

RESEARCH

80pc affluent spenders now on lower-income end: report

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By TRICIA CARR



Gucci spring/summer
2012

To reach the now-powerful group of affluent consumers on the lower-income end of the spectrum, marketers may want to become more accessible via brand extensions or refocused campaigns, according to Unity Marketing's Annual State of the Luxury Market Report 2012.

The High-Earners-Not-Rich-Yet (HENRY) consumers have returned to the United States marketplace after an absence in 2010 and expect to spend more on luxury throughout 2012. While the luxury segment saw historically high consumer spending in 2010, spending dropped in 2011, signalling a return to the norm.

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“The main finding in the Luxury Report 2012 is the dramatic contrast between spending on luxury in 2010 as compared with 2011,” said Pam Danziger, president of [Unity Marketing](#), Stephens, PA. “We found that 2010 was truly an extraordinary year, characterized by a strong increase in luxury spending and sales growth.

“By contrast, 2011 turns out to be a return to a more normal state,” she said. “In fact, spending on luxury purchases retreated almost to 2009 levels.

“The lower-income HENRY consumers are going to become even more important for luxury brands in the future, as they represent the largest share of affluent households.”

The [Luxury Report 2012](#) examines buying behavior and spending habits of four key categories including home luxuries, personal luxuries, automobiles and experiential luxuries.

Spending spree

High-Earners-Not-Rich-Yet consumers, those with incomes between \$100,000-\$249,999, increased their luxury spending approximately 11 percent from 2009 levels.

There are a total of 21.3 million HENRY households – 10 for every ultra-affluent household. HENRYs now make up 80 percent of the affluent consumer segment.

HENRY consumers rarely purchase core products from ultra-affluent brands, but are supporting brands such as Chanel, Louis Vuitton, Hermès and Gucci by purchasing beauty, fragrance and small leather goods.



Chanel Rouge Coco lipstick campaign

In addition, seemingly more accessible luxury brands such as Ralph Lauren, Tiffany & Co. and Michael Kors may see higher consumer spending by HENRYs.



Michael Kors spring/summer campaign

HENRYs are positive about spending in the future, per the Luxury Report.

In fact, 26 percent of luxury consumers surveyed expected to spend more on luxury goods and services during 2012, compared to 18 percent in 2009.

HENRYs have a lower spending threshold than ultra-affluents, but with power in numbers, luxury brands should take note of them, per Ms. Danziger.

This can be seen in the resurgence of beauty brands by luxury labels.

For example, French footwear designer Christian Louboutin will join Chanel, Christian Dior, Burberry and Yves Saint Laurent in the beauty industry with a branded makeup line set to debut in late 2013 ([see story](#)).

Where have all the affluents gone?

Ultra-affluent consumers, the top 2 percent of U.S. households with incomes starting at \$250,000, cut their spending by approximately 30 percent year-over-year from 2010, according to the study.

Reported spending by luxury consumers dropped back to 2009 spending levels in 2011 and declined throughout the year. This follows a luxury spending peak in 2010.

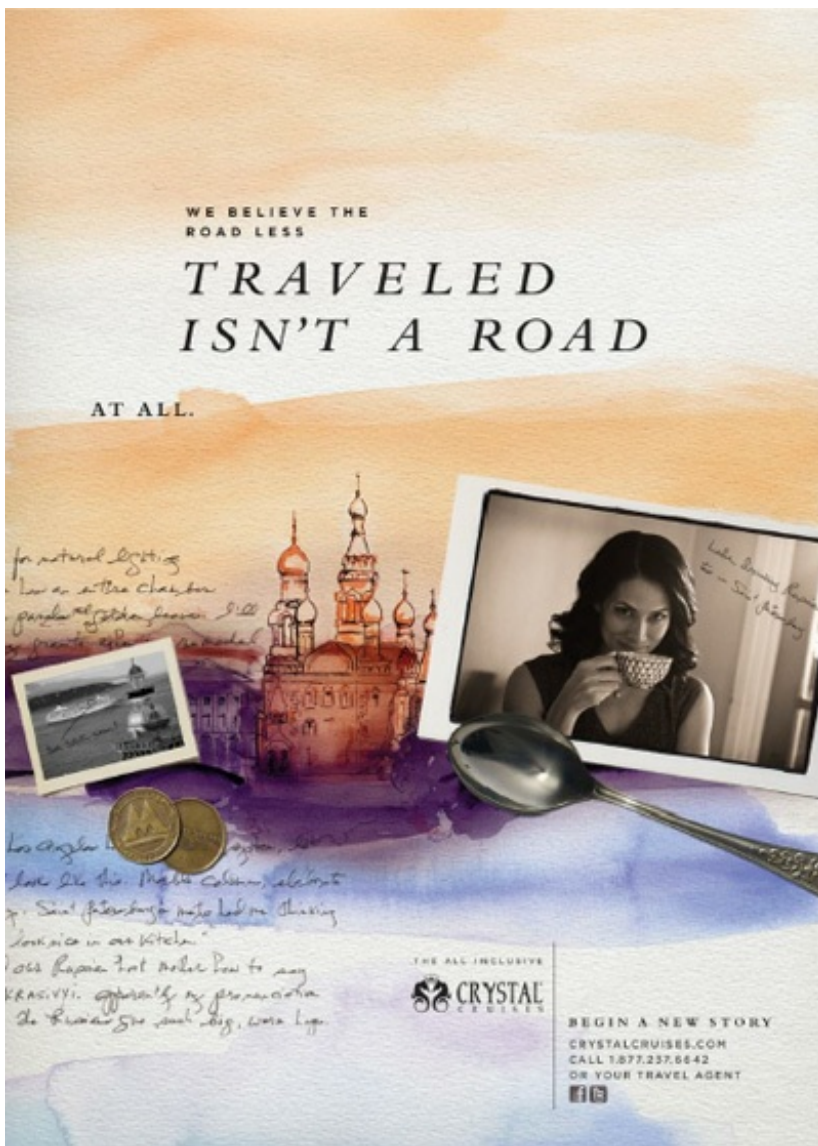
In fact, affluent consumer spending reached its lowest level in the past three years during the fourth quarter of 2011, according to the study.

Meanwhile, the Luxury Report 2012 found total luxury spending rose 1.3 percent from 2009 to 2011.

Fewer affluent consumers are making changes in their lifestyle due to worries about the economy, per Ms. Danziger.

Luxury consumers are less likely to delay purchases and fewer affluents are using coupons to save money. They are also dining out more often and shop more frequently.

The best-performing category in terms of luxury spending was travel, up 40.8 percent from 2009, followed by kitchenware's 37.5 percent, entertainment's 33.6 percent, dining's 26.5 percent and fashion accessories' 23.4 percent.



Crystal Cruises print campaign

Categories that decreased in spending from 2009 to 2011 include kitchen appliances, watches, jewelry and furniture, lamps and floor coverings, with drops of 23.9 percent, 20.1 percent, 10.2 percent and 7.3 percent, respectively.

“Luxury brands need to understand the different drives and motivations found among the varying income levels of customers,” Ms. Danziger said.

“The HENRYs return to buying luxury is a most important trend, even though on an individual level they do not have the spending power of a typical ultra-affluent household,” she said. “But, in aggregate, they make up 80 percent of all affluent households.

“They are especially important for the more affordable product ranges for the true luxury brands.”

Final Take

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