

## CONSUMER SPENDING

### **11.1 Consumer Contribution to the GDP**

According to the Bureau of Economic Analysis ([www.bea.gov](http://www.bea.gov)), real gross domestic product (GDP) – the output of goods and services produced by labor and property located in the United States – was \$18.56 trillion in 2015, or \$57,220 per capital. GDP growth was 2.4% in 2015. Consumer spending (i.e., personal consumption expenditures) was \$12.90 trillion, or 69.5% of GDP.

### **11.2 Spending Assessment**

According to the *Consumer Expenditure Survey*, published by the Bureau of Labor Statistics (BLS, [www.bls.gov](http://www.bls.gov)), average spending per consumer unit (which are similar to households) was \$53,495 in 2014, a 4.7% increase from the previous year. Spending was distributed as follows (change from previous year in parenthesis):

- Housing: \$17,789 (3.8%)
- Transportation: \$ 9,073 (0.8%)
- Food: \$ 6,759 (8.4%)
  - At home: \$ 3,971 (-2.2%)
  - Away from home: \$ 2,787 (6.2%)
- Personal insurance and pensions: \$ 5,726 (3.6%)
- Healthcare: \$ 4,290 (n/a)
- Entertainment: \$ 2,728 (9.9%)
- Cash contributions: \$ 1,788 (-2.5%)
- Apparel and services: \$ 1,786 (11.3%)
- All other expenditures: \$ 3,548 (8.6%)

The BLS provides regional consumer spending surveys for the following metropolitan areas: Atlanta, Baltimore, Boston, Chicago, Cleveland, Dallas-Fort Worth, Detroit, Houston, Los Angeles, Miami, Minneapolis, New York, Phoenix, Philadelphia, San Diego, San Francisco, Seattle, and Washington, D.C., available online at [www.bls.gov/cex/csxregreleases.htm](http://www.bls.gov/cex/csxregreleases.htm).

### **11.3 Spending Trends**

According to the *Consumer Expenditure Survey*, average annual household spending (in 2014 dollars) has been as follows:

- 2000: \$52,303
- 2006: \$56,833
- 2010: \$52,230
- 2011: \$52,312
- 2012: \$53,042
- 2013: \$51,929
- 2014: \$53,495

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**“The average household spent \$53,495 in 2014 – 3% more than in 2013, after adjusting for inflation. This is good news and it may signal an energized economy. Household spending reached an all-time high of \$56,833 in 2006 (in 2014 dollars). In the years since, average household spending has fallen fairly steadily, reaching a low of \$51,929 in 2013.”**

*Demo Memo, 9/3/15*

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By householder demographic, household spending in 2014 was as follows:

**Age**

- Under 25: \$32,179
- 25-to-34: \$49,547
- 35-to-44: \$62,512
- 45-to-54: \$65,651
- 55-to-64: \$56,267
- 65 and older: \$43,635

**Race/Ethnicity**

- Asian-American: \$62,784
- African-American: \$38,543
- Hispanic: \$45,561
- Caucasian: \$57,403

**Region**

- Northeast: \$57,027
- West: \$55,460
- Midwest: \$50,527
- South: \$45,956

## **11.4 Consumer Price Index**

The Consumer Price Index (CPI) is a measure of the average change in prices over time of goods and services purchased by households. The CPI assessment was initiated by the Census Bureau in 1977.

The CPI rose 0.7% in 2015 after a 0.8% increase in 2014. This is lower than the 2.4% average annual increase over the prior 10 years.

The overall CPI increased 1.0% for the 12-month period ending May 2016.

Changes for select items were as follows:

- Apparel: 1.0%
- Energy: -10.1%
  - Gasoline (all types): -16.9%
  - Fuel oil: -23.6%
  - Electricity: -1.3%
  - Utility (piped) gas service: -4.7%
- Food: 0.7%
  - Food at home: -0.7%
  - Food away from home: 2.6%
- Medical care services: 3.5%
- Medical care commodities: 2.2%
- Shelter: 3.4%
- Transportation services: 3.2%
- Vehicles, new: -0.2%
- Vehicles, used: -2.3%

The BLS reports changes in the CPI on a monthly basis ([www.bls.gov/cpi](http://www.bls.gov/cpi)).

## **11.5 Market Resources**

Bureau of Economic Analysis, 1441 L Street NW, Washington, DC 20230.  
(202) 606-9900. ([www.bea.gov](http://www.bea.gov))

*Consumer Expenditures*, Bureau of Labor Statistics.  
([www.bls.gov/news.release/cesan.nr0.htm](http://www.bls.gov/news.release/cesan.nr0.htm))

*Consumer Price Index Summary*, Bureau of Labor Statistics ([www.bls.gov/cpi](http://www.bls.gov/cpi))

# 12

## RETAIL SPENDING

### **12.1 The U.S. Retail Sector**

The U.S. retail industry encompasses more than 1.6 million retail establishments and employs more than 24 million people (about 1 in 5 American workers), according to the National Retail Federation (NRF, [www.nrf.com](http://www.nrf.com)).

### **12.2 GAFO Spending**

According to the Census Bureau ([www.census.gov](http://www.census.gov)) of the U.S. Department of Commerce, total U.S. retail sales were \$5.32 trillion in 2015, a 2.1% gain from 2014.

