

Trevor Bayne: Youngest to win Daytona 500.

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The Talk: Hosts include Sharon Osbourne, center.

## FUTURE OF TALK TV

Oprah, Regis and Larry leave a void that newcomers compete to fill, 1D

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MONDAY, FEBRUARY 21, 2011



### Rebellion continues in Arab world; Libya offers changes

Morocco to Yemen, thousands crowd streets. In Libya, fear of civil war, 5A

### Workers in other states plan protests to back Wis. unions

Plan to curb collective-bargaining rights of public workers has implications for 2012 elections, 2A

### Teens, young adults share videos on self-harming

Some demonstrate cutting, burning techniques; researchers worry it normalizes behavior, 3A

### JPMorgan Chase chief sees good times ahead for U.S.

Economy strengthens every day and businesses are borrowing more, CEO Jamie Dimon says, 1B

### Wacky week in men's hoops means No. 1 is up for grabs

Sevens of top 10 teams lost; three weeks from selection Sunday, no favorite for title, 1, 3-4C

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## FOR THE WEALTHY, LUXURY IS BACK



As spending by the affluent picks up, analysts say it could be a good sign for the economy

By Gary Stauss  
USA TODAY

**W**ealthy Americans seem to have decided that it's OK to splurge again—a hopeful sign for an economy mired by slow growth, stubbornly high unemployment and depressed home prices.

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And for the 2011 holiday season, tech start-up Prisma Cinema will provide a \$20,000 device to bring Hollywood films to your home the same day they premiere in theaters. Each first-run film will cost an additional \$500.

### COVER STORY

The products represent tariffed shipping territory for even the uber-rich, especially at a time when the nation is coming out of its worst economic crisis since the Great Depression. So many still worried about the economy, spending for luxury goods and ultra-toys with eye-popping price tags is silly. Even so, the trickle of high-end products aimed at deep-pocketed clientele is a potential leading

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## Home loans in default drag on

### Foreclosures could stretch to 2 years

By Julie Schmit  
USA TODAY

The average U.S. borrower in the throes of foreclosure hasn't made a mortgage payment in 17 months, up from nearly 11 months two years ago—and the time frame may get even longer.

Banks and mortgage servicers, who collect payments for lenders, are taking more time to complete foreclosures because of huge volumes of defaulted mortgages. Other factors include time-consuming reviews for loan modifications and additional delays that followed revelations late last year about improperly filed foreclosure documents in tens of thousands of cases.

Last year, the number of days that the average borrower in foreclosure went without making a payment stretched from 410 in January to 507 in December, says LPS Applied Analytics, which tracks 17 million mortgages. Before the foreclosure crisis, the norm was more like 250 days, says Herb Blecher, LPS senior vice president.

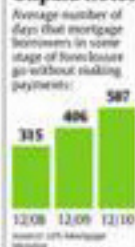
"Loans are spending longer in the process," Blecher says.

About 2.2 million homes were in foreclosure at the end of January, according to LPS.

The delays may translate into higher prices in some markets for foreclosed homes as inventories shrink, real estate experts say. They will also push some foreclosures further into the future, meaning they'll weigh on housing markets longer. "There's a trade-off. On the plus side, you trim inventories, but ultimately, these units have to be foreclosed," Christopher Thornberg of Beacon Economics says.

Some companies have assigned more workers to handle distressed loans in recent months. But

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## Sen. Brown: Abuse shaped his life

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**As spending by the affluent picks up, analysts say it could be a good sign for the economy**

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The products represent scuffed shopping inventory for even the uber-rich, especially at a time when the nation is coming out of its worst economic crisis since the Great Depression, so many still worried about the economy, spending for luxury goods and ultra toys with eye-popping price tags is silly. Even so, the trickle of high-end products aimed at sleep-powdered clients is a potential leading indicator.  
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Average number of days that mortgage borrowers in some stage of loan closure go without making payments.

12/08	12/09	12/10
315	406	507

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## FOR THE WEALTHY, LUXURY IS BACK

As spending by the affluent picks up, analysts say it could be a good sign for the economy

By **Gary Strauss**  
USA TODAY

W

Healthy Americans seem to have decided that it's OK to splurge again — a hopeful sign for an economy mired by slow growth, stubbornly high unemployment and depressed home prices.

Luxury and high-end marketers have picked up on what they hope is a growing trend, offering products that bank on a looming spending spree. Germany's PG-Bikes is rolling out the \$80,000 Black Trail, a battery-powered bicycle. Swiss watchmaker Richard Mille is selling \$525,000 timepieces. Steinway has launched a John Lennon-themed grand piano — at \$90,000 and up. After selling out a \$245,000 model, automaker Porsche is planning the 918 Spyder, a hybrid car that could sell for more than \$630,000.

