

# The 2011 Discretionary Spend Report

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## Discretionary Spend Estimate

### Target consumers by actual spending

Marketers traditionally use income, net worth and income-producing assets to enhance their consumer targeting efforts. However, these data elements provide insight only into spending capacity, not how much is actually being spent. Consumers who appear nearly identical in terms of demographics may, in fact, vary widely when it comes to discretionary spending. Some are savers, some are spenders and some have more financial obligations than others.

Experian Simmons is pleased to announce the addition of the new Discretionary Spend Estimate to the [Simmons National Consumer Study](#) (NCS) and [Simmons National Hispanic Consumer Study](#) (NHCS). This new estimate will help marketers target consumers based on what their household spends annually on nonessential goods and services, not just financial capacity. Discretionary spending includes purchases of items such as tobacco, alcohol, education, reading, personal care, apparel, dining out, donations, household furniture and numerous forms of entertainment.

The ability to evaluate discretionary spending against any of the [60,000 consumer variables](#) measured in the Simmons NCS and NHCS provides marketers with an innovative approach for prospecting, consumer insight, profiling and segmentation by offering a new layer of transparency into how much consumers spend on nonessential expenses.

Discretionary Spend Estimates are also available for direct marketing applications to enhance your targeting efforts and can be combined with other demographics for database enrichment, profiling and existing customer marketing strategies.

In this report, we will:

- Profile consumers by annual discretionary spending
- Correlate household income with discretionary spending
- Explore financial and consumer preferences by discretionary spending
- Understand the mindset of consumers, by spending, including personalities and lifestyles, as well as attitudes towards advertising, media and shopping
- Identify media preferences of consumers with high discretionary spend

For more information about the Discretionary Spend Estimate, contact your Experian Simmons account manager or email [SimmonsMarketing@experian.com](mailto:SimmonsMarketing@experian.com)

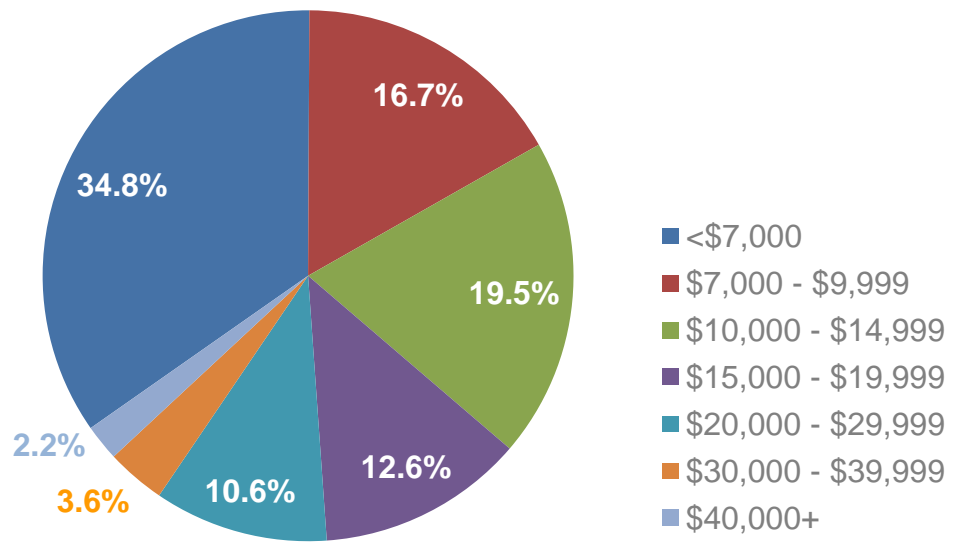
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## Overview

### The typical American household has \$12,800 in annual discretionary spending

An estimated, 28% of Americans' annual spending is on discretionary goods and services, including things like entertainment, dining out, personal care, etc. In fact, the typical U.S. household today shells out \$12,800 annually on such purchases. Over half of households nationwide (51.5%) spend less than \$10,000 on discretionary purchases each year, including just over a third (34.8%) that spend less than \$7,000 annually. Only 5.8% of American households spend \$30,000 or more per year on nonessential goods and services, including 2.2% that spend an impressive \$40,000 or more annually.