Sales at GAFO (general merchandise, apparel, furnishings, and other) stores were \$1.26 trillion in 2015, a 1.6% gain from 2014.

Total retail and GAFO sales have been as follows:

	<b>Total Retail</b>	<b>GAFO</b>
• 2005:	\$4.09 trillion	\$1.06 trillion
• 2006:	\$4.30 trillion	\$1.11 trillion
• 2007:	\$4.44 trillion	\$1.15 trillion
• 2008:	\$4.39 trillion	\$1.14 trillion
• 2009:	\$4.07 trillion	\$1.09 trillion
• 2010:	\$4.29 trillion	\$1.11 trillion
• 2011:	\$4.60 trillion	\$1.16 trillion
• 2012:	\$4.83 trillion	\$1.19 trillion
• 2013:	\$5.01 trillion	\$1.21 trillion
• 2014:	\$5.21 trillion	\$1.24 trillion
• 2015:	\$5.32 billion	\$1.26 billion

GAFO sales were distributed by month in 2015 as follows:

• January:	\$ 89.9 billion
• February:	\$ 89.5 billion
• March:	\$100.2 billion
• April:	\$ 96.3 billion
• May:	\$105.0 billion
• June:	\$ 99.7 billion
• July:	\$102.0 billion
• August:	\$107.8 billion
• September:	\$ 98.2 billion
• October:	\$103.3 billion

- November: \$115.3 billion
- December: \$149.1 billion

Retail sales in 2015 for stores in the GAFO categories were as follows (change from previous year in parenthesis):

- General merchandise stores, including leased departments (NAICS 452): \$673.0 billion (1.5%)
  - Superstores and warehouse clubs (NAICS 45291): \$439.3 billion (-0.9%)
  - Discount department stores, including leased departments (NAICS 452112): \$108.2 billion (-2.2%)
  - Variety stores and miscellaneous (NAICS 45299): \$ 68.3 billion (10.2%)
  - Conventional and national chain department stores, including leased departments (NAICS 452111): \$ 58.5 billion (0.5%)
- Apparel and accessories stores (NAICS 448): \$254.2 billion (0.2%)
  - Family clothing (NAICS 44814): \$ 97.8 billion (-1.6%)
  - Women's ready-to-wear (NAICS 44812): \$ 46.0 billion (7.5%)
  - Shoe stores (NAICS 4482): \$ 34.1 billion (10.4%)
  - Jewelry stores (NAICS 44831): \$ 30.5 billion (-9.2%)
  - Men's and boy's clothing (NAICS 44811): \$ 9.6 billion (6.7%)
- Sporting goods, hobby, book, and music stores (NAICS 451): \$ 89.0 billion (1.5%)
  - Sporting goods stores (NAICS 45111): \$ 46.5 billion (7.6%)
  - Hobby, toy, and game stores (NAICS 45112): \$ 18.8 billion (-6.9%)
  - Book stores (NAICS 451211): \$ 11.2 billion (-1.8%)
- Furniture and home furnishings (NAICS 442): \$103.4 billion (2.7%)
- Electronics and appliance stores (NAICS 443): \$103.8 billion (2.7%)
- Gift, novelty, and souvenir stores (NAICS 45322): \$ 18.5 billion (-9.8%)
- Used merchandise stores (NAICS 4533): \$ 17.2 billion (13.2%)
- Office supplies and stationary stores (NAICS 45321): \$ 14.5 billion (-15.2%)

Retail sales in non-GAFO retail categories in 2015 were as follows:

- Motor vehicles and parts stores (NAICS 441): \$1.107 trillion (4.7%)
- Food and beverage stores, not including restaurants (NAICS 445): \$ 668.7 billion (3.0%)
- Restaurants and drinking places (NAICS 722): \$ 622.6 billion (9.0%)
- Non-store retailers (NAICS 454): \$ 486.1 billion (1.1%)
- Gasoline stations (NAICS 447): \$ 432.6 billion (-18.9%)
- Building materials, home improvement and gardening equipment, and supplies dealers (NAICS 444): \$ 332.1 billion (1.1%)
- Health and personal care stores, including pharmacies and drug stores (NAICS 446): \$ 315.4 billion (5.7%)

### 12.3 E-Commerce

According to eMarketer ([www.emarketer.com](http://www.emarketer.com)), 164.6 million U.S. consumers shopped online in 2015, spending an average of \$2,973.

E-commerce buyer penetration has been, and is projected, as follows (source: eMarketer):

	2014	2015	2016	2017	2018	2019
• 14-to-17:	55.8%	57.2%	58.8%	59.8%	60.8%	61.5%
• 18-to-24:	71.0%	73.3%	75.6%	76.6%	77.3%	77.9%
• 25-to-34:	69.8%	71.6%	73.1%	75.1%	76.6%	77.7%
• 35-to-44:	71.6%	73.4%	75.6%	76.6%	77.5%	78.0%
• 45-to-54:	68.6%	70.8%	72.4%	75.4%	77.5%	79.5%
• 55-to-64:	64.4%	66.2%	68.6%	70.6%	72.5%	73.9%
• 65 and older:	38.8%	42.7%	45.9%	48.9%	50.3%	50.4%
• Total:	62.5%	65.0%	67.9%	68.9%	70.3%	71.1%

In a survey by the IBM Institute For Business Value ([www.ibm.com](http://www.ibm.com)), one-half of shoppers said they preferred shopping online.

