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Survey Finds the Rich Returning to Familiar Spending Habits

Experts Say Recovery in Consumer Spending Will be Led By the Wealthy

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BATAVIA, Ohio. (AdAge.com) -- A year after the Lehman Bros. collapse sent financial markets and consumer spending reeling, conspicuous consumption isn't dead after all among the 23.9 million U.S. households with incomes of at least \$100,000.

Of course, it's still hurting: The 2009 Ipsos Mendelsohn survey of the affluent, being released a year to the day of the Lehman collapse, finds consumers in that income bracket planning less overseas travel than in 2008 (down 10%); fewer are planning on buying new cars (down 18%); and are less inclined to invest in securities (down 5%).

But even so, they are planning on doing all those things. The survey projects that someone in 12.2 million of wealthy households will journey outside the U.S. this year; 6.3 million will buy or lease new cars, trucks or SUVs; and 13.9 million will invest in stocks or mutual funds.

Feelings of optimism

Bob Shullman, president of Ipsos Mendelsohn, prefers a glass-full approach, noting that the vast majority of the affluent are still planning to buy big-ticket items. The Ipsos Mendelsohn affluent-tracking "barometer" also finds significant increase in the percentage of the wealthy feeling optimistic about the U.S. economy in the latest poll ending Sept. 1: 54% vs. 50% in April and July.

Despite pullbacks on spending plans in many big-ticket categories, the number of affluent individuals planning to marry, get engaged, have children or retire remained unchanged from 2008 to 2009. It takes more than a recession -- something more like the Great Depression -- to change those numbers, Mr. Shullman said.

The number of affluent households in which someone plans to start a business, however, dropped around 24% to 1.7 million in 2009 from 2008. There are other numbers that aren't pretty -- and arguably fewer of the affluent will be as well -- what with a 40% decline in the number planning cosmetic surgery this year compared to last, down to around 600,000.

They could be saving up for surgery by shopping at Costco, which served 44.1% of U.S. affluent households at some point in the past year, up 2.8 points. The affluent are also

shopping at Walmart, but the percentage of the six-figure-plus crowd that shopped at the chain in the past year was actually down slightly from 2008, 0.6 points to 79.6%. Target and department stores all experienced much bigger declines.

Another surprise winner from the recession appears to be magazines and newspapers -- at least in terms of wealthy readers, if not ad dollars. The average number of publications read by the affluent increased from 8 to 8.5 in 2009, and the average number of issues read rose from 17.9 to 19.2.

The wealthy weren't afraid of bad news. A surprise gainer of affluent eyeballs were the newsweeklies, with Time, Newsweek and U.S. News & World Report all seeing an increase in their affluent audience in the past year along with most business magazines.

The magazine readership appeared to come at the expense of TV viewership, which was down to 17.8 hours weekly among the affluent from 19.5 in 2008. Internet usage was also up to 23.7 hours weekly from 23.4 in 2008.

Aiding the recovery

Mr. Shullman said if a recovery is to come, particularly in consumer spending, it will have to come from households making \$100,000 or more. They may represent only 20% of U.S. households, but they control more than half of all income and are far less likely than everyone else to be restrained by tight credit markets.

"On average, the affluent are 2.6 times more likely to buy everything, and when they do, they spend 3.7 times more," Mr. Shullman said. "So I feel better looking at [the data] we're seeing now, than I would have three or four months ago."

| Annual income | % of total U.S. HH | Est. total household income |
|----------------------|---------------------------|------------------------------------|
| \$100K to \$149K | 12% | \$1.7 trillion |
| \$150K to \$249K | 6% | \$1.4 trillion |
| \$250K and up | 2% | \$1.5 trillion |
| Everyone else | 80% | \$3.4 trillion |

| What they're planning to buy/do* | 2009 | 2008 |
|---|-------------|-------------|
| Stocks/bonds/mutual funds | 13.9 | 14.7 |
| Trip/vacation outside U.S. | 12.2 | 13.6 |
| Buy/lease new vehicle | 6.3 | 7.7 |
| New home | 1.8 | 2.3 |
| Have a baby | 1.9 | 1.9 |
| Get married | 0.6 | 0.6 |
| Retire | 1.3 | 1.3 |
| Have cosmetic surgery | 0.6 | 1.0 |

* (in millions of households)

Based on stated intention to buy or do in each year.