### Distribution of U.S. households, by annual discretionary spending

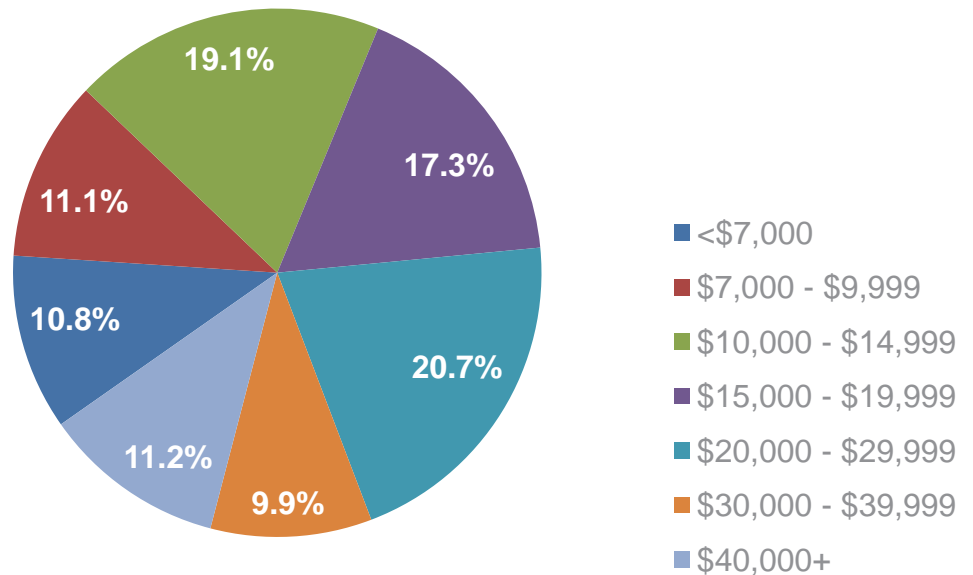


## Overview

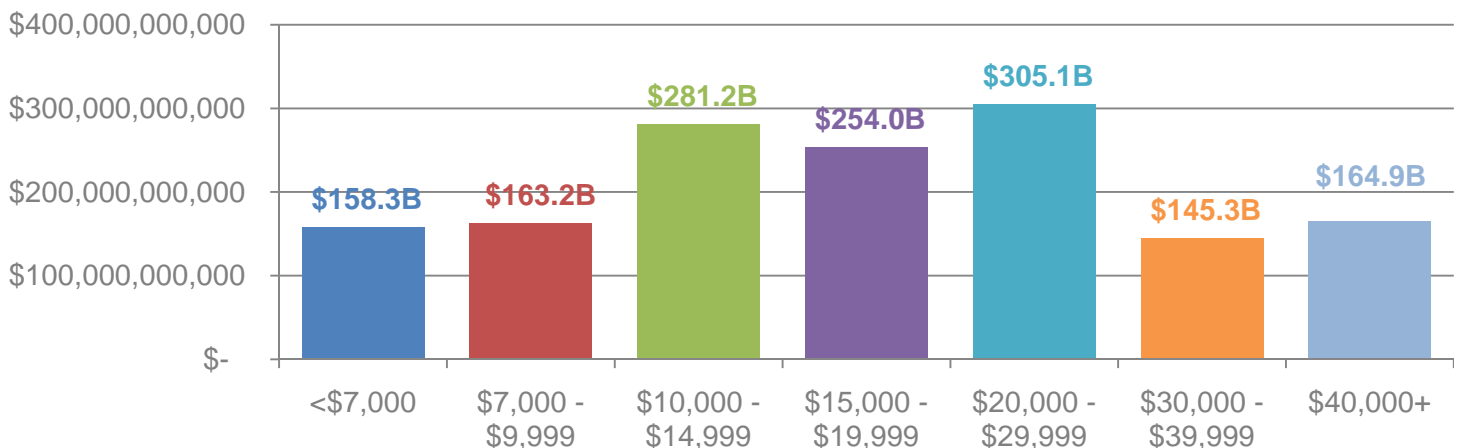
### Top 2.2% of spenders responsible for 11.2% of nation's total discretionary spending

In all, Americans spend an estimated \$1.47 trillion annually on discretionary goods and services. Despite the fact that households spending less than \$7,000 on nonessentials comprise over a third of all households, this segment of the population accounts for just 10.8% of total annual discretionary spending in the United States. Combined, households spending less than \$7,000 annually contribute \$158.3 billion in discretionary spending to the economy at large. Meanwhile, the top 2.2% of spenders (those households that spend \$40,000 a year or more on nonessentials) account for fully 11.2% of the nation's total annual discretionary spending. Households spending between \$20,000 and \$29,999 annually on nonessential purchases account for the largest single share of the nation's spending: \$305.1 billion (20.7%).