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**“Shoppers are getting used to – and growing fond of – the online shopping experience. They enjoy the feeling of going to a favorite retailer’s webpage and opening tabs of different items to compare as they scroll down the page. They like the 1-2-3 browse, click and purchase experience.”**

eMarketer

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According to the U.S. Department of Commerce ([www.doc.gov](http://www.doc.gov)), e-commerce sales in the U.S. have been as follows:

	E-commerce Sales	Percent of Total Retail Sales	Growth
• 2005:	\$ 86.3 billion	2.3%	25%
• 2006:	\$114.6 billion	2.8%	33%
• 2007:	\$132.8 billion	3.2%	16%
• 2008:	\$132.3 billion	3.3%	no change
• 2009:	\$134.9 billion	3.7%	2%
• 2010:	\$167.7 billion	4.3%	24%

- 2011: \$194.7 billion 4.7% 16%
- 2012: \$225.5 billion 5.0% 16%
- 2013: \$264.3 billion 5.7% 17%
- 2014: \$304.9 billion 6.5% 15%
- 2015: \$341.7 billion 7.3% 15%

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**“Despite all this growth, online purchases remain a very small portion of retail sales. Over 90% of all United States retail commerce still takes place in physical stores.”**

*The New York Times*

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E-commerce sales by quarter in 2015 were as follows (change from same quarter in previous year in parenthesis):

- First quarter: \$ 74.9 billion (14.4%)
- Second quarter: \$ 78.8 billion (14.4%)
- Third quarter: \$ 81.0 billion (15.1%)
- Fourth quarter: \$107.1 billion (14.5%)

According to eMarketer, online retail spending in 2015 was distributed by product category as follows (change from previous year in parenthesis):

- Computer and consumer electronics: \$76.1 billion (14.5%)
- Apparel and accessories: \$59.7 billion (14.9%)
- Automotive and parts: \$36.2 billion (14.6%)
- Books, music, and video: \$31.5 billion (15.7%)
- Furniture and home furnishings: \$23.1 billion (13.7%)
- Health and personal care: \$19.6 billion (13.6%)
- Toys and hobby: \$13.8 billion (14.2%)
- Office equipment and supplies: \$ 9.3 billion (12.4%)
- Food and beverage: \$ 7.9 billion (12.6%)
- Other: \$70.1 billion (13.2%)

According to a survey by The Harris Poll ([www.theharrispoll.com](http://www.theharrispoll.com)), the following percentages of adults have made select purchases online:

	Female	Male	Total
• Clothing:	75%	63%	69%
• Digital content (movies, music, e-books):	56%	62%	59%
• Shoes and accessories:	60%	47%	54%

• Personal electronics:	43%	55%	49%
• Household electronics:	37%	49%	43%
• Cosmetics and personal grooming:	41%	28%	35%
• Prescription medications:	24%	27%	26%
• Specialty food and beverages:	24%	27%	25%
• O-T-C medications:	19%	18%	18%
• Groceries:	15%	16%	15%

By age, consumers have made purchases online as follows:

	18-36	37-48	49-67	68+
• Clothing:	68%	77%	70%	61%
• Digital content (movies, music, e-books):	65%	72%	53%	38%
• Shoes and accessories:	58%	60%	52%	38%
• Personal electronics:	57%	57%	44%	26%
• Household electronics:	44%	49%	43%	27%
• Cosmetics and personal grooming:	39%	41%	32%	20%
• Prescription medications:	18%	26%	27%	40%
• Specialty food and beverages:	25%	32%	21%	27%
• O-T-C medications:	18%	19%	17%	18%
• Groceries:	18%	23%	11%	16%

## **12.4 Back-to-School**

The back-to-school season typically is the second-biggest consumer spending event for retailers – behind the winter holidays – and can account for up to 15% of retailers’ annual sales. It is sometimes used to gauge the health of the upcoming holiday shopping season.

According to NRF, back-to-school (K-12) and back-to-college spending have been as follows:

• 2009:	\$17.4 billion	\$30.1 billion	\$47.5 billion
• 2010:	\$21.4 billion	\$45.8 billion	\$67.2 billion
• 2011:	\$22.8 billion	\$46.6 billion	\$69.4 billion
• 2012:	\$30.3 billion	\$53.5 billion	\$83.8 billion
• 2013:	\$26.7 billion	\$45.8 billion	\$72.5 billion
• 2014:	\$26.5 billion	\$48.4 billion	\$74.9 billion
• 2015:	\$24.9 billion	\$43.1 billion	\$68.0 billion
• 2016:	\$27.3 billion	\$48.5 billion	\$75.8 billion

According to NRF’s *2016 Consumer Intentions and Actions Survey*, conducted by Prosper Business Development ([www.goprosper.com](http://www.goprosper.com)), students and parents reported average spending of \$674 on back-to-school merchandise.

Back-to-school spending was distributed by category as follows:



	<b>Avg. Per Student</b>	<b>Total Spending</b>
• Apparel:	\$235	\$9.5 billion
• Electronics/computers:	\$204	\$8.3 billion
• Shoes:	\$126	\$5.1 billion
• School supplies:	\$108	\$4.4 billion

NRF's 2016 *Consumer Intentions and Actions Survey*, reported average student and parent spending of \$889 on back-to-college merchandise (excluding textbooks).

