

FINANCIAL SERVICES

HENRYs' discretionary spending remains high, despite lingering debt

September 15, 2016



Image courtesy of Dolce & Gabbana

By JEN KING

The HENRY demographic is commonly characterized as the answer to today's troubling retail slowdown, but despite high income, the consumer segment is not free from financial insecurities.

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A new infographic prepared by IXI Services looks at the finances, credit reliance and spending habits of "high-earners, not rich yet" consumers, or HENRYs. Understanding the financial behaviors of this growing population of consumers, especially the amount of discretionary income available after credits have been subtracted, may assist retailers in preparing strategies to cull interest and conversions.

"It's clear that luxury marketers need to know about HENRYs, as the audience's affluent trajectory poses opportunities," said Lena Bourgeois, vice president of the consumer market group, [IXI Services, a division of Equifax](#).

"However, marketers also need to sub-segment this audience by age and the presence of children to further refine how HENRYs fit their product offering," she said. "Household composition will affect total discretionary spending, as well as what those consumers spend their money on.

"The more a marketer understands those differences, the more they can tightly target their campaign."

What's in HENRYs' wallet?

HENRYs, and Henriettas, earn an annual income of more than \$100,000, but have yet to establish \$1 million in investable assets.

With an average age of 43, the HENRY demographic makes up 13 percent of households in the United States, a number that is sure to continuously increase as millennials become more established.

The group on average makes \$136,000 per year and controls \$214,000 in average assets. At first glance, HENRYs look to be financially stable, but due to student loans and other living costs, the demographic has struggled to establish nest eggs.



Image courtesy of Michael Kors

To demonstrate how credit reliant the HENRYs are, IXI sized their spending habits up against affluent households with more than \$1 million in investable assets. The typical HENRY has an average balance of \$126,000 in mortgage dues, \$10,000 and \$12,000 in auto and student loans, respectively, and bank and retail debt of \$9,000.

Without considering mortgage credit allocation, HENRYs have less bank and retail debt compared to an affluent household. HENRYs pay about 26 percent of their incomes, compared to 24 percent of affluent households.

But, HENRYs pay much more in student auto loans than their affluent household peers. On average, HENRYs pay 35 percent and 31 percent of their incomes to student and auto loans, whereas for affluent households the rate is 25 percent and 29 percent, respectively.



Image courtesy of Hugo Boss

Although HENRYs balance sizable debts, they also spend somewhat freely for an average of \$68,000 annual discretionary spending per household. Discretionary spending among HENRYs includes online shopping, eating at restaurants at least once a week, vacationing often and enjoying athletics as well as personal services such as manicures.

By generation, millennial HENRYs' discretionary spending totals \$86,000 whereas older Gen-X and baby boomer HENRYs average \$67,000 and \$60,000.

"HENRYs are attractive because they include representatives from multiple generations," Ms. Bourgeois said.

"Different qualifications, such as the age of the consumers and the presences of children, will impact how much discretionary spending a HENRY household has, as well as how they behave, shop and consume media.

"Tapping into a segment of HENRYs with high discretionary spending capabilities could dramatically lift sales for a luxury marketer," she said.

To view the infographic, click [here](#).

How-to HENRYs

With retail sales flatlining, brands must appeal to a new demographic to sustain growth and forge relationships with the next generation of ultra-affluent customers, according to a senior executive from Unity Marketing at the Luxury Retail Summit: Holiday Focus 2015.

Specifically, HENRYs, especially those aged 44 and younger, may save luxury from its current drought. Appealing to HENRYs and aspirational millennials, however, means brands will have to retell the story of luxury and market in new ways. ([see story](#)).

For example, French atelier Chanel is beginning its story with Willow Smith by featuring the youthful ambassador in an eyewear effort for fall/winter 2016-17.

At the time of her appointment in March, Chanel did not announce which category 16-year-old Ms. Smith would be representing. Selecting eyewear, an entry-level category, as Ms. Smith's first campaign and official entrance into the world of Chanel will likely assist the brand in appealing to the singer/actress' millennial and Gen Z demographic as this age segment matures ([see story](#)).

"It's interesting that HENRYs like to splurge," Ms. Bourgeois said. "They like spending on organic groceries and enjoy getting massages, so they appear to be an audience that likes to treat themselves.

"They also are heavy online shoppers, which is a stat that definitely popped for this group," she said. "One difference with HENRYs and affluent households is that it seems like HENRYs enjoy spending their money in the moment, rather than focusing on saving it.

"That's part of the reason that they aren't yet affluent. Another factor is that they do live in areas with higher costs of living and it can be trickier to build up savings when living in a more expensive area while also dining out, traveling on vacations and frequently shopping."

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