### Proportion of nation's total annual discretionary spending, by spend segment



### Total annual discretionary spend contribution, by spend segment

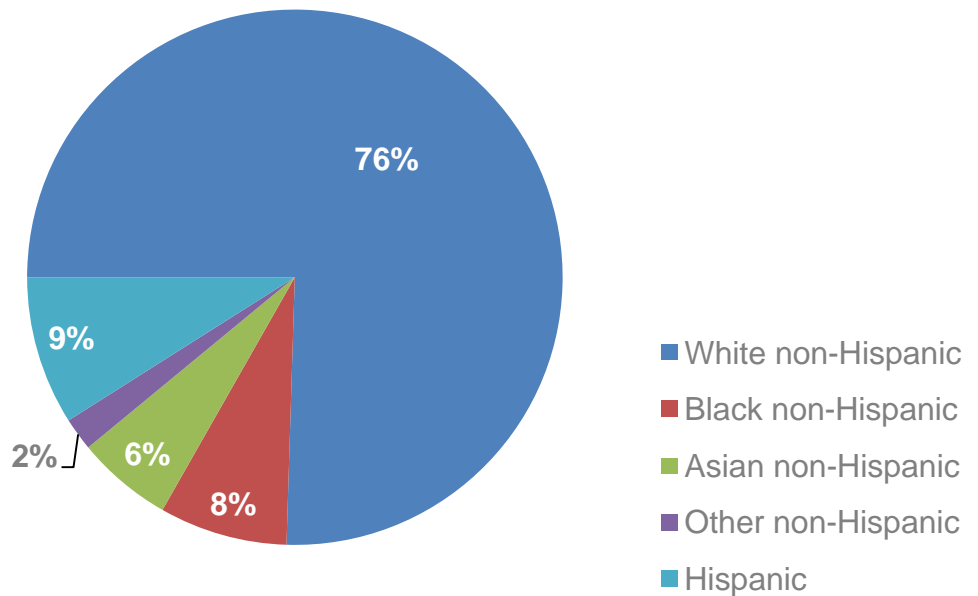


## Spending by Race/Ethnicity

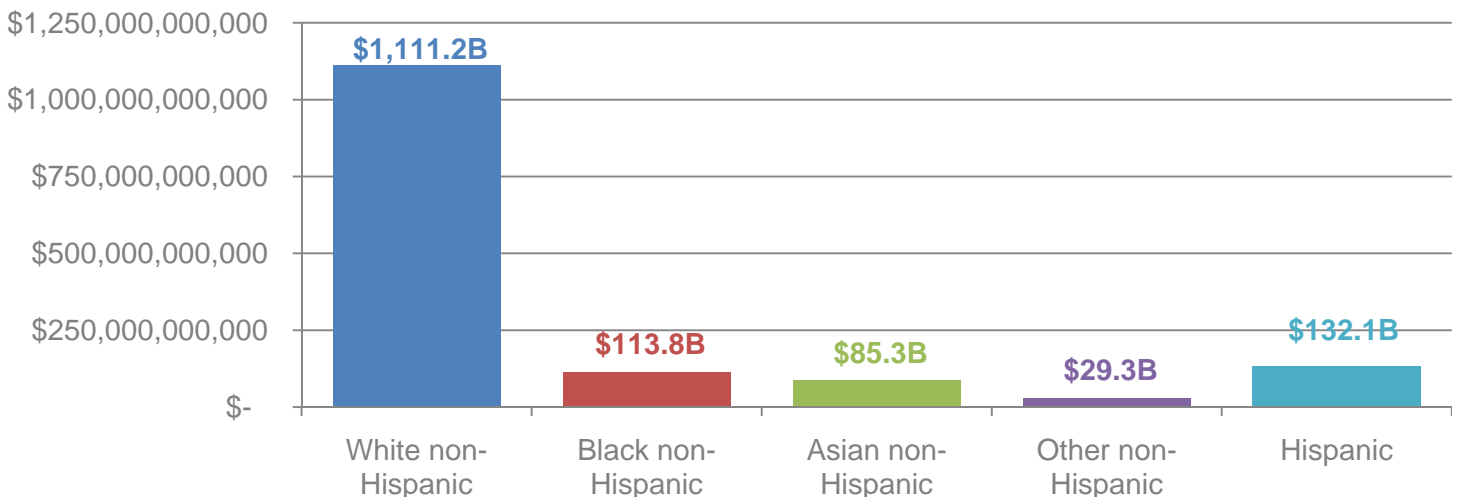
Hispanics contribute \$132.1 billion annually to economy through discretionary purchases