Back-to-college spending was distributed by category as follows:

	<b>Avg. Per Student</b>	<b>Total Spending</b>
• Electronics/computers:	\$211	\$11.5 billion
• Apparel:	\$137	\$ 7.5 billion
• Dorm/apartment furnishings:	\$114	\$ 6.2 billion
• Food, snacks and beverages:	\$106	\$ 5.8 billion
• Personal care items:	\$ 78	\$ 4.3 billion
• Shoes:	\$ 70	\$ 3.8 billion
• School supplies:	\$ 65	\$ 3.5 billion
• Gift cards/pre-paid cards:	\$ 58	\$ 3.1 billion
• Collegiate branded gear:	\$ 49	\$ 2.7 billion

## **12.5 Christmas Season Holiday Spending**

According to the National Retail Federation, more than 90% of Americans celebrate either Christmas, Kwanzaa or Hanukkah.

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**“The holiday season generally accounts for 20% to 40% of a retailer’s annual sales, according to the National Retail Federation, and Thanksgiving weekend alone typically represents about 10% to 15% of those holiday sales.”**

*The New York Times*

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According to the Census Bureau, year-over-year growth of December retail sales has been as follows:

	<b>Total Retail*</b>	<b>GAFO**</b>
• 2005:	6.2%	4.6%
• 2006:	3.0%	3.7%
• 2007:	3.1%	-0.3%

- 2008:       -6.8%       -6.0%
- 2009:       5.6%        1.4%
- 2010:       6.4%        3.2%
- 2011:       5.6%        4.0%
- 2012:       1.6%        0.6%
- 2013:       3.7%        1.8%
- 2014:       3.9%        1.9%
- 2015:       2.1%        1.5%

\* excluding motor vehicle and parts dealers

\*\* GAFO: (general merchandise, apparel, furnishings, and other)

According to the National Retail Federation, total holiday (November and December) retail sales (excluding autos, gas and restaurant sales) increased 3.7% to \$630.5 billion in 2015, significantly higher than the 10-year average of 2.5%. Holiday sales in 2015 represented approximately 19% of the retail industry's annual sales.

NRF's consumer spending survey found that the average shopper spent \$805.65 in 2015, up from \$802.45 in 2014.

Gift spending by recipient in 2015 was as follows:

- Family:                       \$462.95
- Friends:                       \$ 77.85
- Co-workers:                   \$ 25.95
- Other, including pets:       \$ 28.05

Fifty-six percent (56%) of holiday shoppers purchased non-gift items for themselves and/or others, spending an average of \$131.59.

Consumers also spent on decorations (\$53.02), greeting cards/postage (\$28.67), and food for holiday festivities (\$107.80).

Holiday shopping by retail venue in 2015 was as follows:

- Discount stores:                       55.9%
- Department:                           55.6%
- Grocery stores:                        44.1%
- Clothing or accessories stores:       33.4%
- Electronics stores:                    30.8%
- Drug stores:                            19.2%
- Craft and fabric stores:               18.8%

Forty percent (40%) of holiday shoppers began their holiday shopping before Halloween, 41% began their holiday shopping in November, and 19% began sometime in December.

Total holiday gift card spending was \$25.9 billion in 2015. According to NRF's *Gift Card Spending Survey*, the average person buying gift cards spent \$153.08, an 11.4% drop from 2014.

## **12.6 State-by-State Retail Spending**

According to the National Retail Federation, retail sales in 2015 were distributed by state as follows:

	<b>Pct. of National Total</b>	<b>Retail Sales</b>
• Alabama:	1.50%	\$ 48,849,750,000
• Alaska:	0.26%	\$ 8,467,290,000
• Arizona:	2.24%	\$ 72,948,960,000
• Arkansas:	0.91%	\$ 29,635,515,000
• California:	11.90%	\$387,541,350,000
• Colorado:	1.70%	\$ 55,363,050,000
• Connecticut:	1.25%	\$ 40,708,125,000
• District Of Columbia:	0.15%	\$ 4,884,975,000
• Delaware:	0.37%	\$ 12,049,605,000
• Florida:	7.30%	\$237,735,450,000
• Georgia:	3.01%	\$ 98,025,165,000
• Hawaii:	0.50%	\$ 16,283,250,000
• Idaho:	0.51%	\$ 16,608,915,000
• Illinois:	4.05%	\$131,894,325,000
• Indiana:	1.99%	\$ 64,807,335,000
• Iowa:	0.92%	\$ 29,961,180,000
• Kansas:	0.79%	\$ 25,727,535,000
• Kentucky:	1.26%	\$ 41,033,790,000
• Louisiana:	1.33%	\$ 43,313,445,000
• Maine:	0.51%	\$ 16,608,915,000
• Maryland:	1.99%	\$ 64,807,335,000
• Massachusetts:	2.34%	\$ 76,205,610,000
• Michigan:	3.10%	\$100,956,150,000
• Minnesota:	1.80%	\$ 58,619,700,000
• Mississippi:	0.89%	\$ 28,984,185,000
• Missouri:	1.97%	\$ 64,156,005,000
• Montana:	0.36%	\$ 11,723,940,000
• Nebraska:	0.62%	\$ 20,191,230,000
• Nevada:	1.14%	\$ 37,125,810,000
• New Hampshire:	0.67%	\$ 21,819,555,000
• New Jersey:	3.12%	\$101,607,480,000
• New Mexico:	0.62%	\$ 20,191,230,000
• New York:	5.93%	\$193,119,345,000
• North Carolina:	2.89%	\$ 94,117,185,000
• North Dakota:	0.25%	\$ 8,141,625,000
• Ohio:	3.39%	\$110,400,435,000
• Oklahoma:	1.00%	\$ 32,566,500,000
• Oregon:	1.27%	\$ 41,359,455,000
• Pennsylvania:	4.07%	\$132,545,655,000
• Rhode Island:	0.34%	\$ 11,072,610,000

