

RESEARCH

## Economic uncertainty still huge barrier to affluent consumer spending: study

August 22, 2012



By RACHEL LAMB

Even though ultra-affluent consumers still have a desire to spend, consumer confidence in July was down just a little bit than reports from that time last year, according to findings from Ipsos MediaCT's July Affluent Barometer.

**Sign up now**

**Luxury Daily**

The reason for this slowdown is still attributed to uncertainty in the economy, especially for ultra-affluent consumers who have a larger percentage of their income tied up in investable assets. However, there is a desire to spend more in the coming months, which bodes well for holiday spending.

"We are not seeing enthusiasm quite as high for luxury brands as it was this time last year," said Steve Kraus, senior vice president, audience measurement group for Ipsos MediaCT, San Francisco.

"The good news is that there still continues to be widespread interest across different industry categories for luxury brands," he said. "The economy has bounced up and down a lot, and this bouncing represents the skittishness over the consumer.

"Since this is going to be around for a while, it has really dampened the luxury enthusiasm."

Ipsos MediaCT measures affluent consumers – household income of \$100,000 – and ultra-affluent – household income of \$250,000 – and asked them a variety of spending habit questions across all industry sectors.



#### Confidence blow

According to the barometer, 45 percent of affluents are now optimistic about the U.S. economy. However, this outnumbers the 35 percent who are pessimistic.

But amid slightly better economic and employment perceptions, optimism rebounded 10 percentage points in July, back to the mid-40's levels seen earlier this year.

Affluent attitudes today are fluid and malleable, reflecting a skittishness and fundamental uncertainty about a host of factors including the domestic economy and job market to be sure, but also European economic woes, government gridlock and the upcoming presidential election, according to the study.

Approximately 11 percent of affluent consumers plan on spending more on luxury in the next 12 months while 8 percent plan on spending less.

However, 76 percent of affluent consumers plan on spending about the same on luxury goods in the next 12 months.

Additionally, 73 percent of consumers enjoy purchasing luxury items while 61 percent are proud to be able to afford luxury items.

Also, 63 percent feel guilty about making a luxury purchase, which could be why consumers are hesitant to keep spending on luxury goods.

#### Quality goods

Even if affluent consumers are uncertain about the economy, they will still spend on high-quality luxury goods.

In fact, 17 percent of ultra-affluent consumers are more willing to spend on vacations and personal travel. Indeed, 18 percent of ultra-affluent consumers plan to spend on high-end apparel and accessories.

Also, 16 percent of ultra-affluent consumers are interested in paying for high-end automobiles, 19 percent on jewelry and 19 percent on fine dining.

More importantly, 40 percent of consumers believe that true luxury is worth any additional costs.

Therefore, brands must be willing to highlight quality and craftsmanship to entice buying during this economically-uncertain time.

“Affluent consumers have this very strong value orientation,” Mr. Kraus said. “Even when it comes to luxury, they have this mindset that if they can get value for it, they want it.

“Value messages handled in a right way that don’t tarnish a message of quality is something that affluent consumers want,” he said.

Final Take

*Rachel Lamb, associate reporter on Luxury Daily, New York*

---

© Napean LLC. All rights reserved.

Luxury Daily is published each business day. Thank you for reading us. Your **feedback** is welcome.