Hispanics have the highest discretionary spending of any racial/ethnic minority group. In fact, combined, Hispanic households are responsible for an estimated \$132.1 billion in annual discretionary spending, which is nine percent of the nation's total annual discretionary outlay. Non-Hispanic blacks, combined, contribute \$113.8 billion to the economy through nonessential purchases, or eight percent of the nation's total annual discretionary spending.

Proportion of nation's total discretionary spending, by race/ethnicity



Total annual discretionary spend contribution, by race/ethnicity

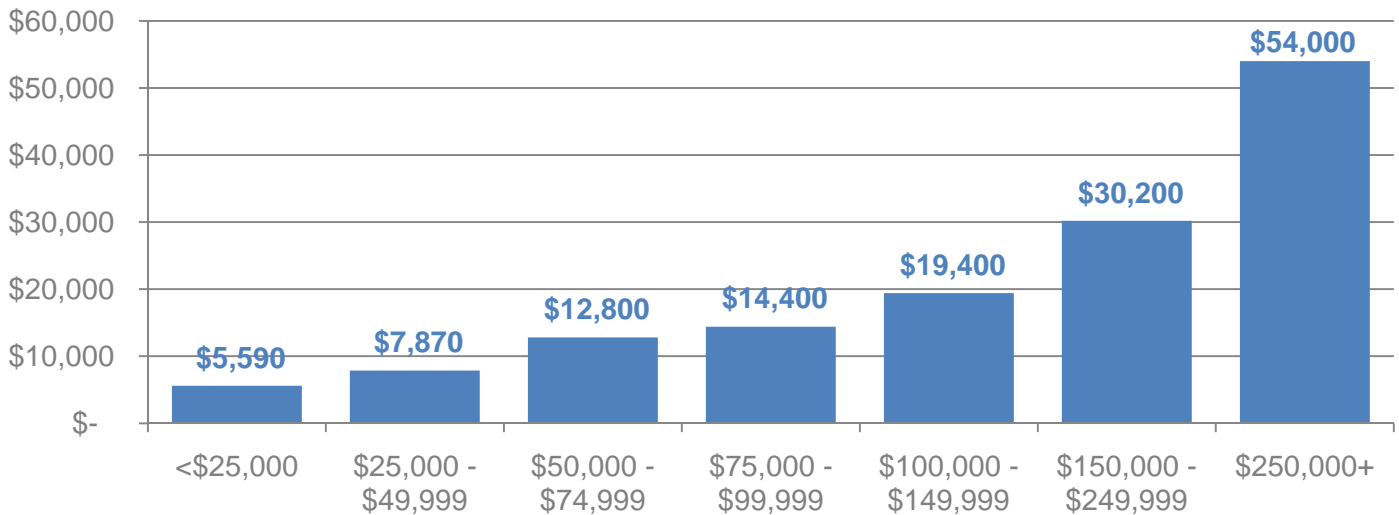


## Discretionary Spending by Household Income

### Highest income homes spend 10X more on discretionary goods than lowest income

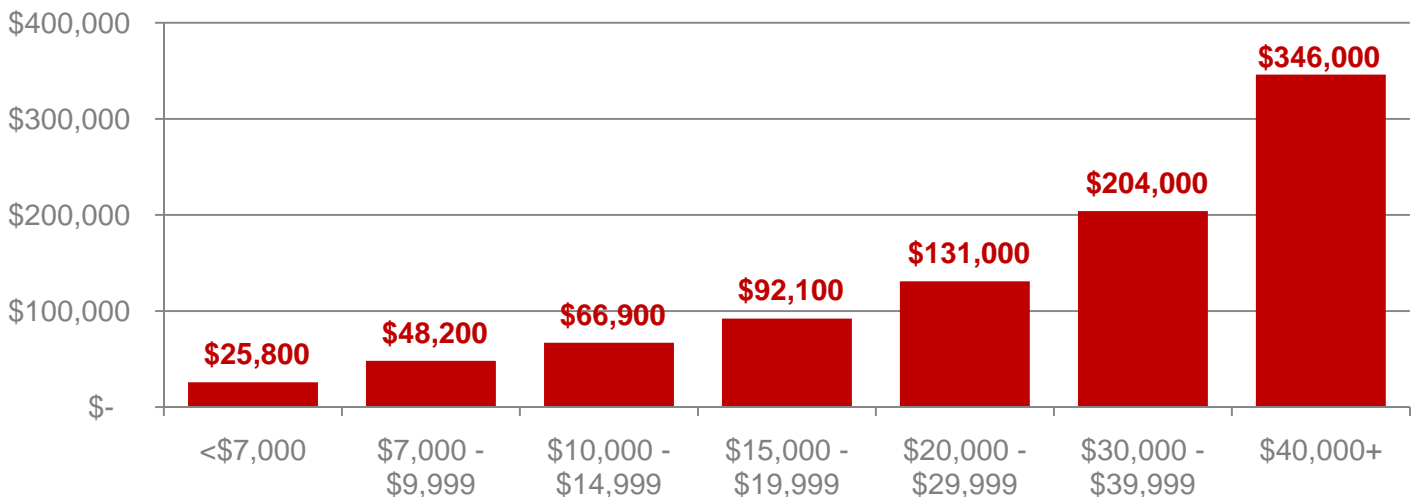
Discretionary spending generally correlates with household income, but just how much does a household typically spend on nonessential goods and services? Households with annual incomes below \$25,000 report an average of just \$5,590 a year in discretionary spending. By comparison, households with incomes of \$250,000+ a year spend an average of \$54,000 on nonessential goods and services, nearly 10 times that of the lowest income group.

Mean annual discretionary spending, by household income



From the other angle, we observe that the typical household with less than \$7,000 a year in discretionary spending has an annual household income of \$25,800. Households that have in excess of \$40,000 a year in annual discretionary spending have an average annual household income of \$346,000.

Mean annual household income, by discretionary spend



## Finances and savings

Take a peek inside the portfolios of American spenders

Top indexing financial products/activities, by annual household discretionary spend

<\$7,000	\$7,000-\$14,999	\$15,000-\$29,999	\$30,000+
<b>Average value of all household investments</b>			
\$18,800	\$43,400	\$90,300	\$157,000
<b>Credit Cards</b>			
• Have no credit cards at above average rates	<ul style="list-style-type: none"> <li>• Gas card</li> <li>• Department store card</li> <li>• MasterCard</li> </ul>	<ul style="list-style-type: none"> <li>• Airline affiliation card</li> <li>• American Express</li> <li>• Use card 6-19 times per month</li> </ul>	<ul style="list-style-type: none"> <li>• Airline affiliation card</li> <li>• American Express</li> <li>• Use card 20+ times per month</li> </ul>