• South Carolina:	1.36%	\$ 44,290,440,000
• South Dakota:	0.32%	\$ 10,421,280,000
• Tennessee:	2.10%	\$ 68,389,650,000
• Texas:	7.49%	\$243,923,085,000
• Utah:	0.84%	\$ 27,355,860,000
• Vermont:	0.25%	\$ 8,141,625,000
• Virginia:	2.63%	\$ 85,649,895,000
• Washington:	2.26%	\$ 73,600,290,000
• West Virginia:	0.54%	\$ 17,585,910,000
• Wisconsin:	1.80%	\$ 58,619,700,000
• Wyoming:	0.21%	\$ 6,838,965,000

## **12.7 Market Resources**

*Estimates Of Monthly Retail and Food Services Sales By Kind Of Business*, U.S. Department of Commerce. ([www.census.gov/retail/marts/www/marts\\_current.pdf](http://www.census.gov/retail/marts/www/marts_current.pdf))

National Retail Federation, 325 7<sup>th</sup> Street NW, Washington, DC 20004.  
(202) 783-7971. ([www.nrf.com](http://www.nrf.com))

*Quarterly Retail E-Commerce Sales*, U.S. Department of Commerce.  
([www.census.gov/retail/mrts/www/data/pdf/ec\\_current.pdf](http://www.census.gov/retail/mrts/www/data/pdf/ec_current.pdf))

*Retail Business Market Research Handbook 2017-2018*, Richard K. Miller & Associates, September 2016. ([www.rkma.com/report-detail.cfm?report\\_id=132](http://www.rkma.com/report-detail.cfm?report_id=132))

## AFFLUENCE PROFILE

### **47.1 Overview**

Consumers that comprise the luxury marketplace are typically categorized as follows:

- Upper-class: Top 20% of U.S. households
- Affluent: Top 10% of U.S. households
- Wealthy: Top 1% of U.S. households
- Rich: Top 0.1% of U.S. households
- Ultra-rich: Top 0.01% of U.S. households

### **47.2 Upper-Class Consumers**

The upper-class is typically defined as the highest quintile of households, or the top 20% of U.S. households.

A 2015 study by Edward N. Wolff, Ph.D., an economist at New York University, reported the highest quintile control 88% of wealth in the United States.

The Census Bureau reported the median net worth of the highest quintile is \$630,754. The median wealth of the highest quintile of households by age of householder is as follows:

- Under 35: \$153,616
- 35-to-44: \$448,824
- 45-to-54: \$654,229
- 55-to-64: \$889,867
- 65 and older: \$899,608

### **47.3 Affluent Consumers**

The wealthiest 10% of U.S. households are typically dubbed 'affluent.' The September 2014 *Federal Reserve Bulletin* put the total number of those millionaire households at 11.53 million. That makes virtually everyone in the top 10% of U.S. households a millionaire.

The top 10% of households hold 76% of wealth and the top 5% hold 62%, according to Dr. Wolff.

The top 10% of households, excluding the top 1%, controlled 34.6% of U.S.

wealth in 2013.

Affluent consumers saw their wealth increase in the aftermath of the Great Recession. The *Federal Reserve Bulletin* reported that the share of total income of the top 3% of Americans grew to 30.5% in 2013 from 27.7% in 2010. The top 3% saw their share of wealth rise from 44.8% in 1989 to 54.4% in 2013. The next 7%, who are wealthier than 90% of the rest of the nation, had a minimum net worth of \$941,700 in 2013.

Excluding the high-net-worth households, or the upper 1%, the affluent market is comprised primarily of people who are careful spenders and aggressive savers. They are generally not conspicuous or ostentatious consumers.

#### **47.4 Wealthy Consumers**

The top 1% of U.S. households are typically characterized as wealthy. There are 1.1 million households in this category.

These consumers have the following profile (source: American Affluence Research Center [[www.affluenceresearch.org](http://www.affluenceresearch.org)]):

- With an average annual income of \$982,000, they earn about 14% of the total income earned by all American households.
- They account for about 20% of all consumer spending.
- They have a minimum net worth of \$6 million.
- With an average net worth of \$15.3 million, they control 39.8% of the total wealth among U.S. households.

Dr. Wolff reports that the top 1% control 35% of wealth in the U.S.

#### **47.5 Rich and Ultra-rich Consumers**

The top 0.1% of households, excluding the top 0.01%, control 10.4% of U.S. wealth; there are 100,000 households in this category. The threshold for being in the top 0.1% is wealth of about \$20 million.