And for the 2011 holiday season, tech start-up Prima Cinema will provide a \$20,000 device to bring Hollywood films to your home the same day they premiere in theaters. Each first-run film will cost an additional \$500.

The products represent rarified shopping territory for even the uber-rich, especially at a time when the nation is coming out of its worst economic crisis since the Great Depression. To many still worried about the economy, spending for luxury goods and ultra-toys with eye-popping price tags is silly. Even so, the trickle of high-end products aimed at deep-pocketed clientele is a potential leading indicator of a broader wave of pervasive conspicuous consumption among middle- and upper-income shoppers, analysts say.

"If the wealthy are buying, there's a huge downstream effect: It goes all the way down to the \$50,000 (annual income) household," says *Selling to the New Elite* author Jim Taylor, a marketing specialist with luxury brand consultant Harrison Group, whose annual Survey of Affluence and Wealth in America with American Express Publishing Group gauges shopping sentiment of the affluent.

Consumer spending is the main driver of economic growth. The nation's wealthiest 5% of households account for about 37% of consumer spending, according to Moody's Analytics.

Some wealthy consumers have reined in over-the-top spending. Pam Danziger, whose Unity Marketing consultancy specializes in luxury branding, says that Baby Boomers, who make up a large chunk of wealthy households, have tempered shopping urges.

"The male source of pride used to be on how much they spent on fancy TVs, technology and other toys," Danziger says. "Now the bragging rights are over finding things at great prices. The mind-set at the luxury level and high end has changed."

Even so, pent-up demand for luxury goods appears to have lessened the angst of other well-heeled shoppers. Luxury carmakers such as Porsche and marketers such as Mille say they've had little trouble lining up customers, wait-listing some and fielding offers from others willing to pay premiums.

Wall Street's gains have helped put many in the mood to shop. Since hitting a 12-year low of 6547 in March 2009, the Dow Jones industrial average has surged 89% to 12,391.

"When Wall Street crashed, it was very unsettling among the kings and queens of the universe," notes Wendy Liebmann, CEO of consultant WSL Strategic Retail. "It was as much about mind-set as it was about money. They just stopped spending because it wasn't appropriate to be seen spending. But the affluent are willing to spend again."

Retail analysts sensed a coming shopping spree by the affluent as stock prices began climbing last fall. By the holidays, tony retailers such as Neiman Marcus, Saks, Nordstrom and Tiffany were posting December same-store sales gains of up to 10% over the previous holiday season. Earlier this month, upscale retailer Ralph Lauren reported a 24% gain in quarterly revenue, while high-end grocery chain Whole Foods Market posted a 12.6% gain.

"Personal embracement of luxury is now back to (pre-recession) 2007 levels," Taylor says. "We're seeing that in cars, private jet usage and, finally, in high-end real estate. There's a real change in the way people feel about money. They're making purchases they put off during the recession."

Porsche's U.S. sales in 2010 were up 29% over 2009; Cadillac's climbed 36%. Rolls-Royce sales rocketed 171%.

Vacation home sales in Cape Cod, Mass., rose 9% in 2010, compared with 2009. In Hilton Head, S.C., sales were up nearly 14%. Palm Beach, Fla., home sales surged nearly 40%.

Luxury home sales in hard-hit Southern California also are beginning to rebound.

"We're starting to see movement," says Madison Hildebrand, who specializes in Beverly Hills and Malibu listings and stars on the Bravo reality show *Million Dollar Listing*. "People are more confident."

The market for \$1 million-plus yachts is also poised to set sail, says Thom Dammrich, president of the National

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Marine Manufacturers Association. "There's a high-quality crowd seriously looking to buy. That's changed since the downturn, which was brutal."

Even high-end art is drawing post-recession buyers. Sotheby's and Christie's, which handle more than 90% of fine art, book and collectibles sales, pulled in \$1.1 billion during their fall auctions, almost double from 2009.

"The market hasn't completely recovered, but there were five (art) sales over \$50 million last year. That's unprecedented, even during boom times," says Katherine Jentleson, analytics director at industry tracker Art Research Technologies. "There's clearly a lust for extreme luxury items."

Ivan Drury, an analyst for auto industry tracker Edmunds.com, estimates that the market for vehicles costing \$100,000 and more surged 76% last year — 32,144 sales, up from 18,288 in 2009. Porsche, which has received more than 2,000 orders nearly three years ahead of the hybrid 918's production, needed just two months to sell all 500 of its new 911 GT2 RS sports cars — priced at \$245,000. More than 25% were snapped up by U.S. buyers.

Some marketers, such as AutoNation, sense fresh opportunity among newly affluent consumers and aspirational buyers. The nation's largest auto retailer will spend \$100 million through 2012 on new and renovated showrooms for Mercedes-Benz, BMW, Audi, Land Rover and Infiniti.

Korea's Hyundai, best known for low-priced vehicles, steered into the luxury market with December's launch of the Equus. Prices start at \$58,000 to \$64,500.