<b>Bill payment</b>			
<ul style="list-style-type: none"> <li>• Pay by money order or cash</li> <li>• Pay by debit/pre-paid card</li> </ul>	<ul style="list-style-type: none"> <li>• Pay by check</li> <li>• Usually pay part due on credit cards (not just the minimum)</li> </ul>	<ul style="list-style-type: none"> <li>• Pay online</li> <li>• Usually pay full balance on credit cards</li> </ul>	<ul style="list-style-type: none"> <li>• Pay online</li> <li>• Usually pay full balance on credit cards</li> </ul>
<b>Banking</b>			
• Have no banking accounts at above average rates	<ul style="list-style-type: none"> <li>• Short term CDs</li> <li>• Non-interest checking</li> </ul>	<ul style="list-style-type: none"> <li>• Interest-bearing checking</li> <li>• Short term CDs</li> </ul>	<ul style="list-style-type: none"> <li>• Cash management account</li> <li>• Short term CDs</li> </ul>
<b>Investments</b>			
• Have no investments at above average rates	<ul style="list-style-type: none"> <li>• 401K</li> </ul>	<ul style="list-style-type: none"> <li>• 529 college savings</li> <li>• Company stock</li> <li>• Mutual funds</li> </ul>	<ul style="list-style-type: none"> <li>• International</li> <li>• 529 college savings</li> <li>• Bonds (any)</li> </ul>
<b>Loans</b>			
• Personal (non-educational)	<ul style="list-style-type: none"> <li>• New car</li> <li>• Mortgage</li> </ul>	<ul style="list-style-type: none"> <li>• Home equity</li> <li>• Mortgage</li> <li>• New car</li> </ul>	<ul style="list-style-type: none"> <li>• Home improvement</li> <li>• Home equity</li> <li>• Mortgage</li> </ul>
<b>Insurance</b>			
• Renters/tenants insurance	<ul style="list-style-type: none"> <li>• Traditional health coverage</li> <li>• Home owners</li> </ul>	<ul style="list-style-type: none"> <li>• PPO health insurance</li> <li>• Group life</li> </ul>	<ul style="list-style-type: none"> <li>• POS health insurance</li> <li>• Term life</li> </ul>
<b>Other</b>			
• Sent money to someone outside U.S.	<ul style="list-style-type: none"> <li>• Contribute to environmental or health organizations</li> </ul>	<ul style="list-style-type: none"> <li>• Contribute to educational organizations</li> </ul>	<ul style="list-style-type: none"> <li>• Contribute to arts, culture, humanities organizations</li> </ul>

