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RESEARCH

Consumer confidence downgrades to last year's Q2 level: Unity Marketing

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By TRICIA CARR

Consumer confidence among the top 20 percent of U.S. households has decreased back to the level reported in the second quarter of 2012, which is the second-largest drop in confidence since the first quarter of 2008, according to a new study by Unity Marketing.

The Luxury Consumption Index found that the top 20 percent who represent approximately 40 percent of consumer spending in the United States reported a confidence level that dropped 19.4 points in January since the last survey in October. This comes after a 24.3 point rise in confidence that was seen in the results of the October report.

"For luxury marketers, the advice from these results is caution, because the target luxury consumers are being cautious," said Pam Danziger, president of Unity Marketing, Stephens, PA.

"Marketers will need to work hard to bring in the same dollars they did last year and even harder to generate growth," she said.

"The luxury market is going to get increasingly competitive, since nobody really needs any of these luxury goods and services since perfectly acceptable substitutes are widely available for much less money."

The Luxury Consumption Index is based on the Luxury Tracking Survey that measures the optimism that affluent consumers feel about the overall state of the economy and their personal financial situation. The latest report is based on a survey conducted Jan. 9-15 among 1,369 luxury consumers with an average income of $267,800.

Election woes

U.S. affluent consumers seem to be less confident now that the election results are in.

Twenty-nine percent of those surveyed feel positive about the U.S. economy.

This figure is an 8 percent drop since the October 2012 survey when 37 percent of respondents said that the country was better off.

In comparison, the average figure in 2011 was 25 percent.

These results seem to signal that affluent consumers are not as confident that government leaders can adequately take on the country's debt.

"I was less surprised by the January 2013 Luxury Consumption Index results than I was when we saw the incredible uptick prior to the election," Ms. Danziger said.

"My guess is that excitement before the election got affluents' juices flowing, thinking that there was going to be change in direction, which obviously didn't happen," she said.

"As a result, affluent consumer confidence came crashing back to levels we saw during spring and summer 2012."

Smaller spenders

In terms of their personal financial situation, 28 percent of respondents reported that they expect to decrease how much they spend on luxury over the next 12 months whereas 18 percent reported this in the previous survey taken in October.

But fourth-quarter spending on some categories in the luxury sector seemed to be more rampant than others.

Respondents spent more on art and antiques and furniture and other home furnishings in the fourth quarter than they did during the third quarter.

Spend on beauty services also increased in the fourth quarter while spend on fashion and fashion accessories was down.

In addition, 22 percent of those surveyed believe that they will be worse-off financially in the next twelve months compared to today.

This is the largest number of survey-takers who chose this response since the 2008 recession, per Ms. Danziger.

"The key for marketers is to really understand their customers and know how to communicate real value to them," Ms. Danziger said.

"Otherwise, premium, even mass-market brands, are going to give them a run for the money," she said.

Final Take

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