The top 0.01% of households control 11.1% of U.S. wealth. The 16,000 families in this category, often dubbed the 'ultra-rich,' possess \$6 trillion in assets, equal to the total wealth of the bottom two-thirds of American families. The threshold for being in the top 0.01% is wealth of about \$100 million.

#### **47.6 Spending By High-Net-Worth Households**

The *Affluent Barometer* by Ipsos ([www.ipsos-na.com](http://www.ipsos-na.com)) assessed annual spending by affluent consumers as follows:

- |                       |                              |
|-----------------------|------------------------------|
| • Automotive:         | \$398 billion (20% of total) |
| • Personal insurance: | \$227 billion (11% of total) |
| • Home and garden:    | \$208 billion (10% of total) |

• Education:	\$201 billion (10% of total)
• Groceries:	\$193 billion (9% of total)
• Travel:	\$170 billion (8% of total)
• Apparel, accessories, eyewear:	\$133 billion (7% of total)
• Computers, electronics, home entertainment:	\$115 billion (6% of total)
• Charitable donations:	\$ 96 billion (5% of total)
• Leisure, entertainment & dining:	\$ 91 billion (4% of total)
• Personal care & wellness:	\$ 55 billion (3% of total)
• Weddings:	\$ 25 billion (1% of total)
• Alcoholic beverages:	\$ 25 billion (1% of total)
• Watches, jewelry, fine writing instruments:	\$ 22 billion (1% of total)
• Skin care, cosmetics & fragrance:	\$ 21 billion (1% of total)
• Other:	\$ 57 billion (3% or total)

Luxury brand companies must take an entirely different approach when selling to the high-net-worth spender because they are a different breed from the general affluent consumer. They spend freely, and they spend frequently and extravagantly. They not only have the interest and the resources to purchase exclusive, expensive items, but their wealth – and often fame – adds a level of distinction to the luxury brands they are buying. It is becoming harder for the super-rich to differentiate themselves, and many of them go to greater lengths to make the statement that they are successful. Further, the ‘massification’ of luxury drives them to consume and splurge even more.

*The New Jet Set*, a report by *Elite Traveler*, included a survey of 661 high-net-worth individuals who own private jets. Participants in the survey, which was conducted by Prince & Associates ([www.russalanprince.com](http://www.russalanprince.com)), had an average income of \$9.2 million and a net worth of \$89.3 million. The following was average annual spending by this group for luxury goods:

• Fine art:	\$1.75 million
• Home improvement:	\$ 542,000
• Yacht rentals:	\$ 404,000
• Jewelry:	\$ 248,000
• Luxury cars:	\$ 226,000
• Events at hotels/resorts:	\$ 224,000
• Villa/chalet rentals:	\$ 168,000
• Hotels/resorts:	\$ 157,000
• Watches:	\$ 147,000
• Cruises:	\$ 138,000
• Fashion & accessories:	\$ 117,000
• Spas:	\$ 107,000
• Experiential travel:	\$ 98,000
• Wine and spirits:	\$ 29,000

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**“The thing that surprises me about the survey is the depth of their pockets. These folks don’t make financial decisions when making a luxury purchase. For them, it’s like me going to Starbucks.”**

Doug Gollan, Editor-in-Chief  
*Elite Traveler*

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*The New Jet Set* reported holiday season spending by survey participants – either for themselves or gifts – as follows:

- Yacht charters: \$367,000
- Jewelry: \$ 74,600
- Gifts to charity: \$ 62,100
- Villa and ski house rental: \$ 61,700
- Hotel or resort stay: \$ 54,600
- Watches: \$ 44,900
- Holiday entertaining: \$ 29,800
- Fashion accessories: \$ 29,100
- Wines and spirits for entertaining: \$ 14,200

The survey also found that 51% of the super-rich were planning to host an event or reception at a hotel, spending on average \$36,300, and 75% were planning to send gifts to the tune of, on average, \$29,200.



## POPULATION CENTERS OF U.S. AFFLUENCE

### 48.1 Most Affluent ZIP Codes

Based on data from the Internal Revenue Service ([www.irs.gov](http://www.irs.gov)), *The Washington Post* (May 2015) reported the highest income per tax return in the following ZIP codes (source: Internal Revenue Service [[www.irs.gov](http://www.irs.gov)]):

	# Returns	Income Per Return
• New York, NY 10104:	14	\$2,976,929
• New York, NY 10112:	294	\$2,239,881
• Miami Beach, FL 33109:	191	\$2,180,105
• New York, NY 10004:	1,336	\$2,118,766
• New York, NY 10153:	84	\$1,567,452
• New York, NY 10167:	97	\$1,412,072
• New York, NY 10158:	44	\$1,399,205
• Wilmington, DE 19898:	22	\$1,356,182
• New York, NY 10111:	505	\$1,234,972
• New York, NY 10151:	25	\$ 995,480
• Fresno, CA 93778:	29	\$ 955,345
• Universal City, CA 91608:	55	\$ 908,418
• Chattanooga, TN 37450:	19	\$ 865,579
• Dayton, OH 45423:	43	\$ 841,674
• Jersey City, NJ 07399:	82	\$ 809,817
• Corpus Christi, TX 78471:	31	\$ 782,419
• New York, NY 10271:	45	\$ 779,333
• New York, NY 10154:	124	\$ 765,202
• Memphis, TN 38157:	20	\$ 758,000
• Tallahassee, FL 32306:	53	\$ 749,566
• Northbrook, IL 60065:	132	\$ 725,371
• New York, NY 10152:	165	\$ 712,818
• Houston, TX 77010:	247	\$ 670,198
• Henderson, NV 89011:	68	\$ 665,559
• Foster City, CA 94400:	15	\$ 659,333
• Pittsburgh, PA 15259:	11	\$ 589,273
• New York, NY 10106:	108	\$ 578,259
• Fort Lauderdale, FL 33394:	35	\$ 565,314
• Tulsa, OK 74121:	27	\$ 560,259
• New Hyde Park, NY 11042:	176	\$ 556,392