## Purchases

### What's in America's shopping cart?

Households with high discretionary spending are, as expected, more likely to own most consumer goods, especially high end ones. However, many households with even the lowest levels of discretionary spending own or have made recent purchases in most categories, even high-end ones. For instance, 56% of households with annual discretionary spending of \$30,000 or higher own a flat panel LCD television set, which is 55% above the U.S. average. Still, 24% of households with spending below \$7,000 have an LCD set.

### Household ownership and use of select consumer goods, by annual discretionary spend

Electronics	<\$7,000	\$7,000-\$14,999	\$15,000-\$29,999	\$30,000+
Flat panel LCD TV	24%/67 index	36%/99 index	50%/138 index	56%/155 index
Traditional tube TV	62%/100	65%/104	60%/96	55%/89
Read eBooks	9%/90	9.7%/97	10.3%/103	17%/166
Own DVR	26%/72	37%/103	46%/127	53%/146
Disposable camera	19%/137	12%/88	10%/74	7%/53
Household	<\$7,000	\$7,000-\$14,999	\$15,000-\$29,999	\$30,000+
Have a dog	27%/73 index	41%/111 index	43%/117 index	47%/127 index
Bought infant furniture	4.7%/119	3.4%/87	3.6%/90	4.3%/108
Bought major appliance	16%/81	21%/108	21%/110	23%/119
Use water filtration	16%/71	22%/95	32%/141	32%/141
Bought seeds, bulbs or fertilizer	32%/64	55%/108	67%/132	70%/139
Automotive	<\$7,000	\$7,000-\$14,999	\$15,000-\$29,999	\$30,000+
Have only 1 car	46%/139 index	34%/102 index	19%/56 index	11%/32 index
Have 3 or more cars	10%/46	23%/110	30%/145	36%/175
Domestic full-size pick-up	7%/68	13%/128	11%/108	9%/86
Entry luxury vehicle	1.3%/34	3.3%/85	6.7%/174	11.3%/294
Motorcycle	5%/82	6%/92	8%/125	10%/157

\*Index of 100 is average



## Lifestyle and Personality

### Understanding the mindset of spenders

Consumers in high spending households not only have very different lifestyles, but even personalities from those in low spending households.

