhance
Experience**

Ultimate Brand Challenge: Connecting with Consumers

- About less talking and more listening
- About giving more value rather than taking more money
- About being involved with the customer rather than waiting for customer to get involved with you
- About connecting with the community
- About creating your business for your customers' needs