WealthTV, a San Diego-based cable channel focusing on luxury lifestyles, hopes to expand its affluent audience and lure upscale advertisers with this month's launch of *Social*, a 26-episode series featuring former *Real Housewives of New Jersey* socialite Danielle Staub mingling with the rich and famous. The channel already has seen a rebound for advertising from travel operators.

"We were fighting an uphill battle with the recession," says WealthTV President Charles Herring. "This year, we project to double what we did last year in advertising."

Even so, Liebmann says the recession has altered some habits.

"The wealthy have learned some lessons. Like the rest of us working stiffs, they're buying selectively things they feel are really worth the price," she says. "It's as much about mind-set as it is about money."

Like most of us, the wealthy want a good deal. Cadillac credits part of last year's success on the perceived value of its free, four-year/50,000-mile scheduled maintenance program.

Cadillac and other luxury marketers are also tweaking their mantras. Latest TV ads highlight power and technology.

"It's a good time to be targeting luxury consumers, but the market is extremely competitive," says Cadillac marketing chief Don Butler. "We wanted ads that are visceral and emotionally engaging, but also showing that Cadillac has changed. We're no longer part of the same old club."

Audi's Super Bowl ad touted the technology-centric "new luxury" of its A8 model over rival Mercedes.

While some luxury marketers were slashing prices, Steinway rode out plummeting sales by cutting production and factory workers, relying on the brand's recession-proof reputation. Third-quarter sales were up 11% over 2009.

"We have customers who don't even play the piano; they look at them as investments," says Ron Losby, president of Steinway & Sons-Americas.

Its 50 Lennon-edition models, inspired by the late ex-Beatle's gift to Yoko Ono, have great potential value, Losby says. "There'll be no sleepless nights. We'll sell them all."

The cool factor, not investment value, is a chief selling point of PG-Bikes' Black Trail. It has ultra-light carbon-fiber components and is powered by a battery capable of propelling riders at up to 62 mph.

"The idea wasn't to create the most expensive bike, but the most technically advanced, lightest-weight electric bike," says company founder Manu Ostner. "Rich, successful people don't care about price. They care about quality and having something unique."

Production will be limited to about 700 bikes. Ostner expects to sell 250 to U.S. customers, hoping high-profile early adopters such as actor Orlando Bloom and Wall Street power players will spur interest for PG's lower-priced models. "They're the trendsetters who'll generate the sensibility and sexiness of clean mobility," Ostner says.

What makes Richard Mille's watch worth \$525,000? The Rafael Nadal RM 027 Tourbillon is more about technology than glitz, featuring titanium and carbon composites used in satellites. At less than 20 grams, it is billed as the world's lightest wristwatch. Spanish tennis star Nadal wears his on the courts.

Just 50 will be made, attracting collectors and well-heeled wearers. Before its August launch, Mille had more than 100 orders.

"It may be ostentatious driving a new luxury car in your neighborhood or around co-workers, but a guy across the room wouldn't know what this watch is," says Dominique Gerente, Mille's marketing chief for North and South America. "It's much more personal. With this watch, you become a member of a club."

Current "members" include rapper/entertainment mogul Jay-Z and musician Seal. No worries if you're not on the list. In September, Mille's rolling out the RM038 Bubba Watson, named for the professional golfer, also for \$525,000. Want something cheaper? Mille watches start at about \$50,000.

Forking out as much for a watch as a car or home makes Prima Cinema's \$20,000 home movie-premiere service seem a relative bargain.

Still, there were plenty of skeptics when CEO Jason Pang initially approached movie studios and investors for partnership deals for the technology, previously available to Hollywood VIPs, during the recession.

"It sounded elitist. They didn't think anyone would pay \$20,000 for the technology, and there was sticker shock at \$500 movies," Pang says. "But then you tell them that people spend hundreds of thousands on custom home theaters or \$20,000 to charter private jets. And when you take your family to an NBA game or host a kids' birthday party, you're spending hundreds of dollars."

Now that partnerships are in place, Pang expects to sell his digital delivery system to 250,000 households by 2015. "Word of mouth is driving sales, and we're not even trying," he says.

Wall Street's extended post-recession rally likely will continue to goose sales of high-end items. It has also begun to swing momentum across a broader shopping spectrum. January same-store sales at the nation's biggest chain stores climbed 4.2%, according to a 28-retailer survey by tracker Thomson Reuters.

As broader stock market indicators such as the Nasdaq composite index near 10-year highs, the financial market's so-called wealth effect could energize an extended burst of luxury-related splurging. Mercedes-Benz, for example, says U.S. sales rose 14% last month over January 2010.

"During the recession, even the wealthy became needs-based shoppers," says Harrison Group's Taylor.

"But the scope of their needs is expanding. The capacity to spend is back in play."

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