#### Percent who agree with select statements, by annual discretionary spend

Lifestyle	<\$7,000	\$7,000-\$14,999	\$15,000-\$29,999	\$30,000+
I often drink alcoholic beverages	19%/74 index	24%/92 index	34%/133 index	46%/177 index
Everything I wear is the highest quality	23%/89	23%/89	31%/121	39%/153
I consider my diet to be very healthy	36%/90	38%/93	46%/114	59%/146
I make a conscious effort to recycle	54%/88	59%/97	69%/114	81%/134
I'll try any new diet	14%/124	10.1%/89	9.7%/85	9.8%/86
Personality	<\$7,000	\$7,000-\$14,999	\$15,000-\$29,999	\$30,000+
I'm often chosen to be the spokesperson	26%/89 index	27%/91 index	35%/119 index	44%/151 index
I like control over people and resources	18%/86	20%/98	23%/111	31%/150
I like to drive faster than normal	24%/80	30%/100	36%/120	44%/144
I often drive by myself for a sense of freedom	33%/118	29%/102	22%/79	19%/68
A woman's place is in the home	18%/126	15%/104	9%/67	7%/49
Money is the best measure of success	25%/121	18.2%/89	17.7%/86	19%/95
I don't want responsibility, I'd rather be told what to do	16%/121	12%/95	11%/84	9%/71
I prefer to have as few possessions as possible	28%/122	22%/96	19%/82	15%/66

\*Index of 100 is average

## Attitudes

### Opinions on advertising, media and shopping

To connect with consumers, you have to understand their mindset. Consumers in high spending households are more likely to say advertisements are a waste of their time whereas low spending households are more likely to use products used by celebrities. Interestingly, both high and low spenders notice ads on taxis and buy what the neighbors approve of.

#### Percent who agree with select statements, by annual discretionary spend

Advertising	<\$7,000	\$7,000-\$14,999	\$15,000-\$29,999	\$30,000+
I use same products celebrities use	10.4%/ 150 index	4.8%/ 70 index	5.8%/ 83 index	4.1%/ 59 index
I would be interested in receiving ads on my cell phone	5.8%/138	3.1%/73	4.3%/102	1.5%/35
I often notice ads on taxis	17%/132	10%/75	11%/85	16%/127
Advertising is a waste of my time	21%/84	28%/109	27%/104	31%/123
Media	<\$7,000	\$7,000-\$14,999	\$15,000-\$29,999	\$30,000+
Magazines are my main source of entertainment	12.7%/ 130 index	9.0%/ 93 index	7.3%/ 75 index	6.3%/ 64 index
I read a newspaper most days	30%/93	31%/99	34%/107	40%/124
Shopping	<\$7,000	\$7,000-\$14,999	\$15,000-\$29,999	\$30,000+
I prefer to buy what the neighbors approve of	13%/ 120 index	9%/ 83 index	11%/ 95 index	12% 108 index
I tend to spend money without thinking	24%/117	20%/99	17%/82	16%/78
I do more shopping online than before	21%/61	35%/102	48%/140	54%/159
I prefer specialty stores because the employees are more knowledgeable	27%/92	29%/98	31%/107	39%/134

\*Index of 100 is average

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## Media Preferences

### Are you leaving money on the table?

When planning a media buy, high household income figures are generally attractive. But if marketers plan a media buy using household income alone, they're likely leaving money on the table. In a recent media analysis, Experian Simmons ranked 184 consumer magazine titles by their readers' average annual household discretionary spending as well as by readers' average annual household income. While 80% of the top 25 magazines ranked by discretionary spending were also in the top 25 when ranked by household income, 20% were not.

Readers of *Outside* magazine, the analysis showed, spend an average of \$18,389 a year on nonessential goods and services, making it the ninth best ranking magazine by readers' average annual discretionary spending. Meantime, *Outside* ranks only 33<sup>rd</sup> when ranking by average household income.

Having this additional layer of insight could help advertisers and agencies avoid wasteful spending by substituting media that perform better on spending and not just income. Other magazine titles that may also be overlooked if discretionary spending is not examined include: *Sunset*, *Bon Appétit*, *Consumer Reports* and *Architectural Digest*.

### Potentially overlooked magazines for reaching big spenders

Magazine title read*	Average HH Discretionary Spending	Discretionary Spend Rank (out of 184)	Average Household income	Household income rank (out of 184)
<i>Outside</i>	\$18,389	9	\$94,799	33
<i>Sunset</i>	\$18,254	10	\$89,464	47
<i>Bon Appétit</i>	\$17,435	17	\$88,304	50
<i>Consumer Reports</i>	\$17,145	22	\$90,024	46
<i>Architectural Digest</i>	\$16,623	25	\$92,696	37

\*Read or looked into in the last 6 months.

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