• Dallas, TX 75247:	264	\$ 548,640
• Medina, WA 98039:	1,514	\$ 546,770
• Los Angeles, CA 90067:	3,141	\$ 546,672
• New York, NY 10155:	40	\$ 545,500
• Mill Neck, NY 11765:	360	\$ 544,244
• New York, NY 10020:	870	\$ 543,366
• Atherton, CA 94027:	3,738	\$ 537,684
• New York, NY 10105:	67	\$ 533,687
• New York, NY 10110:	573	\$ 533,480
• Incline Village, NV 89451:	1,362	\$ 529,403
• Minneapolis, MN 55440:	292	\$ 523,034
• Glenbrook, NV 89413:	261	\$ 507,318
• New York, NY 10165:	381	\$ 499,273
• New Vernon, NJ 07976:	761	\$ 497,928
• Chicago, IL 60604:	409	\$ 479,396
• Morristown, NJ 07962:	267	\$ 465,648
• Ross, CA 94957:	1,215	\$ 461,347
• Palm Beach, FL 33480:	6,564	\$ 457,517
• Memphis, TN 38124:	140	\$ 454,929
• Chicago, IL 60606:	1,064	\$ 452,781
• Oldwick, NJ 08858:	471	\$ 452,749
• Gibson Island, MD 21056:	173	\$ 450,012
• Lexington, KY 40580:	16	\$ 424,750
• Pensacola, FL 32581:	25	\$ 421,040
• Hunt Valley, MD 21031:	44	\$ 420,909
• Acton, ME 04000:	16	\$ 418,188
• New York, NY 10055:	127	\$ 417,795
• Greenwich, CT 06831:	7,465	\$ 414,686
• Kentfield, CA 94914:	195	\$ 410,995
• Greens Farms, CT 06436:	181	\$ 410,950
• San Francisco, CA 94111:	2,459	\$ 408,623
• Far Hills, NJ 07931:	1,564	\$ 401,311
• Weston, MA 02193:	3,316	\$ 400,922
• Old Westbury, NY 11568:	1,785	\$ 398,473
• New York, NY 10169:	232	\$ 395,897
• Boston, MA 02110:	2,111	\$ 395,215
• Roanoke, VA 24005:	10	\$ 394,400
• Wilson, WY 83014:	997	\$ 392,598
• New York, NY 10286:	38	\$ 388,447
• Dallas, TX 75270:	27	\$ 382,037
• Salt Lake City, UT 84133:	10	\$ 378,200
• New York, NY 10166:	190	\$ 375,511
• Boston, MA 02205:	221	\$ 374,597
• Jackson, MS 39272:	51	\$ 374,216

• Salt Lake City, UT 84145:	16	\$ 374,188
• Springfield, MO 65800:	17	\$ 372,353
• Minneapolis, MN 55415:	438	\$ 372,311
• Dallas, TX 75201:	2,364	\$ 372,255
• Rancho Santa Fe, CA 92067:	4,912	\$ 372,108
• Dumont, TX 79232:	18	\$ 368,611
• Charlottesville, VA 22905:	327	\$ 367,875
• Glenview, KY 40025:	90	\$ 367,022
• Portola Valley, CA 94028:	3,572	\$ 365,873
• Beaverton, OR 97076:	29	\$ 364,034
• Springfield, MA 01115:	50	\$ 362,480
• Minneapolis, MN 55402:	842	\$ 359,827
• Hartford, CT 06156:	20	\$ 358,050
• Purchase, NY 10577:	1,620	\$ 354,473
• Sea Island, GA 31561:	241	\$ 351,178
• Kenilworth, IL 60043:	1,315	\$ 348,016
• Lexington, KY 40583:	178	\$ 346,640
• Earth City, MO 63045:	15	\$ 345,800
• New York, NY 10175:	74	\$ 344,419
• Montchanin, DE 19710:	217	\$ 343,710
• Fort Wayne, IN 46866:	57	\$ 342,860
• Portland, OR 97291:	97	\$ 341,660
• Jacksonville, FL 32232:	62	\$ 339,145
• Boca Grande, FL 33921:	653	\$ 336,328
• New York, NY 10100:	35	\$ 334,200
• Indianapolis, IN 46282:	12	\$ 332,833

## **48.2 Most Expensive ZIP Codes**

*Forbes* has assessed the zip codes with the highest median home values annually since 2005. The 2015 list is as follows:

