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CHAPTER 1: AFFLUENT SHOPPERS IN 2015

OVERVIEW

Affluents Enjoying the Little Things in Life – Resisting the Temptation to Over-Spend & Liking It

Affluent consumer confidence took another turn for the worst in the second quarter 2015, according to the latest survey conducted by Unity Marketing. The five key measures of how affluents feel about the overall economic health of the country and their personal financial situation all dipped in the most recent survey after rising in the first quarter 2015. “The LCI – Luxury Consumption Index – stands only about 9 points above its lowest point during the recession, in 4Q2008,” reports Pam Danziger, president of Unity Marketing and lead researcher in the most recent Affluent Consumer Tracking Study.

“But the climate today is very different from that back at the end of 2008. Unlike the hang wringing and doom saying we saw during the depths of the recession, affluents have gotten on with their lives. They have adjusted to a level of lower expectations and they are doing just fine. Sure, they may still miss some of those free-spending days before the recession hit, but they are finding pleasures in the small, everyday things. They learned the lessons of living close to the edge of their financial limits and have grown accustomed to a ‘new normal’ where luxury is only occasional indulgence.”

“Today the real challenge is for marketers to adjust to this ‘new normal’ of lower expectations,” Danziger says. “Yes, the rich are getting richer, but those at the top 2-3% of all U.S. households account for only about 10% of overall consumer spending, while 40% of total consumer expenditures are made by the HENRYs – high-earners-not-rich-yet consumers with incomes \$100k-\$249.9k—or the top 18% of households. It’s the HENRYs that gave rise to the boom in the luxury market up to the recession, but today they are living a comfortable middle-class lifestyle. In fact, the HENRYs are the newly emerged American middle-class consumers with discretion, now that the old middle-class has lost much of their discretionary spending power due to the recession. The HENRYs are also the gatekeepers for the future luxury market, but today they simply aren’t buying into it.”