

RESEARCH

Affluent consumers maintain spending despite slow economy

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By KAITLYN BONNEVILLE

Few affluent consumers plan to change their spending habits in the future while most others intend to cut back because of the dim economic outlook, according to a recent study conducted by the American Affluence Research Center.

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The study surveyed the wealthiest 10 percent of American households. It showed that most well-heeled consumers have a negative outlook about the economy, stock market and their own personal household income.

“For the most part, [the wealthiest 1 percent] are going to continue to spend,” said Ron Kurtz, president of the American Affluence Research Center, Atlanta. “They are less likely to cut back on spending.

“If I asked them outright if they thought we were out of a recession I think they’d said no, the majority of them think that current business conditions are very poor.

“They are maintaining a good pace in spending. A surprising finding is that there is a good interest in buying or building a new home, which is something we haven’t seen since the fall of 2007.

[The American Affluence Research Center](#) releases studies on spending twice annually.

Consumer spending

Spending changes do appear outside of the wealthiest 1 percent. Approximately forty-one percent of the 11.4 million households surveyed said they plan to reduce spending.

This is the same level as the spring 2008 level of 40 percent, and below the fall and spring 2009 levels, which were 50 percent and 60 percent, respectively.

Among those people trying to reduce spending, the reason for 71 percent of consumers was uncertainty about the economy's recovery.

Luxury brands and luxury marketers should be focused on the wealthiest one percent because they are the least likely to be cutting back and are the most knowledgeable about the price points and brands that are true high-end luxury.

"People are not spending with the euphoria or enthusiasm as they were pre-recession," Mr. Kurtz said. "They are negative about their personal income and economy.

"They still have not regained all of the net worth that they lost from the decline in the value of the stock markets and the value in their homes," he said. "One has to be sensitive to that."

Tips for luxury brands

Luxury brands should be focusing on the wealthiest 1 percent of the population, which represents 10 percent of the group the American Affluence Research Center surveyed.

This population proves to be the most knowledgeable about luxury brands and their price points.

The survey found that the average personal income was about \$500,000, meaning that slightly more than a million households are the true market for high-end luxury brands.

"Recognize that these people have always given a high priority to quality, good service and value," Mr. Kurtz said. "Some people are acting like these are new concepts, but that's not true, the affluent market has always given these concepts priority.

"Don't take your customers for granted, show them a lot of attention and give them good value and continue to emphasize the three values [quality, service and value] that are important to their client," he said. "Never lose sight of the importance of those three factors."

Final Take

Kaitlyn Bonneville, editorial assistant at Luxury Daily, New York

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