• Atherton (near Palo Alto), CA 94027:	\$10,564,038
• Sagaponack (the Hamptons), NY 11962:	\$ 7,416,538
• New York, NY 10012:	\$ 7,302,117
• Woody Creek, CO 81656:	\$ 7,020,893
• New York (Tribeca), NY 10013:	\$ 6,076,018
• Fisher Island Miami Beach), FL 33109:	\$ 5,560,077
• Woodside, CA 94062:	\$ 5,533,534
• Hidden Hills, CA 91302:	\$ 5,074,231
• Aspen, CO 81611:	\$ 5,003,783
• Hillsborough, CA 94010:	\$ 4,951,458
• Los Altos Hills, CA 94022:	\$ 4,927,038
• Alpine, NJ 07620:	\$ 4,867,731
• Belvedere, CA 94920:	\$ 4,626,731

- Beverly Hills, CA 90210: \$ 4,553,181
- New York, NY 10065: \$ 4,406,262
- Glenbrook, NV 89413: \$ 4,267,371
- Santa Monica, CA 90402: \$ 4,228,951
- Water Mill, NY 11976: \$ 4,221,615
- Cherry Hills Village, CO 80111: \$ 4,199,808
- Ross, CA 94957: \$ 4,178,846

### **48.3 Millionaire Households By State**

According to Phoenix Marketing International ([www.phoenixmi.com](http://www.phoenixmi.com)), 6,504,201 households, or 5.37% of all U.S. households, had assets of \$1 million or more in 2015. The number of millionaire households in each state in 2015 and ratio of millionaire to total households was as follows:

	<b>Total HH</b>	<b>\$1 million +</b>	<b>Ratio</b>
• Alabama:	1,919,962	84,802	4.42%
• Alaska:	273,225	18,726	6.85%
• Arizona:	2,510,996	120,315	4.79%
• Arkansas:	1,171,886	48,457	4.13%
• California:	13,097,549	772,555	5.90%
• Colorado:	2,127,178	124,514	5.85%
• Connecticut:	1,383,854	100,996	7.30%
• Delaware:	357,328	22,782	6.38%
• District of Columbia:	299,672	18,861	6.29%
• Florida:	7,839,517	383,290	4.89%
• Georgia:	3,755,662	175,557	4.67%
• Hawaii:	478,317	34,678	7.25%
• Idaho:	606,752	26,555	4.38%
• Illinois:	4,894,599	280,266	5.73%
• Indiana:	2,556,127	118,094	4.62%
• Iowa:	1,253,520	66,285	5.29%
• Kansas:	1,137,134	57,676	5.07%
• Kentucky:	1,756,596	74,389	4.23%
• Louisiana:	1,796,638	82,473	4.59%
• Maine:	562,629	27,881	4.96%
• Maryland:	2,237,507	172,249	7.70%
• Massachusetts:	2,638,781	179,657	6.81%
• Michigan:	3,915,936	188,705	4.82%
• Minnesota:	2,172,362	130,330	6.00%
• Mississippi:	1,133,798	44,626	3.94%
• Missouri:	2,418,499	111,483	4.61%
• Montana:	431,683	20,899	4.84%
• Nebraska:	748,590	39,007	5.21%
• Nevada:	1,054,251	48,230	4.57%

• New Hampshire:	527,269	35,846	6.80%
• New Jersey:	3,273,605	237,064	7.24%
• New Mexico:	811,365	39,321	4.85%
• New York:	7,502,148	437,889	5.84%
• North Carolina:	3,936,705	177,291	4.50%
• North Dakota:	318,190	18,492	5.81%
• Ohio:	4,651,051	221,667	4.77%
• Oklahoma:	1,520,327	69,158	4.55%
• Oregon:	1,585,295	78,099	4.93%
• Pennsylvania:	5,078,566	275,792	5.43%
• Rhode Island:	416,126	24,162	5.81%
• South Carolina:	1,899,618	85,731	4.51%
• South Dakota:	344,608	17,487	5.07%
• Tennessee:	2,580,393	114,295	4.43%
• Texas:	9,600,635	490,634	5.11%
• Utah:	945,290	50,903	5.38%
• Vermont:	260,540	15,435	5.92%
• Virginia:	3,201,996	215,451	6.73%
• Washington:	2,770,334	161,220	5.82%
• West Virginia:	767,361	33,259	4.33%
• Wisconsin:	2,336,787	116,648	4.99%
• Wyoming:	240,400	14,016	5.83%

#### **48.4 Millionaires By Metropolitan Area**

According to the *2015 United States Wealth Report*, published by Capgemini ([www.capgemini.com](http://www.capgemini.com)), the following metropolitan areas have the greatest number of individuals with assets of \$1 million and more:

• New York, NY:	963,000
• Los Angeles, CA:	364,000
• Chicago, IL:	282,000
• Washington, DC:	236,000
• San Francisco, CA:	222,000
• Boston, MA:	162,000
• Houston, TX:	150,000
• Philadelphia, PA:	146,000
• San Jose, CA:	136,000
• Dallas, TX:	126,000
• Detroit, MI:	116,000
• Seattle, WA:	98,000

### **48.5 Market Resources**

Capgemini, 623 Fifth Avenue, 33<sup>rd</sup> Floor, New York, NY 10022. (212) 314-8000.  
([www.capgemini.com](http://www.capgemini.com))

Phoenix Marketing International, 6423 Montgomery Street, Suite 12, Rhinebeck, NY 12572. (845) 876-8228. ([www.phoenixmi.com](http://www.phoenixmi.com))